

## Appendix C: Analysis of Housing at Risk of Conversion

The State Housing Element Law requires jurisdictions to analyze government-assisted housing that is eligible for conversion from lower income to market rate housing over the next 10 years. State law identifies housing assistance as a rental subsidy, mortgage subsidy, or mortgage insurance to an assisted housing development. Government assisted housing converts to market rate housing for a number of reasons including expiring subsidies, mortgage repayments, or expiration of affordability restrictions.

This section will address:

- An inventory of assisted housing units that are at-risk of converting to market rate housing
- An analysis of the costs of preserving and/or replacing these units
- Resources that could be used to preserve at-risk units
- Program efforts for preservation of at-risk housing units
- Quantified objectives for the number of at-risk units to be preserved during the Housing Element Planning Period

### 1. Inventory of At-Risk Units

Table D-1 lists assisted affordable units in the City. Of the eight projects, only one is considered to be at risk during the 2013-2023 period. This project, Amerige Villa Apartments, has 101 Section 8 units, which are on an annual renewal program.

Table D-1  
Assisted Housing Developments

Project	Address	Sec 8 Assist Units	Total Units	Program Type	Overall Exp Date	Financing	Loan Maturity Date	Owner	Risk Level
Acacia Villa (no City involvement)	1620 E. Chapman Ave.	0	0			232/223(f)	2/1/2037	Limited Dividend	None
<b>Amerige Villa Apts</b>	<b>343 W Amerige Ave.</b>	<b>101</b>	<b>101</b>	Sec 8 NC	7/25/2011	223(a)(7)/221(d)(4)M	12/1/2019	<b>Profit Motivated</b>	<b>Very High</b>
Cambridge Court Assisted Living (no City involvement)	1621 E. Commonwealth Ave.	0	0			232/223(f)	1/1/2037	Profit Motivated	None
Casa Maria Del Rio	2200 East Chapman Ave.	24	25	PRAC/811	5/31/2017	811		Non-Profit	Low
Evergreen At Fullerton (no City involvement)	2222 N. Harbor Blvd.	0	0			232/223(f)	8/1/2037	Profit Motivated	None
Fullerton Pointe Apartments (no City involvement)	1318-1424 S. Gilbert St.	0	65			207/223(f)	1/1/2040	Profit Motivated	None
Harbor View Terrace Apts (no City involvement)	2305 N Harbor Blvd	24	24	PRAC/811	5/31/2016	811		Non-Profit	Low
Windsor Gardens Care Center Of Fullerton (no City involvement)	245 E Wilshire Blvd	0	0			232/223(f)	1/1/2044	Profit Motivated	None
		<b>149</b>	<b>215</b>						

Source: SCAG based on California Housing Partnership Corp, 2012

## 2. Cost of Preservation Versus Replacement

There are many options for unit preservation: providing financial incentives to project owners to extend low income use restrictions, purchase of affordable housing units by or for a non-profit or public agency, or providing local subsidies to offset the difference between the affordable and market rate. Scenarios for preservation will depend on the type of project at-risk.

### a. Rental Subsidy

One strategy for preserving the affordability of units lost to conversion is to provide a rent subsidy to residents. To determine the subsidy needed, HUD Fair Market Rents were compared to the affordable rent for very-low-income tenants. According to HUD, the FY2013 fair market rent for a 2-bedroom apartment in Orange County \$1,621 per month. Based on an affordable monthly rent of \$1,204 for a very-low-income 4-person household, the affordability “gap” is \$417 per month. Therefore, the total monthly rent subsidy for a 100-unit apartment project would be approximately \$41,700 per month, or about \$500,000 annually.

### b. Replacement Cost

An alternative to providing rent subsidies is replacement of lost units either through new construction or purchase of existing units. Development costs vary based on location, land cost and unit size. For comparison purposes, a typical development cost of \$350,000 per unit is assumed. At this per-unit cost, development of a 100-unit project would require an investment of approximately \$35 million. Acquisition of existing units would likely be less expensive, depending on project location, age, condition and amenities. Assuming an approximate per-unit value of \$275,000, acquisition of 100 units would require an investment of \$27.5 million.

## 3. Resources for Preservation

A variety of programs exist to assist cities acquire, replace, or subsidize at-risk affordable housing units. The following summarizes financial resources available to the City of Fullerton.

