



California
Housing
Partnership

APRIL 2023

Affordable Homes At Risk

How Many of California's Affordable Rental
Homes Have Converted to Market Rate?
How Many are Still at Risk?

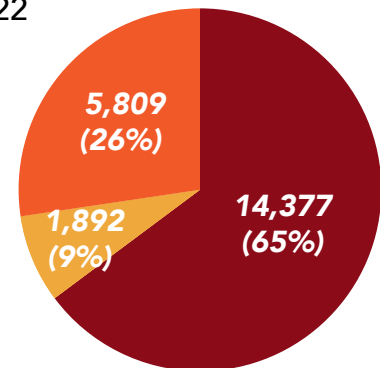
California's lower income renters are served primarily by two types of affordable homes: 1) federal-, state- and locally-subsidized multifamily properties ("affordable housing") governed by regulatory agencies, this report features those properties. The Partnership assessed the second type, the less defined, less well studied "naturally-occurring" affordable housing (NOAHs) in a separate report.

Losing California's Subsidized Affordable Homes¹

Between 1997 and 2022, California has **lost 22,078 affordable homes** (see Figure 2 on page 2) due to expiring regulatory restrictions on government-assisted multifamily developments and owner decisions to opt out, sell, or allow their properties to convert to market rate.

The California Housing Partnership analyzed the ownership structure of affordable housing developments that lost their affordability between 1997 and 2022 and found that **65%** (14,377 affordable homes) were owned by for-profit entities (see Figure 1, right).

Figure 1 | Loss of Affordable Rental Homes by Ownership Type, 1997-2022



■ For-profit ■ Non-profit ■ Other*

*"Other" includes Single Asset, Limited Dividend, Public Agency, or Unknown owner.

Source: California Housing Partnership Preservation Database, April 2023.

Currently at risk: (See page 3 for details)

4,749

Affordable homes may
no longer be affordable
as soon as next year

31,309

Affordable homes are at
risk of losing affordability
in the next 10 years

WHAT CAN STATE LEADERS DO TO PRESERVE AFFORDABLE HOUSING?

The following are ways that state leaders can provide the tools necessary for local governments and nonprofit, mission-driven housing organizations to effectively preserve existing affordable homes in California:

1. Aggressively enforce the State Preservation Notice Law*.
2. Expand funding available for affordable housing entities to purchase at-risk developments.
3. Create incentives for the owners of at-risk developments to sell to affordable housing entities.

*For details on the State Preservation Notice Law, visit HCD's website:
hcd.ca.gov/policy-research/preserving-existing-affordable-housing.shtml



**Roadmap
Home 2030**

The Roadmap provides a bold vision for solving California's affordable housing challenges. **Learn more at roadmaphome2030.org**

For policy information, please contact our Director of Legislative & Regulatory Advocacy, Mark Stivers, at mstivers@chpc.net.

WHAT HAS BEEN LOST?

