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The Public Financing of Affordable Housing in the 21st Century: A Case Study of California's Tax-exempt Bond Program and How It Serves California's Most Populous County

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The Public Financing of Affordable Housing in the 21st Century:

A Case Study of California's Tax-exempt Bond Program and How It Serves California's Most Populous County

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Los Angeles

THE PUBLIC FINANCING OF AFFORABLE HOUSING IN THE 21ST CENTURY

A Case Study of California's Tax-exempt Bond Program
and How It Serves California's Most Populous County

A comprehensive project submitted in partial
satisfaction of the requirements for the degree
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Molly Rysman

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Executive Summary

Housing is one of the most important assets to any city or region. Without decent housing, children do not learn, parents cannot hold down jobs, and the physical health of families cannot be maintained. However, as housing markets have boomed, more and more families are shut out of the housing market. For low-income families, this does not simply mean the inability to buy a home. It means the inability to rent a basic apartment. This problem is exacerbated in the urban areas of America where low-income families congregate because of proximity to jobs and services, but where land is scarce and home values are particularly high.

This report examines the government financing of affordable housing in one of the nation's most robust housing markets: Los Angeles County. California subsidizes the production of affordable multi-family housing through a combination of state-administered federal programs, voter-approved bonds, and local subsidies. One of the largest sources of funds for affordable housing production in California is tax-exempt bonds. The California Debt Limit Allocation Committee (CDLAC) allocates approximately $1.5 billion per year in tax-exempt bonds for affordable rental housing through the Qualified Residential Rental Projects bond pool. These bonds are used to finance the production of mixed-income and 100% affordable multi-family rental housing. This report examines how these bonds have been utilized in the past and how the bonds have met the need for affordable housing in Los Angeles County, the State's most populous county.

Findings

The federal government requires tax-exempt bond financed housing to target units to households earning 60% or less of the area median income. In California, projects that target households earning 50% or less of the area median income are weighted more heavily. In analyzing CDLAC's target population, this report finds that there is a wide economic range of households that qualify for CDLAC financed units depending on a household's county of residence. In Santa Clara County, a three-person household earning $47,750 or less qualifies for a CDLAC 50% AMI rent-restricted unit. In contrast, only three-person households earning $22,100 or less qualify for a CDLAC 50% AMI rent-restricted unit in Imperial County. This range of qualifying households means that the target populations in different counties also range greatly in terms of the depth of their poverty.

Analysis of the target populations in different counties finds that Los Angeles County has the greatest concentration of target households. The estimate is conservative; it is based on the number of households earning less than 50% of area median income in 1999 and rounded down to closest Census income category. This conservative estimate of the number of target households, finds that there are 730,000 target households in Los Angeles County. No other county in the State comes close to this level of concentrated need. Los Angeles County has more than three times the number of target households of

any other county in the State. Additionally, the depth of poverty of these households is deeper as a result of the low area median income in the County.

Despite the concentrated need for affordable housing in Los Angeles County, the County has not utilized high proportions of CDLAC bonds. Every other urban county in the State utilized higher proportions of CDLAC bonds during the study period of 2000 through 2004. Even more surprising is the fact that a number of "bedroom-community"[1] counties have financed the greatest proportions of CDLAC bonds. Counties such as Placer, El Dorado, and Solano fared the best during the study period. This finding suggests that some factors may increase the ability of counties to utilize bond financing. Economic factors, including a county's area median income and housing production costs, may increase or decrease the ability of developers to utilize tax-exempt bond financing. Counties with high median incomes are able to target rent-restricted units to households with higher incomes, thus increasing the project income available to pay down bond debt. Similarly, counties with low housing production costs (i.e. cheap land) have fewer costs, which also equates to more revenue to pay down bond debt.

Correlation and regression analysis of economic, social, and political variables affecting affordable housing shows that area median income has the greatest impact on a county's ability to utilize CDLAC bonds. Higher area median incomes increase bond utilization. No other factor predicts county utilization more strongly than area median income. This means that a project's rental revenue is the greatest determinant of a county's ability to utilize the State's tax-exempt bond program.

While project costs did not show statistical significance in correlation and regression analysis, this may be the result of measurement error. Projects with lower costs will have more revenues to dedicate to bond repayment. Analysis of the ratio of area median income to average area project costs did show a statistically significant correlation between counties with lower ratios (those counties with smaller divides between costs and income) and utilization of bonds.

These findings show that certain counties face inherent economic disadvantages in their ability to utilize tax-exempt bonds. Ironically, the counties with the greatest need, urban areas, will face these disadvantages because most urban areas have high land costs and concentrations of low-income households, which lower area median income. These counties face a "perfect storm" of highly concentrated need and economic barriers to bond utilization. In California, Los Angeles County is the primary "perfect-storm" county.

[1] Bedroom communities are residential cities, towns, and counties where the high majority of residents commute out of the area for jobs. For the purposes of this report, the definition of bedroom community also refers to communities that are not adjacent to an urban area, but are rather some distance from any urban center.

Recommendations

The CDLAC rental project bond pool has been under-subscribed for the past two years, and will most likely be under-subscribed this year, as well. With the incredible need for affordable housing in the State, it is alarming that tax-exempt bond financing is not being fully leveraged. It is particularly alarming that bond utilization is so low in Los Angeles County, the area with the greatest need.

Favorable economic conditions or subsidies are necessary for tax-exempt bond utilization. Data analysis and stakeholder interviews provide three major goals for how bond utilization could be increased:

1. Correct for low area median income in the counties with the greatest need and facing the greatest barriers to bond utilization;
2. Lower project costs in these counties; and
3. Increase program accessibility.

Each of these goals can be partially accomplished through state and local policy. The two most important recommendations to increase bond utilization in the counties with the greatest need include increasing subsidies and lowering the costs of land.

- **Increase soft dollars and pre-development financing in counties with the greatest need and the greatest barriers to bond utilization**
  At the state level, policies including increasing Housing and Community Development (HCD) funds to perfect storm counties, and dedicating portions of any future ballot bonds or a state housing trust fund would increase bond utilization. The federal guidelines for tax-exempt bond programs do not correct for economic differences in counties. It is up to the State to correct for these economic variations and ensure that the CDLAC bonds are being utilized to finance housing where the need is greatest.

  At the local level, county and city programs can also facilitate increased tax-exempt bond utilization. In the City of Los Angeles, fully funding the Housing Trust Fund and dedicating sources of revenue to the fund would increase the revenues available to leverage bonds.

- **Lower the cost of land**
  The primary mechanisms for lowering the cost of land are at the local level. The City of Los Angeles recently launched an effort to identify and facilitate the sale of surplus city property to affordable housing developers. This effort could be expanded to include nuisance properties, which would greatly expand the number of properties available. This effort could also be replicated in other municipalities in the County and beyond.

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I. Introduction

Affordable housing production is one of the most vexing issues facing California today. The housing options for low-income residents are decreasing while their numbers are increasing. The high majority of low-income households cannot afford market rents. The federal government abandoned the construction of public housing in the 1970's and has since turned to the private sector for the construction of affordable units. After the 1970's numerous programs were created to subsidize, insure, and provide incentives for private developers to build affordable units. In California, these programs include the State Department of Housing and Community Development's Multifamily Housing program, the California Housing Finance Agency, the California Tax Credit Allocation Committee (TCAC), and the California Debt Limit Allocation Committee (CDLAC). Since the end of the era of large public housing projects, small affordable housing developments have been one of the few sources of affordable rental housing for low-income households.

The problem of market affordability is particularly pronounced in Los Angeles County. A minimum wage earner in Los Angeles County (earning $6.75/hour) can afford a monthly rent of $351, yet the Fair Market Rent for a one-bedroom unit is $1,124.[2] The National Low Income Housing Coalition estimates that a full-time worker must earn $21.62 an hour in order to afford a two-bedroom apartment at Los Angeles County's Fair Market Rent.[3] The current trend is that every year the gap between wages and housing costs increases. In this market, the production of affordable housing for very low-income and low-income residents is a necessity.

Another method for understanding the need for affordable housing is to look at demand. The Los Angeles Times recently covered a story about the demand for affordable housing in Los Angeles. The headline read *"Police Break Up Unruly Crowd."* On February 14, 2005, the Hollywood Community Housing Corporation (HCHC), a nonprofit affordable housing developer, had planned to distribute 150 applications for rental units at their most recent development. The project is a mixed-use 56-unit building in the heart of Hollywood. Families earning 60% and 50% of the county median income or less were eligible to apply for the units. If awarded a unit, a family would be responsible for paying 30% of their income in rent for the unit.[4] HCHC staff had informed local community groups and churches in the area that they would be distributing the remaining applications at 8:00 a.m. on the 14th. Community residents began lining up three days before the set date and time. By the morning of the 14th, there was a crowd of 3,000 people waiting for the limited number of applications.