### a. Federal Programs

- **Community Development Block Grant (CDBG)** – CDBG funds are awarded to cities on a formula basis for housing activities. The primary objective of the CDBG program is the development of viable communities through the provision of decent housing, a suitable living environment, and economic opportunity for principally low and moderate income persons. Funds can be used for housing acquisition, rehabilitation, economic development, and public services. In Fiscal Year 2012-13, Fullerton received \$ [REDACTED] in CDBG funds.
- **HOME Investment Partnership** – The City of Fullerton receives funds by formula from HUD to increase the supply of decent, safe, sanitary, and affordable housing to lower income households. Eligible activities include new construction, acquisition, rental assistance, and rehabilitation. In Fiscal Year 2012-13, Fullerton received \$ [REDACTED] in HOME funds.

- **Section 8 Rental Assistance Program** – The Section 8 Rental Assistance program provides rental assistance payments to owners of private, market rate units on behalf of very-low income tenants. Rental assistance through Section 8 certificates administered by the Orange County Housing Authority (OCHA), which is supported by Fullerton. Approximately 665 households currently receive assistance through Section 8 Housing Choice Vouchers.
- **Section 811/202 Program (Supportive Housing for Persons with Disabilities/Elderly)** – Non-profit and consumer cooperatives can receive no interest capital advances from HUD under the Section 202 program for the construction of very-low-income rental housing for seniors and persons with disabilities. These funds can be used in conjunction with Section 811, which can be used to develop group homes, independent living facilities and immediate care facilities. Eligible activities include acquisition, rehabilitation, new construction, and rental assistance.

### b. State Programs

- **California Housing Finance Agency (CalHFA) Multifamily Programs** – CalHFA's Multifamily Programs provide permanent financing for the acquisition, rehabilitation, and preservation or new construction of rental housing that includes affordable rents for low and moderate income families and individuals. One of the programs is the Acquisition Finance Program, which is designed to facilitate the acquisition of at-risk affordable housing developments and provide low-cost funding to preserve affordability.
- **Low Income Housing Tax Credit (LIHTC)** – This program provides tax credits to individuals and corporations that invest in low income rental housing. Tax credits are sold to those with high tax liability and proceeds are used to subsidize affordable housing. Eligible activities include new construction, rehabilitation, and acquisition of properties.
- **California Community Reinvestment Corporation (CCRC)** – The California Community Reinvestment Corporation is a multi-family affordable housing lender whose mission is to increase the availability of affordable housing for low-income families, seniors, and residents with special needs by facilitating private capital flow from its investors for debt and equity to developers of affordable housing. Eligible activities include new construction, rehabilitation, and acquisition of properties.

### c. Housing Successor Agency

In June 2011, Governor Jerry Brown signed the FY 2011-12 State Budget including several budget trailer bills. Specifically, one “trailer” bill attached to the Budget, Assembly Bill X1 26 (AB 26), affected Redevelopment Agencies statewide. AB 26, known as the “Dissolution Act”, immediately suspended all new redevelopment activities and incurrence of indebtedness and dissolved redevelopment agencies effective October 1, 2011. In response to the passage of AB 26, the California Redevelopment Association and League of California Cities filed a lawsuit challenging the validity and constitutionality of AB 26. On December 29, 2011, the California

Supreme Court issued its ruling on *California Redevelopment Association v Matosantos*, which upheld AB 26 and dissolved all of the redevelopment agencies in California effective February 1, 2012.

As the Governor's plan to dissolve Redevelopment came to fruition, the City Council passed a resolution on January 10, 2012, to have the City serve as the Successor Agency to the Fullerton Redevelopment Agency (Agency). Pursuant to Health and Safety Code Section 34176, the City was also given the option to retain all of the housing assets and functions of the former Fullerton Redevelopment Agency. On January 17, 2012, City Council approved Resolution No. 2012-07 to this effect. In June 2012, Assembly Bill 1484 was passed by the State Legislature and signed by Governor Brown. Assembly Bill 1484 added new requirements to the redevelopment dissolution process, including agencies needing to receive a "finding of completion" to move forward with former redevelopment housing projects/existing obligations, which can occur after preparing due diligence review audits approved by the Department of Finance that determine the amount of funds to be remitted to the State. The City has met all of the requirements of Assembly Bill 1484, including the remittance of \$7.6 million in former Agency housing funds to be distributed to all affected taxing entities, and was issued a finding of completion in May 2013.

#### **d. Qualified Entities to Preserve At-Risk Units**

A number of non-profit corporations currently working in Fullerton or in Orange County have the experience and capacity to assist in preserving at-risk units. These non-profits include:

- BRIDGE Housing Corporation (San Francisco)
- Civic Center Barrio Housing Corporation (Santa Ana)
- Jamboree Housing Corporation (Irvine)
- Mercy Housing Corporation (San Francisco)