

February 2019

California's Affordable Rental Homes At-Risk

ABOUT THIS REPORT

To inform affordable housing preservation efforts across California, the [California Housing Partnership](#) annually assesses the historical loss and conversion risk of federally- and state-subsidized affordable rental properties. These include properties financed or assisted by the U.S. Department of Housing and Urban Development (HUD), the U.S. Departments of Agriculture (USDA), and the Low-Income Housing Tax Credit (LIHTC)¹ program administered by the [California Tax Credit Allocation Committee](#) (TCAC).² This analysis demonstrates that the risk of affordable homes converting to market rate is very real in California's tight housing markets, which includes seven of the ten most expensive rental housing markets in the United States.³

KEY FINDINGS

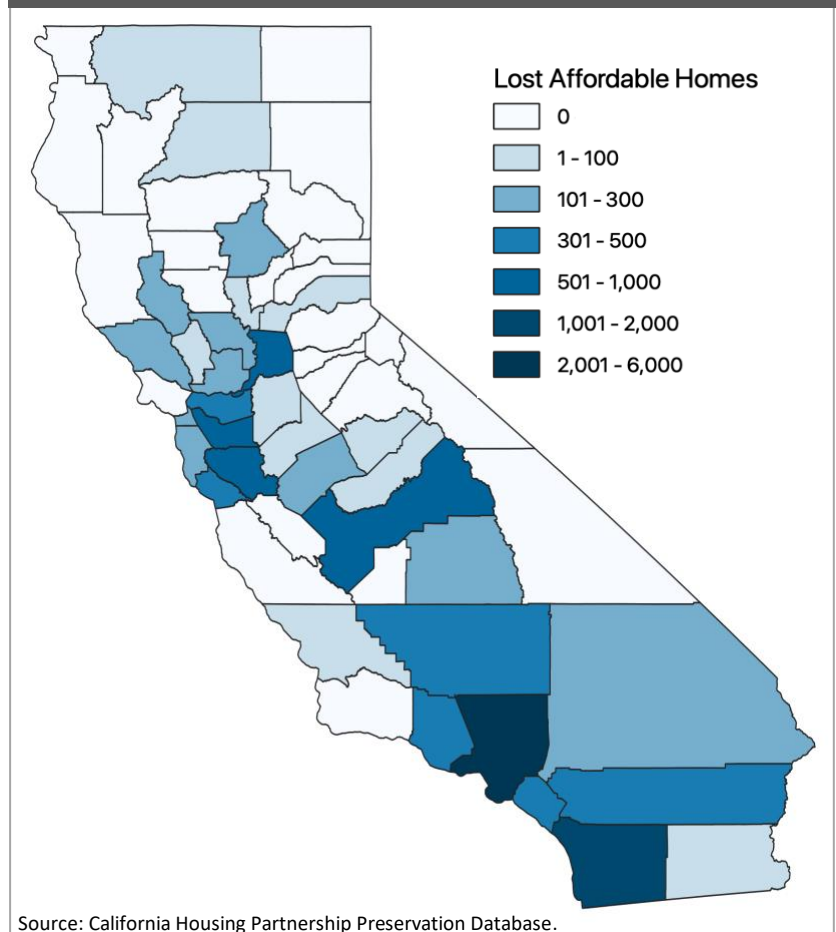
- California has already **lost 15,044 affordable rental homes**; one in four were financed with LIHTCs.
- Another **34,554 affordable rental homes are at risk** of conversion.

WHAT HAS BEEN LOST?

Between 1997 and 2018, California lost 15,044 affordable rental homes with HUD project-based rental assistance contracts and/or loans or Low-Income Housing Tax Credits (LIHTC) due to owner decisions to opt out, sell, or allow their properties to convert to market rate.