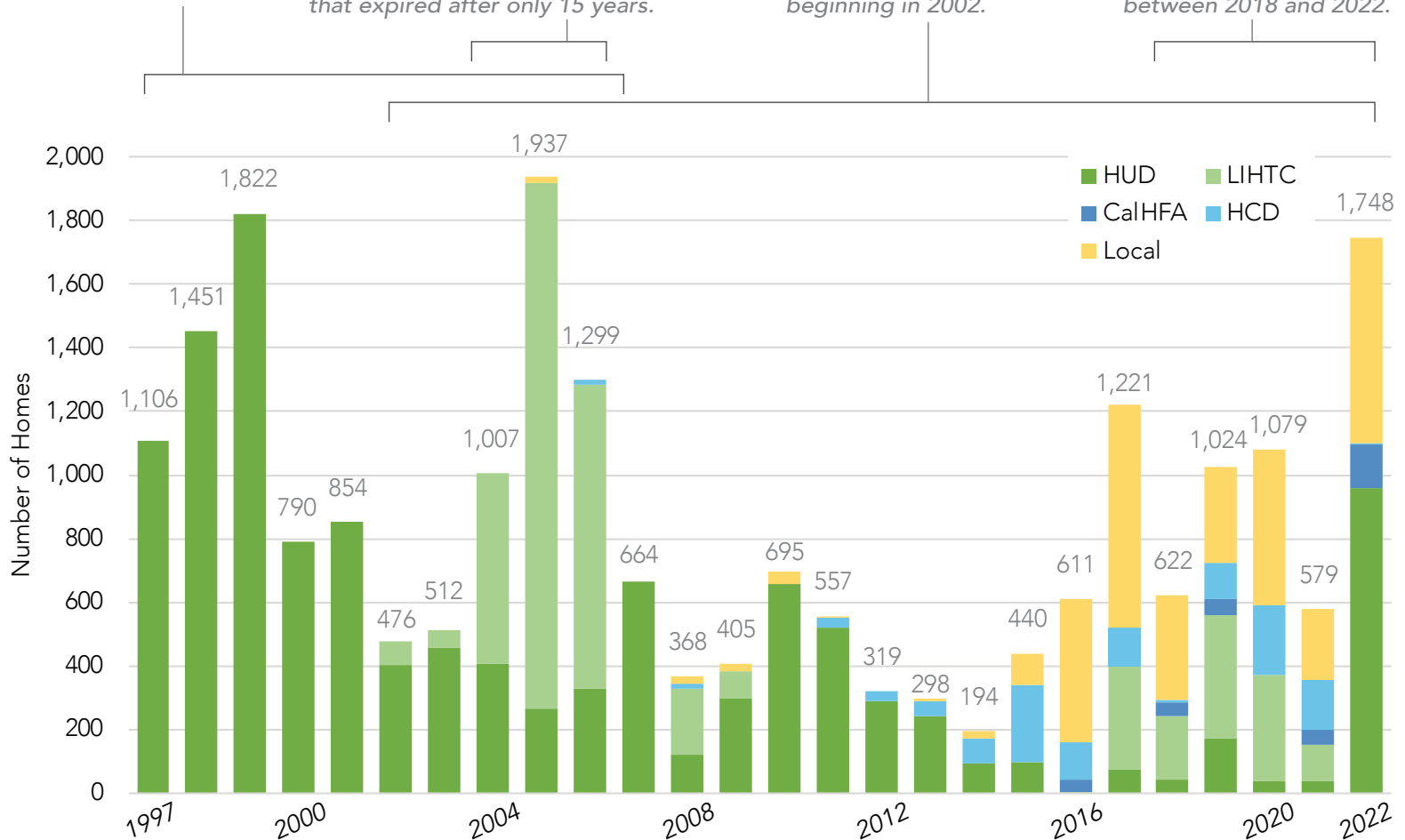
Figure 2 | Loss of Affordable Rental Homes in California, 1997-2022

More than half of lost affordable homes converted to market rate in the decade between 1997 and 2006.

The large number of LIHTC affordable homes lost in the 2004-2006 period were part of the first generation of developments in California financed with housing credits between 1987 and 1989, which per IRC Section 42, had covenants that expired after only 15 years.

Many first-generation developments without other federal, state, or local financing mandating longer rent restriction terms converted to market rate beginning in 2002.

Another 2,000 (39%) first redevelopment financed and locally restricted homes converted to market in the past five years between 2018 and 2022.



Source: California Housing Partnership Preservation Database, April 2023.

Losing the affordable homes identified as being at risk of conversion would represent a significant loss to residents and the surrounding communities. Given California's need to produce 1.2 million homes for extremely low-income and very low-income renters over the next decade, it is clear that failing to preserve California's affordable homes is not an acceptable public policy option and that state and local action is needed (see page 1 for recommendations).²

The substantial increase in the number of affordable homes lost between 2021 and 2022 is due to a combination of factors including an increase in properties that have reached the end of their affordability covenants and/or changed ownership to a new entity that has ended a contract or agreement where they have that authority, fewer properties having contracts being renewed (HUD, PBRA), and a throttling down of the ability to use Housing Credits to preserve properties due to an insufficient supply of federal tax-exempt mortgage revenue bonds.

WHAT IS AT RISK OF CONVERSION TODAY?