HCHC staff had expected a few hundred applicants. When 3,000 showed up, mayhem ensued. Families pushed and shoved for the coveted opportunity of paying an affordable rent for a quality apartment. As the crowd turned into an unruly mob, 40 police officers were called to the location to break up the crowd before any applications had been distributed.

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[2] National Low Income Housing Coalition, *Out of Reach 2004*, http://www.nlihc.org/oor2004.
[3] ibid
[4] 30% of a household's income is the national standard of affordability.

This anecdote only begins to scratch the surface of the severe affordable housing shortage in Los Angeles. Housing prices skyrocketed after federal interest rates were repeatedly lowered in 2001, 2002, and 2003. The escalating housing prices exacerbated an already existing housing shortage. In response to this shortage, developers, advocacy groups, and municipal and state governments are identifying strategies to increase the supply of affordable housing. One such group, the Southern California Association of Nonprofit Housing (SCANPH), commissioned this report. SCANPH is nonprofit regional membership organization that serves as an umbrella for non-profit housing developers, social service agencies, community groups, private businesses, local government agencies, lenders, and individuals all engaged with affordable housing. This report was commissioned to examine how California counties utilize the State's tax-exempt bond program and rental project bond pool. The report analyzes CDLAC rental project bond allocation and use in the State over the past five years. The report is particularly focused on tax-exempt bond usage in Los Angeles County.

Approximately 27% of California households live in Los Angeles County. The County has an even greater proportion of the State's low-income households. The 2000 U.S. Census found that 932,111 households in Los Angeles County earned less than $24,999 in 1999. This is more than triple the concentration of low-income households in any other county in the State. Using Los Angeles County as a baseline, this report documents existing inequities in tax-exempt bond utilization by county, attempts to explain why these inequities exist, and provides a set of policy recommendations for how to address the problem.

CDLAC subsidizes affordable housing production in California by allocating tax-exempt low-interest rate bonds to affordable housing developers through the rental project pool. CDLAC bonds represent one of the largest sources of funding for affordable housing production in California. CDLAC allocates approximately $1.5 billion in tax-exempt bonds for affordable rental housing production in California annually.[5] There are two reasons to study this program. First, in spite of the need for subsidized affordable housing production financing, there is rarely competition to apply for CDLAC bond allocation. Los Angeles County developers, in particular, apply for much less funding then they could. Second, there is little to no previous academic study on CDLAC. One possible explanation for the lack of competition for CDLAC funds is that the federal government requires tax-exempt bond-financed developments to limit rents to 60% or 50% or less of the county area median income. In counties with low area median incomes, like Los Angeles, this requirement severely limits the amount of revenue that projects can generate from rents. This lack of revenue limits the ability of developers to pay down bond debt.

CDLAC currently authorizes state and local governmental agencies and joint powers authorities to issue tax-exempt private-activity bonds to assist developers of affordable multifamily rental housing. Revenue from the bonds can be used to acquire land, construct new units, or purchase and rehabilitate existing properties. Units produced or

[5] Interview with Laurie Weir, CDLAC Executive Director, 09/24/04

rehabilitated with CDLAC bond revenue must serve some low-income and very low-income households. Bonds can be used for both mixed income and 100% affordable projects. Restricted rental units can serve households making either 60% or 50%, or less, of the county area median income. Projects serving households earning 50% or less of area median income are weighted more heavily. Projects receiving bond authority also qualify to apply for non-competitive 4% low-income housing tax credits from the California Tax Credit Allocation Committee.

This report has five goals:

- To document how CDLAC tax-exempt multi-family housing bonds are geographically utilized across the State.
- To better understand how tax-exempt bonds are meeting the housing needs of the program's target population.
- To understand what factors allow certain counties to utilize more bonds than other counties.
- To identify policy recommendations that will foster an increasingly equitable distribution of tax-exempt bonds.
- To gain a better understanding of how to increase the effectiveness of existing state and local government affordable housing finance programs.

The findings and policy recommendations in the report point to the need for increased effective policies, education, coordination, communication and ambition among developers, municipal governments, and the State government.

II. Background

Housing shortages are not new in the United States. Ever since the industrial revolution, local governments have been concerned with housing shortages and substandard conditions. What has changed over time is the depth of the housing shortage and the approaches to combating the shortage.

A. Research on the Affordable Housing Crisis

There has been substantial research on the nation's affordable housing crisis. In 2000, the U.S. Department of Housing and Urban Development (HUD) found that 5.4 million families with incomes 50% or less of the area median income lacked rental assistance, paid more than 50% of their income for housing, and/or lived in severely substandard housing. Additionally, HUD (2000) found that the number of units available to extremely low-income Americans was shrinking. In California, the California Budget Project (2000) found that the State's number one housing problem is affordability. California has the fourth lowest homeownership rate in the nation.[6] For California's renters, who constitute 43% of California households, the crisis is most pronounced (California Budget Project, 2000). One million of California's 4.2 million renter households spent more than half their income on rent in 1997 (California Budget Project, 2000). The crisis is being exacerbated by the increasing costs of housing, which far surpasses increases in income (California Budget Project, 2000).

The California Budget Project (2004) found that just 29% of California households could afford to purchase a median-priced home in 2002. The result is middle-income households are often pushed to live in outlying areas and commute to jobs in metropolitan areas. Andrews (1998) found that on a national scale, the housing crisis has also spread to middle-income households. This is demonstrated by the "mismatch" between where jobs are located and where families with incomes below the national median can afford to live (Andrews, 1998).

Numerous problems are contributing to the nation's affordable housing crisis. These problems include:

- **Rising Costs**: The cost of housing has increased faster than inflation or incomes (Andrews, 1998).
- **Limited Supply**: Housing supply is slow to respond to housing demand (U.S. Department of Housing and Urban Development, 2003).
- **Decreasing Stock**: The nation lost an estimated one million affordable rental units during the past ten years, and this trend is expected to continue (Gorelick, 2004).
- **Fewer Affordable Units**: There is a decreasing supply of affordable units for extremely low-income households (U.S. Department of Housing and Urban Development 2000).

[6] California Alliance for Jobs. *Why We Need to Rebuild California: The Housing Shortage*. < http://www.rebuildca.org/shortage.html> accessed on April 15, 2005.

- **Restrictive Regulation**: Land-use regulation often discourages development, and limited development leads to fewer units becoming, or remaining, affordable (Mayer & Somerville, 2003).
- **Less Federal Assistance**: Federal rental housing assistance has decreased (Andrews, 1998; U.S. Department of Housing and Urban Development, 2000).
- **Few Programs for Low-Income Households**: Government-subsidized production targets units to households earning 50 to 80% of area median income with little attention to households with incomes below 50% area median income, even though these households face the greatest shortage of units (Nelson, 1994).

Similar problems are contributing to California's affordable housing crisis:

- **Less Federal Assistance**: Federal support for affordable housing in California has not kept up with the need for assistance (California Budget Project, 2000; 2004).
- **Limited Local Resources**: State and local governments have not filled the gap in affordable housing support created by decreasing federal subsidies (California Budget Project, 2004).
- **Budget Crisis**: California's budget crisis has led to a decreasing share of the State's general budget being allocated to affordable housing (California Budget Project, 2004).
- **Limited Production**: Production of multifamily housing decreased during the 1990's (California Budget Project, 2000).
- **Fiscalization of Land Use**: California's low reliance on property taxes to raise revenue encourages increased reliance on sales taxes to raise revenues. Thus, local governments have more incentives to support commercial development rather than residential development (California Budget Project, 2000).

B. Government Supported Affordable Housing Production

As a result of the abovementioned crisis, state and local governments subsidize affordable housing production. Researchers have found that, on its own, the market will not create affordable housing for low-income households. Andrews (1998) finds that housing production for low-income families would "virtually cease" without public subsidies. In studying the housing patterns of low-income households (50% or less of the national median income), 84% of low-income renter households lived in housing that was either subsidized by the government or that cost them more than 30% of their income (Andrews, 1998). Only a small percentage, 16%, were able to find unsubsidized housing that was affordable.

Recognizing that the market will not provide adequate affordable rental units, the federal government has supported the expansion of two vehicles for state-subsidized affordable housing production: Low Income Housing Tax Credits (LIHTC) and tax-exempt private activity bonds. Both of these financing tools are administered by the states. The states have built on the federal government's expansion of the LIHTC and tax-exempt private activity bonds to create sophisticated systems for the subsidized financing of affordable housing production.

