



# Creating Community Controlled, Deeply Affordable Housing

A RESOURCE TOOLKIT FOR COMMUNITY ACTIVISTS &  
ALLIED COMMUNITY-BASED HOUSING DEVELOPERS

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## Executive Summary

Housing is a fundamental human need and human right. However, any hope that housing can be a profit-making commodity and still meet human needs has been exposed as a fantasy by COVID-19. One-third of the nation's households—30 to 40 million—were estimated to be at risk of eviction during the crisis.<sup>1</sup>

But our national housing crisis is so much more than just one terrible year. This problem has been devastating lives for decades, hitting households who are of extremely low-income (ELI) the very hardest, with Black, Indigenous, or persons of color facing the brunt of the hardship. They are more likely than white households to occupy the ELI sector and live on the edge of eviction.<sup>2</sup> No matter their race, ELI households are forced to pay a disproportionate share of their income on rent. Seven out of 10 of the 10.8 million renter households in that sector pay more than half of

their incomes on rent.<sup>3</sup> And the dearth of available housing compounds the problem. For each 100 ELI renters, only 37 affordable and available homes exist.<sup>4</sup>

But these households need not live on the edge. There exist already proven housing models that provide housing security: community-controlled housing. In addition to public housing and government subsidized housing vouchers, community-controlled housing, which involves community land ownership combined with rental, cooperative, or homeownership housing can provide stability amidst economic disruptions.<sup>5</sup>

Yet, none of these models get as much public subsidy as privately owned housing.<sup>6</sup> While homeowners enjoy significant subsidies through the mortgage interest deduction, government housing assistance for the ELI sector has been seen both as politically and practically unfeasible.

But this report shows it can change. Community activism is forging new models to provide and finance secure, long-term affordable housing to those who need it most.



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## THREE STAGES OF RENTAL HOUSING DEVELOPMENT

### Property Acquisition & Pre-Development

- 1 • Site Control
- Calculations of cost and financing for all stages

### Construction / Rehabilitation

- 2 • Equity (“cash”)
- Debt

### Operation

- 3 • Paying off Loans
- Maintenance — Repair
- Creating “reserves” for emergencies

The most common model of community-controlled housing utilizes a Community Land Trust (CLT) as landowner. The trust keeps housing affordable through a ground lease that sets resale prices and gives the trust the right of first purchase. It is governed democratically by those who reside on CLT land, those living nearby, and various professional and organizational stakeholders. This community and resident control change its operating culture. As its primary mission is housing, not profit or speculation, community-controlled housing is the means to permanent affordability *and* housing security.

ELI housing is challenging enough in a housing system that relies primarily on profit-incentives. Adding community land ownership makes it more challenging, as the institutions, public policies, and gatekeepers that currently dominate housing development finance are more familiar with private ownership. The CLT model, where private and collective ownership can co-exist on the same plot of land requires education, legal support, and financial hand holding.

Grass roots activists and community organizers nationwide are taking on those challenges, leading a new surge of interest in CLT housing, particularly for those households at ELI levels.

This report is a resource for them and the CLTs to which they connect. It provides a short education on each of the three stages of housing development, outlining the inter-connectivity of each stage and the dynamics that lead to the creation of housing that is called “affordable,” yet unreachable for ELI households.

The biggest challenge for ELI housing is the operations stage, as these costs usually are covered by rents and ELI rents must be kept low to be affordable. But operations costs are also impacted by the amount of debt incurred in the construction/rehabilitation stage that needs repayment. And if debt is used to cover property acquisition/pre-development, it can create a domino effect as successive stages need to cover debt incurred in prior ones.

This report examines a number of CLTs that have negotiated these stages successfully to reach ELI levels, and provides specific “case study” information on each. Like any ELI housing, these CLTs have utilized government subsidies at one or all three stages of development. In a time where federal help at each stage is becoming scarcer, these CLTs also have been activists in creating new

## SUMMARY OF CLT DEVELOPMENT FINANCE FINDINGS\*

### 10 Community Controlled Developments

<b>Total Units Produced #</b>	288 Residential Units
<b># at-risk units preserved</b>	57 units (5 preservation developments)
<b># new construction units</b>	231 units (5 new construction developments)
<b>Total Development Costs</b>	\$79,545,648
<b>Total Development Costs Per Unit</b>	\$276,200 per unit
<b>Total Annual Operating Costs/O.C. per unit</b>	\$2,337,408 / \$8,116 per unit
<b>% Units Affordable at or below 30% AMI</b>	67% 192 of 288 units developed

\* Table summarizes a scan across developers, within various localities, development types, funding models, building conditions, market types, and fees & costs.

state and local policies and resources to reach deeper levels of affordability.

The community-controlled housing developers in this report created or preserved a total of 288 residential units in the projects detailed here. Two-thirds of these units are affordable to ELI renters. This is outstanding, given the current state of federal, state and local subsidies.

While these community-controlled housing developers may resemble or even outperform other affordable housing developers in reaching ELI levels, they differ in two key commitments:

1. They keep the housing **permanently** affordable and retain public subsidies to ensure that; and
2. They keep tenants secure and not subject to involuntary displacement when market conditions change, or subsidies expire.

For these two commitments, CLTs should be prioritized and incentivized in all low-income housing finance programs as well as the private lending connected to them. For affordability and security are what we all seek in housing, and ELI households have gone too long without both.

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## Public Policy Recommendations

Operating subsidies are the key to ELI housing. We recommend:

- Expansion of all federal tenant-based assistance (vouchers), prioritizing project-based vouchers (PBVs) for community-controlled, permanently affordable housing. The priority is justified by the performance of community-owned models to date: they keep residents immune from displacement and are forever affordable. As the community-controlled sector gets to scale, this priority should lessen. At that point, Housing Choice Vouchers (HCVs) can eclipse PBVs, as voucher holders in search of housing will truly have a choice—between private and community models. The federal American Rescue Plan Act (ARPA), which provides over \$27 billion in emergency rental assistance and new housing vouchers, and \$5 billion for families experiencing homelessness is a recent and welcome first step.<sup>7</sup>
- Expansion of direct operating subsidies by all levels of government and prioritizing linkage to construction/rehabilitation subsidies. The latter subsidies, which usually have AMI housing ceilings from 50-80% AMI, produce housing at those ceilings because rents set at those levels can cover operating costs. Linked operating subsidies would enable producers

to move down from these AMI ceiling levels to the deeper floors needed for ELI households.

- Expansion of public subsidies for cross-subsidies, with a requirement of permanent affordability. Social housing in Europe involves government assisted housing with mixed incomes, thereby enabling cross-subsidy. LIHTC might be seen as a “pilot program” to this approach, when vouchers are used to get some units to ELI tenants, but LIHTC’s investor-oriented loopholes and time-limited affordability undermines tenant security. LIHTC loopholes should be closed and state plans that set priorities for LIHTC projects should give extra weight to projects that reach ELI households.

In the construction/rehabilitation realm, the greatest need is the reduction of debt. We recommend:

- Expansion of federal, state, and local programs that provide public equity, thereby reducing the debt that gets carried over into operating costs, making ELI rents challenging. A priority for developers that produce permanently affordable housing with little risk of involuntary displacement is justified. Again, federal ARPA can assist here, as it provides \$360 billion to State, Tribal, territorial, city and county governments to respond





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to public health emergencies, but with some flexibility.<sup>8</sup> Initiatives like Susan’s Place, where Champlain Housing Trust used federal CARES relief to acquire a hotel and establish permanent housing for those experiencing homelessness is a model for using such funds.

- Government “soft debt” programs, like those used in the west coast CLT projects examined here, also should be expanded.
- The public sector also can reduce hard debt interest rates with
  - Government loan guarantees,
  - Government purchase of private loans to developers that guarantee deep affordability and security of tenure, and/or
  - Public banking.

In the property acquisition/pre-development realm, we recommend:

- Occupied housing at-risk of transfer to the speculative market needs “quick money” for preservation. For the most part, government money is not quick, but money set aside in a “small sites” fund or other funds particularly for housing preservation can be operationalized for expediency. This must be expanded.
- Using private lending for property acquisition can be problematic as community developers might be forced to pay off debt at each subsequent stage of development, thereby risking rent levels unaffordable to ELI tenants. But

government tools can facilitate these loans and keep debt service costs low, such as

- Government loan guarantees,
- Government purchase of acquisition loans, and/or
- Public banking.
- The disposition of vacant housing or property that is government owned or saddled with tax liens must prioritize communities and people, not markets and private developers. Land Banks can be a tool for this, but must be imbued with community values, governance, and accountability structures.
- Given the history of redlining, blockbusting, racial covenants, urban renewal, and highway subsidies to assist with white flight, cities should transfer all publicly owned or controlled vacant property to community-controlled housing developers in areas that have long suffered from the lack of capital that racist housing policies incentivized.

Community activists and leaders will create other policy avenues to increase the amount of community-controlled housing. They should be free of housing development responsibilities, but aware enough to hold their development partners accountable. Community controlled ELI housing eventually will get to scale. And if the community leads, it will leave in its wake a changed housing landscape for ELI households, and the policies to sustain them.



# Introduction

In August 2019, over 200 activists from across the country came to New York City and spent two days sharing, discussing, and planning how community-controlled housing could become more affordable to extremely low-income households (ELI)—those with incomes at or below 30% of Area Median Income (AMI).

Community-controlled housing includes rental, cooperative and homeownership housing on community owned land, the most common model being Community Land Trusts (CLTs). CLTs keep housing affordable through a ground lease that sets resale prices and gives the trust the right of first purchase. Their traditional governance model involves those who reside on CLT land, those living nearby, and various professional and organizational stakeholders.

The 2019 gathering was entitled “Affordable for Whom?” calling out the myriad “affordable housing” programs across the nation that served households with incomes closer to 60-80% AMI. Sponsored by Partners for Dignity & Rights (formerly the National Economic & Social Rights Initiative), the Right to the City Alliance, and the New Economy Project, we hoped the mix of housing developers and community organizers devoted to community land ownership would produce new strategies to reach deep affordability.

The gathering was a huge success, though more community organizers attended than community developers. Attendees learned of different housing finance strategies—the Women’s Community Revitalization Project’s use of federal Low Income Housing Tax Credits, East Bay Permanent Real



Dario Albisa

Estate Cooperative’s creative community investor model, and SMASH Miami’s use of crowdfunding.

This report adds to that knowledge, compiling case studies of community-controlled housing initiatives that patched together funds for pre-development, construction/rehabilitation and operating costs to reach deep affordability. In some cases, the number of ELI units are less than five, other projects reached 30 to 60 ELI households.

In each development, the foundational elements of the CLT vision were preserved: resident and community ownership, and permanent affordability.



Since August 2019, we've seen COVID-19 expose the weakness of a low-income housing system based, for the most part, on absentee, for-profit ownership. Estimates indicate that 30 to 40 million households are at risk of eviction.<sup>9</sup> Those who have not already fallen through the cracks and loopholes of state and national moratoria await future court dates for months of rental arrearages.<sup>10</sup>

Many CLTs providing rental housing during this crisis have gone the extra mile to keep tenants housed.<sup>11</sup> During the Great Recession, the CLT model kept homeowners relatively immune to delinquencies and displacement, with CLT foreclosure rates at less than 1%, while subprime loan foreclosures reached 15.6%.<sup>12</sup> In short, people have less risk of eviction and foreclosure in community controlled housing. Community and resident control change its operating culture.

Combined with formula-based resale limitations, community-controlled housing is the means to permanent affordability *and* housing security. Community land ownership is transformative in a housing realm that is controlled by profit. But the institutions, public policies, and gatekeepers that currently dominate housing development make the path to ELI community-controlled housing difficult.

The struggle is well worth it. Each obstacle encountered provides the grist for new ideas, new policies, and new mobilizations. As we share and link them together, we build the vision and the people power to transform the system.

In the interim, the tensions in the current system must be worked out to achieve success. Community activists and affordable housing developers are generally cut from different cloths. Developers rely on financial calculations to soothe private and government actors who are risk averse, while activism and community action rely on risk-taking. But the worlds can come together and produce amazing results.

This report is evidence of that. But it is not a guide for activists to become developers. Activism can grind to a halt if community leaders are

## Combined with formula-based resale limitations, community-controlled housing is the means to permanent affordability *and* housing security.

required also to take on housing development. Ideal partnerships between the two groups will enable community members to learn the basics of development and guide development partners with more clarity and confidence. Eventually, the community will develop housing themselves.

We hope the following gives activists more knowledge to make informed policy demands and development decisions. We provide the financing details of each CLT project highlighted as potential tools for creative policy and for creative development. ELI housing and ELI housing policy require solving financing puzzles, given our current systems.

The Appendix provides a list of federal programs that may be utilized to cover the biggest challenge in ELI housing development: covering long-term operating costs. All programs listed need more resources and have their own shortcomings. Some states and localities are taking steps to move into the breach, but the demand outpaces the supply.

We must fight for more public and private resources and for new forms of economic democracy to govern their distribution. And as the examples shared here demonstrate, we often must fight hard to stitch together financing for even a small community project. But let us all take heart. This is contested terrain. It will not give an inch without our action, and that action eventually will bring it to a scale where all can truly have a choice about the type of housing they desire.

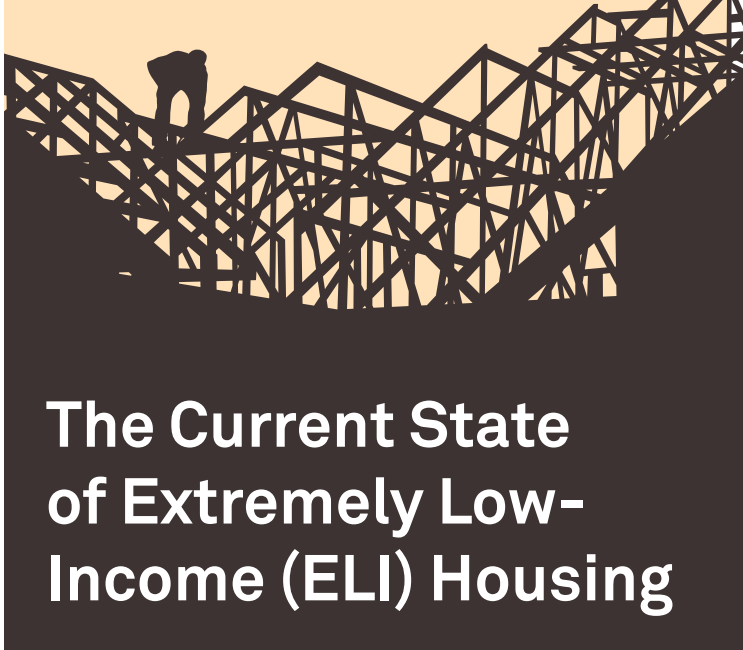


YEARS  
VACANT  
HOMES  
MIL. NEVER  
ENDING IN  
COMMUN

What could  
COMMUNI  
do with  
\$30 MILL  
Rehabbed Va  
3,000 p  
\$15/h







# The Current State of Extremely Low-Income (ELI) Housing

The affordable housing crisis is most dire amongst extremely low-income (ELI) households, both in terms of the lack of available units and high-cost burdens.