The location of these lost affordable rental homes loosely corresponds to each county's overall share of the state's stock of federal and state-financed affordable rental homes. Among the ten counties with the largest number of federal and state-financed affordable homes, Los Angeles has seen the largest number of homes convert to market rate since 1997 (5,256 homes or 35% of all homes lost),

FIGURE 1: GEOGRAPHY OF LOST AFFORDABLE HOMES IN CALIFORNIA BY COUNTY, 1997-2018



while San Francisco has seen the smallest conversion (115 homes or 1% of all homes lost) (see Figure 1). However, when looking beyond the absolute number of homes lost to each county’s own inventory, Fresno County has seen the largest conversion of homes proportional to their total affordable housing stock (929 homes or 7%). Figure 1 shows the number of affordable homes that have converted to market rate for each county from 1997 to 2018.

Research studying first-generation LIHTCs in California found that the absence of additional regulatory protections is highly correlated with the conversion to market rate after the required affordability term —and is likely one of the largest factors explaining different rates of loss across geographies.⁴

See Appendix A and B for more findings on lost affordable homes.

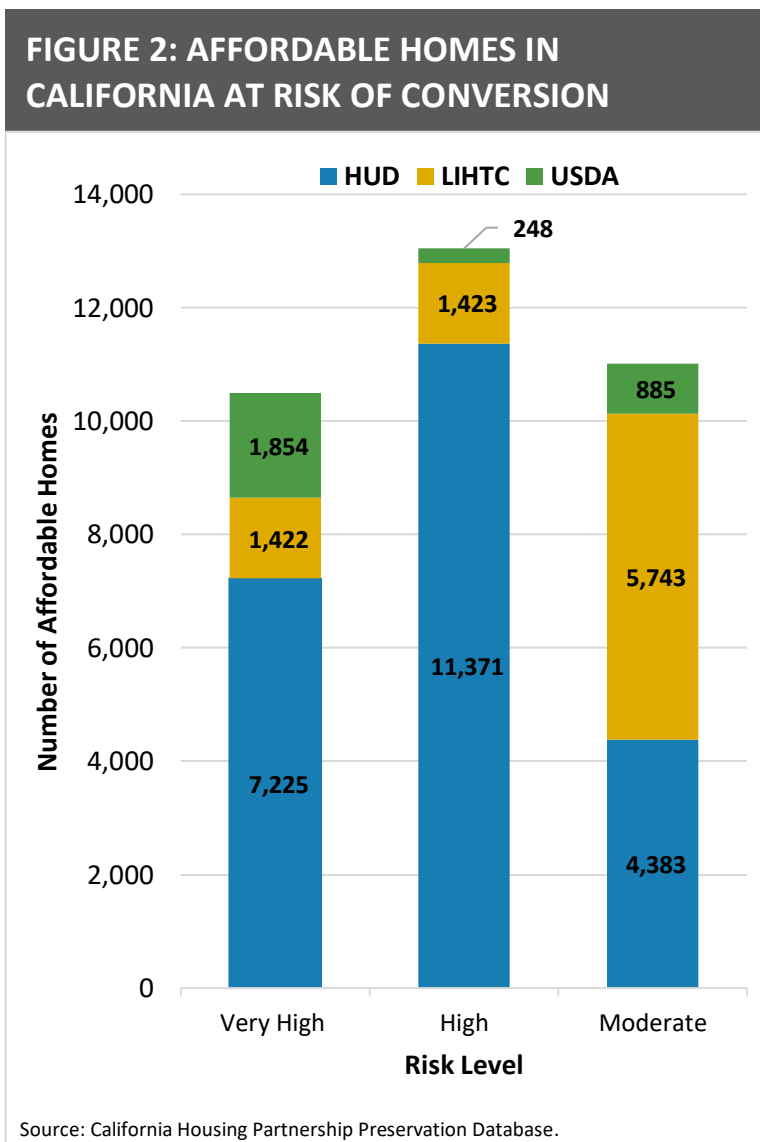
WHAT IS AT RISK OF CONVERSION TODAY?