LIHTC's were created as part of the Tax Reform Act of 1986. LIHTC's provide tax credits to investors who invest in low-income housing production. Between 1985 and 1995, 900,000 units of affordable housing were built or rehabilitated with LIHTC assistance (Andrews, 1998). Salsich (1994) finds that although the LIHTC's were an important component in subsidized affordable housing production, they had a limited impact on affordable housing production because of program restrictions and the increasing loss of affordable units in the market from affordability expiration,[7] gentrification, and aging buildings. Because there has been substantial previous research on LIHTC's, this report focuses on tax-exempt private activity bonds.

Tax-exempt private activity bonds can be used for homeownership assistance (mortgage revenue bonds) and subsidized-housing production and rehabilitation (multifamily housing revenue bonds). Private activity bonds were established as part of the 1954 tax code. Salsich (1994) traces the use of tax-exempt private activity bonds for housing production to New York State's use of the bonds beginning in the 1950s. States do not have any costs, other than administrative costs, associated with the bonds. The federal government loses revenue from tax-exempt investment in the bonds. As a result, the federal government places a volume cap on the dollar amount of tax-exempt private activity bonds that may be issued by the states (Salsich, 1994). The current volume cap is set at $75 per capita, or $225 million, whichever is higher.[8] The Community Renewal Tax Relief Act of 2000 allowed the volume cap to be adjusted for inflation beginning in 2003. In California, the volume cap is known as the "state ceiling." The California state ceiling for 2004 was $2,838,756,240.

Tax-exempt private activity bonds are used to finance a variety of private projects that serve a public good. In California, the bonds are used to finance student loans, industrial development, and housing (single-family and multifamily). Mortgage revenue bonds are used to assist first-time and low-income homeownership. The National Council of State Housing Agencies (2004) estimates that mortgage revenue bonds assist more than 100,000 lower-income households to purchase homes every year. Multifamily housing revenue bonds are used to subsidize affordable housing production and rehabilitation for low-income renters. The multifamily housing bonds provide financing at a lower interest rate than would otherwise be available but require financing to be used for projects that provide all, or a proportion of units, for low-income households. For investors, the bonds are attractive because, although they pay a lower interest rate, the interest paid in bond repayment is tax-exempt.

C. Multi-Family Housing Revenue Bonds

There is a very limited amount of research, academic writing, or even technical writing on multifamily housing bonds. Most research and academic writing on tax-exempt private activity bonds has focused on the two most heavily used programs: industrial

[7] Public housing is the only form of subsidized housing that remains affordable into perpetuity. Publicly subsidized affordable housing only remains affordable for a set period of time, such as thirty years. When the affordability expires the units revert to market-rate rents.

[8] As a result of adjustments of inflation, the actual 2004 volume cap is $80 per capita.

development bonds and mortgage revenue bonds. The lack of writing on multifamily housing revenue bonds is surprising considering the need for affordable housing production and the important role these bonds play in affordable housing financing. Mishra (1997) describes bond financing as "one of the affordable housing industry's hottest trends." Bonds and loans finance 50% to 90% of multi-family housing developments (Eichner & Norris, 2003). Multi-family housing bonds are similar to 30-year bank loans but are more desirable because they offer lower interest rates and also allow developers to utilize tax credits. Bond-financed projects must meet affordability requirements as set by federal law:

- 20% of units must be rented to households with 50% or less of the county median income, OR
- 40% of units must be rented to households with 60% or less of the county median income, and
- these units must remain affordable for a minimum of 15 years.[9]

In 2001, multi-family housing revenue bonds financed more than 88,000 units of affordable housing in the U.S. (National Low Income Housing Coalition, 2004). It is clear that multi-family housing bonds are a critical affordable housing financing tool. As the housing crisis increases, it becomes more and more important to understand the complex financing that is involved in producing affordable housing. Understanding multi-family housing bonds is a key component of this research.

D. CDLAC

As a result of the1984 Tax Reform Act, Governor George Deukmejian created CDLAC in 1985. The Committee is comprised of the State Treasurer, the Governor, and the State Controller. The State Treasurer chairs the committee. CDLAC is under the umbrella of the State Treasurer's Office, and the Committee's Executive Director supervises program staff. CDLAC's stated purpose is to "implement Section 1301 of the Federal Tax Reform Act of 1986 and Section 146 of the Internal Revenue Code which impose a limit on the amount of tax-exempt private activity bonds which a state may issue in a calendar year (i.e. the annual state ceiling)."[10] This translates into the responsibility to establish the state ceiling, allocate the ceiling, and monitor allocations.

CDLAC has six programs: Qualified Residential Rental Project Program (QRRP), Single-Family Housing Program, Extra Credit Teacher Home Purchase Program, Industrial Development Bond Project Program, Exempt Facility Program, and Student Loan Program. The distribution of funds to each program is recommended by CDLAC program staff and then approved by the Committee. The breakdown is based on statutory requirements past usage and projected need.[11] Approximately 80% of the state ceiling is normally dedicated to affordable housing because of statutory requirements. The majority

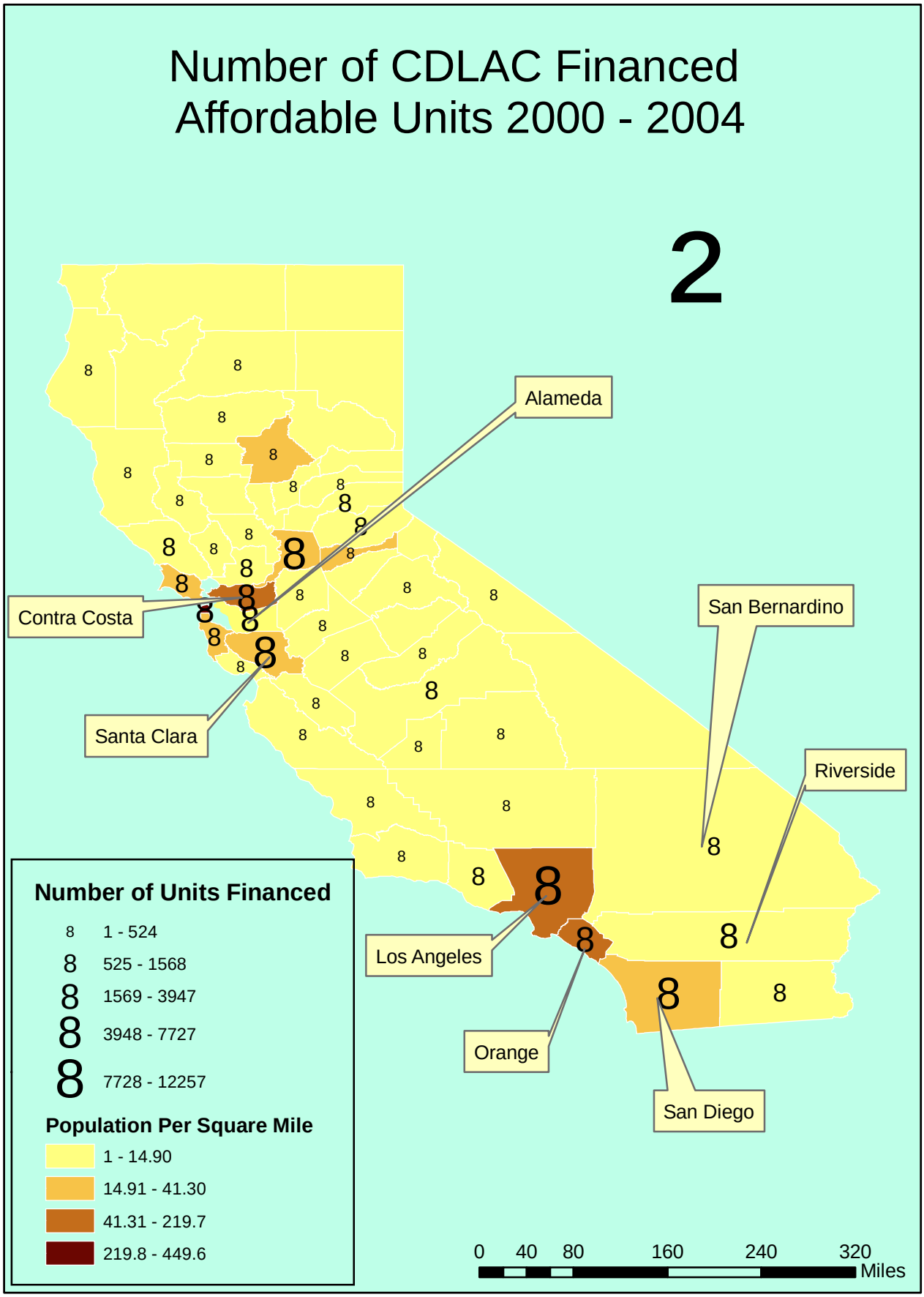
[9] The California Debt Limit Allocation Committee (CDLAC) requires that units remain affordable for 30 years. Additional points are awarded to projects that dedicate affordable units for 55 years.
[10] CDLAC website, http://www.treasurer.ca.gov/cdlac/introduction.asp?part=statutory, February 27, 2005.
[11] Interview with Misti Armstrong, February 9, 2005.

of bond allocation is normally dedicated to multifamily housing (QRRP) because it serves the lowest income households.[12] In 2004, 54.7% of the ceiling was dedicated to rental housing, 23.3% to single family housing, 4.2% to housing for teachers, 8.8% to exempt facilities (pollution control), 5.9% to student loans, and 2.2% to industrial development.[13]

The following map shows the distribution of affordable rental units financed with CDLAC QRRP bonds from 2000 through 2004 throughout the State.