CONVERSION RISK LEVELS

The California Housing Partnership analyzes conversion patterns among the state's stock of subsidized affordable rental housing to identify which homes are most at risk of converting to market rate. Each affordable development shares the following characteristics: 1) No known overlapping subsidies extending affordability; 2) not owned by a stable, mission-driven nonprofit organization. They are then categorized into one of the following groups based on when affordability restrictions end:

Very High <1 Year

In less than one year.

High 1-5 Years

In one to five years.

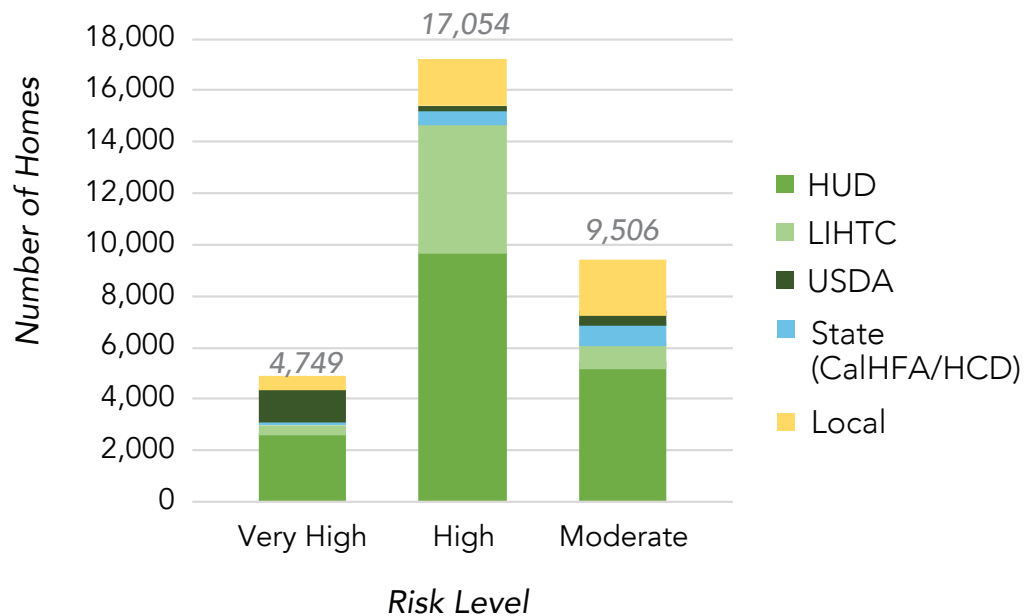
Moderate 5-10 Years

In five to ten years.

Low 10+ Years

Affordability restrictions extend beyond ten years, or the development is owned by a stable mission-driven nonprofit organization.

Figure 3 | Affordable Rental Homes At Risk in California



Source: California Housing Partnership Preservation Database, April 2023.

As a result of steady multifamily affordable housing production and preservation efforts since the 1980s, California now has 527,975 affordable homes (see Table 1).³ Among these, the homes of **31,309** lower income renter households are currently at **very high, high, or moderate risk** of conversion to market rate housing in the next decade (see Figure 3):

- These at-risk homes are located in **50 of California's 58 counties** (see Figure 5 and Appendix A).
- **More than 39%** of these homes serve seniors and people with disabilities.

Figure 4 | At-Risk Homes by Program Type

55%	HUD (expiring project-based rental assistance contracts and/or maturing mortgages)
19%	LIHTC (expiring regulatory agreements)
14%	Local (expiring regulatory agreements)
7%	USDA (maturing mortgages)
3%	HCD (expiring loans/grants)
2%	CalHFA (maturing loans)

