

5 – AFFORDABLE HOUSING

1. **Program Area:** Program II – Community Services
2. **Agencies and Departments involved:** Housing and Community Services
3. **New or previously identified in earlier Strategic Financial Plans, if previously identified what has changed and why:** Previously Identified
4. **Description of the project/program – what it is and what it will achieve:**

Orange County is experiencing an affordable housing shortage that is impacting local residents and the business community. Assistance is needed to address the current situation, which can be summarized by the following statistics:

- In June 2003, only 21% of households were able to afford the median priced home in Orange County.
- Nearly half (47.5%) of renter households pay more than 30% of their income for shelter.
- Orange County is one of the least affordable Metro Statistical Areas in the United States. The hourly wage needed for a one-bedroom apartment (\$18.98) is equivalent to an annual income of \$39,478. As another example a resident earning minimum wage of \$6.75 would have to work 139 hours per week to afford the 2004 Fair Market Rent of \$1,220-\$1,342 for a two-bedroom apartment.
- In the past year, condominium prices and home prices in Orange County rose an average of 19.5%.

In addition, the lack of affordable housing is one of the primary barriers to business expansion, as well as attracting and retaining skilled employees in Orange County.

To address the issue of affordable housing, the Regional Housing Needs Assessment (RHNA) calls for the development of 22,687 additional housing units in the unincorporated areas of Orange County, which includes 4,084 units affordable to low-income households. To date the County has assisted in the development of 1,729 new very low-income affordable rental-housing units throughout the County. HCS continues to make strides in the development of affordable housing and is currently addressing the goal of developing 2,355 very low-income units over the next two years.

It is widely recognized that developments targeting residents at 50% of the Area Median Income (AMI) (very low-income) normally require a deeper subsidy to fill the financing “gap”. Traditionally, 75-80% of the total development costs for affordable housing projects are funded through 9% and 4% tax credits, HUD Homeless Assistance grants, tax-exempt bonds, conventional financing, and equity. The 20-25% unfunded “gap” in affordable housing projects must be covered by other resources such as local funding, fundraising, charitable grants, or other means of financing. HCS is committed to using existing funding streams and leveraging funds to fill the remaining funding “gap”. In 2003, the County was able to leverage an investment of \$6.3 million with over \$58 million in public and private funds to produce over 360 units of affordable housing and minimizing the per unit County subsidy to under \$20,000 per unit.

5. **Potential Funding Sources:** Currently, HCS has \$15.8 million available for future affordable housing development, which include CDBG, HOME, redevelopment set-aside funds, and \$2.1 million in Fund 15U. In addition, funding is available to developers from

the State, but many times it requires a local match. Other potential federal funding and assistance includes Section 8 Rental Assistance, community development programs, HUD 202 and 811 housing programs and homeless assistance grants. All of the above mentioned sources are not permanent resources and are subject to reduction through Federal and State budget processes.

6. **Cost – estimate and identify separately one-time and ongoing costs:** Current funding is made available from applicable funding sources and no general funds have been required.
7. **Community Awareness (stakeholders):** Housing and Community Services, Orange County residents, OC business community, and developers.
8. **Personnel – will the program/project require additional staffing? If so, estimate number of positions:** None at this time. However, if HCS continues to be awarded substantial amounts of new vouchers for the Section 8 Rental Assistance Program, staffing needs will be addressed through the annual budget process.
9. **Mandated or discretionary:** Discretionary. The County’s Housing Element which is required under state law provides strategies for the County to accomplish meeting the regional housing needs assessment goals. One of those strategies included \$34.8 million in general funds that has since been recaptured.
10. **Implementation period if funding were available:** If funding were available in 2004-05, the development of new units of affordable housing as a result of this funding would occur over a two to four year period of time depending on the size and scope of the construction and the successful leveraging of other financial resources.