[12] ibid
[13] ibid

MAP 1



Sources: ESRI, CDLAC, Census Data

Map Created by Renee Ropp

The map shows a range of bond usage, from heavy use in the Bay Area's urban counties to some rural counties that have not used any bonds. There are many possible reasons for this range. Affordable housing is difficult to build because rent-restricted units do not produce enough revenue to offset the debt undertaken to finance construction. CDLAC provides lower interest debt, but this debt must still be paid off. Affordable housing developments need additional sources of subsidized income to reduce, or write down, the amount of debt to a level that the project can afford to pay down. Bond issuance is also very expensive. Bonds may not be a good financing option for small projects, which constitute the majority of rural projects, because of the high costs of issuance.[14] Additionally, in rural counties, rents targeted to half of the area median income may not be low enough to attract 100% occupancy.[15] For these and other reasons, the majority of bond allocation occurs in urban, suburban, and bedroom-community counties.

Rental project bond allocations can be used for both mixed income and 100% affordable multifamily rental developments. QRRP allocation is allocated using a point system. Projects are awarded points based on factors such as the ratio of affordable units to market rate units, how low the income targeting of the affordable units is, and the length of time of affordability. The point system does not include points for area need or geographic region. Projects can only apply for rental project bond allocation if a number of their units serve low-income households. These units must serve households earning 60% or 50%, or less, of the area median income. Projects that serve households earning 50% or less of the area median income receive more points. The area median income is determined annually by the U.S. Department of Housing and Urban Development (HUD) on a county-by-county basis. Area median incomes range greatly in California (see Appendix 1).

For the past two years (2003 and 2004), the QRRP pool has been under-subscribed, an occurrence that could be the result of a few factors. As mentioned above, affordable housing is difficult to build. Additionally, few sources of funding provide additional subsidies for areas with concentrated need or economic constraints to building affordable housing. Many federal subsidy programs, such as Community Development Block Grants, have also been reduced in recent years. Some difficulty may result from income targeting, which limits the income that projects can collect through rents. There are also mandatory costs, such as requirements to pay prevailing wage to construction workers, which make the building of affordable housing more challenging. By and large though, difficulties in bond utilization come from complex economic constraints such as high construction and land costs.

E. How Tax-Exempt Bonds Work

CDLAC can only allocate the state ceiling to state and local governmental agencies or joint-powers authorities that are eligible to issue public bonds. If a private developer (non-profit or for-profit) wants to use CDLAC bond revenue for a development, the issuer must forward an application to CDLAC requesting bond authority on a project-by-

[14] Interview with Laurie Weir, 2005.
[15] Interview with Justin Chapman, 2005.

project basis. In Los Angeles County, common issuers include the Housing Authority of the County of Los Angeles, the City of Los Angeles Housing Department, redevelopment agencies, cities, the California Statewide Communities Development Authority, and the California Housing Finance Agency.

If awarded the authority to sell rental project bonds, the issuer is allowed up to 130 days to sell the bonds to private investors. The issuer must partner with a financial institution for either credit enhancement (a guarantee of payment to investors) or private placement (sale of 100% of the bonds to a single, major financial institution). Bonds are generally sold to institutional bond investors, banks, or corporations who are interested in the investment because of the bonds' tax-exempt status. The bonds can also be used to leverage additional funding.

The proceeds from the sale of the bonds are placed with a trustee, which distributes the proceeds to the developer based on the allowable uses. The developer can use the proceeds for land acquisition, construction, or rehabilitation. If the developer is not ready to begin construction the developer can invest the proceeds to offset the cost of interest on the bonds, which begins accruing immediately upon the sale of the bonds. When construction of the project is finished, the developer rents the units to households that meet the established income restrictions. If the project is a mixed-income project, the developer will only rent a portion of the units to low-income households. The developer will use the rental revenue from the units to pay down the bonds that the banks and/or corporations purchased.

F. Housing Finance Programs

CDLAC is only one of the State's housing programs. Virtually all affordable or mixed-income projects utilize a range of financing programs. Tax-exempt bonds are used in conjunction with many other public and private financing tools. These subsidies and financing programs allow issuers to leverage tax-exempt bonds. Tax-exempt bond projects must utilize multiple sources of public subsidy. This is particularly true in areas with low area median incomes and high housing costs. Additional public subsidies allow projects to drive down their long-term, tax-exempt debt. The main public financing sources used in conjunction with tax-exempt bonds are listed below:

- **Tax Credits**: The California Tax Credit Allocation Committee (TCAC) is responsible for administering tax credits in California. The TCAC program is overseen by the State Treasurer's office. (The State Treasurer is also the chair of the committee.) TCAC administers 9% and 4% tax credits. There is substantially more competition for 9% credits. Projects awarded 9% tax credits are ineligible for tax-exempt bonds. In contrast, 4% tax credits in California are strongly tied to tax-exempt bonds. The 4% tax credits are only awarded to projects that receive tax-exempt bond allocation. Once a project has been awarded a bond allocation, it is eligible for 4% tax credits. As a result, 4% tax credit deals are often referred to as bond deals.

- **State Grants:** The California Department of Housing and Community Development (HCD) Multi-Family Housing Program (MHP) provides residual receipt loans to affordable housing developers. Under the supervision of the Governor, HCD distributes MHP funds raised through the sale of Proposition 46 bonds.[16] These funds are distributed through geographic targeting. This means that the state is broken up into regions and projects can only compete for MHP funds with other projects in their region. MHP grants generally require that projects serve households earning less than 40% of the area median income and that projects provide social services to their residents.

- **State Financing:** The California Housing Finance Agency (CalHFA) provides below market rate and beneficial financial products to first-time homebuyers and affordable housing projects. CalHFA does not provide direct subsidies, but it is an important financial institution for affordable housing production in that it utilizes the CDLAC volume cap. A board of directors supervises CalHFA. The Governor, the State Senate, and the State Assembly appoint directors. The State Treasurer is a voting member of the agency as well.

- **Local Subsidies:** Local subsidies are a significant financing tool in affordable housing production. The major sources of local subsides are federal pass-through funds (i.e. Community Development Block Grants or HOME funds); redevelopment housing set-asides; and local taxes and fees. Localities distribute these funds at varying levels and with varying requirements.

The above list demonstrates the complexity of the State's housing system. The ability to negotiate the multiple state and local housing programs is a skill in and of itself. The majority of the programs have different missions, different requirements, separate staffs, and independent schedules. The challenge of bond utilization is also becoming more acute as many of the sources above are being reduced. The MHP funds will run out in June of 2007. The State currently does not have a program lined up to take the place of MHP funds.[17] The federal government is drastically reducing federal pass-thru funds. The loss of these subsidy sources will severely limit the ability of issuers and developers to utilize tax-exempt bonds. The State may already be witnessing this phenomenon in the under-subscription of QRRP pool.

[16] Proposition 46, the Emergency Shelter Trust Fund Act of 2002, was a ballot proposition passed by state voters in 2002. It provided for the sale of $2,100,000,000 in bonds to support twenty one types of housing programs.

[17] Housing California, a statewide coalition of developers and advocates, has launched a campaign (Homes 4 California) to establish a state housing trust fund. The current strategy is to place an initiative on the November 2006 ballot (Homes 4 California, http://www.homes4ca.org)

III. Methodology

This report examines the use of tax-exempt bonds to fund affordable, multifamily rental housing in California. The report studies the CDLAC's QRRP funding allocations for 2000 through 2004. The rental project program authorizes the use of low-interest rate tax-exempt bonds to finance affordable housing developments throughout California.

The report focuses on Los Angeles County and the county's ability to utilize CDLAC rental-project bonds. Los Angeles is the most populous county in California. The county's population is 27% of the State's total population and 32% of the State's population earning less than 50% of the state median income. Housing affordability is a continuing problem in the county. This report tests two hypotheses: 1) CDLAC funds are underutilized in Los Angeles County, and 2) CDLAC funds are underutilized because Los Angeles developers cannot generate enough rental revenue from affordable units to pay the interest and principal on CDLAC bonds because of the high cost of housing development in the county.