The National Low Income Housing Coalition reports that for every 100 low-income renters, 94 units are affordable and available (that is, not occupied already by a higher income group).<sup>13</sup> For ELI renters, however, the number dropped to only 37 affordable and available units for every 100 households.<sup>14</sup> In a different analysis, the Urban Institute concluded that the rental market provided only 21 adequate, affordable, and available units for every 100 ELI renter households.<sup>15</sup>

The affordability crisis is also evident in high rates of cost burden, particularly among ELI households. Severely cost-burdened households who spend more than 50% of their income on housing, leaving them with little to spend on other necessities. Seven in ten ELI renters (72%) are severely cost-burdened.<sup>16</sup> Black and Latinx renters are more likely than white renters to be cost-burdened.<sup>17</sup>

## HUD JARGON

**AMI:** Area Median Income, which are Department of Housing and Urban Development (HUD) set midpoints of income distribution in specific geographic areas. One half of households in these areas have incomes above the AMI, the other behalf below.

**Low-Income** household is one with income at or below 80% AMI.

**Very Low-Income** household is one with income at or below 50% AMI.

**Extremely Low-Income (ELI)** household is one with income at or below 30% AMI.

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## Federal Subsidies for Low-Income Housing

Federally funded Public Housing operated by local Public Housing Authorities (PHA) was once a mainstay of ELI housing, but over time has suffered from calculated neglect.<sup>18</sup> In 1974, federal priorities shifted toward tenant-based vouchers. In the mid 1990s, Hope VI program demolitions led to a net decrease in units, and in 1999, the

congressional *Faircloth Amendment* ensured this would not be reversed by prohibiting any net increase in public housing units.<sup>19</sup> Starved of federal funds for repair and maintenance, PHAs were allowed through the 2008 Rental Assistance Demonstration (RAD) to transfer public housing to private developers, who could use guaranteed



tenant subsidies from the PHAs to leverage investment for structural repairs.<sup>20</sup>

As noted by the National Low Income Housing Coalition in its *Advocates Guide 2020*,

Today, units are being lost through demolition and disposition (sale), mandatory and voluntary conversion to voucher assistance, and the cumulative impact of decades of underfunding and neglect. HUD officials regularly state that more than 10,000 units of public housing leave the affordable housing inventory each year.<sup>21</sup>

While there are roughly 1 million public housing units, there are about 2.3 million HUD vouchers, controlled by local PHAs.<sup>22</sup> The most common and well known are Section 8 Housing Choice Vouchers (HCV), which allow tenant mobility, but there are vouchers in seven other categories that are either limited by place or targeted beneficiary

(i.e., Veteran, Homeless, Returning Foster child). (See Appendix.)

Over the past four decades, the Low-Income Housing Tax Credit (LIHTC) program has emerged as the largest government funding program for the construction, rehabilitation and preservation of housing to **low-income** households. LIHTC encourages private investment in affordable housing, but affordability commitments are limited to either 15 or 30 years, and the most impactful 9% tax credits are awarded through competition, with points awarded via state Qualified Allocation Plans (QAP).

Worse, LIHTC rarely reaches ELI renters without an additional government-based tenant or project-based voucher. Currently, the LIHTC program sets ceilings of affordability at 50% to 60% AMI.<sup>23</sup> But as rents cover operating costs, LIHTC funded projects gravitate to these ceilings, rarely risking operating cost gaps by setting rents at ELI levels.

In fact, in research examining LIHTC, public housing, vouchers, and project-based voucher (PBV) related construction in 18 states, LIHTC households were typically less poor than those households receiving one of the other three subsidy programs. ELI households used 74% of PBV related construction units and 77% percent of public housing, while only 45% of them were assisted by LIHTC. Clearly, greater investments in vouchers and public housing would have a greater effect than LIHTC on the supply of ELI housing.<sup>24</sup> As currently structured, LIHTC generally fails to produce affordable housing for those who need it most.

**Seven in ten ELI renters (72%) are severely cost-burdened. Black and Latinx renters are more likely than white renters to be cost-burdened.**

In addition to LIHTC, federal programs providing subsidies for construction/rehabilitation of housing include the HOME Investment program, Community Development Block Grants (CDBG), Supportive Housing for the Disabled, Supportive Housing for the Elderly, Housing Opportunities for Persons with Aids, and Rural Housing programs. With the exception of Supportive Housing for Persons with Disabilities, AMI ceilings in these programs range from 50%AMI to 80%AMI.<sup>25</sup>

McKinney-Vento federal assistance for persons who are without housing also exists through the Emergency Solutions Grant (ESG), which provides rapid-rehousing, time-limited vouchers, and vouchers tied to supportive housing through local Continuum of Care plans and programs.<sup>26</sup>

Compared to the need, less than one public subsidy is available for every four lower-income households. Even this is an overestimate, however. As noted earlier, subsidies overlap: ELI



voucher-assisted households often live in LIHTC subsidized units. In Florida, for example, approximately 16% of the state's vouchers are used in LIHTC units, and roughly one in 10 Florida LIHTC units are paid for using a housing voucher.<sup>27</sup>

## Single Family Rentals

The federal subsidy programs overwhelmingly favor multifamily development, but single-family homes matter for ELI households as well. In fact, these rental homes are an important source of affordable housing across all income categories.<sup>28</sup> Unlike new construction, single-family homes enable expedient conversions that generally do not require approval and community support. As dense and multifamily developments for low-income persons are frequent targets for community opposition, single-family rentals have the potential to sidestep enemies and quietly increase permanently affordable housing in existing neighborhoods. But, as the next section indicates, securing housing development aid is the key. LIHTC,

for instance, includes single family homes but is subject to various rules and state priorities which have hindered its use with this housing stock.<sup>29</sup>

While “affordable housing” developers are often scapegoated by activists and advocates for developing housing available primarily only to those at AMI levels of 60-80% and foregoing the ELI group, an examination of the housing development basics and, more importantly, its current financing structures, show that often these developers have few alternatives.





# Housing Development for Rental Units: An Overview

Renovating or constructing housing is a multi-step process that involves planning, the assembly of money, and financial calculations to ensure that revenue covers cost.

For-profit developers will make sure those calculations show enough of a cushion to make a return on investment (ROI). Non-profit developers make sure that the numbers show enough cushion to maintain the housing over time. A CLT might partner with either type of developer or take on development itself. Both for- and non-profit developers generally get paid through developer fees, which are baked into private and public financing mechanisms. A CLT can negotiate splitting these fees or become its own developer, which will enable it to defray program expenses. Many CLTs have become developers themselves, using development fees to staff and maintain their own program services.

The basic cost groups and activities that need financing for any housing include property acquisition and pre-development planning, as well as construction/rehabilitation. But rental or co-op housing also will involve operating costs. While financing all stages is important, meeting operating costs is the keystone to reaching ELI households.

While current financing structures do not incentivize ELI housing development, up-and-coming CLTs also face competition from other established affordable housing developers. Gatekeepers to housing finance, both public and private, are risk-averse, assuaging their fears by choosing

experienced developers. Yet, establishing this track record first requires financing. The catch-22 can be resolved by partnering with more experienced developers and/or pushing policy makers to “carve out” or prioritize “small” or “new developers.” Baltimore’s Community Catalyst Grant program does this currently, though it needs expansion.<sup>30</sup> An ideal partnership involves a developer who will teach and include community leaders, thereby enabling the CLT eventually to take on development itself.

## THREE STAGES OF RENTAL HOUSING DEVELOPMENT

### Property Acquisition & Pre-Development

- 1 • Site Control  
• Calculations of cost and financing for all stages

### Construction / Rehabilitation

- 2 • Equity (“cash”)  
• Debt

### Operation

- 3 • Paying off Loans  
• Maintenance — Repair  
• Creating “reserves” for emergencies

## Property Acquisition and Pre-Development

Property acquisition, or “site control” as it’s known in the development realm, is the key to opening the doors of both public and private finance opportunities that will fund construction/rehabilitation costs and operating plans. Government controlled vacant property has been a favorite target of many grassroots groups, witness the success of Philadelphia Housing Action and Los Angeles Reclaimers.<sup>31</sup> In communities where real estate prices are high, government-owned or controlled property has become the most affordable target.

Privately owned properties were acquired in successful campaigns by both Moms4Housing and Inquilinxs Unidxs por Justicia (United Renters for Justice).<sup>32</sup> Privately owned vacant property encumbered by tax liens also may provide options for acquisition, depending on local government practices.

Other mobilizations have moved cities to develop acquisition programs for groups seeking to develop or preserve low-income housing, such as “small sites” funds or Oakland’s KK Bond funded program.<sup>33</sup> Tenant Opportunity to Purchase Acts (TOPA) or similar local laws for communities (COPA) can provide a legal foothold to acquire property, though related financing is key to advancing that foothold to property ownership.

Pre-Development activities vary by property and ultimate objective, but primarily involve planning and cost estimates. To secure financing help from either the government and/or private lenders, these cost calculations should span from the start of the project to 10-20 years down the road. In short, housing development planning includes sustainability planning. As both public and private money fear risk, viable plans are necessary to convince these gatekeepers.

This planning stage involves not only cost estimates, but it may also require seeking zoning and land use approvals, and assistance from those who know law, architecture, engineering, and construction. A single-family home that needs

moderate rehabilitation may require only an experienced contractor to help with plans and estimates. A new construction project, however, will require a number of different skill sets.

A *pro forma* is the term for a construction/rehabilitation and operating budget estimates that show projected costs and expected financing sources. (See *pro-forma* below and other *pro-forma* templates at the HUD Exchange website for **multi-** and **single family** housing.<sup>34</sup>) These are necessary to gain credibility and financing.

Any campaign or plan for acquisition should plan for success before it happens. Once property is secured, the need to pay property taxes, secure insurance and pay other fees may start immediately. These “carrying costs” may be minimal compared to the larger costs of rehabilitation and construction, but they can be challenging for grassroots and new CLTs. Ideally, a group should begin assembling allies who can help with carrying costs and pre-development activities while they plan acquisition strategies.



## SAMPLE PRO FORMA SINGLE FAMILY RENTALS

### Sample NSP Single-Family Rental Development Budget

Project Name: Sample Project Name  
 Developer: ABC Development Inc.  
 Address: Sample Project Address

#### USES

##### ACQUISITION

Acquisition: Land		\$5,000
Acquisition: Building		\$20,000
<b>Total Acquisition</b>		<b>\$25,000</b>

##### CONSTRUCTION

Contract with GC (incl profit, OH, gen conditions)		\$70,000
Bond Premium		0
Construction Contingency	10%	\$7,000
<b>Total Construction</b>		<b>\$77,000</b>

##### SOFT COSTS

Building Permit, License & Fees		\$300
Architect or Rehab Specialist - Specs/Estimates		\$600
Engineering		-
Environmental: Site-Specific Review		\$300
Acquisition Closing - Legal and Recording Fees		\$500
Title Search & Title Insurance		\$600
Survey		\$400
Appraisal & Analysis of Rent Comparables		\$600
Builder's Risk and/or Casualty Insurance		\$800
Carrying Costs - Real Estate Taxes		\$700
Carrying Costs - Utilities		\$600
Carrying Costs - Site Security		\$1,000
Carrying Costs - Grounds Maintenance		\$800
Furniture Fixtures & Equipment		-
Prefunded Replacement Reserve		\$1,500
Prefunded Operating and/or Rental Loss Reserves		\$1,350
Seller Legal and Recording Costs		\$400
Tenant Relocation		-
Rent-Up Marketing Costs		\$200
Other		-
Soft Cost Contingency	10%	\$1,065
Developer Fee	15%	\$17,057
<b>Total Soft Costs:</b>		<b>\$28,772</b>
<b>TOTAL DEVELOPMENT COST</b>		<b>\$130,772</b>

##### SOURCES

Supportable Debt (see Operating Budget)		\$27,425
Additional Sources of Funds:		
NSP Soft 2nd Mortgage		\$93,348
Owner/Investor Equity		\$10,000
Other		-

Green cells are user input. Other cells are automatically calculated values.

## Covering Property Acquisition & Pre-Development Costs

The political mobilizations and direct-action strategies used in Minneapolis, Philadelphia, Oakland, and Los Angeles that secured discounted acquisition of private or publicly owned properties might also target vacant properties held by local Anchor or Faith institutions. Of course, crowd-funding or other collective pooling of resources can be used to cover acquisition and pre-development costs, but this needs to be supplemented for CLTs to develop a sector that meets the need for ELI housing.

A sampling of government programs related to property acquisition shows a preference to support acquisition costs for “housing preservation,” not production of new housing.

Housing preservation preserves ELI or other housing from being “lost” to speculative market forces. This can include preserving publicly subsidized low-income housing, enabling tenants at risk of displacement to buy their own properties, assisting elderly homeowners with repairs and maintenance, or other strategies to prevent involuntary displacement. These strategies may involve any or all of the three stages of development, depending on the condition of the housing and whether loans are used to rehabilitate it. Any debt incurred in housing preservation will need to be paid off, usually through financing in the subsequent stages of housing development, which might eventually limit the possibility of keeping rents low. (See recent Policy Link report, *Our Homes, Our Communities: How Housing Acquisition Strategies Can Create Affordable Housing, Stabilize Neighborhoods, and Prevent Displacement*.<sup>35</sup>)

In D.C., residents using the Tenant Opportunity to Purchase Act (TOPA) can seek financial assistance through the D.C. Affordable Housing Preservation Fund. The fund provides short-term financing for acquisition and pre-development, targeting multi-family housing greater than five units where one-half of them are affordable to households earning up to 80% AMI.<sup>36</sup>

San Francisco’s “Small Sites” program makes funds available to tenants in small rent-controlled properties that are vulnerable to market pressure, assisting in conversion to permanently affordable housing.<sup>37</sup>

In Oakland, the Bond Measure KK Acquisition and Conversion to Affordable Housing (ACAH) Program provides loans to eligible borrowers for acquisition and rehabilitation related costs associated with protecting and preserving long term affordable housing. Approximately \$30 million is available under ACAH and is divided into two subprograms: \$12 million available for community land trusts and limited equity housing cooperative projects with 25 units or less, and \$18 million available for all types of affordable housing developers.<sup>38</sup> Oakland CLT took advantage of this funding. (See CLT Case Studies.)