Table 1 | Affordable Rental Homes Risk Assessment by Program⁴

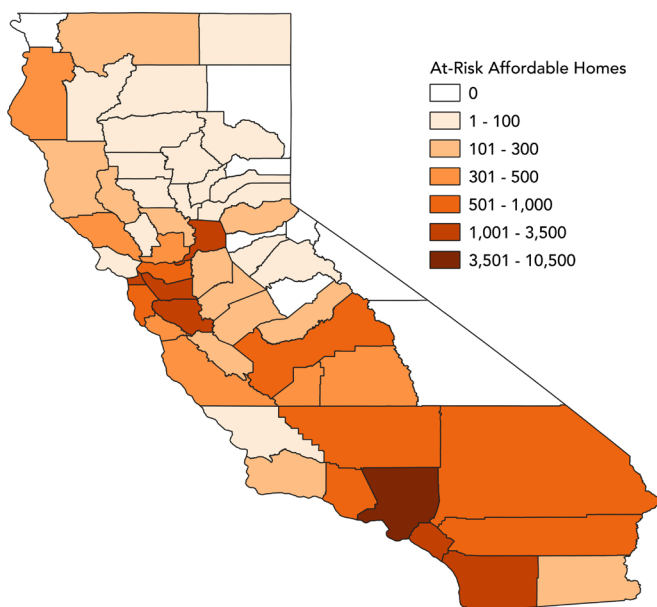
	Very High	High	Moderate	Low	Total
HUD	2,225	9,429	5,599	42,019	59,272
LIHTC	432	4,939	589	406,448	412,408
USDA	1,413	173	498	6,974	9,058
CalHFA	139	154	293	1,537	2,123
HCD	31	513	505	22,631	23,680
Local	509	1,846	2,022	17,057	21,434
Total	4,749	17,054	9,506	496,666	527,975

Source: California Housing Partnership Preservation Database, April 2023.

GEOGRAPHIC DISTRIBUTION OF AT-RISK HOMES

In this report, "at-risk homes" are defined as affordable homes with very high, high and moderate risk of losing affordability in the next 10 years.

Figure 5 | Number of At-Risk Affordable Rental Homes Within Each County of California



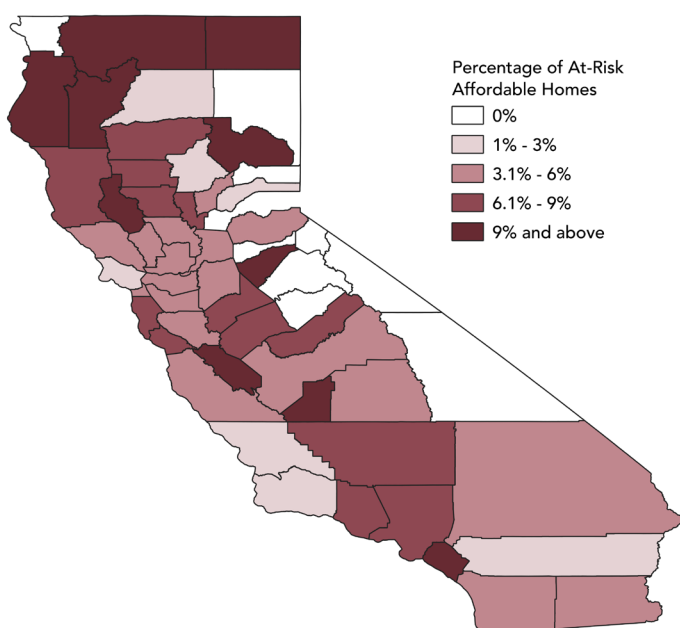
Source: California Housing Partnership Preservation Database, April 2023.

Most Populous Counties Ranked by Number of At-Risk Homes

1	Los Angeles	10,286
2	Orange	3,302
3	San Diego	1,612
4	Santa Clara	1,591
5	Sacramento	1,129
6	Alameda	1,006
7	San Bernardino	847
8	Kern	807
9	Ventura	777
10	Riverside	666
11	Fresno	640
12	Contra Costa	569

Nearly 3/4 of California's at-risk homes are located in these 12 counties.

Figure 6 | Percentage of At-Risk Affordable Rental Homes Within Each County of California



Source: California Housing Partnership Preservation Database, April 2023.

Most Populous Counties Ranked by Percentage of Affordable Homes that are At-Risk

1	Orange	12.1%
2	Los Angeles	8.2%
3	Ventura	7.6%
4	Kern	7.1%
5	San Bernardino	5.7%
6	Santa Clara	4.5%
7	Fresno	4.0%
8	Sacramento	4.0%
9	San Diego	3.7%
10	Contra Costa	3.5%
11	Alameda	3.5%
12	Riverside	3.0%

See Appendix A for more data on at-risk affordable homes by county.

