Cal HFA
California Housing Finance Agency

MIXED-INCOME PROGRAM

California Housing Finance Agency

JUNE 2020

Mixed-Income Program Summary

Since 2019, CalHFA's new Mixed-Income Program (MIP) has made commitments to 20 projects which would create 3,229 new units.

- All of them received CDLAC and CTCAC allocation, many of them in the February 2020/April 2020 rounds.

Four of these projects are already under construction; each of them took less than 12 months from application to construction start.

- Two of those four (Courtyards at Kimball and Arena Senior) took seven or less months from application to construction start.

In April, CalHFA compared these MIP projects to other new construction projects (Non-MIP) on CDLAC's award list for those rounds that also received state low-income housing tax credits and found:

- MIP projects are expected to have an average total development cost per unit (TDC) that is $119,000 less than the Non-MIP projects.
- The average Area Median Income (AMI) for the CTCAC/MIP regulated units in the MIP projects is expected to be 60% while the Non-MIP projects would average 48% of AMI.
- The public and soft debt layers in MIP projects are expected to be $127,000 less per unit than the Non-MIP projects.
- CalHFA MIP projects proportionally have 84% fewer units in areas of concentrated poverty.

Mixed-Income Program At A Glance

FUNDING:

The Mixed-Income Program (MIP) is funded by approximately $40 million in SB 2 funds on an annual basis and in 2020, a $200 million state tax reservation and additional funds from the one-time state budget allocation as part of AB 101.

PROGRAM DETAILS:

- Must serve a mix of incomes
- New construction only
- Used with bonds and tax credits
- Cannot be used with other state subordinate debt and/or subsidy unless approved by CalHFA. (State tax credits is an exception.)

APPLICATION PERIODS:

- Feb. 5, 2019 - May 1, 2019
- Over-the-counter applications were accepted for 2020

PROJECTS UNDER CONSTRUCTION AS OF 5/1/2020:

- Arena Senior (240 units in Sacramento)
- Glen Loma Ranch (158 units for families/seniors in Gilroy-Santa Clara County)
- Village at Burlingame (132 units for families/seniors in Burlingame-San Mateo County)
- Courtyards at Kimball (131 units for families in National City-San Diego County)

Total units: 661

Mixed-Income Program Report

INTRODUCTION

CalHFA's Mixed-Income Program (MIP) has been successful in following the intention of the legislation that established funding for the program and breaking through many of the barriers to production that have hindered California's ability to address its housing supply issues.

Senate Bill 2 (2017) provides an ongoing annual source of funds to CalHFA for the specified purpose of "creating mixed income multifamily residential housing." Senate President pro Tempore Toni Atkins, the author of SB 2, intended for the funds to address housing for the Missing Middle, telling The Associated Press: "This will make a difference for middle income families."

Assembly Bill 101 (2019) then provided a $200 million state tax credit reservation for CalHFA's Mixed-Income Program and funds specified to be used to "finance low- and moderate-income housing."

These specific intentions are addressed in the MIP guidelines and represented in the higher average AMIs expected to be served by the MIP projects (60%) as opposed to the Non-MIP projects (48%).

MIP also breaks down barriers to production by achieving construction starts that are timelier and more cost-efficient.

COST EFFICIENCY

CalHFA studied data for the first 20 MIP project applications to receive initial commitments in late 2019 and early 2020 and compared that to data from new construction projects that were on CDLAC's award lists in February and April 2020 and received state tax credits (Non-MIP projects).

The main takeaway from CalHFA's analysis is that the MIP projects have an average total development cost per unit (TDC) that is $119,000 less than the Non-MIP projects. MIP projects cost an estimated average of $428,000 per unit while the Non-MIP projects cost an estimated average of $547,000.

It should be noted that the study factored out the small number of units in the MIP projects that are true market-rate units so that units being compared are only those units restricted by CTCAC and MIP.

Furthermore, the amount of public and soft debt used in MIP projects is expected to be approximately $127,000 less than the amount used in the Non-MIP projects.

The public and soft debt layers in MIP projects are expected to be approximately $51,500 per unit. This figure includes:

- CalHFA MIP subsidy of $47,000 per unit
- Locality/HOME/CDBG funding of $4,500 per unit

The public and soft debt layers in Non-MIP projects are expected to be approximately $178,000 per unit. This figure includes:

- HCD funding of $52,000 per unit on average
- Locality funding of $105,000 per unit
- HOME/CDBG + AHP funding of $10,000
- Other soft debt of $11,000

In addition, the Non-MIP projects will receive approximately $265 million of rental subsidy over a period of 15-20 years.

TIMELINESS

Since they do not rely on other types of subordinate debt or rental subsidy, which add time to the process with the additional funding application submissions and requirements, MIP has also been effective in getting projects under construction quickly.

Despite the health and economic challenges presented by COVID-19, the first four MIP projects started construction less than 12 months after their application date.

Arena Senior, a 240-unit senior project in Sacramento, applied for MIP allocation on May 1, 2019 and began construction seven months later in December 2019.

Glen Loma, a 158-unit senior/family project in Gilroy, applied for MIP allocation on May 1, 2019 and began construction 11 months later in April 2020.

Village at Burlingame, a 132-unit senior/family project in Burlingame, applied for MIP allocation on May 1, 2019 and began construction 11 months later in April 2020.

Courtyards at Kimball, a 131-unit family project in National City, applied for MIP allocation on December 5, 2019 and began construction five months later in May 2020.