But local public resources also can exist for property acquisition that doesn’t involve housing preservation. In New York City, a 1975 program authorized City takeover of vacant properties saddled with property tax liens. The East Harlem-El Barrio CLT has been able to use the program to acquire four apartment buildings at \$1 each to launch its community controlled low-income housing. (See CLT Case Studies: East Harlem-El Barrio CLT.)<sup>39</sup> Where they exist, State and local Land Banks usually acquire tax lien properties. A number have established relationships with CLTs.<sup>40</sup> Without community involved governance and accountability measures, however, Land Banks can become tools that favor disposition of land to for-profit, speculative developers.

## COVERING PROPERTY ACQUISITION & PRE-DEVELOPMENT COSTS FOR ELI HOUSING

- Organizing/Mobilizing that leverages cheap acquisition from Public or Private vacant property owners
- Low-cost acquisition of private vacant properties through tax lien or Land Banks
- Negotiated transfers with Anchor or Faith Institutions holding vacant property
- State & Local Housing Trust Funds
- State & Local programs
- Private collective-platform financing (pooled fund via crowd funding, share buying, etc.)
- Preservation/Acquisition: TOPA/COPA/ Small Sites Funds

At the state and local level, over 770 housing trust funds spanning 48 states have been created by policy makers and political mobilization.<sup>41</sup> These funds generally provide acquisition and pre-development assistance. A 2016 survey of state, county, and city housing trust funds showed that almost all survey respondents provided aid with property acquisition, while 45% to 66% also allowed some pre-development assistance.<sup>42</sup>

## Construction/Rehabilitation

Housing is expensive to build or renovate. Usually, it involves a mix of cash on hand, called “equity,” and loans—“debt.” “Public equity” involves governmental grants of cash from programs, or trust funds. Crowdfunding or similar strategies also can provide or add to the cash that makes up equity.

This mix of equity and debt is one of the key determinants of affordability. There is an inverse relationship between the two. As debt repayment usually requires monthly payments for interest and principal, these obligations become part of **operating costs** (see below) in rental projects. The higher these monthly debt payments, the greater pressure to set rent amounts high enough to



cover them. The lower the debt burden, the lower the rents.

The ultimate goal is no debt. While this is hard to accomplish, the Champlain Valley Housing Trust was able to do just that when it acquired and renovated a hotel to create permanent housing apartments. (See CLT case studies: Susan’s Place.)

**Hard and Soft Debt** Hard debt are loans where the borrower must pay the lender back regardless of what happens in the future. Soft debt are loans with low-interest rates or annual payment requirements, with the principal amount usually forgiven on fulfillment of certain conditions (i.e., the project remains affordable for 55 years). Soft debt is usually supplied through a public program, but similar private soft debt loans are possible. Oakland Community Land Trust has taken advantage of a city soft-debt program to help finance a number of its projects. (See CLT case studies.)

### Support with Construction/ Rehabilitation Costs: Public Equity & Other Options

Construction/Rehabilitation expenses are frequently called “capital” costs. While the federal government has over the last fifty years pulled back from providing capital assistance for low-income housing development, there are a few that still provide some capital aid: LIHTC (both 9% and 4% credits), the HOME Investment Program, Community Development Block Grants (CDBG), Supportive Housing for Persons with Disabilities, Supportive Housing for the Elderly, Housing Opportunities for Persons with AIDS (HOPWA), and Rural Housing (Sections 515, 514/16, 538).<sup>43</sup>

#### LIHTC

LIHTC consists of two credit programs. Its 4% credit program is tied to state “private activity” bonds and doesn’t involve competition with other credit applicants. It provides less equity than LIHTC’s 9% credit program, which involves a competitive application process whereby awards are

made in accord with priorities set by each state in its Qualified Action Plan (QAP).<sup>44</sup>

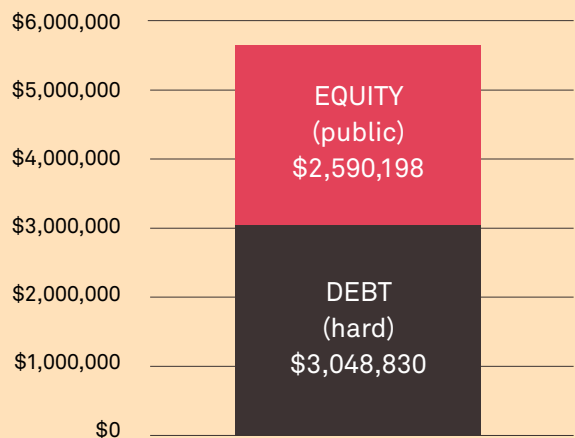
Successfully competing for the 9% LIHTC credit, which is sold to an investor with the proceeds going towards “equity” in the equity/debt mix, may be beyond the experience and capacity for many grassroots CLTs, but the Champlain Housing Trust and the Women’s Community Revitalization Project (WCRP) offer some hope that it may be possible at some point. (See CLT Case Studies: Garden St. Apartments, Mamie Nichols Townhomes, and Nicole Hines Townhomes.)

Regardless, even those using LIHTC as equity in construction/rehabilitation may also need operating assistance to reach ELI households. (See Operating Costs for further details.)

### CONSTRUCTION/REHAB COSTS: EQUITY-DEBT MIX

#### SOURCES OF FINANCING

Total Development Costs: \$ 5,639,028



**Equity** = grants, contributions, cash on hand—any money with no strings attached

**Public Equity** = equity from government

**Hard Debt** = loan with payback

**Soft Debt** = flexible loan where payback might not be required



The Champlain Housing Trust's Garden Street Apartments is typical. While Garden Street is affordable to those with low- and very low income, the project netted only two ELI units out of 60.

Unlike most LIHTC recipients, the Women's Community Revitalization Project (WCRP) in Philadelphia has found a way to make all housing units in at least two of its LIHTC projects available to those below 30%AMI. WCRP has created its own rental subsidy fund using developer fees paid to it. (See CLT Case Studies: Women's Community Revitalization Program.) WCRP is not a CLT, however, it plans to utilize a CLT model in one of their LIHTC projects to facilitate resident purchase of the housing units when affordability requirements expire. (See CLT Case Studies: Nichole Hines Townhomes.)

As noted, LIHTC priorities and points are set in state QAPs, and much advocacy remains to be done at that level to prioritize permanently affordable housing. Federal law requires units to be affordable for at least 15 years, with an "extended use period" of at least another 15 years, bringing the total to 30. **Where states do not mandate longer periods**, federal law allows an LIHTC investor to request sale of the property in year 14, giving

the local Housing Finance agency one year to find a buyer willing to maintain affordability restrictions for the remainder of the 30-year period. If no "preservation purchaser" can be found, the project can convert to market rate rents.<sup>45</sup>

## STATE AND LOCAL FUNDING

State, City and County housing trust funds have become prime sources of public equity for construction and rehabilitation costs.

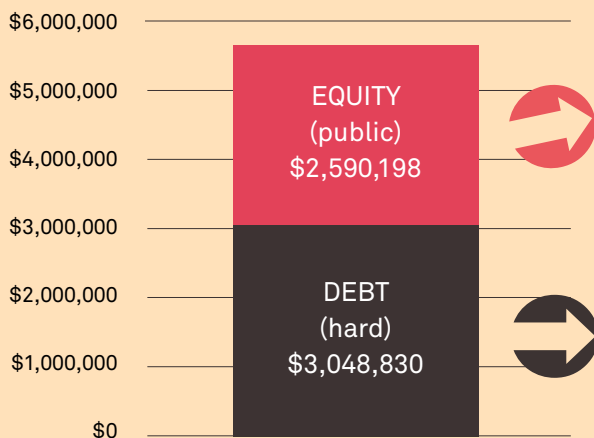
In Baltimore, citizen mobilizations created a local housing trust fund targeted to those with incomes below 30% and 50% AMI, as well as a local transfer and recordation tax hike to fill it.<sup>46</sup> Further mobilization resulted in the fund prioritizing Community Land Trusts during its first three years of operation.<sup>47</sup>

In Washington D.C. over 2,000 units affordable to ELI households were created or preserved using \$98.6 million of the \$244 million allocation of revenues in DC's Housing Production Trust Fund (HPTF) between 2006 and 2009. The city's Housing Production fund (which exists apart from its Housing Preservation Fund), targets

### COVERING CONSTRUCTION/REHAB COSTS: EQUITY-DEBT MIX

#### SOURCES OF FINANCING

Total Development Costs: \$ 5,639,028



#### EQUITY

- Federal LIHTC (9% & 4%)
- Federal HOME Investment Program
- Federal CDBG
- Federal Sec. 811 Disability
- Federal Sec. 202 Elderly
- Federal HOPWA
- State & local Housing Trust Funds and/or bonds
- Private collective-platform financing (pooled fund via crowd funding, share buying, etc.)

#### DEBT: Hard & Soft Debt

- CDFIs
- State/Local Trust Funds and/or Bonds
- Private Lenders
- Private "Offerings" (share purchase, etc.)

developments serving households with the lowest incomes, covers up to 49% of total development costs, and offers up to a six-month operating reserve for new construction. Affordable developers can access up to \$100,000 per unit from the fund. In D.C.'s high-cost market, direct operating assistance from the fund usually is combined with cross-subsidy arrangements. (See "Operating Costs" for further explanation.)

States and local bond issues also can be used to fund construction/rehabilitation of housing. General Obligation bonds, which are authorized in state or local "capital" budgets, are used for a multitude of public purposes such as public building construction or repairs, transportation infrastructure, parks and recreation, and government housing programs. Buyers of these General Obligation bonds effectively "loan" money to the government, receiving in return an annual payment that is tax exempt. Repayment of these

public debts are made through state and local taxes, not by the housing developer.

While a General Obligation bond can be used to put money in a Housing Trust Fund or provide funds for other local government housing programs, "Housing Bonds" are technically different and distinct. Housing Bonds are issued by a state or local **Housing Finance Agency** and are either Mortgage Revenue bonds (MRBs), which help finance first-time purchases of single-family homes, or Multi-Family bonds designed for rental housing at 50% or 60% AMI levels. Income affordability restrictions on these expire after 15 years. Housing bond information can be acquired through state and local Housing Finance Agencies.<sup>48</sup>

As equity is simply "cash," crowd-funding or other collective pooling of resources again can be used for individual projects, though it's difficult to bring community-controlled ELI housing to scale with those efforts alone.

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## Operating Costs

This is where the rubber meets the road for deeply affordable, ELI rental housing. Operating costs for a rental project involve maintenance, utilities, property taxes, insurance, administrative support, plumbing, janitorial duties, repairs, property management and debt repayment. Rental projects also must maintain a reserve fund for replacement expenses. All of these expenses, including debt, are paid primarily by rent payments. When tenants have incomes below 30% AMI, affordable rent payments (one-third of monthly income) often do not generate enough rental income to cover operating costs. Meeting operating costs while charging low rents is the gordian knot of ELI housing that needs to be untied.

There are different ways to handle this:

1. "Tenant based rental assistance," where the tenant pays a share of the rent (usually no more than 30 to 40% of their monthly income)

and the government pays the remainder of the rent, usually through a "voucher."

2. "Direct operating subsidy," where a federal, state or local program provides money specifically for "operating" costs.
3. "Cross subsidy" where units in the same building rent at different rates and higher rents offset or "subsidize" the lower rents. This can also include a mixed residential-commercial project where the commercial rent subsidizes residential units.

## Tenant Based Rental Assistance

This is the major source of funding for ELI housing operating costs. Federal vouchers include Housing Choice, Project-Based, Family-Unification, Non-Elderly Disabled, Tenant Protection, Veterans Affairs Supportive Housing, ESG Rapid Re-Housing, and Continuum of Care

Supportive Housing. The Housing Opportunities for Persons with Aids (HOPWA) also can be used for rental assistance.

Vouchers are a means to subsidize private landlords and exacerbate existing rental housing market dynamics that drive rents higher.<sup>49</sup> But the operating cost assistance they provide to a CLT is invaluable. Project Based Vouchers (PBVs), which are tied to a specific project, are consistent with CLT principles that subsidies should be tied to the land. The permanent affordability CLTs provide also eliminates another common Achilles' heel of vouchers: displacement when landlords convert rentals to ownership models or hike up rents to attract high market households.

Joe Biden, like many other Democratic presidential candidates, campaigned on making federal vouchers an entitlement for ELI households.<sup>50</sup> While this is ambitious in the current Capitol Hill environment, the recent American Rescue Plan (or “stimulus”) does provide an additional \$27 billion for new housing vouchers and emergency rental assistance.<sup>51</sup> It is up to activists and advocates to guide this expansion toward the housing sector that ensures permanent affordability, such as CLTs.

The gap between voucher needs and supply has prompted localities to move into the breach.



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## It is up to activists and advocates to guide this expansion toward the housing sector that ensures permanent affordability, such as CLTs.

The District Columbia established its own rental subsidy program in 2006 based on the federal Housing Choice Voucher program, the Local Rent Supplement Program (LRSP) administered by the D.C. Housing Authority. The LRSP includes two types of housing assistance: Tenant-based, and Sponsor-based (similar to Project-Based assistance). Up to forty percent (40%) of program appropriations may be allocated to sponsor-based vouchers, which may be used in conjunction with D.C. Housing Production fund assistance (as well as other subsidies) to reach ELI households.<sup>52</sup>

LRSP funding can cover up to 100% of the eligible rental apartments in any Sponsor-based housing. As with federal Housing Choice Vouchers, participating households pay 30% of their adjusted annual income for housing. LSRP covers the remainder. LRSP subsidies are contingent on the availability of funding, but when available the District's Housing Authority agrees to provide the subsidy in sponsor-based projects for an initial term of 15 years.

### Direct Operating Subsidies

There are a few federal programs that can provide direct operating subsidies, such as the HOME Investment Program, Supportive Housing for Persons with Disabilities (Section 811), Supportive Housing for the Elderly (Section 2020), USDA Rural Rental Housing (Section 521), and the McKinney-Vento Continuum of Care Moderate/Single Room Occupancy (SRO) program.<sup>53</sup> Their availability, of course, are subject to Congressional appropriation and to competition from other “affordable” housing developers. Each of these federal programs reach the states

through local agencies and local plans. (See Appendix: Federal Operating Subsidies.)

Again, state and local programs pick up some of the slack.

In Washington, the Operating and Maintenance Programs (O&M) of the Washington Housing Trust Fund and the Seattle Housing Levy Program provide additional layers of subsidy to support operating expenses for ELI housing. The source of the funding is a \$10 recordation fee on property transactions. A portion of the fee is placed into the “Affordable Housing for All” account and used to subsidize rent revenues for ELI households.