This report examines the social, political, and economic factors that determine how CDLAC rental project bonds are utilized in different counties throughout the State. The analysis is particularly geared towards urban counties in the State because of their similarities with Los Angeles County. The research model includes quantitative analysis of data and qualitative analysis of data collected in personal interviews. The quantitative analysis includes cross-sectional analyses, correlation analyses and regression analyses.

A. Quantitative Data and Analysis

Data on CDLAC rental project allocations for the past five years (2000 through 2004) were provided by CDLAC. This dataset includes information on each individual application to CDLAC, including the applicant, the project, the project location, the allocation amount, the number of affordable units, and the number of market rate units. The analysis includes a cross-sectional analysis of seven California comparison counties. The comparison counties chosen include: Los Angeles County, Alameda County, Contra Costa County, Riverside County, San Bernardino County, San Diego County, and Santa Clara County. These counties were chosen because they are urban counties encompassing, or surrounding, the two largest metropolitan areas in the State: Los Angeles and San Francisco. San Francisco County was omitted from the comparison because it is an outlier because of its extremely high area median income, high residential density, and limited geographic area.[18] The analysis compares county percentages of state population, program target population (see below), CDLAC allocations, and multifamily units financed through CDLAC. The results of the cross-sectional analysis are presented in a summary table.

The report uses the percentage of CDLAC-financed rental units from 2000 through 2004 normalized by the county percent of the program's target households as the dependent

[18] The County of San Francisco includes only the City of San Francisco, and is thus very different from the majority of the other urban counties in the State that include numerous localities.

variable in the correlation and regression analyses (See Appendix 6). This variable was created by aggregating the number of CDLAC-financed affordable rental units for 2000 through 2004 and normalizing this figure for each county as a percentage of the number of program target households residing in that county. CDLAC-financed affordable units are the number of units financed that have rents that are restricted to households earning 60% or less, or 50% or less, of the area median income. Area median incomes are determined on an annual basis by the U.S. Department of Housing and Urban Development. Program target households are described below.

The independent variables listed below are analyzed through correlation and regression analyses to determine their impact on the dependent variable listed above. The following data on economic, political, and social variables were used:

- **Program Target Households**: The first of these variables, program target households, was created using the U.S. Department of Housing and Urban Development (HUD)'s 2004 income restriction data and U.S. Census Bureau 2000 Census Summary File 3 data on household income. CDLAC defines low-income households as those households earning 60% or less of the county area median income. CDLAC weighs projects that target households earning 50% or less of the county area median income more heavily in the application process.[19] Because projects that serve households earning 50% or less of the area median income are given substantially more weight by CDLAC, this report focuses on these households as the program's target. Under federal law, CDLAC must determine county area, household median income using HUD's definition of county area median income, also known as maximum income levels (See Appendix 1). These income limits are determined for households consisting of 1 to 8 persons. The average California household is comprised of 2.87 persons.[20] The program target household variable was calculated from the number of households earning 50% or less of HUD's maximum income levels for households with 3 persons because this is the average size of households in California. Because HUD's maximum income levels were for 2004, the income levels were adjusted to 1999 dollars using the Consumer Price Index.[21] Additionally, because the

[19] CDLAC evaluates project applications using a point system. The minimum number of points that an application must earn to qualify for a bond allocation is 70. In years when there are more applications for bond allocations than bonds available applications with the greatest points are considered first. Applications earn the greatest number of points for the number of units that are reserved to serve low income households. If a project includes 100 units that serve households earning 50% or less of the income limits, 100 units that serve households earning 60% or less of the income limits, and 100 market rate units the project will earn 23.1 points for the 50% units, 6.6 points for the 60% units, and 0 points for market rate units.

[20] U.S. Census Bureau, 2000 Census Summary File 3

[21] Example computation of Los Angeles County CDLAC target households: HUD 2004 Maximum Income Limit for 3-person household=$53,600 → $53,600 in 1999 dollars=$47,272 →50% of $47,272 =$23,636 → the # of households in Los Angeles County making less than $19,999 in 1999=730,550

Census provides income information in categories, each median income figure was rounded down to the closest 2000 Census income category.

- **Household Median Income**: This variable represents HUD's 2004 maximum income levels for 3-person households.

- **Project Cost**: The variable for project cost represents data provided by the California Tax Credit Allocation Committee. TCAC staff compiled a dataset from all TCAC projects that were allocated 9% tax credits from 1997 to 2004. Using the construction costs reported by affordable housing developers, TCAC established an average cost of construction per square foot for each county in the State (See Appendix 2). This data is skewed by two factors: 1) 9% tax credit developments may be slightly more expensive than normal developments because developers often include extra benefits in the projects in order to be more competitive (TCAC offers additional points for extras, such as internet access and the use of sustainable materials, and these extras drive up the cost of construction); and 2) The figures for rural counties may not be accurate because many of the counties built a limited number of projects from 1997 to 2004.

- **Project Cost/Income Ratio**: The variable for project cost/income ratio represents the ratio of project cost to income limits for each county. The income that a project can generate to pay off CDLAC bonds is dependent on the income limits. This is especially true for 100% affordable projects. Costs can be offset by soft loans or income from market rate units. However, despite these possible offsets, projects are financially dependent on the rental income from all units in a project. A project in a county with higher income limits will generate more income for paying off bonds than a project in a county with lower income limits.

- **Political Mandate**: The political mandate variable represents data on county voter approval rates for California Proposition 46, the Emergency Shelter Trust Fund Act of 2002. Prop 46 provided $2.1 billion in the sale of bonds for affordable housing financing throughout the State. It is presumable that in counties with high rates of votes for Prop. 46, there is more public support for affordable housing development (See Appendix 3). This public support represents a political mandate to local elected officials, and in turn the agencies and departments that they oversee, to build affordable housing.

- **Housing Stock Growth**: The variable for housing stock growth represents the rate of increase in the number of housing units from 1990 to 2000. These data are drawn from the U.S. Census Bureau 2000 Census Summary File 3 data and U.S. Census Bureau 1990 Census Summary Tape File 1 data on the number of housing units in each county in California (See Appendix 4).

- **Population Growth**: The variable for population growth represents the rate of increase of county populations from 1990 to 2000. These data are drawn from the U.S. Census Bureau 2000 Census Summary File 1 data and U.S. Census Bureau 1990 Census Summary Tape File 1 data on the total populations in each county in California (See Appendix 5).

B. Interviews

In addition to the quantitative data collected and analyzed, qualitative date was gathered through a series of interviews. These interviews were conducted to gain a greater understanding of how CDLAC bonds are utilized, the challenges associated with utilizing tax-exempt bonds, and the policies that could be adopted to increase utilization of bonds. The interviews were conducted over a ten-month period with a number of identified CDLAC key players including CDLAC program staff, affordable housing developers, affordable housing advocates, bond issuers, financial advisors, and politicians. The following individuals were interviewed:

- Misti Armstrong: CDLAC Program Analyst;
- Jan Breidenbach: Executive Director of the Southern California Association of Nonprofit Housing;
- Justin Chapman: Senior Development Associate with Urban Partners LLC, a for-profit affordable housing developer;
- Michael Dukakis: Former Governor of Massachusetts;
- Vasken Djansezian: Financial Development Officer II with the Los Angeles Housing Department, an issuer of CDLAC bonds;
- Simon Fraser: Assistant Project Manager for Simpson Housing Solutions, LLC, a nonprofit affordable housing developer;
- Richard Gerwitz: Managing Director of Newman Associates, a financial services firm specializing in affordable housing finance;
- Beatrice Hsu: Senior Legislative Deputy in Los Angeles City Council District 13;
- Maura McAniff Johnson: Housing Director with Hollywood Community Housing Corporation, a nonprofit affordable housing developer;
- Russ Schmunk: Senior Underwriting Specialist for the Division of Community Affairs, California Department of Housing and Community Development;
- Sergio Tejadilla: Project Manager with the Los Angeles Housing Department, an issuer of CDLAC bonds; and
- Laurie Weir: Executive Director of CDLAC.

The interviews were conducted using a set script (see Appendix 7). The interviewer took notes on the respondents' answers because some respondents preferred not to be tape-recorded. The interviews ranged in length from 60 to 90 minutes.

IV. Findings

This report focuses on households earning 50% of the area median income as the program's target households. CDLAC is required by federal law to use HUD's definitions of county area median income, also known as maximum income levels (See Appendix 1). This report focuses on the number of households earning 50% or less of HUD's maximum income levels for households with 3 persons. The 2004 HUD Maximum Income limits were adjusted to 1999 dollars using the consumer price index. Adjusting the income limits to 1999 dollars allows for a more precise estimate of the number of households earning these incomes using 2000 Census data.