The California Housing Partnership has analyzed conversion patterns among the state’s stock of subsidized properties to identify the homes most at risk.⁵ Of the approximately 420,476 affordable homes in the State’s HUD, USDA, and LIHTC portfolios, 34,554 (8%) are currently at risk of conversion (see Figure 2).

Homes at moderate, high, or very high risk of losing affordability have the following characteristics:

- The majority have expiring HUD project-based rental assistance contracts and maturing mortgages (67%), while 25% are governed by expiring LIHTC regulatory agreements, and 9% are financed by maturing USDA mortgages.
- These affordable homes primarily serve seniors (46%) and families (42%).⁶
- At-risk homes are concentrated in Los Angeles County (35%), Orange County (10%), San Diego County (7%), Santa Clara County (6%), and San Francisco County (5%) (see Figure 3).
- See Appendix A and B for more data on at-risk affordable homes by county.

Given California’s existing shortage of 1.5 million homes for extremely low-income and very low-income renters, it is clear that failing to preserve California’s affordable homes is not an option and that state and local action is needed urgently.⁷



WHAT SHOULD BE DONE?

State Policy Recommendations

The following are ways that the State can provide local governments with the tools necessary to effectively preserve existing affordable housing:

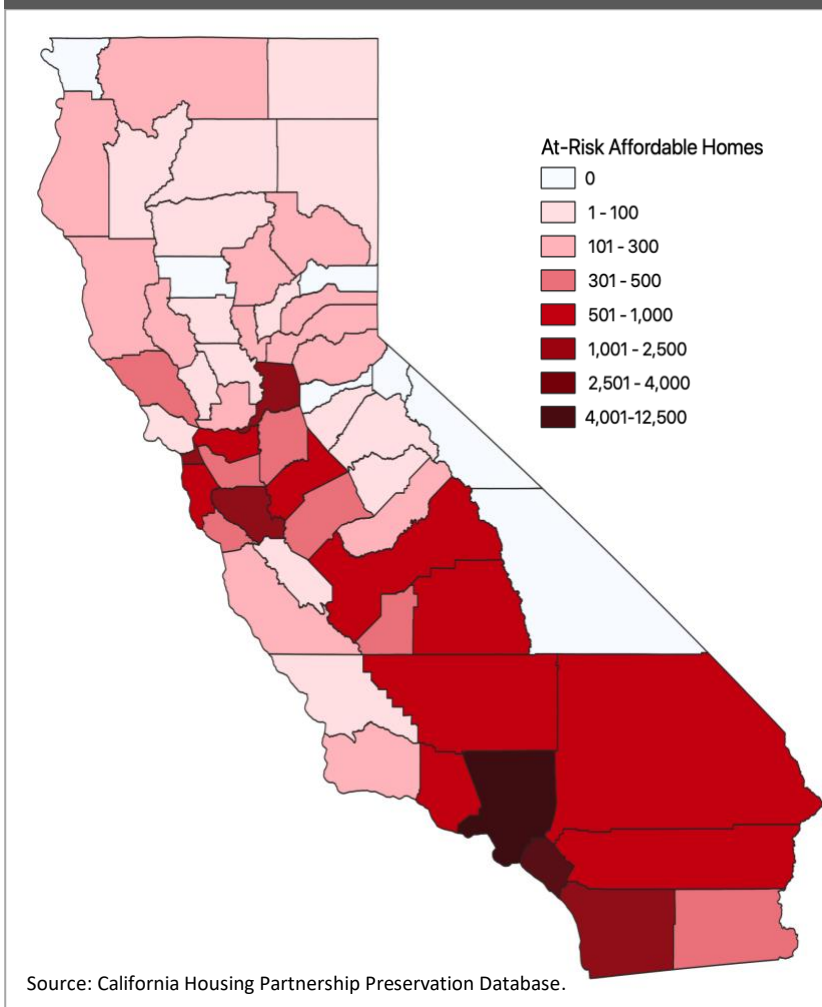
1. Aggressively enforce the [State Preservation Notice Law](#) as expanded by AB 1521 (2017).
2. Create a bargain sale tax credit that incentivizes at-risk owners to sell to preservation entities.
3. Expand the State LIHTC program.
4. Create a new affordable housing funding tool to replace funds lost to redevelopment elimination in 2012.

