

# Affordable Homes At Risk

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

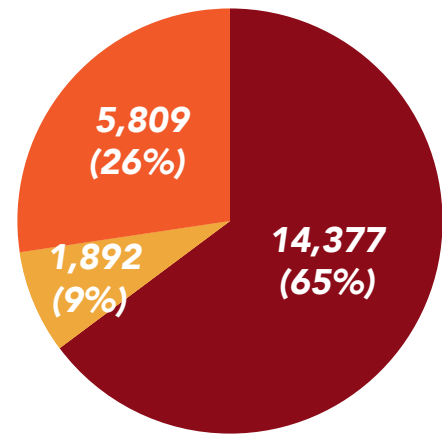
California's lower income renters are served primarily by two types of affordable homes: 1) federal-, state- and locally-subsidized multifamily properties ("affordable housing") governed by regulatory agencies, this report features those properties. The Partnership assessed the second type, the less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

## Losing California's Subsidized Affordable Homes<sup>1</sup>

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](http://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](http://roadmaphome2030.org)**

For policy information, please contact our Director of Legislative & Regulatory Advocacy, Mark Stivers, at [mstivers@chpc.net](mailto:mstivers@chpc.net).

# WHAT HAS BEEN LOST?

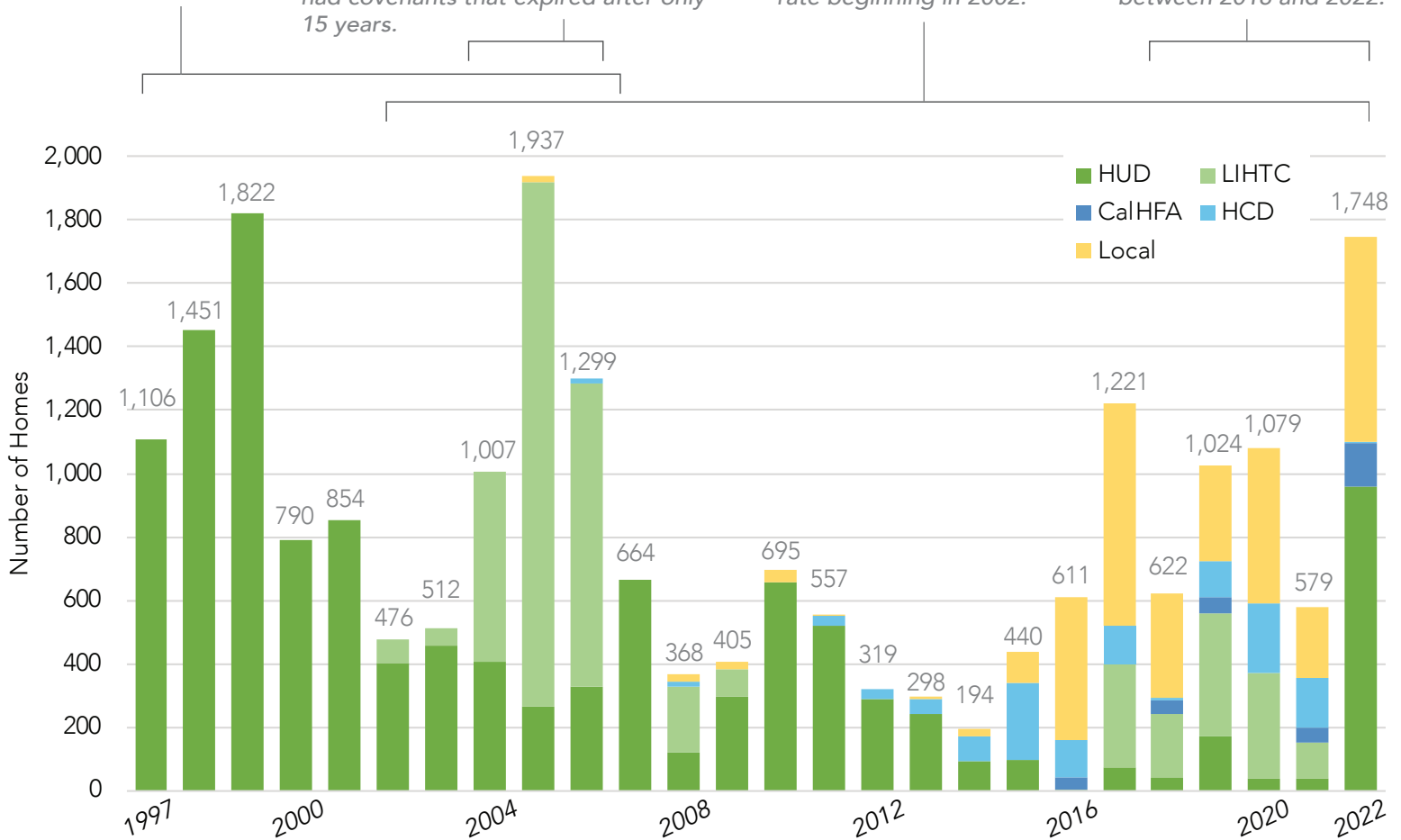
**Figure 2 | Loss of Affordable Rental Homes in California, 1997-2022**

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).<sup>2</sup>

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.