Because area median incomes range greatly across California, the following figure represents different income groups. For example, the area median income, adjusted to 1999 dollars, for a 3-person household in Santa Clara County is $84,220. This means that the number of program target households in Santa Clara include all those households earning $42,110 or less in 1999. In contrast, the area median income, adjusted to 1999 dollars, for a 3-person household in Los Angeles County is $47,269. Thus, the number of program target households in Los Angeles County only includes all those households earning $23,635 or less in 1999. All area median incomes were rounded down to match Census income categories.

The following figure shows an estimate of the number of program target households in each county, meaning those households in 1999 earning 50% or less of the county area median income as determined by HUD, adjusted to 1999 dollars, and using 2000 Census data. This estimate is a low estimate of the number of target households because median incomes were rounded down, and because the economy was stronger in 1999 than it is today. Additionally, the estimate does not account for population growth since 1999.

Figure 1

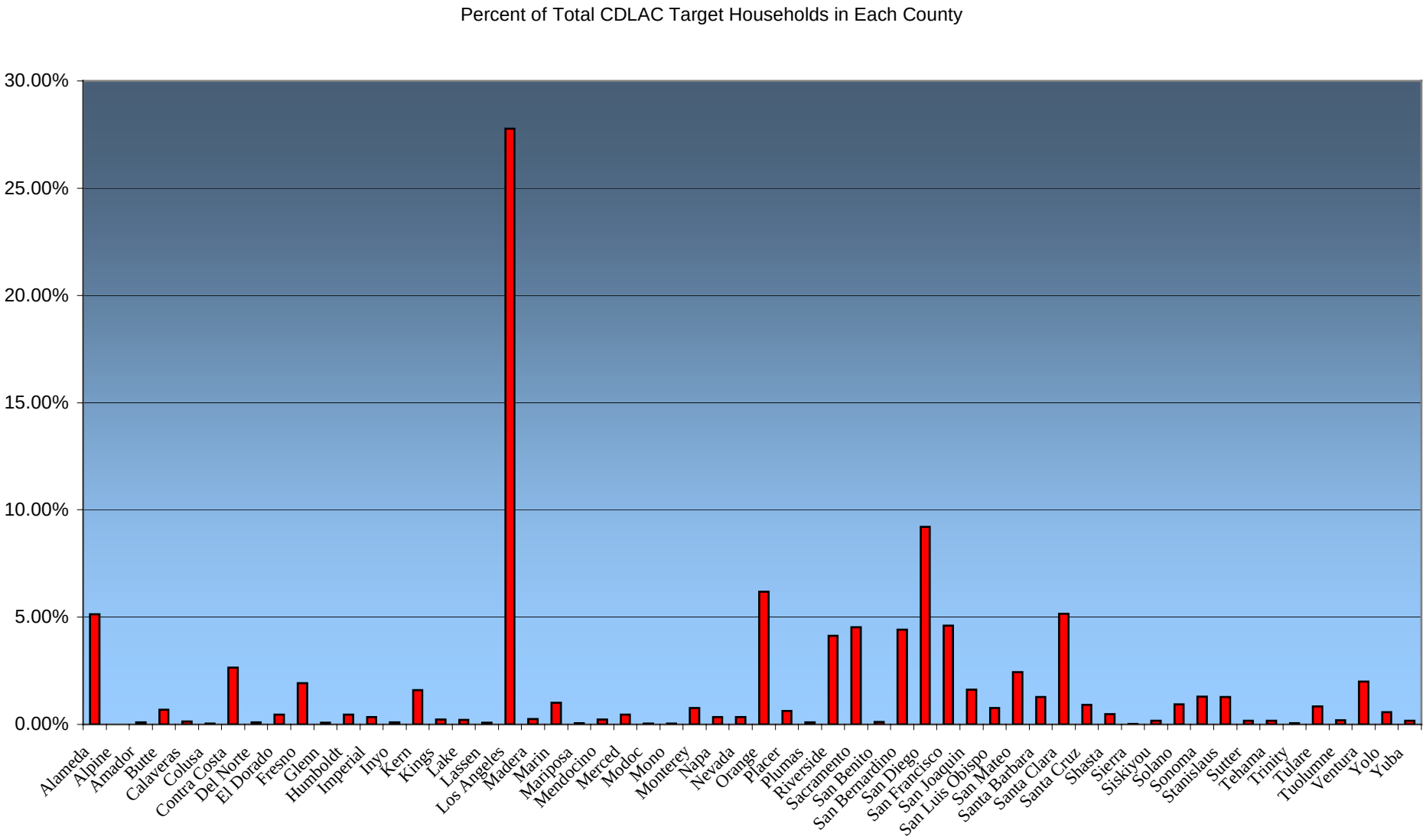

Percent of Total CDLAC Target Households in Each County
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
Alameda
Alpine
Amador
Butte
Calaveras
Colusa
Contra Costa
Del Norte
El Dorado
Fresno
Glenn
Humboldt
Imperial
Inyo
Kern
Kings
Lake
Lassen
Los Angeles
Madera
Marin
Mariposa
Mendocino
Merced
Modoc
Mono
Monterey
Napa
Nevada
Orange
Placer
Plumas
Riverside
Sacramento
San Benito
San Bernardino
San Diego
San Francisco
San Joaquin
San Luis Obispo
San Mateo
Santa Barbara
Santa Clara
Santa Cruz
Shasta
Sierra
Siskiyou
Solano
Sonoma
Stanislaus
Sutter
Tehama
Trinity
Tulare
Tuolumne
Ventura
Yolo
Yuba

Figure 1 clearly demonstrates the number of program target households concentrated in Los Angeles County. Los Angeles County has 730,550 target households, far more than any other county. Additionally, this figure only represents those households earning $19,999 or less in 1999. The county with the next largest concentration of target households, San Diego, has only 242,078 target households. Additionally, San Diego County's target households represent those households earning $24,999 or less in 1999. Los Angeles County has three times more program target households than any other county in the State.

The five counties with the highest concentrations of target households are:

1) Los Angeles (28%),
2) San Diego (9%),
3) Orange (6% - 162,783 households),
4) Santa Clara (5% - 135,713 households), and
5) Alameda (5% - 134,908 households).

In addition to Los Angeles County's having the greatest concentration of target households, Los Angeles County's neighbors also have high concentrations of target households. The Southern California counties, including Los Angeles, San Diego, Orange, Riverside, San Bernardino, Ventura, and Santa Barbara, have 55% of the program's target households. These counties also have stricter limits on the households that qualify for CDLAC allocations, as a result of lower area median incomes, than the Bay Area counties. The 2004 area median incomes for 3-person households as determined by HUD's 2004 income limits in Los Angeles, San Diego and Orange counties are $53,600, $61,700, and $68,000, respectively. In contrast, the area median incomes in Santa Clara and Alameda counties are $95,500 and $74,500, respectively. This means that Southern California not only has higher concentrations, but also poorer concentrations, of the program's target households.

A. Cross-Sectional Analysis

The cross-sectional analysis of the seven comparison, urban counties highlights the regional and geographic differences in CDLAC allocations and allocation usage. Table 1 shows the percentage of State households, the percent of program target population, and CDLAC allocations in each of the seven comparison counties, in the City of Los Angeles, and in the County of Los Angeles minus the City of Los Angeles.

Table 1

CDLAC Bond Allocations for years 2000 through 2004

County	Percent of Total State Households	Percent of Total CDLAC Target Households	Allocation Total by County	Percent of Allocation for all Counties
Alameda	4.55%	5.13%	$ 640,981,200	9.96%
Contra Costa	2.99%	2.65%	$ 293,348,856	4.56%
Los Angeles	27.24%	27.77%	$1,298,279,039	20.17%
Orange	8.13%	6.19%	$ 387,891,628	6.03%
Riverside	4.40%	4.13%	$ 207,290,777	3.22%
San Bernardino	4.59%	4.41%	$ 71,570,500	1.11%
San Diego	8.65%	9.20%	$ 546,597,609	8.49%
Santa Clara	4.92%	5.16%	$ 838,138,961	13.02%
City of LA	11.09%	13.58%	$875,406,618	13.60%
LA County w/o LA City	16.15%	14.19%	$422,872,421	6.57%
TOTAL for all Counties in the State			$6,435,169,164	

This comparison shows distinct regional differences between the allocations awarded to the Northern California counties as compared to the Southern California counties. Each of the three Northern California counties received a *higher* percentage of CDLAC QRRP allocation than their respective percentage of State households or the program's target households. Each of the five Southern California counties received a *smaller* percentage of CDLAC QRRP allocations than their respective percentage of State households or the

program's target households. Orange County, Riverside County, and San Diego County received only a slightly smaller percentage of allocations than their respective percentage of households. San Bernardino County fared markedly worse during the study period, receiving only 1% of CDLAC allocations despite having 4% of the program's target households. None of the counties fared as badly as Los Angeles, though. Los Angeles County received 20% of the allocations despite having nearly 30% of the target households.