Local Preservation Strategies

For ideas on local preservation strategies, resources, and recommendations, see:

1. [Preservation Strategies](#)
2. [Best Practices](#) for Local Government
3. The [California State Preservation Notice Law](#) and its expanded requirements, scope, and enforcement with the passage of AB 1521 in 2017

FIGURE 3: GEOGRAPHY OF AFFORDABLE HOMES AT RISK OF CONVERSION BY COUNTY, 2018



To learn more about the data contained in this report please contact Preservation and Data Manager Danielle M. Mazzella, who manages the California Housing Partnership's Preservation Database, at dmazzella@chpc.net.

¹ The portion of the risk assessment and analysis of lost affordable homes that considers Low-Income Housing Tax Credits only includes properties awarded credits in the first round of 2018. Full TCAC data on the second round of 2018 awards was not available.

² The California Housing Partnership's Preservation Database includes HUD subsidized properties, USDA Section 514 and 515 rural properties, and properties financed with Low Income Housing Tax Credits in California. The Preservation Database is updated quarterly with the most complete and available data provided by each agency. The data is then cleaned and duplicate information is removed using both automated processes and manual checks. Every effort is made to ensure the information presented is as precise as possible; however, there may be unanticipated inaccuracies in our analysis and in the data we receive from federal and state agencies.

³ Salviati, Chris. "Apartment List National Rent Report." 1 January 2019. Website: <https://bit.ly/1PJwY2A>.

⁴ California Housing Partnership. "The Tax Credit Turns 30." December 2017. Website: <https://bit.ly/2UD3Akz>.

⁵ California Housing Partnerships' analysis considers length of affordability, overlapping subsidies, and owner entity type to determine the risk of a property converting to market rate.

⁶ The population served is determined by the housing type reported for each development. For the purposes of this analysis, we assume that all units correspond with the development's housing type.

⁷ California Housing Partnership. "California's Housing Emergency: State Leaders Must Immediately Reinvest in Affordable Homes." March 2018. Website: <https://bit.ly/2p8FVuN>.

Appendix A

TABLE 1: LOST AFFORDABLE HOMES* & RISK ASSESSMENT BY PROGRAM				
	HUD**	LIHTC***	USDA****	Total
Lost Affordable Homes	11,394	3,650	N/A	15,044
Very High Risk	7,225	1,422	1,854	10,501
High Risk	11,371	1,423	248	13,042
Moderate Risk	4,383	5,743	885	11,011
Low Risk	43,629	335,630	6,663	385,922
Total	66,608	344,218	9,650	420,476

Source: California Housing Partnership Preservation Database.

*The California Housing Partnership recently made extensive new efforts to match properties across datasets covering different state and federal funding sources supporting affordable rental homes in California. This effort has allowed us to better identify properties that have been lost or preserved by overlapping subsidies from different programs. As a result, we have significantly lowered our estimate of the number of affordable rental homes lost in the last decade.

**The homes captured under the HUD column reflect only properties with HUD financing.

***The homes captured under the LIHTC column include properties that have tax credits only, as well as tax credit properties that also have HUD and/or USDA financing. Resyndicated properties and scattered sites are not included. Full data on the second round of 2018 awards was not available; only properties awarded credits in the first round of 2018 are included.

****The homes captured under the USDA column include those with USDA funding exclusively or with USDA funding in combination with HUD financing.