The Washington O&M funds are intended to supplement operating costs in developments that lack access to other federal programs. Developments using federal Project Based Vouchers or renting to tenants who use other federal vouchers are typically ineligible, though exceptions are made for compelling need. In the Seattle Operating and Maintenance Program, maximum funding of \$2,500 per home per year can be awarded in the initial full year of occupancy, while in the state O&M fund, amounts awarded are based on identified operating cost financing gaps. The award amount also is based on other available operating subsidies and is linked directly to the housing units restricted to 30% AMI. New project awards will generally not exceed \$50,000 contracted annually.

Chicago has used resources from its Low-Income Housing Trust Fund (LIHTF) to ensure \$14.8 million in rental assistance to nearly 3,000 apartments for over 20 years.<sup>54</sup> The Rental Subsidy Program provides renewable annual rental subsidies to owners of developments for up to one-third of a building’s units. The LIHTF requires that at least half of its resources assist households earning up to 15% AMI, and the remaining balance to those at or below 30% AMI. The subsidy rate is based on a flat rent for the tenants based on the two income targets.

City housing trust funds, like Chicago’s LIHTF, exist in roughly 35 states. In a 2016 survey of city trust funds, almost one-half provided some

operating assistance either directly, or through project-based or tenant rental assistance.<sup>55</sup> The same survey of country trust funds showed similar results, while almost 90% of state housing trust funds provided such forms of operating assistance.<sup>56</sup>

## Cross-Subsidy

“Cross-subsidy” is the concept that underlies most state and local “Inclusionary Housing” programs. In such programs in Ohio and Oregon, a typical cross-subsidized project with 50 units mostly affordable to 80% AMI households, yields between five to seven ELI units. These projects involve a balancing act for the developer. In order to sustain ELI housing over the length of the project, the developer has to identify the right mix of units so that total rental income handles all costs and reserves. Calculations must consider the entire length of affordability if the

### COVERING OPERATING COSTS FOR ELI HOUSING

#### Vouchers

- Housing Choice
- Project Based
- Family Unification
- Non-Elderly Disabled
- Vet Affairs Supportive Housing
- Continuum of Care—Supportive Housing
- Rapid Re-Housing
- Local vouchers

#### Direct Operating Assistance

- Sec. 811 Disability—Supportive Housing
- Sect. 202 Elderly—Supportive Housing
- HOPWA
- State & Local Housing Trust Funds or Programs

#### Cross Subsidy

- w/other residential units
- w/commercial space



Inclusionary Housing program includes a affordability duration requirement.

Development size also impacts the ability of cross-subsidized projects to serve ELI households. Larger projects, such as 200-plus units, more easily support a higher percentage of ELI housing.

Ohio's Housing Development Assistance Program is used to supplement LIHTC and other federally assisted projects. The program requires that developments in participating jurisdictions

dedicate ten percent (10%) of the housing to ELI households.<sup>57</sup>

Where housing is located in mixed residential-commercial zones, a building that houses both commercial and residential tenants may be able to cross subsidize the lower-rent residential units with the commercial rents. (See CLT Case Studies and Appendix: Oakland CLT Liberated 23<sup>rd</sup> Ave; Columbus United; and East Harlem-El Barrio.)

## Summary of Housing Development for Rental Units

Political and direct action can keep acquisition costs low. Pre-Development planning and cost calculations must be complete and comprehensive. In the Construction/Rehabilitation stage, less debt and more equity mean more affordability. Finally, as operating costs (including reserves) are covered primarily by rents, public subsidies are usually needed to reach ELI households. Planning calculations must project the operating costs for a period of at least 10 to 15 years.

State and local housing trust funds may provide assistance with property acquisition and pre-development. The City of Oakland used bond money to finance acquisition.<sup>58</sup> A few federal programs provide assistance with construction/rehab costs, providing public equity, but the bulk of this “capital” assistance seems to come from state & local housing trust funds.

It's almost impossible to do ELI housing without public subsidies, and the expansion of current ones requires political mobilization. That mobilization is the strength of activists and community organizers. It also can produce private financing



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through collective platforms (i.e. crowdfunding, share-buying etc.). Getting community-controlled ELI housing to scale requires the pursuit of all, though public resources generally provide more resources over a longer period of time—particularly with operating costs.





## CLT Case Studies

We examined pro-formas from 10 CLT housing projects and describe them through the narrative, graphics and tables that follow. Oakland CLT and Champlain Housing Trust in Vermont are responsible for six of the ten. The remaining projects were done by the Bay Area CLT, San Francisco CLT, East Harlem/El Barrio CLT, and the Women's Community Revitalization Project (WCRP) in Philadelphia.

The west coast CLTs examined focus on preservation of housing at-risk of being lost to the speculative market. Their partnerships with tenants, organizers, and activist lawyers not only saved housing in each instance, but also moved local public officials to create new public policies. While new housing creation models were used in the East Coast examples, CLTs in both East Harlem and a soon-to-be one in Philadelphia were also born out of community organizing and policy activism. The Champlain Housing Trust has its own story, which started with a socialist Mayor in the 1970s.

All have covered acquisition/pre-development, construction/rehabilitation, and operating expenses in different ways. All have been able to reach ELI households.

**While keeping debt low in the construction/rehabilitation phase is a key to rental housing affordability, it alone does not guarantee deep affordability.**



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While keeping debt low in the construction/rehabilitation phase is a key to rental housing affordability, it alone does not guarantee deep affordability. As indicated earlier, covering operating costs with ELI rents is difficult. A number of the CLT projects that follow have utilized cross-subsidy approaches using commercial rents, while others are utilizing tenant-based subsidies or, in the case of Philadelphia's WCRP, a rental subsidy fund was created through accumulated developer fees.

The bulk of the information provided below has been collected through direct interviews with the CLTs involved.

## Oakland Community Land Trust: Galvanizing Tenants to End Displacement by Small Site Preservation

Oakland Community Land Trust (OakCLT) was launched in 2009. At that time, Oakland was reeling from the foreclosure crisis and entering the Great Recession. The federal American Recovery and Reinvestment Act included the Neighborhood Stabilization Program (NSP) to counteract the negative community impact of foreclosures.<sup>59</sup>

The NSP program enabled OakCLT to acquire 20 vacant and run-down properties that were then rehabilitated and sold at affordable rates, with restricted resale formulas using the traditional CLT model. However, more NSP resources would have enabled OakCLT to acquire more property. As the housing market did not bottom out until 2012, this was a missed opportunity for property acquisition at relatively affordable prices.<sup>60</sup> That window of opportunity slammed shut in 2012 with a dramatic shift in the Oakland market. Today, the city is among the top 5 most expensive rental markets and the median home sales price is above \$800,000.<sup>61</sup>

**In the ten years since launching, OakCLT has shifted to a housing preservation model to address the impact of vast displacement in Oakland.**

In the ten years since launching, OakCLT has shifted to a housing preservation model to address the impact of vast displacement in Oakland. The CLT primarily pursues the acquisition and rehabilitation of small site properties with fewer than 25 units. The shift was based on local research that showed a large displacement risk and a housing preservation gap. Eighty-eight percent (88%) of Oakland's housing stock are buildings



with fewer than 25 units and no major federal or state funding source exists to preserve the affordability in these smaller buildings.<sup>62</sup>

OakCLT has not operated with an ELI specific strategy; however, they are aligned with and are developing a preservation and anti-displacement model in conjunction with tenant organizers that serve the highest impacted groups. OakCLT's most prominent collaboration is with the Alliance of Californians for Community Empowerment (ACCE), a leading grassroots, tenant advocacy, community organizing group.<sup>63</sup> ACCE identifies properties in which their members are being harassed, gouged, or exploited and in partnership with OakCLT, targets the buildings for acquisition, rehab, and transition to community ownership. The collaboration has resulted in the acquisition of at least six single family homes and small-site buildings. Additionally, OakCLT and ACCE partnered to create a new city resource for preservation, the Acquisition and Conversion to Affordable Housing Fund (part of "Measure KK"), which prioritizes the lowest-income people with highest displacement risk and CLT preservation models.<sup>64</sup>

Case studies of three OakCLT projects that reached some level of ELI affordability are set forth below. Each involved partnerships with small groups and organizations to secure community ownership.

## LIBERATED 23<sup>RD</sup> AVENUE

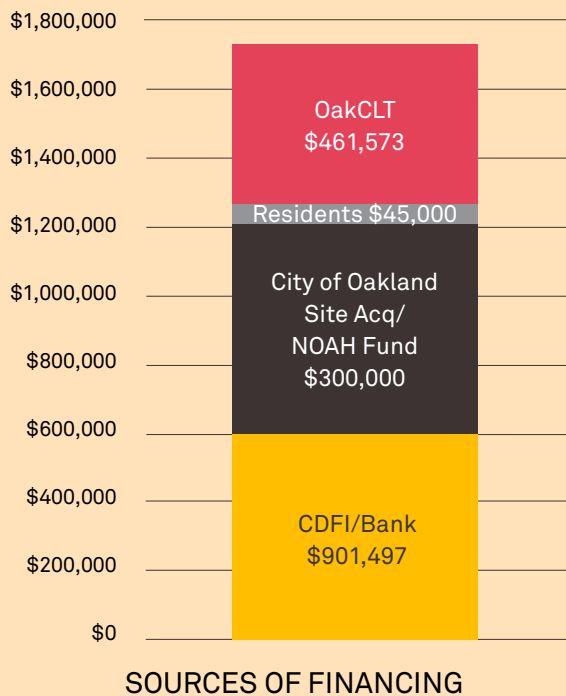


PeacockRebellion.org

One of the first challenges for OakCLT involved working with the tenants and residents of the Liberated 23<sup>rd</sup> Avenue building. Prior to OakCLT's acquisition, Liberated 23<sup>rd</sup> Avenue consisted of several low-income residents, including queer and trans people as well as several community serving organizations and businesses. The

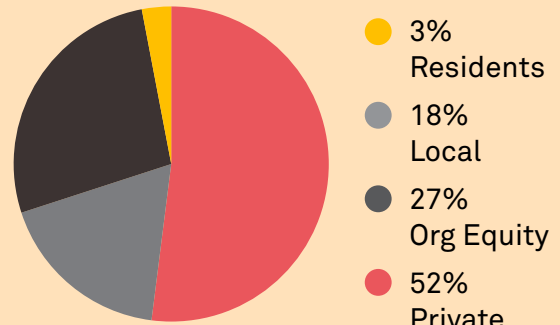
### LIBERATED 23RD AVENUE ACQUISITION/PRE-DEVELOPMENT & REHAB COSTS

Total Development Costs: \$1,708,071

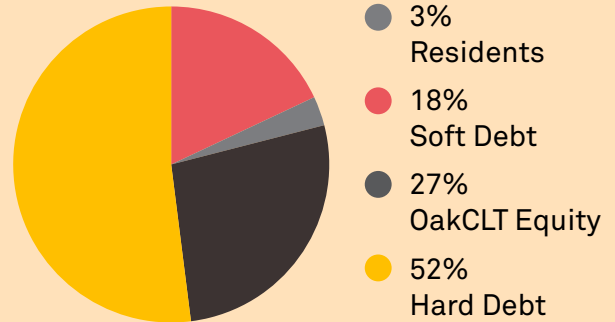


### LIBERATED 23RD AVENUE FUNDS BY SOURCE & TYPE

#### Funds by Source



#### Funds by Type



### LIBERATED 23RD AVENUE SUMMARY TABLE

Liberated 23rd Avenue Summary	
Acquisition	\$1,522,112
Pre-Development & Reserves	\$185,959
<b>TOTAL ABOVE</b>	<b>\$1,708,071</b>
Operations costs / plan to cover	\$4,951 per unit / cross subsidy w/commercial
Units	4 commercial spaces & 8 residential
Development Costs Per Unit	\$142,339
ELI Affordable	50% of residential residents under 30% AMI

mixed-use commercial-residential building consisted of four commercial spaces and eight residential units.

Following a devastating fire in a neighboring artist compound known as “The Ghostship,” the small landlord owner on 23<sup>rd</sup> Avenue was ready to sell. The landlord offered the property first to the residents if they could secure the financing for a purchase. After several failed attempts with other developers and funders, the tenants teamed with OakCLT to make it happen. Funds from OakCLT, soft debt from the city, and a loan from a local CDFI enabled property acquisition and pre-development. As financing was pieced together for rehabilitation, a lender mandated a seismic retrofit within one year of acquisition. OakCLT secured FEMA money for the cost, residents raised \$45,000 from the community, the city provided soft debt through its KK Bond program, and a CDFI completed the rehab package which totaled \$1.7 million. Operating costs will be covered by cross-subsidy, using commercial rents to offset low residential rents. Four of the residential tenants are ELI. Repayment of city KK Bond program soft debt is a function of any annual operating cash flow and the loan is forgiven if the project stays affordable for 55 years.