Comparing the City of Los Angeles to the County minus the City of Los Angeles shows that much of this discrepancy is a result of the County receiving fewer bond allocations; 14% of the program's target households are in Los Angeles County, but outside of the City of Los Angeles. Only 7% of CDLAC QRRP allocations were awarded to areas of the County outside of the city.

Table 1 shows a general pattern of Northern California counties faring better than Southern California counties, and Los Angeles County faring even worse than Southern California counties.

Additional comparison of bond allocation to amounts reverted and ultimately issued (see Appendix 8) did not show marked differences in the regional proportions of CDLAC allocations reverted or issued. In general, the proportions of CDLAC QRRP funds issued for the seven comparison counties equaled the proportions of funds allocated. CDLAC allows between 90 and 130 days for bond issuance. Some projects are not able to sell or place all of the bonds during this time. If a project cannot sell or place its full allocation, the remaining allocation is reverted back to CDLAC.

Table 2 presents an analysis of the number of affordable units, the number of market-rate units, and the number of projects in each of the counties.

Table 2

CDLAC Units and Projects Financed for years 2000 through 2004

County	Percent of Total State Households	Percent of Total CDLAC Target Population	Total Number of Affordable Units	Percent of Total Affordable Units for all Counties	Total Number of Units by County	Percent of Total Units for all Counties	Total Number of Projects by County	Percent of Total Projects for all Counties
Alameda	4.55%	5.13%	3,595	5.89%	5,367	7.14%	47	7.64%
Contra Costa	2.99%	2.65%	2,278	3.73%	2,780	3.70%	21	3.41%
Los Angeles	27.24%	27.77%	12,257	20.08%	16,188	21.54%	134	21.79%
Orange	8.13%	6.19%	3,947	6.47%	4,777	6.36%	38	6.18%
Riverside	4.40%	4.13%	2,960	4.85%	3,337	4.44%	26	4.23%
San Bernardino	4.59%	4.41%	1,165	1.91%	1,259	1.68%	10	1.63%
San Diego	8.65%	9.20%	7,727	12.66%	8,954	11.91%	60	9.76%
Santa Clara	4.92%	5.16%	6,812	11.16%	7,363	9.80%	64	10.41%
City of LA	11.09%	13.58%	6,006	9.84%	9,491	12.63%	76	12.36%
LA County w/o LA City	16.15%	14.19%	6,251	10.24%	6,697	8.91%	56	9.11%
TOTAL for all Counties in the State	100.00%	100.00%	61,048		75,163		615	

Not surprisingly, the Northern California counties finance more projects, more affordable units, and more market-rate units than their respective percentages of state households or target households. This is logical since these counties receive higher percentages of allocations than their percentages of households. One marked difference between Table 1 and Table 2 is that Orange County, Riverside County, and San Diego County were able to finance quantities of affordable units and market-rate units that were equivalent to, or greater than, their percentages of program target households. This may be a reflection of lower land costs in Southern California as compared to the Bay Area. The lower land costs would allow bond financing to go farther, thus producing more units. San Bernardino County's numbers of affordable and market-rate units remains small. Los Angeles County once again was able to finance a much smaller percentage of affordable units, market rate units, and projects than the County's percentage of households.

One of the interesting aspects of the results presented in Table 2 is that Los Angeles County, minus the City of Los Angles, was able to finance a higher percentage of units and projects than the County received in allocations. The results presented in Table 1 show that the County, minus the city, received 7% of CDLAC QRRP allocations. With that 7%, the County, minus the city, was able to finance 10% of affordable units, 9% of all units, and 9% of all projects. This 2 to 3 percentage point differential is similar to the differential between allocations and units for Riverside and San Diego counties, as well.

In contrast, the City of Los Angeles financed a lower percentage of units and projects than the city received in allocations during this period. This could reflect three issues: 1) land may be more expensive in the City of Los Angeles than in the outlying areas;[22] 2) local governments in outlying areas may be providing greater subsidies for affordable housing;[23] and 3) the cost of developing in outlying areas may be less as a result of fewer regulations.[24] Determining which of these factors, or what combination of these factors, makes building affordable and mixed-income housing in outlying areas less expensive than building in the City of Los Angeles is beyond the scope of this report.

Additional analysis of geographical differences in the number and percentages of 50% AMI units financed versus 60% AMI units financed (See Appendix 9) shows little regional difference in the proportions of 50% AMI units versus 60% AMI units. Alameda and Los Angeles counties are the only two comparison counties that finance more 50%

[22] Determining the cost of land in the city and outlying municipalities was beyond the scope of this report. Having said that, median homes prices in Los Angeles County ranged from $1.9 million to $245,000 in October, 2004 as reported by the Los Angeles Almanac (http://www.losangelesalmanac.com/topics/Economy/ec37b.htm accessed on April 23, 2005). The same source reported that the median home price in the City of Los Angeles was $499,000. It would be reasonable to assume that the County is not building affordable housing in the areas with extreme land costs such as Marina Del Rey and Malibu. Rather, the County would be more likely to build affordable housing in low land cost areas such as South Gate and Pomona. If this was the case the County would be able to take advantage of lower land costs than the city.

[23] Numerous interviewees reported that local governments, such as the City of Santa Monica, provide higher subsidies for affordable housing projects than the City of Los Angeles.

[24] Numerous interviewees reported that the City of Los Angeles has onerous building regulations.

AMI units than 60% AMI units. This means that these two counties serve higher proportions of lower income households with their allocations.

B. Program Utilization

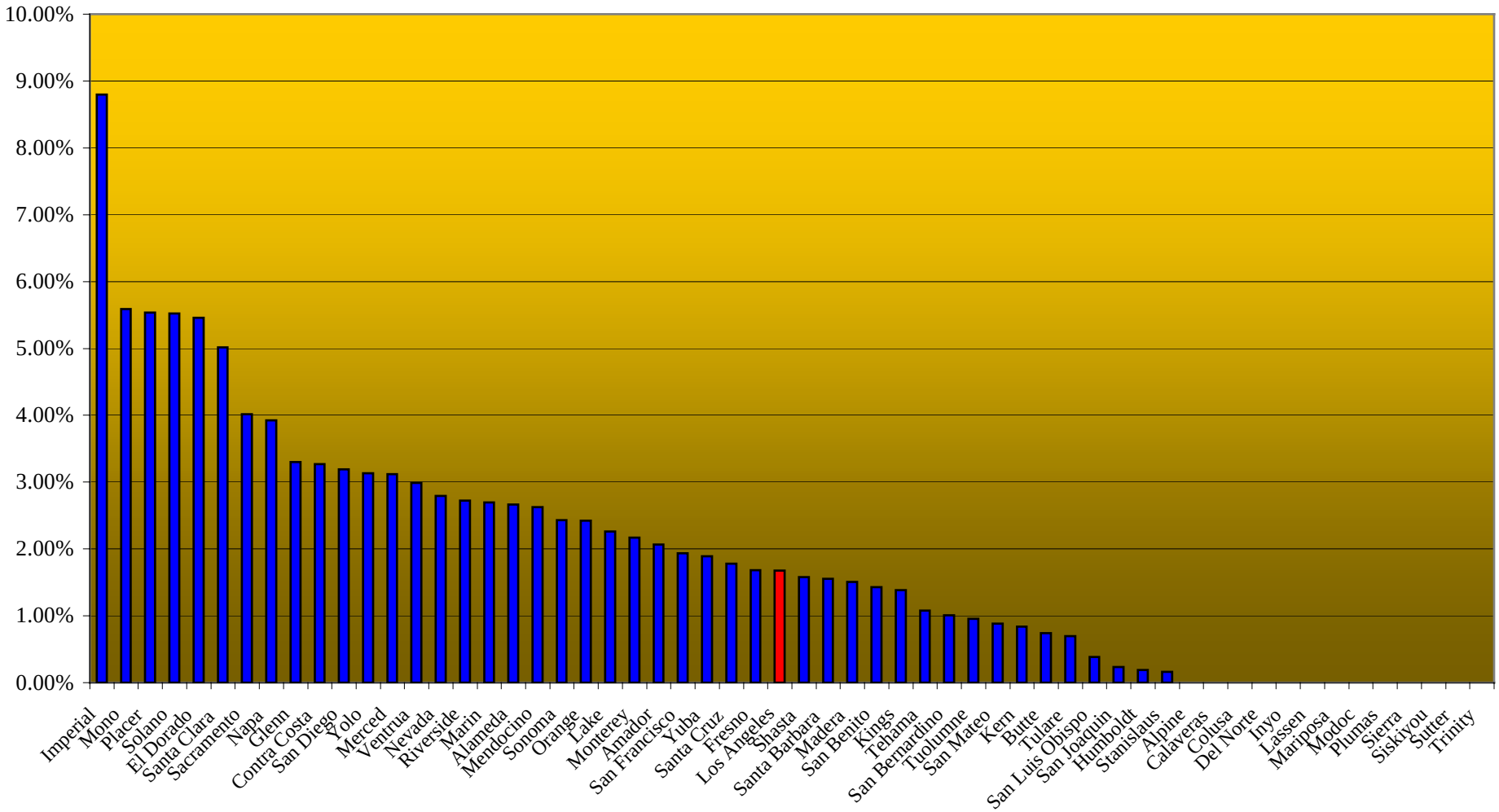
Figure 1 demonstrated the immense need for CDLAC-financed affordable housing in Los Angeles and Southern California. In contrast, Figure 2 presents data on the number of CDLAC-financed affordable units normalized for the program's target households in each county.