Appendix B

TABLE 2: LOST AFFORDABLE HOMES & RISK ASSESSMENT BY COUNTY

County	Lost Affordable Homes	% of Lost Affordable Homes	At-Risk Affordable Homes	Affordable Homes NOT At-Risk**	Total Affordable Homes	% of Affordable Homes At-Risk
Alameda	683	3%	346	22,130	22,476	2%
Alpine	0	0%	0	24	24	0%
Amador	0	0%	0	344	344	0%
Butte	129	5%	244	2,239	2,483	10%
Calaveras	0	0%	43	168	211	20%
Colusa	0	0%	90	475	565	16%
Contra Costa	410	3%	517	13,000	13,517	4%
Del Norte	0	0%	0	428	428	0%
El Dorado	0	0%	192	1,684	1,876	10%
Fresno	929	7%	897	12,030	12,927	7%
Glenn	0	0%	0	482	482	0%
Humboldt	0	0%	263	1,173	1,436	18%
Imperial	29	1%	384	3,984	4,368	9%
Inyo	0	0%	0	46	46	0%
Kern	397	4%	585	9,475	10,060	6%
Kings	108	5%	436	1,732	2,168	20%
Lake	0	0%	151	892	1,043	14%
Lassen	0	0%	34	391	425	8%
Los Angeles	5,256	5%	12,121	85,588	97,709	12%
Madera	10	1%	169	1,572	1,741	10%
Marin	0	0%	10	2,392	2,402	0%
Mariposa	16	11%	36	89	125	29%
Mendocino	0	0%	127	1,005	1,132	11%
Merced	252	9%	432	2,045	2,477	17%
Modoc	0	0%	12	111	123	10%
Mono	0	0%	0	106	106	0%
Monterey	0	0%	293	5,286	5,579	5%
Napa	24	1%	38	1,846	1,884	2%
Nevada	0	0%	154	1,327	1,481	10%

County	Lost Affordable Homes	% of Lost Affordable Homes*	At-Risk Affordable Homes	Affordable Homes NOT At-Risk**	Total Affordable Homes	% of Affordable Homes At-Risk
Orange	475	2%	3,532	19,324	22,856	15%
Placer	72	2%	170	4,283	4,453	4%
Plumas	0	0%	106	206	312	34%
Riverside	452	2%	581	18,080	18,661	3%
Sacramento	958	4%	1,018	21,934	22,952	4%
San Benito	0	0%	36	553	589	6%
San Bernardino	267	2%	573	12,535	13,108	4%
San Diego	1,641	5%	2,320	30,556	32,876	7%
San Francisco	115	0%	1,584	23,581	25,165	6%
San Joaquin	84	2%	346	4,880	5,226	7%
San Luis Obispo	22	1%	26	2,464	2,490	1%
San Mateo	201	4%	622	4,306	4,928	13%
Santa Barbara	0	0%	156	4,459	4,615	3%
Santa Clara	719	2%	2,059	27,148	29,207	7%
Santa Cruz	313	8%	405	3,023	3,428	12%
Shasta	88	4%	98	1,879	1,977	5%
Sierra	0	0%	0	49	49	0%
Siskiyou	81	9%	193	650	843	23%
Solano	214	4%	299	4,655	4,954	6%
Sonoma	213	3%	484	6,932	7,416	7%
Stanislaus	44	1%	536	3,077	3,613	15%
Sutter	95	11%	125	653	778	16%
Tehama	0	0%	101	909	1,010	10%
Trinity	0	0%	64	30	94	68%
Tulare	143	2%	794	5,045	5,839	14%
Tuolumne	0	0%	40	664	704	6%
Ventura	329	4%	562	6,755	7,317	8%
Yolo	275	6%	94	4,098	4,192	2%
Yuba	0	0%	56	1,130	1,186	5%
Totals	15,044	3%	34,554	385,922	420,476	8%

*Percent of each County's affordable housing inventory that has converted to market rate.

**These homes were not at risk at the time this report was prepared but could become at risk in the future.