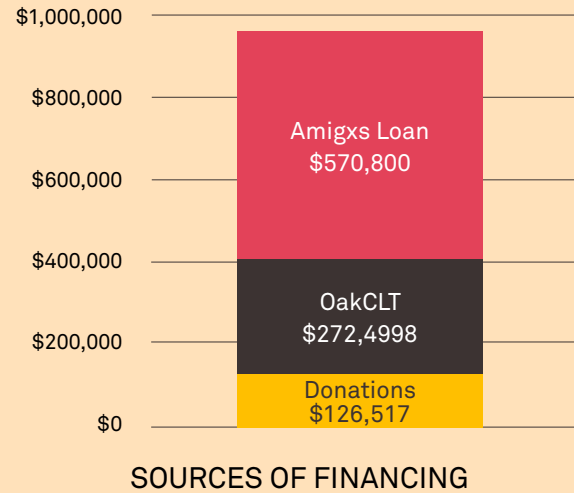
## HASTA MUERTE



A few months after the attention and success at Liberated 23<sup>rd</sup> Avenue, another mixed used community space faced displacement. The building housed two residential units and Hasta Muerte Coffee, a cooperative café that gained community

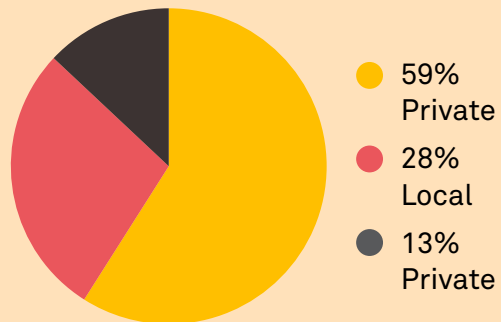
## HASTA MUERTE ACQUISITION/PRE-DEVELOPMENT & REHAB COSTS

Total Acquisition/Pre-Development Costs: \$973,206

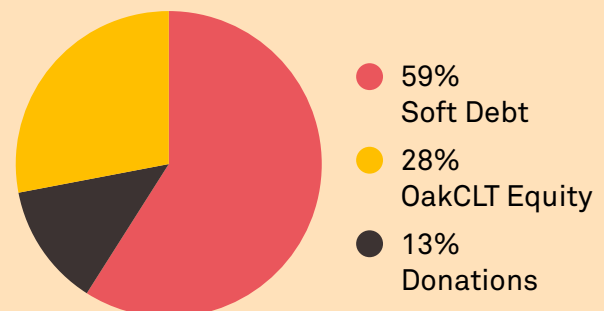


## HASTA MUERTE FUNDS BY SOURCE & TYPE

Funds by Source



Funds by Type



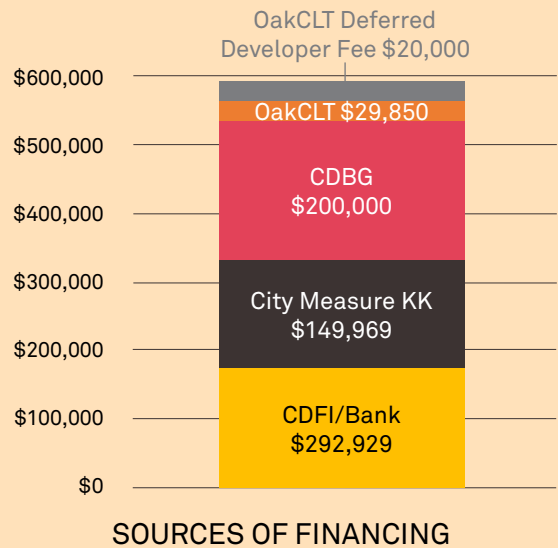


acclaim and media scrutiny for refusing to serve uniformed law enforcement officers, was listed for sale.<sup>65</sup> While the café had a “right of first refusal” to buy the property, the owner set a price that was three times the purchase price just five years prior.

Hasta Muerte turned to the community, which was galvanized by the café’s act of solidarity, and created a “Private Offering” in order to secure the building and the two attached affordable units. Community investors were offered a sliding scale interest return between 0-2% on their investment over a five-year term. Nearly \$570,800 was raised within 30 days. Community donations brought another \$126,517. OakCLT aims to repay the private investors (noted as “Amigxs” debt in chart on previous page) with soft debt from the City of Oakland as it moves to rehab the residential units. Residential rehab financing is being developed, and cross-subsidy from the café will help cover operating costs for the residential units. One unit will be ELI affordable, while the other will serve a household below 50%AMI.

### HARVEST HOUSE ACQUISITION/PRE-DEVELOPMENT & REHAB COSTS

Total Development Costs: \$591,738



### HARVEST HOUSE

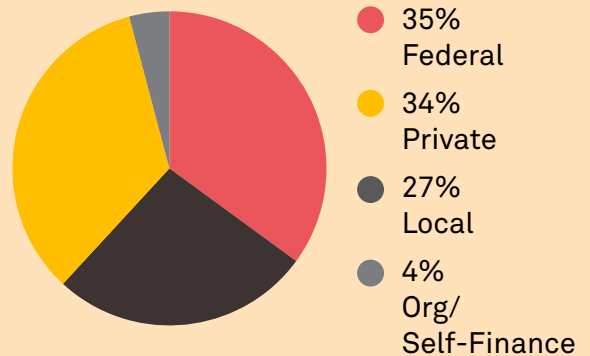


Zillow

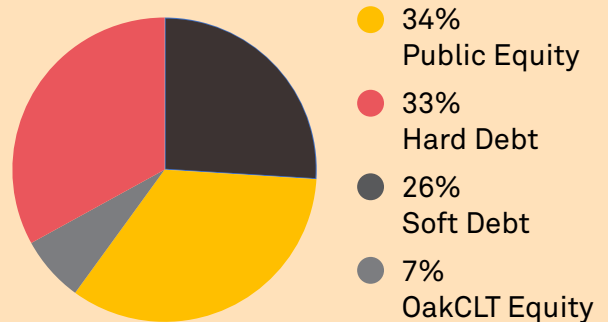
In its “Harvest House” project in East Oakland, OakCLT entered the field of supportive and transitional housing for women and children facing homelessness, collaborating with A Diamond in the Rough (ADR), a community-led service provider. ADR identified the for-sale property, then sought city assistance for acquisition. The city’s Housing and Community Development director matched ADR with OakCLT, as developer and

### HARVEST HOUSE FUNDS BY SOURCE & TYPE

Funds by Source



Funds by Type



project manager, and allocated city resources and available Community Development Block Grant (CDBG) funds to cover acquisition. The city also included Measure KK bond funds to help cover what will be an inflated property tax bill, while the property awaits receipt of a partial tax exemption from California.<sup>66</sup> Rehabilitation costs also were covered through KK funds (which is soft debt), a CDFI loan (hard debt), and contributions from OakCLT (including a deferred developer fee). Operating costs will be challenging unless the residents secure housing vouchers, but OakCLT hopes to cover them through rents and the expected property tax exemption.

OakCLT provides property management and ADITR handles on-site programs, placement of residents and referrals to social services. The 8,000 square foot lot has significant expansion potential and OakCLT is exploring adding accessory dwelling units.

### HARVEST HOUSE SUMMARY TABLE

Harvest House Summary	
<b>Acquisition</b>	\$546,013
<b>Pre-Development &amp; Reserves</b>	\$45,725
<b>TOTAL ABOVE</b>	<b>\$591,738</b>
<b>Operations costs / plan to cover</b>	\$15,158 unit reduced to \$8,000-\$10,000 annually through property tax exemption / residential rents
<b>Units</b>	Single family home, 4BRs, up to 8 residents
<b>Development Costs Per Unit</b>	\$147,934 per BR, \$73,967 per resident
<b>ELI Affordable</b>	100%

## In the recent victory by an ACCE supported group of homeless mothers known as “Moms 4 Housing,” OakCLT purchased and is rehabbing the vacant investor-owned West Oakland home that the women occupied for a month before a violent arrest.

In the recent victory by an ACCE supported group of homeless mothers known as “Moms 4 Housing,” OakCLT purchased and is rehabbing the vacant investor-owned West Oakland home that the women occupied for a month before a violent arrest.<sup>67</sup> An agreement then was brokered by the mayor of Oakland and the investor Wedgewood Properties to sell Wedgewood’s entire portfolio of vacant properties, offering nonprofit developers a “right of first refusal” to the properties.

According to OakCLT director Steve King “Preservation deals are all totally different. We’re looking into a three or four unit building now with ACCE; however, we don’t know all tenant incomes. We know residents are generally low-income but the larger defining factor is the displacement threat, which often intersects with income level.”

One challenge OakCLT faces when attempting to subsidize ELI resident units is city regulations, which fix rent levels to AMI when City aid is used.<sup>68</sup> For example, the city’s new Measure KK fund, requires incomes in an assisted project to average 80% AMI, with vacant units to be filled at 60% AMI. This is consistent with most existing city funding programs which mirror the LIHTC program. Regardless, OakCLT expects to keep rents affordable to ELI residents.

## Bay Area Community Land Trust: Layering Funds to Preserve At-risk Housing

In neighboring Berkeley, the Bay Area Community Land Trust (BACLT) is pursuing similar tactics to preserve small sites through proactive engagement with legal aid groups representing low-income tenants, and then through partnerships with the city’s housing department and housing authority.

ELI-level rents in Berkeley fall far short of covering operating expenses, making them perpetually at risk of displacement, as they are limited local housing preservation resources.

And as local government funding aid requires project incomes to average 60% AMI, the Berkeley market makes ELI inclusion challenging.

Like OakCLT, the BACLT model of small-site preservation through self-managed and resident controlled housing does not qualify for Low Income Housing Tax Credits (LIHTC) because they are not large enough. Instead, BACLT pursues a mix of funds, including private financing from a Community Development Finance Institution (CDFI) and public money from the city, county, and, at times, the state of California. BACLT is developing a layer financing approach to prevent displacement of at-risk lower income groups in order to preserve the housing through its permanently affordable CLT.

**ELI-level rents in Berkeley fall far short of covering operating expenses, making them perpetually at risk of displacement, as they are limited local housing preservation resources.**

### SOLANO APARTMENTS

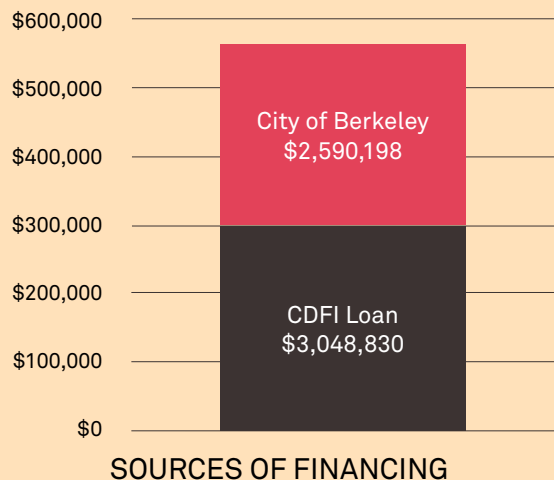


Berkeleyside

At the Solano Apartments project, a new owner planned to displace tenants by converting their rental units to market rate condominiums.<sup>69</sup> Tenants sought help from the East Bay Community Law Center (Law Center), which then reached out to BACLT. When the Law Center and BACLT pushed the city to create a “small sites fund” to acquire and preserve at-risk housing, the fund became the foundation for BACLT’s layered financing approach used in this project.<sup>70</sup>

### SOLANO APARTMENTS ACQUISITION/PRE-DEVELOPMENT & REHAB COSTS

Total Acquisition/Pre-Development & Rehab Costs: \$5,639,028



BACLT expects the small site fund to cover almost half of the acquisition costs, which total just over \$5 million. A CDFI loan will cover the rest of acquisition. Rehab costs pale in comparison, at \$73,500, and will be handled by the CDFI loan along with other related costs.

With respect to operating costs, all but four of the original 13 tenants have vacated because of owner pressure. Of the remaining four, one household is ELI and two others are low-income. BACLT is working to secure three Project Based Vouchers (PBV) from the Berkeley Housing Authority, one at the 30% AMI level and the other at 50% AMI. As rents in the 13 unit apartment will range up to 80% AMI, cross-subsidy will be used to make at least three units affordable to ELI households. Operating expenses are expected to range from \$76,000 to \$99,000 annually over the next ten years.

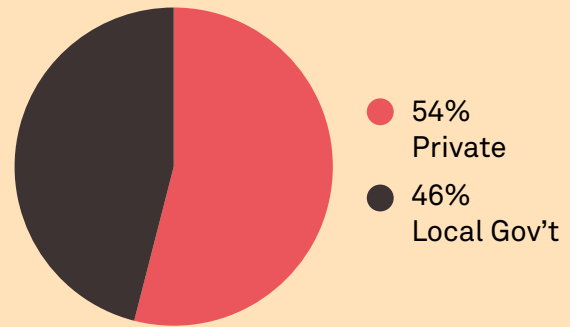
The Solano deal is unique because prolonged public attention to the tenants' plight is pressuring the city to respond; however, in most deals efficiency and proactivity is key. According to BACLT director and long-time Bay Area CLT practitioner Rick Lewis, BACLT's small multifamily preservation model requires BACLT to "strike quickly with a need for capital...finding properties before they go to market to avoid market competition, [BACLT] is very successful at getting below market purchases and donations."

Another BACLT success story involved a five-unit housing co-op formed 35 years ago, which moved its property to the land trust in order to avoid a triggered reassessment when it received a real property donation. As the co-op was able to purchase their existing property well before Berkeley market values skyrocketed, its debt burden is small and will enable it to cover all operating expenses with rents at or below ELI levels without operating subsidies.

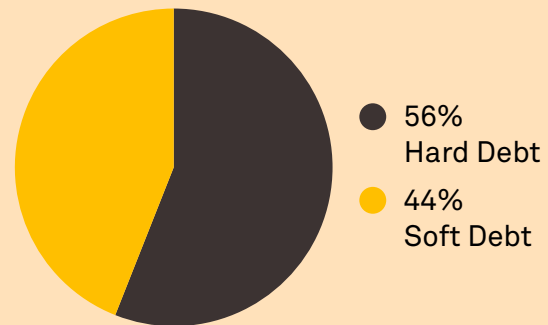
In contrast, many properties donated to BACLT have substantial rehabilitation needs which requires it to borrow significant amounts for development, thereby raising operating expenses as the debt is paid off and forcing rent levels to the 30 to 40% AMI range.

## SOLANO APARTMENTS FUNDS BY SOURCE & TYPE

Funds by Source



Funds by Type



## SOLANO APARTMENTS SUMMARY TABLE

Solano Apartments Summary	
<b>Acquisition &amp; Pre-Development</b>	\$5,184,133
<b>Rehabilitation</b>	\$73,500
<b>TOTAL ABOVE + Other Project Costs</b>	<b>\$5,639,028</b>
<b>Operations costs / plan to cover</b>	\$5,853 / cross subsidy and 3 PBVs
<b>Development Costs Per Unit</b>	\$433,771
<b>ELI Affordable</b>	23% (3 units)



# San Francisco Community Land Trust: Using Public and Private Financing to Support the Anti-displacement & Limited Equity Housing Cooperative Movement

San Francisco Community Land Trust (SFCLT)'s first project in 2006, Columbus United Cooperative, overcame many of the barriers currently facing OakCLT and the BACL: public finance regulations and private financing norms, which also combine to block cooperative housing.