Appendix A | Lost Affordable Homes & Risk Assessment by County

County	Total Affordable Homes (Historic)	Lost Affordable Homes	Total Affordable Homes (Current)	Homes at Risk of Conversion	Very High Risk	High Risk	Moderate Risk
Alameda	29,693	726 (2%)	28,967	1,006 (3%)	75	271	660
Alpine	24	(0%)	24	(0%)	0	0	0
Amador	349	(0%)	349	(0%)	0	0	0
Butte	4,462	129 (3%)	4,333	80 (2%)	0	0	80
Calaveras	211	8 (4%)	203	35 (17%)	35	0	0
Colusa	617	(0%)	617	50 (8%)	0	0	50
Contra Costa	16,703	443 (3%)	16,260	569 (3%)	0	313	256
Del Norte	468	(0%)	468	(0%)	0	0	0
El Dorado	2,418	(0%)	2,418	124 (5%)	0	0	124
Fresno	16,990	1,085 (6%)	15,905	640 (4%)	226	200	214
Glenn	602	(0%)	602	54 (9%)	0	0	54
Humboldt	2,085	(0%)	2,085	311 (15%)	92	141	78
Imperial	5,519	29 (1%)	5,490	216 (4%)	66	42	108
Inyo	65	19 (29%)	46	(0%)	0	0	0
Kern	11,725	420 (4%)	11,305	807 (7%)	294	215	298
Kings	2,605	146 (6%)	2,459	446 (18%)	248	137	61
Lake	1,416	(0%)	1,416	171 (12%)	121	30	20
Lassen	431	7 (2%)	424	(0%)	0	0	0
Los Angeles	133,384	7,951 (6%)	125,433	10,286 (8%)	1,405	6,390	2,491
Madera	2,002	18 (1%)	1,984	149 (8%)	37	80	32
Marin	2,762	35 (1%)	2,727	68 (2%)	56	0	12
Mariposa	181	16 (9%)	165	(0%)	0	0	0
Mendocino	1,610	38 (2%)	1,572	120 (8%)	0	22	98
Merced	3,001	270 (9%)	2,731	233 (9%)	0	136	97
Modoc	138	(0%)	138	76 (55%)	0	12	64
Mono	202	(0%)	202	(0%)	0	0	0
Monterey	7,010	200 (3%)	6,810	350 (5%)	115	204	31
Napa	2,654	27 (1%)	2,627	91 (3%)	0	0	91
Nevada	1,838	(0%)	1,838	34 (2%)	34	0	0
Orange	28,680	1,359 (5%)	27,321	3,302 (12%)	248	2,543	511
Placer	5,450	42 (1%)	5,408	37 (1%)	25	0	12
Plumas	311	(0%)	311	66 (21%)	0	0	66
Riverside	23,095	606 (3%)	22,489	666 (3%)	108	278	280

Appendix B | Lost Affordable Homes & Risk Assessment by County (cont.)

