

## 7 - Affordable Housing

**1. Program Area:**

COMMUNITY SERVICES

**2. Identify agencies and departments involved.**

Housing and Community Services

**3. Is the Strategic Priority new or previously identified in earlier Strategic Financial Plan; if previously identified, what has changed and why.**

Previously Identified.

With the approval of 60 acres dedicated to the County through the Rancho Mission Viejo (RMV) Development Agreement, there is an additional need for the County to identify on-going, long-term financing for affordable housing. Additional financing sources to fund the \$50,000 to \$75,000 per affordable unit will need to be identified in order not to jeopardize the development of this 60 acres (approximately 1800 units) in the future.

**4. Provide a description of the project/program - what it is and what it will achieve.**

Home prices and rents continue at an all time high, and the 2006 housing market continues to appreciate, creating additional pressure and affordability problems for Orange County residents.

- Orange County is the fifth highest rent county in the United States.
- In July 2006, the median price of all homes in Orange County was \$639,000.
- In June 2006, the average rent in Orange and LA Counties was \$1,510

The housing climate shows no signs of abating in the near future without direct collaborative efforts by the County, Cities, developers, and non-profits.

During the 2001 Strategic Planning Cycle, the Board of Supervisors identified the affordable housing crisis as its number two Strategic Priority and committed general funds over a four-year period beginning in FY 02/03. Unfortunately, in FY 02/03 the Board was faced with serious fiscal problems that necessitated the reallocation of the Affordable Housing funding to operational needs. Although general funds have not been committed, the Board's on-going support for affordable housing as a Strategic Priority has been instrumental in keeping the issue at the forefront.

Not only does this climate impact the residents of Orange County, it also has an impact on the business community. The lack of affordable housing in the County has a direct negative impact on attracting and retaining skilled employees for numerous corporations.

To address the issue, the Regional Housing Needs Assessment (RHNA) calls for the development of 22,687 additional housing units in the unincorporated area of Orange County, of which 2,950 units are needed for low-income households at or below 80% of the Area Median Income (AMI) and 4,084 are needed for very low-income households at or below 50% AMI. Based on the County's recent Housing Element Update status report, the 2,950 units needed for low-income households have been realized.

The difficulty in developing projects that focus on meeting the 50% AMI is the need for deeper subsidies to fill the "gap." Traditionally, 75-80% of the total development costs for affordable housing projects are funded through 9% tax credits, HUD SuperNOFA 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, or other means of financing.

In the past several years, a \$20,000 per unit subsidy was achieved due to the County's ability to effectively partner with Cities and developers to leverage funding. However, recent development trends show a need for additional subsidy due to the rising land and construction costs. Additionally, the County is focusing on developments in unincorporated areas, which will require substantially more subsidy per unit (up to \$50,000 to \$75,000 per unit depending on the size and type of development).

Through legislative efforts AB 661 became law in 2002. This County-sponsored legislation allows County Redevelopment housing funds to be invested in affordable housing projects anywhere in the County if specific conditions are met. However, the AB 661 legislation also requires the County to make diligent efforts in using redevelopment funds for affordable housing in unincorporated areas first.

Since 2000, HCS has issued NOFA's that have resulted in the Board of Supervisors approving 1,955 new units for financing, leveraging over \$335 Million.

HCS has aggressively pursued additional leveraging opportunities to fill the gap. Most recently, HCS has entered into an Memorandum of Understanding with the Health Care Agency (HCA) to utilize \$9.4 million in Mental Health Services Act (MHSA) one-time housing funds to address the housing needs of the homeless mentally ill.

The Housing Assistance Division of HCS increased rental assistance allocations in its Section 8 Rental Assistance Program between 2000 and 2003. HCS submitted three competitive applications to HUD and was awarded a total of 2,102 new Housing Vouchers. An additional 264 Vouchers were received to assist residents of three Opt Out projects. This expanded Section 8 rental assistance resources by almost 30%, enabling HCS to assist up to 9,619 households.

Additionally, the Board of Supervisors approved housing opportunities overlay zone regulations in January 2006, which allows the development of affordable housing on industrial/commercially-zoned property. The implementation of the overlay zone regulations was an obligation set forth in the County's Housing Element.

In previous Strategic Financial Plan write-ups, HCS has indicated that the need for additional "gap" financing from the County will be reevaluated on an "annual basis." To date, HCS has used local Redevelopment set-aside, Housing Authority Operating Reserves, Single Family Bond refinancing funds, and Federal CDBG & HOME funds to fill the financing "gap" in affordable housing without the use of general funds. However, starting FY 07-08, HCS estimates that they will have committed all financing other than HOME & Redevelopment funding.