## COLUMBUS UNITED COOPERATIVE



SFBayView

At Columbus United, SFCLT along with the co-op residents and the Asian Law Caucus, master-minded a solution to preserve and convert a building serving low-income tenants into a limited equity housing cooperative. The tenants fought San Francisco City College to preserve the building, and then agreed to bring in \$210,000 in equity from co-op share purchases to help jump start the deal to acquire and rehab the 21-unit mixed use facility in Chinatown.<sup>71</sup>

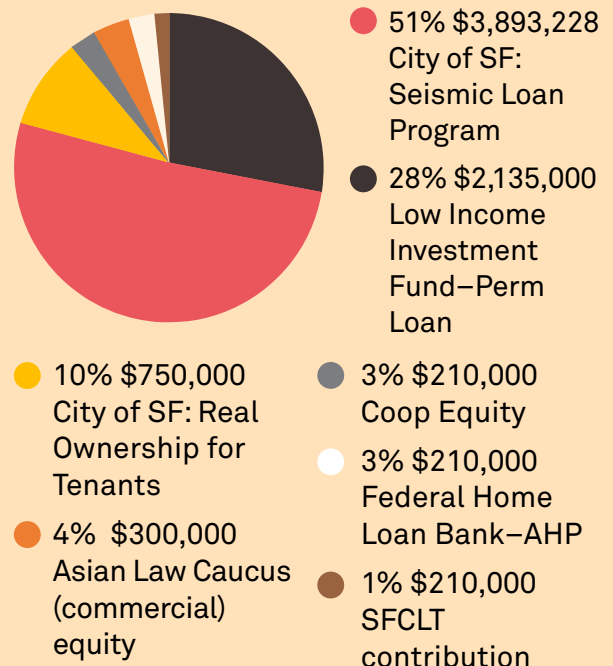
Acquisition costs of the building were \$1.5 million. Rehabilitation of the commercial space required \$1.5 million, while the residential component needed an additional \$4.6 million. As residential rents were going to remain low, the building was appraised at a value of \$3.6 million, roughly \$4 million less than the cost of rehabilitation. This made securing debt difficult, as lenders could not be assured the collateral would cover their

loans in case of default. But undeterred, the Law Caucus and SFCLT became creative.

First, the Law Caucus agreed to make substantial equity (cash) commitments by promising to rent the entire commercial space in exchange for the right to purchase the commercial space within five years. This brought additional capital to support rehabilitation costs, as well as the potential to utilize a cross-subsidy model to help cover operating expenses for the low-income residential units. The Law Caucus made an initial commitment of \$800,000 in “cash” (equity) to the project and promised to pay \$160,000 annually in rents.

### COLUMBUS UNITED ACQUISITION/PRE-DEVELOPMENT & REHAB COSTS

Total Development Costs: \$7,614,379



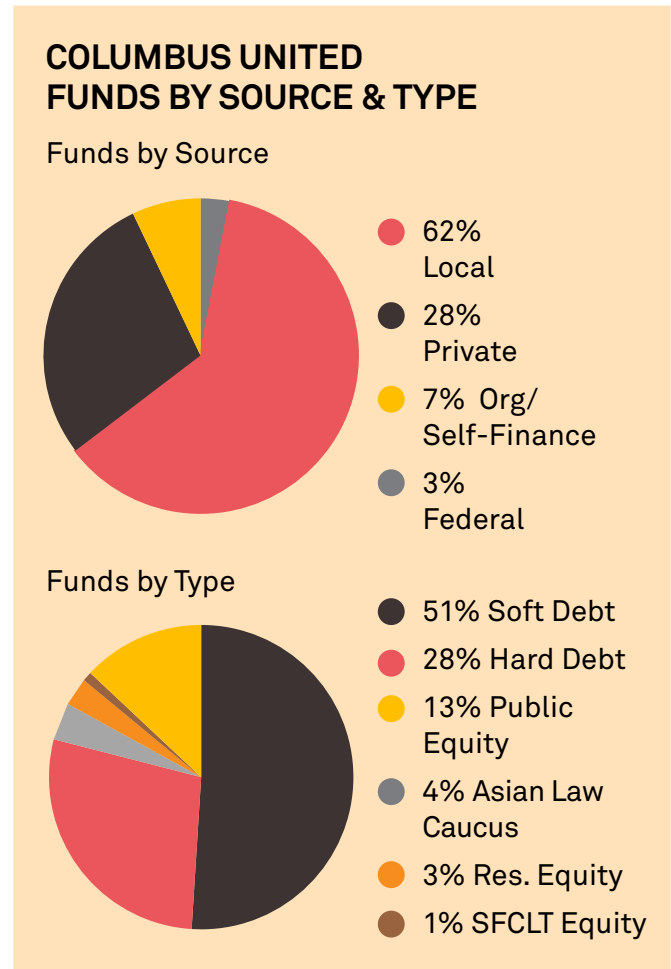
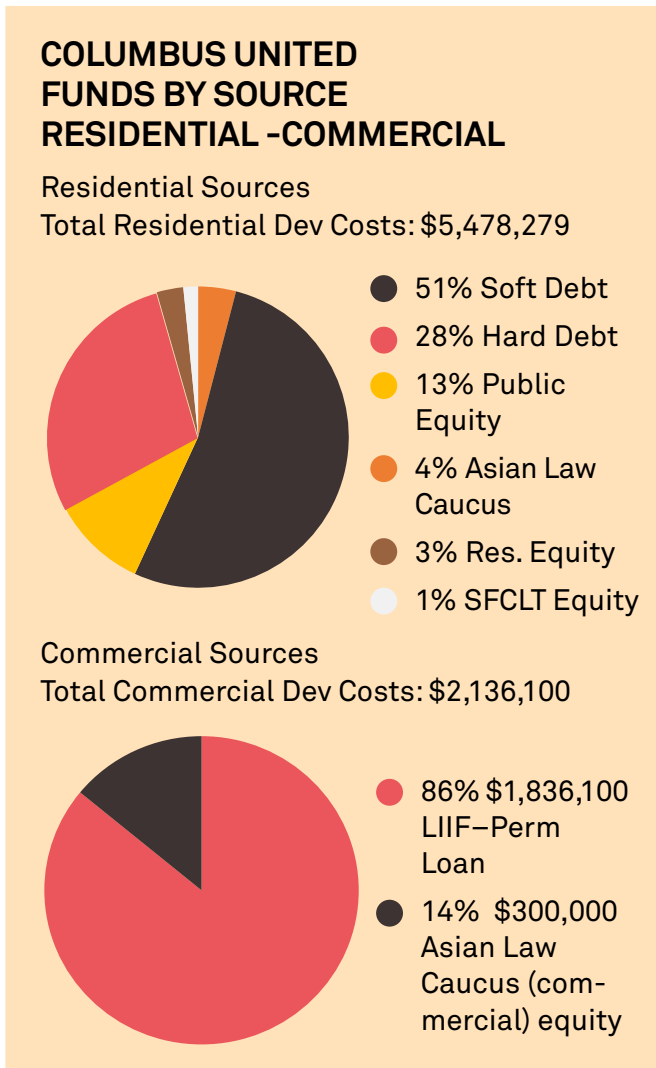
SOURCES OF FINANCING

While the Law Caucus as a commercial partner helped with lenders, it disqualified the project from low-income housing assistance programs that assisted with acquisition. Advocacy, however, filled the gap. Tenant activism with the Mayor’s Office of Housing (MOH) produced a new program specific to the mission of Columbus United (“Real Ownership Opportunities for Tenants”), resulting in a \$750,000 grant to SFCLT. The land trust then secured a \$95,000 grant from the City’s Community Development Block Grant (CDBG) and \$210,000 from the Federal Home Loan Bank.

Given the residential component, SFCLT was able to secure a \$3.9 million Seismic Safety Loan from the city on favorable terms. The repayment of the loan is deferred for 55 years with no debt service, but half of any of the project’s gross receipts are to be repaid annually. Access to this combination

**At Columbus United, SFCLT along with the co-op residents and the Asian Law Caucus, masterminded a solution to preserve and convert a building serving low-income tenants into a limited equity housing cooperative.**

of government loans and grants was made possible entirely by the residential component, but it also interfered with the promise made to the Law Caucus giving them the right to purchase the commercial space. For example, if the Caucus attempted to purchase the commercial space in the



31<sup>st</sup> year, it would trigger immediate repayment of the \$3.9 million, 55-year Seismic Safety Loan, which would have been impossible. The City was cooperative and agreed to loan program amendments to accommodate the project.

The loan amendments, however, were not finalized before closing was required on another key loan—a \$2.135 million private loan of which \$1.97 million would be covered by the Law Caucus’ rent commitments. Without the loan amendments, the Caucus’ right to purchase was at-risk, despite the fact it had secured the right by paying \$300,000 down and promising an additional \$210,000.

### COLUMBUS UNITED SUMMARY TABLE

Columbus United Summary	
<b>Acquisition &amp; Pre-Development</b>	\$1,671,277
<b>Rehabilitation</b>	\$5,953,102
<b>TOTAL ABOVE</b>	<b>\$7,614,379</b>
<b>Operations costs / plan to cover</b>	\$6,190/unit cross subsidy w/ commercial rents
<b>Units</b>	21 residential
<b>Costs Per Unit</b>	\$260,875 per residential unit
<b>ELI Affordable</b>	Most current residents are ELI; all units affordable up to 40% AMI

SFCLT was forced to offer a rent reduction to the Caucus until the passage of the required city loan amendment, which required additional creative financial reworking.

As a result of the layers of government subsidy and the commercial tenant’s ability to shoulder the majority of the private loan, the tenants only have to pay debt service on a \$300,000 loan, which will be covered by their monthly rents.

One challenge, however, remained. The standard policy of the Mayor’s Office of Housing (MOH), which granted Columbus \$750,000, required “rents” to be set at one-third of a household’s adjusted annual income. For many tenants, this would have resulted in monthly rent/fee *increases*. MOH was concerned that tenant payments would not cover operating cost. Eventually an agreement was struck based on actual operating costs and the operating reserve accounts. If the prior year’s actual operating costs were lower than the current year’s projected operating estimate, any rent increases required by MOH standards would be reduced. Also, every five years, the residents and SFCLT would determine the adequacy of reserve account contributions, and this reserve adequacy would also limit MOH standard rent increases.

SFCLT’s effort at Columbus United required diligence and creativity and shows what is possible if the city and other finance players are willing partners.

# Champlain Housing Trust: When Government is a Committed Partner, Possibilities Abound

The Champlain Housing Trust (CHT) began as the nation’s first municipally supported community land trust in 1981 through the leadership of then newly elected Burlington, Vermont Mayor, Bernie Sanders. Public support and effective leadership have enabled it to scale up in an unprecedented manner for a CLT. The blended CLT and community development corporation (CDC) has developed over 2,300 rental, 640 homeownership, and 120 cooperative housing units. CHT has developed a range of tactics to make its housing units affordable to lower income groups.

Across its entire portfolio, half of Champlain’s housing is affordable to ELI households, and 18% is affordable specifically to people experiencing homelessness. As it has the size and experience to compete for federal Low Income Housing Tax Credits (LIHTC), Champlain has used the credits to develop substantial amounts of rental housing. While LIHTC provides key construction/rehabilitation equity and reduces the debt burden that must be covered through operating revenue,

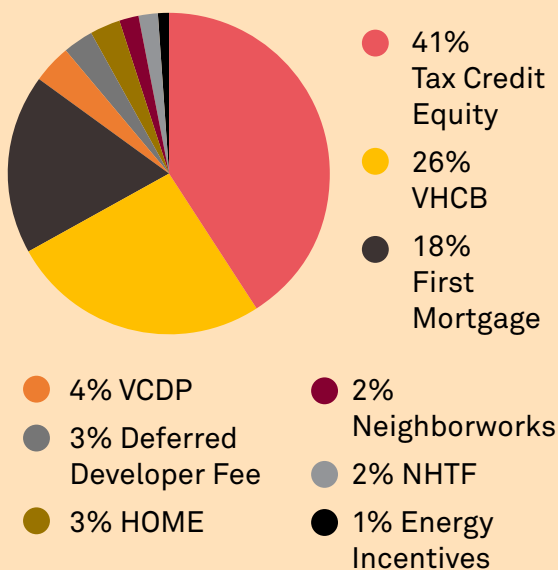
operating subsidies through “Housing Choice” and “Project Based” vouchers have been crucial to Champlain’s performance at ELI levels.

## GARDEN STREET APARTMENTS



This 60-unit LITHC new construction project is located in an opportunity rich area of South Burlington, VT. While built by a private developer, it will remain permanently affordable through an agreement to sell the building to CHT. Construction costs were covered by LIHTC equity, federal HOME Partnership funds, Vermont’s Housing for All bond program, and a relatively

### GARDEN STREET CONSTRUCTION FUNDS



### GARDEN STREET SUMMARY TABLE

Garden Street Summary	
Acquisition & Pre-Development	\$2,623,308
Rehabilitation	\$13,742,692
<b>TOTAL ABOVE</b>	<b>\$16,366,000</b>
Operations costs / plan to cover	\$8,040/cross subsidies w/ mixed income
Units	60
Costs Per Unit	\$272,766
ELI Affordable	3%



small amount of hard debt. TD Bank provided \$6.9 million as the LIHTC equity investor. Like most LIHTC projects, Garden St. will use cross-subsidies to cover operating costs. Roughly two units of the 60 will target ELI households, 16 units are affordable at 50% AMI, and 24 units target 80% AMI and below. The remaining 18 units involve a mix of income levels.

Champlain’s longevity and its success gives it credibility with the state and local governments. As a result, both state and local officials look to it as a major asset and work with it to fund innovative models.

### SUSAN’S PLACE

Seven Days Vermont



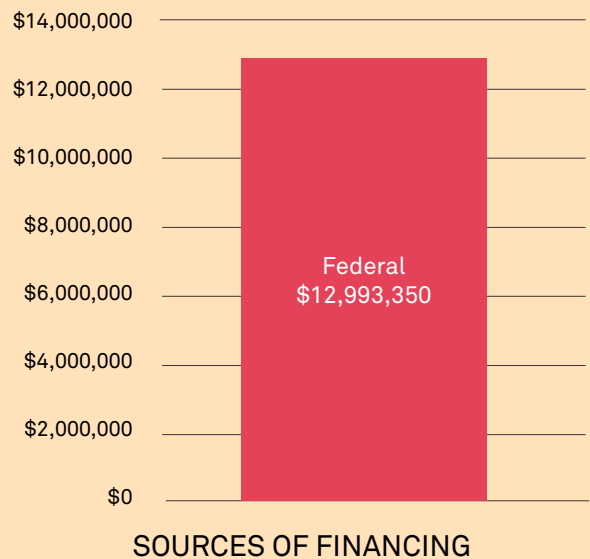
During the COVID-19 global pandemic, this innovation produced a remarkable project, which might be seen as a model for community-controlled “public housing.” Susan’s Place is a Champlain-led conversion of a former hotel to permanently affordable housing for people experiencing homelessness. The Baymont Inn Hotel’s 113 rooms were converted to 68 apartments for families and individuals. The State provided 100% of the rehabilitation costs from federal CARES Act assistance. In short, the project has no debt to pay back. The state went the extra mile as its Housing Authority also will help cover the operating costs through Housing Choice Vouchers for *every resident*.