County	Total Affordable Homes (Historic)	Lost Affordable Homes	Total Affordable Homes (Current)	Homes at Risk of Conversion	Very High Risk	High Risk	Moderate Risk
Sacramento	29,277	1,178 (4%)	28,099	1,129 (4%)	103	530	496
San Benito	872	(0%)	872	292 (33%)	20	272	0
San Bernardino	15,366	401 (3%)	14,965	847 (6%)	167	625	55
San Diego	46,478	2,607 (6%)	43,871	1,612 (4%)	175	917	520
San Francisco	32,748	991 (3%)	31,757	1,546 (5%)	180	793	573
San Joaquin	5,939	368 (6%)	5,571	283 (5%)	42	158	83
San Luis Obispo	3,492	22 (1%)	3,470	95 (3%)	26	0	69
San Mateo	7,932	214 (3%)	7,718	569 (7%)	0	369	200
Santa Barbara	6,277	16 (0%)	6,261	130 (2%)	41	83	6
Santa Clara	36,713	1,197 (3%)	35,516	1,591 (4%)	0	945	646
Santa Cruz	4,717	432 (9%)	4,285	375 (9%)	128	89	158
Shasta	2,550	144 (6%)	2,406	42 (2%)	42	0	0
Sierra	49	(0%)	49	(0%)	0	0	0
Siskiyou	991	106 (11%)	885	101 (11%)	35	28	38
Solano	6,342	289 (5%)	6,053	318 (5%)	0	170	148
Sonoma	10,957	428 (4%)	10,529	459 (4%)	310	71	78
Stanislaus	4,413	169 (4%)	4,244	262 (6%)	0	179	83
Sutter	1,005	31 (3%)	974	86 (9%)	51	0	35
Tehama	1,239	(0%)	1,239	84 (7%)	55	0	29
Trinity	94	(0%)	94	64 (68%)	64	0	0
Tulare	7,074	232 (3%)	6,842	379 (6%)	125	46	208
Tuolumne	748	5 (1%)	743	6 (1%)	0	0	6
Ventura	10,604	336 (3%)	10,268	777 (8%)	0	610	167
Yolo	4,943	312 (6%)	4,631	219 (5%)	0	99	120
Yuba	1,566	60 (4%)	1,506	56 (4%)	0	56	0
TOTALS	551,087	23,122 (4%)	527,975	31,309 (6%)	4,749	17,054	9,506

Source: California Housing Partnership Preservation Database, April 2023.

DATA NOTES & SOURCES

- 1 California Housing Partnership. Preservation Database. April 2023. Website: <https://chpc.net/ta/preservation/preservation-clearinghouse/>. In this report, the term “affordable homes” includes multifamily properties financed, subsidized, or otherwise restricted by the U.S. Department of Housing and Urban Development (HUD), the U.S. Department of Agriculture (USDA), the California Housing Finance Agency (CalHFA), the California Department of Housing and Community Development (HCD), the Low-Income Housing Tax Credit (LIHTC/“housing credits”) program administered by the California Tax Credit Allocation Committee (TCAC), and local agencies/governments. These properties are logged in the Partnership’s Preservation Database, which includes HUD-subsidized developments, USDA Section 514 and 515 rural developments, developments receiving loans from CalHFA, developments financed with Low-Income Housing Tax Credits, developments subsidized by HCD, and a portion of local governments and agencies. 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 based on the data as processed from federal, state, and local agencies. The California Housing Partnership has included a portion of affordable housing financed or otherwise restricted by local programs into its loss and risk analysis, using as comprehensive data as possible at the time of this report’s preparation.
- 2 “California’s Roadmap Home 2030.” March 2023. Website: <https://roadmaphome2030.org/>.
- 3 California Housing Partnership. Preservation Database. April 2023. Website: <https://chpc.net/ta/preservation/preservation-clearinghouse/>.
- 4 The homes captured under the HUD column reflect developments with HUD financing, as well as developments with HUD financing that also have CalHFA, USDA, HCD, and/or local financing or affordability restrictions. The homes captured under the LIHTC column include developments that have housing credits only, as well as LIHTC developments that also have HUD, HCD, CalHFA, USDA, and/or local financing or affordability restrictions. The homes captured under the HCD column reflect developments with HCD financing, as well as developments with HCD financing that also have CalHFA, and/or local financing or affordability restrictions. The homes captured under the USDA column include those with USDA funding only, as well as developments with USDA financing that also have HCD and/or local financing or affordability restrictions. The homes captured under the CalHFA column reflect developments with CalHFA financing, as well as developments with CalHFA financing that also have local financing or affordability restrictions. The homes captured under the local column include those with local funding from former redevelopment agencies or local government and other affordability restrictions.

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Want to learn more? Sign up to join us for a virtual discussion with policy experts and nonprofit housing providers working in the trenches to ensure affordable homes are not lost as the need for them grows.

Affordable Homes At Risk: Preservation Challenges and Opportunities Webinar

April 26 2-3:30pm

Register at bit.ly/Preservationwebinar



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A report by the California Housing Partnership

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