This quick turnaround between application and construction start is remarkable when compared to the average timeline of comparable projects, which can spend more than 12 months securing multiple subordinate debts and rental subsidy commitments prior to submitting the joint CTCAC and CDLAC application and up to 180 more days from the preliminary CTCAC and CDLAC allocations to close construction loan financing. Actions during these 180 days include finalizing loan underwriting, document negotiation, and permit issuance with the lenders, investors, and localities.

AREAS OF OPPORTUNITY

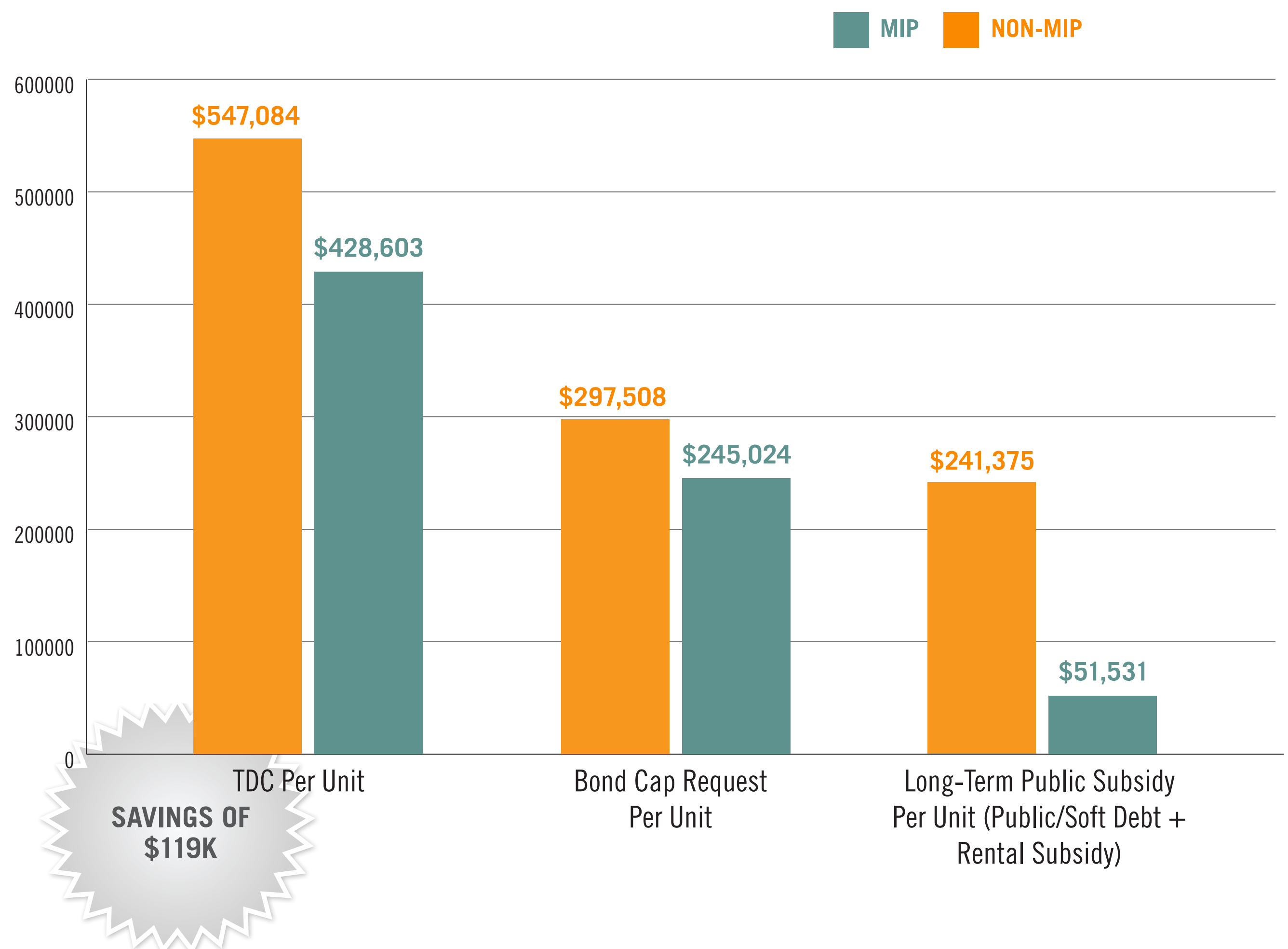
MIP projects are sprinkled throughout the state and a deeper analysis shows that they are more often located in areas of opportunity compared to Non-MIP projects. Just 6% of MIP projects are being built in high poverty areas, while 26% of Non-MIP projects are in high poverty areas.

When taking the number of units into account, MIP projects proportionally have 84% fewer units in areas of concentrated poverty.

Mixed-Income Program Efficiency Comparison

Projected averages for MIP Projects vs. Non-MIP Projects in a CDLAC Sub Pool

DEVELOPMENT COSTS



DEVELOPMENT TIME

14.8 MONTHS MIP

23.6 MONTHS NON-MIP

The figures represent the estimated time from the initial soft debt committment to the TCAC/CDLAC deadline for construction close.

The first 4 MIP projects actually went from application to construction start in 12 months or less.

Mixed-Income Program Income Levels

CALHFA MIP UNITS BY AREA MEDIAN INCOME (AMI)

CalHFA MIP projects are estimated to create 3,229 units across a range of income levels, but the bulk of the units (80%) will serve Californians making from 50-70% of their area median income.