Champlain and OakCLT’s use of resources that address homelessness are instructive. Most of these are controlled in distinct government departments, such as Social Services and Health

and Human Services that are somewhat disconnected from the housing and community development departments that CLTs usually frequent for subsidy. Both CLTs have been able to draw from all sources, showing the potential of cross-departmental collaboration to forge affordable housing continuums.

### SUSAN’S PLACE DEVELOPMENT COSTS

Total Development Costs: \$12,933,350



### SUSAN’S PLACE SUMMARY TABLE

Susan’s Place Summary	
Acquisition & Pre-Development	\$644,500
Rehabilitation	\$12,268,850
<b>TOTAL ABOVE</b>	<b>\$12,933,350</b>
Operations costs / plan to cover	\$11,163/unit Housing Choice Vouchers
Units	68 (17 are 2 bedrooms)
Development Costs Per Unit	\$190,196
ELI Affordable	100%

# East Harlem El Barrio Community Land Trust: A New CLT Starts Big, Converting Vacant Buildings with City Assistance

Picture the Homeless and other community land activists launched the “New York City Community Land Initiative,” and began the policy advocacy, education, and operating guidance necessary to support a network of CLTs across the City.<sup>72</sup> One of those, the East Harlem El Barrio Community Land Trust, is committed to developing and preserving affordable housing and commercial, green and cultural spaces in East Harlem/El Barrio. Its goal is community control and permanently affordable housing for neighborhood residents, including ELI households.<sup>73</sup>

**The East Harlem El Barrio Community Land Trust is committed to developing and preserving affordable housing and commercial, green and cultural spaces.**

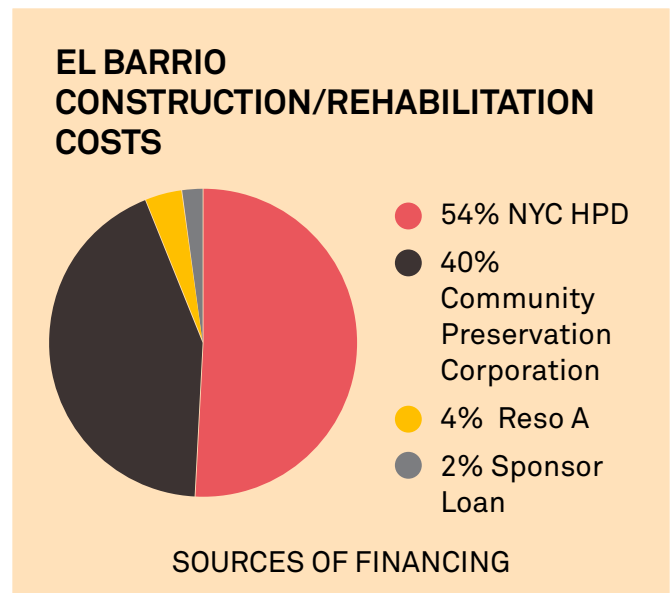
In November 2020, the CLT acquired four multi-family apartment buildings with 36 units, including two commercial spaces and a community-serving space. Two buildings are partially occupied. The two others are vacant, though a network of displaced tenants lives in one. In partnership with the Banana Kelly Community Improvement Association, the Community Preservation Corporation, and Community Assisted Tenant Controlled Housing, the CLT will turn the sites into 38 residential housing units and three commercial spaces. The target affordability rate will serve households at 38% AMI.

## EL BARRIO



Gothamist

Acquisition costs were minimized through a 1976 city program that seized vacant properties where owners owed at least one year of property taxes. The City’s Housing and Preservation Department (HPD) has acquired 100,000 vacant and occupied units since. The City sold the buildings at the price of \$1 each to the CLT, and the Trust was assisted with other pre-development costs by its partners.<sup>74</sup> Rehabilitation costs are being covered through hard and soft debt. The private debt was



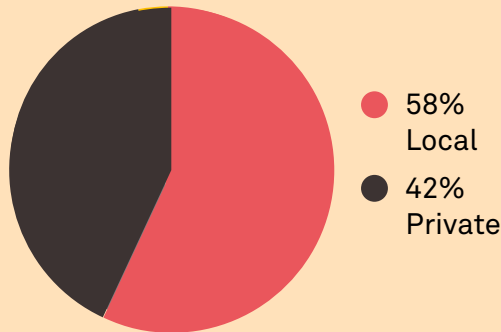
obtained from the Community Preservation Corps, a nonprofit affordable housing finance company, at an interest rate of 7% during construction and 5% upon permanent loan conversion. The HPD loan is subordinate to the CPC loan and is forgivable as long as the CLT and the buildings on the CLT remain in compliance with the terms of their 40 year regulatory agreements with HPD.

Operating costs are expected to be covered by commercial rents, and Housing Choice Vouchers

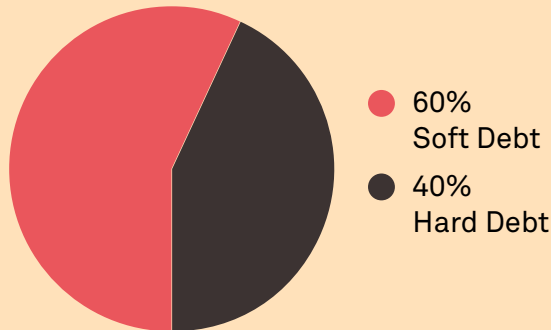
(HCV) and Project Based Vouchers (PBV) are being pursued to further deepen affordability. East Harlem El Barrio CLT and its nonprofit developer partners have created a resident-controlled Mutual Housing Association (MHA) that will own and operate the housing, and ensure democratic tenant control.

### EL BARRIO FUNDS BY SOURCE & TYPE

Funds by Source



Funds by Type



### EL BARRIO SUMMARY TABLE

El Barrio Summary	
<b>Acquisition &amp; Pre-Development</b>	\$210,004 (\$4 for the buildings + \$210,000 for the Enterprise grant that covered start-up/predevelopment)
<b>Construction/Rehabilitation</b>	\$13,036,260
<b>TOTAL ABOVE</b>	<b>\$13,246,264</b>
<b>Operations costs Per Unit</b>	\$7,942 per unit/cross subsidy with commercial space/The CLT is also hoping to secure HCV and PCV to further deepen the affordability of the project
<b>Units</b>	38 Residential, 3 Commercial/community
<b>Development Costs Per Unit</b>	\$317,958 per unit
<b>ELI Affordable</b>	35% AMI for 16 units + 4 homeless set-asides = 20/38 units, or 53% of units will be deeply affordable

# Women’s Community Revitalization Program: Modestly Staffed Program Breaks New Ground in Using LIHTC to Reach ELI Households

The Women’s Community Revitalization Program (WCRP) is a unique program that combines community organizing and housing development. Created in 1986 as Philadelphia’s first and only women-led community development organization, WCRP entered the Low-Income Tax Credit (LIHTC) arena when other federal programs were abundant and more popular. Their success in securing LIHTCs then has put them in good position now as competition for the 9% LIHTCs has become fierce.

**The Women’s Community Revitalization Program (WCRP) is a unique program that combines community organizing and housing development.**

As this report demonstrates, LIHTC equity assistance in the construction/rehabilitation stage does not guarantee deep affordability. But in the two projects examined here, WCRP was able to cover operating costs to achieve ELI eligibility for 100% of its units in each project. First, instead of using the developer fee paid to it on each project to cover internal programmatic costs, WCRP has directed a substantial portion of it into its own rental subsidy fund. That fund has combined with other operating subsidies to achieve the 100% ELI affordability rate.

## MAMIE NICHOLS TOWNHOMES

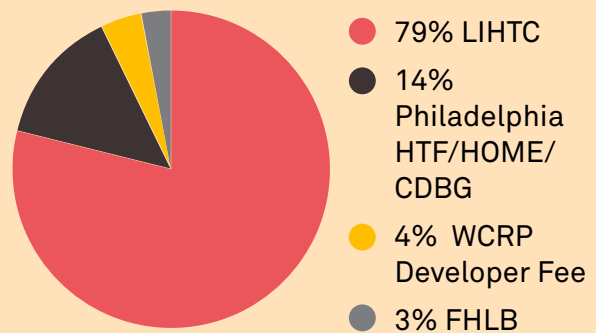


Regional Housing Legal Services

Constructed in November 2020, the Mamie Nichole development consists of 32 townhome units, with an almost equal number of one-, two-, and three-bedroom units.

### MAMIE NICHOLS CONSTRUCTION COSTS

Total Development Costs: \$10,719,612



SOURCES OF FINANCING



Two parcels of land were donated by Philadelphia, through the assistance of councilman Kenyatta Johnson. These were the last publicly owned sites in the rapidly gentrifying Point Breeze neighborhood.

Little debt was used in construction, as the LIHTC covered 79% of the cost, the Philadelphia Housing Trust Fund, HOME and CDBG programs contributed 14%, and the Federal Home Loan Bank 3%. WCRP handled the rest by contributing part of its developer fee.

Operating costs are being covered by WCRP’s internal rent subsidy fund, five Section 811 project-based vouchers for persons who are disabled (see Appendix), Veterans Affairs Supportive Housing vouchers (see Appendix), and 20 Contribution Contracts with the local Public Housing Authority. The contract program allows the local housing authority to invest a mix of funds to assist in the development and operations of a variety of housing types. The supportive services provider related to the vouchers is Citizens Acting Together Can Help (CATCH).

## NICHOLE HINES TOWNHOMES



Domus Construction

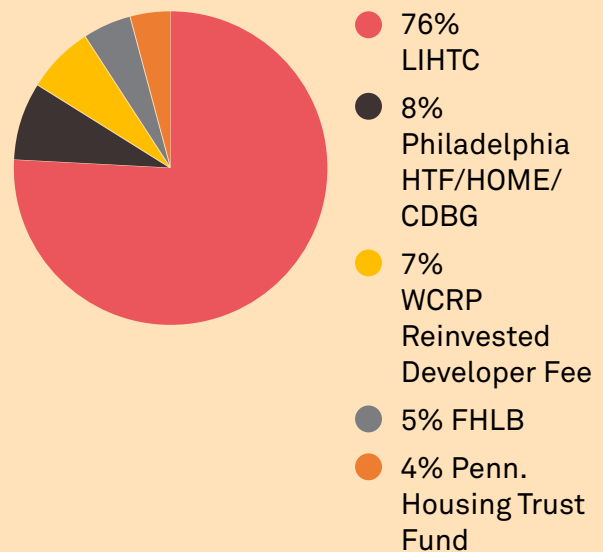
The Nichole Hines project also involves 32 townhome units, all 2 bedrooms or more. Again, debt was kept low as the bulk of construction was covered by the LIHTC, HOME, CDBG, and a grant from the city’s housing trust fund, the Federal Home Loan Bank, and a portion of WCRP’s developer fee.

### MAMIE NICHOLS TOWNHOMES SUMMARY TABLE

Mamie Nichols Townhomes Summary	
<b>Acquisition &amp; Pre-Development</b>	\$1,198,776
<b>Construction/ Rehabilitation</b>	\$ 6,951,354
<b>Reserves &amp; Fees</b>	\$ 2,555,926
<b>TOTAL ABOVE</b>	<b>\$10,719,612</b>
<b>Operations costs / plan to cover</b>	\$7,489 per unit / Supportive housing vouchers-VA & Sec. 811, and PHA Annual Contribution Contracts
<b>Units</b>	32
<b>Development Costs Per Unit</b>	\$334,988
<b>ELI Affordable</b>	100%

### NICHOLE HINES TOWNHOMES CONSTRUCTION COSTS

Total Development Costs: \$10,719,612



SOURCES OF FINANCING

Operating costs will be covered again by a “Contributions Contract” from the local housing authority for 21 of the units, and WCRP’s internal rent subsidy fund.

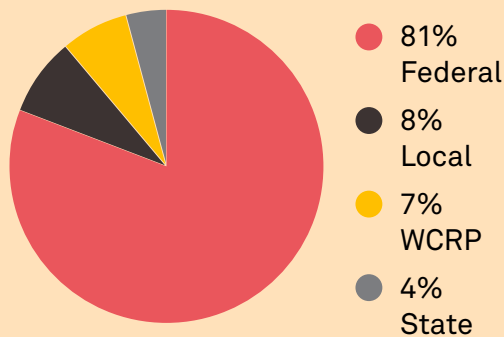
When LIHTC affordability restrictions expire at the Hines development, the townhomes will be eligible for sale to existing residents and remain

permanently affordable through a WCRP-created CLT. Residents will begin homeownership counseling in the ninth year of tenancy, six years prior to expiration of LIHTC.

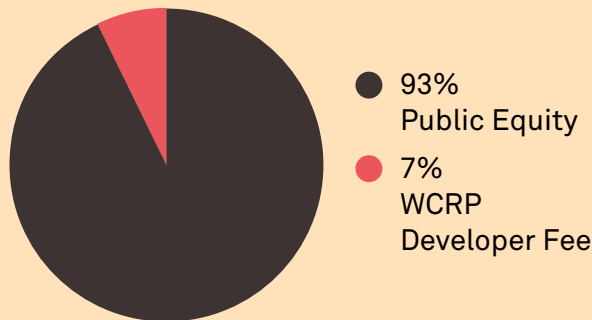
It should be noted that the direct operating subsidy from the public housing authority does not provide as much subsidy as a Project Based Voucher or the Project Based Rental Assistance provided to private developers in Rental Assistance Demonstration (RAD) conversions of public housing, but any subsidy in the operating realm helps.

### NICHOLE HINES TOWNHOMES FUNDS BY SOURCE & TYPE

Funds by Source



Funds by Type



### NICHOLE HINES TOWNHOMES SUMMARY TABLE

Nichole Hines Townhomes Summary	
Acquisition & Pre-Development	\$720,000
Construction/ Rehabilitation	\$9,180,000
Reserves & Fees	\$2,200,000
<b>TOTAL ABOVE</b>	<b>\$12,100,000</b>
Operations costs / plan to cover	\$5,869 per unit / PHA contribution contract & internal rent subsidy fund
Units	35 (all 2 BR or higher)
Development Costs Per Unit	\$345,714 per unit
ELI Affordable	100%



## Conclusion & Public Policy Recommendations

The need for ELI housing is overwhelming. The current housing development financing structure will keep it that way until we change it. Highly motivated CLTs are leading the way in forging new paths to deep affordability and also working to create new policies to support it, primarily on the state and local level.

Federal programs that might assist with the first three stages of housing production—acquisition/pre-development, construction/rehabilitation, and operating costs—are not designed to meet ELI housing production. Those committed to preserving or creating ELI housing are left to scramble at each stage to fit pieces together in financing puzzles. Meeting the operating costs of rental housing is the greatest challenge, as the rent paid by ELI renters generally won't cover obligations. While federal tenant-based vouchers play a role in meeting these costs, their supply doesn't meet the need.