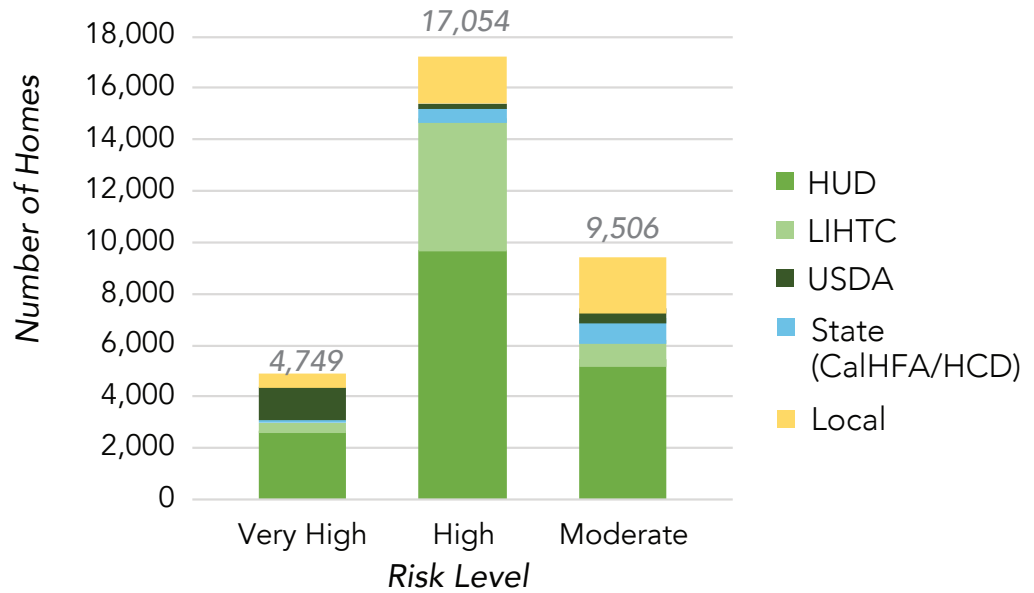
### Moderate 5-10 Years

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

**Table 1 | Affordable Rental Homes Risk Assessment by Program<sup>4</sup>**

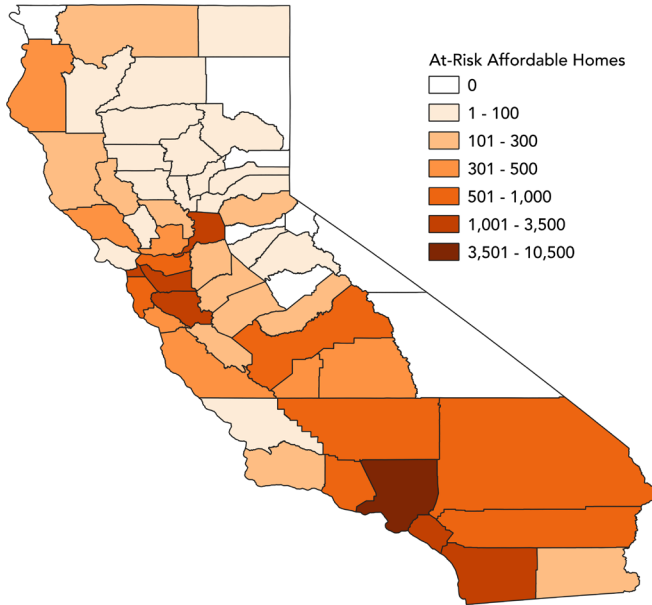
	Very High	High	Moderate	Low	Total
<b>HUD</b>	2,225	9,429	5,599	42,019	<b>59,272</b>
<b>LIHTC</b>	432	4,939	589	406,448	<b>412,408</b>
<b>USDA</b>	1,413	173	498	6,974	<b>9,058</b>
<b>CalHFA</b>	139	154	293	1,537	<b>2,123</b>
<b>HCD</b>	31	513	505	22,631	<b>23,680</b>
<b>Local</b>	509	1,846	2,022	17,057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

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**



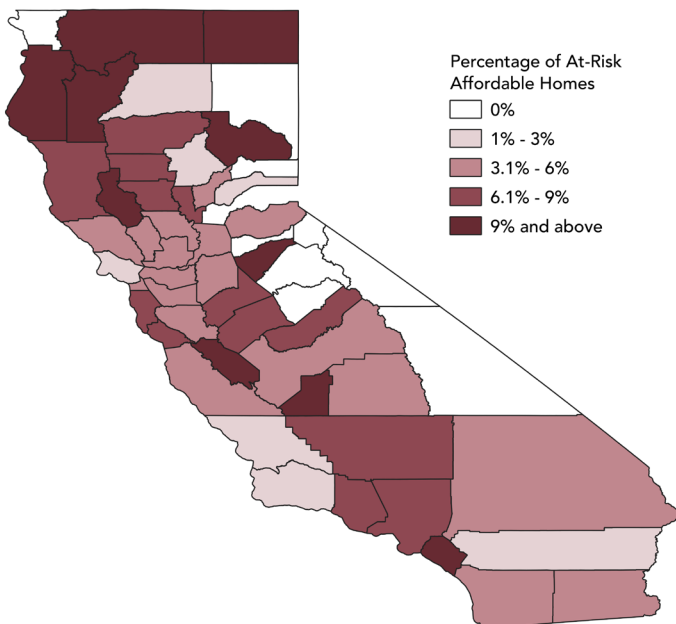
Source: California Housing Partnership Preservation Database, April 2023.

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

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

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.

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A report by the California Housing Partnership

APRIL 2023