Additionally, the development of the 60 acres (approx. 1800 units) through the RMV Development Agreement for rental affordable rental housing is estimated to need \$9,000,000 a year starting in 08/09. This increased demand for "gap" financing will require either additional Redevelopment (an increase in the 20% set-aside), general funds, and/or other financing sources to supplement the existing HOME & Redevelopment funding.

**5. Identify personnel - will the program/project require additional staffing? If so, estimate number of positions by classification.**

Not at this time. However, in the current FY 06/07 budget, and continuing with the FY 07/08 budget, the decrease in federal revenues and increase in staff and employee benefits has meant position deletions including one in the Housing Development section, which is directly involved in the development of affordable housing.

**6. Identify one-time costs (e.g. equipment purchase).**

Please refer to the attached spreadsheet for cost information.

**7. Identify potential funding sources (e.g., State, Federal, General Fund, fees).**

HCS currently has \$9.1 million in uncommitted housing funds available for the construction of affordable housing. These funds consist of HOME and

redevelopment set-aside funds (currently budgeted). The annual allocation of funds distributed to the County for affordable housing development is approximately \$1.4 million in HOME funds and approximately \$4,000,000 in redevelopment set-aside funding.

The funds available through State HCD housing programs, such as the Multifamily Housing Program (MHP) and the Emergency Housing Assistance Program (EHAP), funded through Proposition 46, have been exhausted. A new bond measure, Proposition 1C, seeks to continue these programs if passed in November. However, these State programs require local investment or matching funds to make a development competitive for funding. The County's ability to match or fund part of the gap affects how we leverage these resources to provide more affordable units in the County.

In addition to minimal state funding, HCS receives federal funding from a number of different federal programs such as the Section 8 Rental Assistance program and community development programs (e.g. CDBG, HOME, ESG).

HCS also receives local funding from the Orange County Development Agency (OCDA) for the administration and disbursement of local redevelopment dollars.

Please refer to the attached spreadsheet for funding information.

**8. Identify community awareness (stakeholders).**

Housing and Community Services, Orange County residents, OC business community, and developers.

**9. Is this program/project 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. Identify implementation period if funding were available.**

If funding were available in FY 07/08, 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. HCS anticipates being able to fund current developments with existing resources. However, beginning in FY 08/09, with the anticipated funding commitment for the first affordable housing units in the Ranch, HCS predicts that either additional Redevelopment (an increase in the 20% set-aside), or general funds, and/or another financing source under the County's control would be needed to supplement the existing HOME & Redevelopment funding.

**7 - Affordable Housing**

	<b>FY 06-07</b>	<b>FY 07-08</b>	<b>FY 08-09</b>	<b>FY 09-10</b>	<b>FY 10-11</b>	<b>FY 11-12</b>	<b>FY 12-13</b>	<b>FY 13-14</b>	<b>FY 14-15</b>	<b>FY 15-16</b>	<b>FY 16-17</b>
<b>I. Cost</b>											
One-Time Costs											
No One-Time Costs	0	0	0	0	0	0	0	0	0	0	0
Salaries & Benefits	0	564,813	581,757	599,210	617,186	635,702	654,773	674,416	694,649	708,542	729,798
Services & Supplies	0	379,367	383,160	390,824	398,640	398,640	398,640	398,640	398,640	398,640	398,640
Other Charges	0	11,055,820	12,456,886	16,000,000	14,000,000	11,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000
<b>Agency Ongoing Cost Total</b>	<b>0</b>	<b>12,000,000</b>	<b>13,421,803</b>	<b>16,990,034</b>	<b>15,015,826</b>	<b>12,034,342</b>	<b>10,053,413</b>	<b>10,073,056</b>	<b>10,093,289</b>	<b>10,107,182</b>	<b>10,128,438</b>
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<b>II. Non-General Fund Revenue</b>											
Intergovernmental Revenues	0	3,000,000	2,500,000	2,000,000	2,000,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
Other Financing Sources	0	9,000,000	6,000,000	6,000,000	5,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
<b>Agency Revenue Total</b>	<b>0</b>	<b>12,000,000</b>	<b>8,500,000</b>	<b>8,000,000</b>	<b>7,000,000</b>	<b>5,400,000</b>	<b>5,400,000</b>	<b>5,400,000</b>	<b>5,400,000</b>	<b>5,400,000</b>	<b>5,400,000</b>
<b>III. General Fund Requirement</b>	<b>0</b>	<b>0</b>	<b>4,921,803</b>	<b>8,990,034</b>	<b>8,015,826</b>	<b>6,634,342</b>	<b>4,653,413</b>	<b>4,673,056</b>	<b>4,693,289</b>	<b>4,707,182</b>	<b>4,728,438</b>
<b>IV. Staffing</b>											
No Positions	0	0	0	0	0	0	0	0	0	0	0

**Recommend \$1.2 million NCC per year for five years for a total of \$6 million. An additional \$1 million is available in Fund 15B.**