The CLTs studied here are highly motivated players in the financing game. They have met operating costs by “cross-subsidies” (using commercial rents to offset low ELI rents), some voucher aid, and, in the case of WCRP, turning developer fees that usually build internal program capacity into their own rental subsidies. They have preserved units at risk of loss to the speculative market and also created new housing. Most impressive, is the way they have reached the deep affordability levels needed for ELI housing. Of the 288 residential units developed in total by the



United Workers

community-controlled housing providers in this report, two-thirds of them were affordable at 30% AMI or lower. This is far deeper than the levels of affordability achieved through traditional LIHTC projects.

Total cost of development always will be a function of localities—development types, financing models, markets, and fees. The costs here ranged from a low of \$591,738 at Harvest House in Oakland to a high of \$16,366,000 at the Garden St. Apartments in Vermont. Operating costs per

## SUMMARY OF CLT DEVELOPMENT FINANCE FINDINGS\*

### 10 Community Controlled Developments

<b>Total Units Produced #</b>	288 Residential Units
<b># at-risk units preserved</b>	57 units (5 preservation developments)
<b># new construction units</b>	231 units (5 new construction developments)
<b>Total Development Costs</b>	\$79,545,648
<b>Total Development Costs Per Unit</b>	\$276,200 per unit
<b>Total Annual Operating Costs/O.C. per unit</b>	\$2,337,408 / \$8,116 per unit
<b>% Units Affordable at or below 30% AMI</b>	67% 192 of 288 units developed

\* Table summarizes a scan across developers, within various localities, development types, funding models, building conditions, market types, and fees & costs.

unit ranged from just over \$1,000 per unit again at Harvest House to \$11,163 per unit at Susan’s Place in Vermont.

While these CLTs may resemble and even outperform other developers that have managed to create ELI units, they differ in two key commitments:

- They keep the housing permanently affordable and retain public subsidies to ensure as much; and
- They keep tenants secure and not subject to involuntary displacement when market conditions change, or subsidies expire.

For this CLTs should be prioritized and incentivized in all low-income housing finance programs and the private lending connected to them. Equity and security are what we all want in our housing, and ELI households have gone without both for too long.

## Policy Recommendations

ELI housing’s biggest need is operating subsidies. Specifically:

- Expansion of all federal tenant-based assistance (vouchers), prioritizing project-based vouchers (PBVs) for community-controlled, permanently affordable housing.
  - The priority is justified by the performance of community-owned models to date: they keep residents immune from displacement and are forever affordable.
  - As the community-controlled sector grows to scale, this priority should lessen. At that point, Housing Choice Vouchers (HCVs) can eclipse PBVs, as voucher holders in search of housing will truly have a choice—between private and community models.
  - The federal American Rescue Plan Act (ARPA), which provides over \$27 billion in emergency rental assistance and new housing vouchers, and \$5 billion for families experiencing homelessness is a recent and welcome first step.<sup>75</sup>
- Expansion of direct operating subsidies by all levels of government and prioritizing linkage to construction/rehabilitation subsidies.
  - Construction/rehabilitation subsidy programs that utilize affordable housing ceilings at the 50-80% AMI range produce housing at those ceilings because rents set at those levels can cover operating costs.
  - Linking operating subsidies to construction/rehab subsidies would enable producers to move down from these AMI ceiling levels to the deeper floors needed for ELI households.
- Expansion of public subsidies for cross-subsidies, with a requirement of permanent affordability.
  - Social housing in Europe involves government assisted housing with mixed incomes, thereby enabling cross-subsidy. LIHTC might be seen as a “pilot program” to this approach, when vouchers are used to get some units to ELI tenants; but



LIHTC's investor-oriented loopholes and time-limited affordability undermines tenant security.

- LIHTC loopholes should be closed and state plans that set priorities for LIHTC projects should give extra weight to projects that reach ELI households.

In the construction/rehabilitation realm, the greatest need is the reduction of debt. We need

- Expansion of federal, state, and local programs that provide public equity, thereby reducing the debt that gets carried over into operating costs, making ELI rents challenging.
  - Prioritizing developers that produce permanently affordable housing with little risk of involuntary displacement is justified.
  - Again, federal ARPA can assist here, as it provides \$360 billion to State, Tribal, territorial, city and county governments to respond to public health emergencies, but with some flexibility.<sup>76</sup> Initiatives like Susan's Place, where Champlain Housing Trust used federal CARES relief to acquire a hotel and establish permanent housing for those experiencing homelessness is a model for using such funds.
- Government soft debt programs, like those used in the West Coast CLT projects, also should be expanded.
- The public sector also can reduce hard debt interest rates with
  - loan guarantees,
  - creation of secondary markets for banks that loan to developers that guarantee equity and security of tenure, and
  - Public banking.

In the property acquisition/pre-development realm, two housing approaches are at play.

- Occupied housing at-risk of transfer to the speculative market needs "quick money" for preservation. For the most part, government money is not quick, but money set aside in small site or other funds particularly for housing preservation can be operationalized for expediency. This must be expanded.

- Using private lending for property acquisition is problematic as community developers might be forced to pay off debt at each subsequent stage of development, thereby making rents eventually unaffordable to ELI tenants. But government tools can help to keep debt costs low, such as
  - Government loan guarantees,
  - Government purchase of acquisition loans, and/or
  - Public banking.
- The disposition of vacant housing or property that is government owned or saddled with tax liens must prioritize communities and people, not markets and private developers.
  - Land Banks can be a tool for this, but must be imbued with community values, governance, and accountability structures.
  - Given the history of redlining, block-busting, racial covenants, urban renewal, and highway subsidies to assist with white flight, cities should transfer all publicly owned or controlled vacant property to community controlled housing developers in areas that have long suffered from the lack of capital that racist housing policies incentivized.

The grassroots activism that is now producing community-controlled housing eventually will lead to these policy changes. Already it has created "small sites" funding and vouchers at the local level. It also has created state and local affordable housing trust funds and a CLT priority in at least one fund.<sup>77</sup> It will radiate upward to state and federal levels if it's unhindered by the day-to-day challenges and details of housing development.

We hope this report facilitates that freedom, giving community members and activists enough housing development information that will facilitate developer accountability, but allowing them to do what they do best: organize and mobilize to expand public resources and forge creative new public policies. Community controlled ELI housing eventually will get to scale. And it will leave in its wake changed finance structures and policies that will sustain it.

## Appendix: Table of Federal Operating Subsidies

These are primarily tenant-based subsidies but do include some possibilities for direct operating subsidies. Information on state and local tenant-based, direct, and cross subsidy programs can be obtained by state and local housing and/or community development agencies. Homeless Continuum of Care plans should be explored as well on the local level. All of these federal programs need additional funding, as many of them over the last four years have received modest increases or have been level funded.

Program	Description	Target Population AMI	Local Access Agency	Further Information & Things to Know
Housing Choice Vouchers (HCV)	A mobile voucher that pays landlords the difference between what a household can afford to pay for rent (30-40% of monthly income) and the rent itself, up to a reasonable amount (Fair Market Rents set by HUD)	30% AMI and below Housing Agency can use a portion for households up to 80%AMI	Local (HUD-related) Public Housing Agency	PHA Annual Plan will set forth information about number of HCVs & other information
Project Based Vouchers (PBV)	Voucher assistance that is linked to a particular property. Voucher doesn't move with the tenant.	30% AMI and below is primary target	Local PHA	Public Housing Agencies (PHAs) may project-base up to 20% of their authorized Housing Choice Vouchers (HCVs) and up to 30% if the additional units contain certain types of households or are located in specific areas
Family Unification Program Vouchers (FUP)	Voucher assistance for Homeless or precariously housed families in danger of losing children to foster care or that are unable to regain custody primarily due to housing problems. Also includes youth aging out of foster care who are at risk of homelessness	See Local PHA Annual Plan	Local PHA	FUP Vouchers are awarded to PHA's by HUD through a competitive process in response to a HUD Notice of Funding Availability (NOFA) . Depending on the size of the Public Housing Authority, communities can receive a maximum of 100, 50, or 25 vouchers
Mainstream or Non-Elderly Disabled Vouchers (NED)	Voucher assistance for a household composed of one or more non-elderly persons (ages 18-61) with disabilities, which may include additional household members who are not non-elderly persons with disabilities	See Local PHA Annual Plan	Local PHA	See Local PHA Annual Plan and Note: NED vouchers are a component of the HCV program Congress appropriated NED vouchers under a variety of different appropriations and HUD allocated funds under differing program NOFAs. Notice of Funding Availability (NOFA) may allow non-disabled head of household. Although different programs have differing target sub-populations, all target non-elderly people with disabilities and all operate under the HCV regulations and guidance, with slight modifications as provided in the original NOFA

Program	Description	Target Population AMI	Local Access Agency	Further Information & Things to Know
Tenant Protection Vouchers (TPV)	Voucher assistance to low-income residents of project-based HUD-assisted housing when there is a change in the status of their assisted housing that will cause residents to lose their home (for example, public housing demolition) or render their home unaffordable (for example, an owner “opting out” of a Section 8 PBV contract)		PHA	<p>There are two types of TPVs; regular tenant-based Housing Choice Vouchers (HCVs) and tenant-based Enhanced Vouchers (EVs) or “right to remain” vouchers—both are administered by a local public housing agency (PHA).</p> <p>The amount of funding available for TVPs is determined by HUD estimates of need in the upcoming year and congressional appropriations</p>
Veterans Affairs Supportive Housing Vouchers (VASH)	Homeless veterans meeting VA health care eligibility, with a focus on chronic homelessness		PHA	<p>The vouchers are allocated to local PHAs, although veteran referrals usually come from the nearest VA Medical Center (VAMC). Administration of HUD-VASH is conducted by the PHA and clinical services are provided by the VAMC, or contracted VAMC case-management</p>
Rapid ReHousing Vouchers	Rapid re-housing rapidly connects families and individuals experiencing homelessness to permanent housing through a tailored package of assistance that includes the use of time-limited financial assistance and targeted supportive services.		Homeless Continuum of Care (COC) related agency and/or City Housing or Community Development Agency	<p>These funds come through federal Emergency Services Grant (ESG) program. Priorities for ESG set at local level through the Annual Action Plan, which serves as the application to HUD for funding received through four federal grant programs:</p> <ul style="list-style-type: none"> <li>• Community Development Block Grant (CDBG)</li> <li>• HOME Investment Partnerships (HOME)</li> <li>• Emergency Solutions Grant (ESG) and</li> <li>• Housing Opportunities for Person With AIDS (HOPWA). The Annual Action Plans identify activities that will be undertaken to implement strategies included in the active Consolidated Plan. The Con Plan should assess local needs, analyze housing market, and set forth strategic plan.</li> </ul>
Supportive Housing [Continuum of Care (COC) \$]*	Couples affordable housing voucher with health care services and case management for people with complex health and other needs.		Homeless Continuum of Care Plan (COC)	<p>The COC combines a number of legacy federal programs (Supportive Housing, Shelter Plus Care, and Moderate Rehabilitation/Single Room Occupancy). Grants are competitive and awarded annually. The COC also can seek Moderate Rehab/SRO funds for operating assistance in SRO buildings.</p>

Program	Description	Target Population AMI	Local Access Agency	Further Information & Things to Know
Housing Opportunities for Persons with AIDS (HOPWA)	A homelessness prevention program designed to provide housing assistance and related supportive services for low-income people living with HIV/AIDS and their families	Below 80%	Most likely public agency connected to COC	<p>Involves two grant-making programs: Formula grants to states and localities, by which 90% of the funds are distributed; and competitive grants.</p> <p>Formula funds can be used for a wide range of housing, social services, program planning, and development costs including but not limited to the acquisition, rehabilitation, or new construction of housing units, costs for facility operations, rental assistance, and short-term payments to prevent homelessness. Annual plan and Consolidated Plan (see above) will set forth priorities and activities funded.</p>
Supportive Housing for Persons with Disabilities (Sec. 811)	For Persons ages 18–61 who are extremely or very low-income and have significant and long-term disabilities to live independently in affordable housing paired with services & supports that are voluntarily agreed upon	Below 30% & 50%	PHA	Non-profits eligible to apply for Capital Advance/Project Rental Assistance Contract (PRAC), which includes a multi-family integrated housing option, while only state housing agencies can apply for Project Rental Assistance (PRA). PRA is for project-based assistance where development (capital) costs are covered with other local, state, or federal programs.
Supportive Housing for Elderly (Sec. 202)*	Funds to nonprofits to develop and operate Senior housing: For those greater than 62 years of age with very low incomes. (LIHTC) debt and equity.	Below 50%	PHA	<p>Operating Costs: rental assistance in the form of Project Rental Assistance Contracts (PRAC) to subsidize the operating expenses of these developments. Residents pay rent equal to 30% of their adjusted income and PRAC makes up the difference between that and operating expenses.</p> <p>Development Costs: capital advance funds to nonprofits for the construction, rehabilitation, or acquisition, often supplemented by the HOME program and by Low-Income Housing Tax Credit (LIHTC)</p>
Rural Housing Programs (Sec. 521 Rental Assistance)	For those living in projects where U.S. Dept. of Agriculture (USDA) financing was used to build or renovate.		U.S. Dept. of Agriculture	When a USDA mortgage is paid off, Rental Assistance will be discontinued. If the mortgage is pre-paid, USDA can offer Sec. 542 vouchers.
The HOME Investment Partnerships Program	Federal Block grant to states & localities for low-income rental & homeownership		City Housing or Community Development Agency	Can be used for rental assistance (for 2 yr renewable terms) and for acquisition/pre-development as well as construction/rehabilitation. See Annual or “Con” Plan for HOME, CDBG, etc.



## NOTES

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# PARTNERS FOR DIGNITY & RIGHTS

## Our Mission

In partnership with communities, Partners for Dignity & Rights works to build a broad movement for economic and social rights, including health, housing, education, and work with dignity. Based on the principle that fundamental human needs create human rights obligations on the part of the government and private sector, Partners for Dignity & Rights advocates for public policies that guarantee the universal and equitable fulfillment of these rights in the United States.

## Our Role

Partners for Dignity & Rights partners with community organizations to elevate their voices, strengthen their campaigns, and effect change. Working in a participatory way and guided by human rights principles, whether we take action on the ground, foster coalition building, or offer broader analysis, we are accountable to decisions made collectively with our partners and grassroots leadership.

Through our collaborations, Partners for Dignity & Rights gives national impact to local actions by developing replicable and scalable models and spreading them across the country. We bring an inclusive human rights approach that builds power, shifts narratives and debates, and changes policies by putting people's experiences at the center and bridging divisions between issues and communities







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