Figure 2 presents a very different image from the picture of need presented earlier in the report. The counties that utilize CDLAC QRRP financing the most are not the counties with the greatest need. They are instead, rural and growth counties. The five counties that have been able to finance the greatest number of affordable units, as a proportion of their respective percentages of program target household, are: Imperial, Mono, Placer, Solano, and El Dorado counties. All five of these counties are rural, or recently rural, areas. The majority of these counties are experiencing growth as result of becoming bedroom-communities.[25] As housing prices soar and vacant urban land becomes scarce, more and more people are settling in areas with lower land costs.[26] Placer County and Imperial County have the second and third highest growth rates respectively in the State.[27] Imperial County's growth rate is the result of the county's proximity to San Diego and lower home prices.[28] Placer County has thousands of residents who commute to Sacramento every day.[29] Researchers are predicting that a fourth of the State's farmlands could be developed into housing by the middle of the century.[30] This process is already at work in the counties that have financed the greatest proportions of CDLAC units.

[25] Numerous interviewees confirmed that these counties are growth counties.
[26] Murphy, Dean. 2005. California Looks Ahead, and Doesn't Like What It Sees. *New York Times*. May 29, 2005.
[27] Ibid.
[28] Weisberg, Lori. 2005. County population growth declining; housing cost blamed. *San Diego Union Tribune.* May 15, 2005.
[29] Korber, Dorothy. Population Growth Most Dramatic in Placer County. *The Sacramento Bee.* April 1, 2001.
[30] Murphy, Dean. 2005. California Looks Ahead, and Doesn't Like What It Sees. *New York Times*. May 29, 2005.

Figure 2

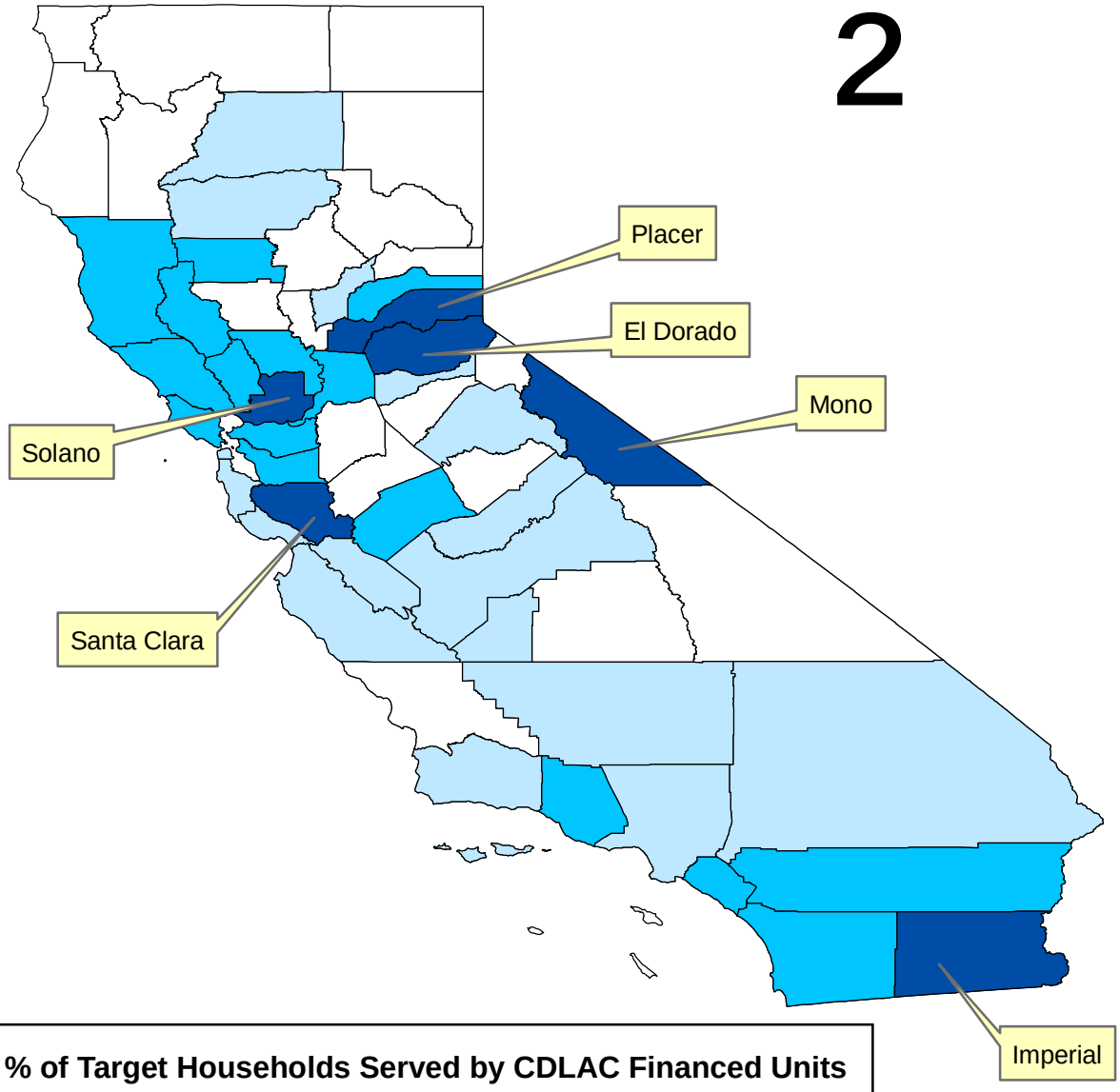
CDLAC Units Normalized for County Proportions of Program Target Households



The following map shows the geographic location of the six counties that have secured CDLAC financing for quantities of affordable units above 4% of their respective proportions of the program's target households. Because of the costs involved in building affordable housing, no cities or counties can afford to build enough affordable housing to house all low-income households. Because of this, building enough units in five years to house 4% of the target households is actually very high. As the following map illustrates, the average California county only financed enough units with CDLAC bonds during the study period to house less than 2% of the program's target households.

CDLAC Financed Affordable Units 2000 - 2004 Normalized for Precent of Target Households

2



% of Target Households Served by CDLAC Financed Units

- 4.1 - 9 %
- 2.3 - 4 %
- 1 - 2.2 %
- 0

0 40 80 160 240 320 Miles

Sources: ESRI, CDLAC, Census Data
Map Created by Renee Ropp

Of the six counties highlighted in Map 2, Santa Clara County is the only county that includes a major urban area. The other five counties are rural and bedroom-community counties which have distinct advantages in their ability to utilize CDLAC bonds.

Table 3

Characteristics of the Five Counties Making the Most Use of CDLAC QRRP Financing

County	CDLAC Units as a Percent of Target Pop	2004 3-person median income	Costs Per Square Foot[31]	Number of Program Target Households	Percent of Program Target Households Statewide
Imperial	8.80%	$44,200	$148	9106	0.35%
Mono	5.59%	$53,200	$144	841	0.03%
Placer	5.53%	$57,700	$136	16284	0.62%
Solano	5.52%	$66,500	$157	24502	0.93%
El Dorado	5.46%	$57,700	$128	12181	0.46%

Table 3 highlights the importance of low housing production costs as a variable in county ability to utilize tax-exempt bonds. Each of the above counties has limited numbers of low-income households. Although urban counties have the greatest need for affordable units, the five counties above are neither urban nor do they have as strong a need for affordable housing. These counties utilize higher proportions of CDLAC bonds because the bonds go farther for them. Low costs substantially offset the moderate to low area median incomes that these counties have in comparison to other counties in the State. The State high for a 3-person area median income in 2004 was $101,800 and the State low was $44,200. Costs can run as high as $193 a square foot in Southern California. [32]

The low costs of housing production place the above counties at a distinct advantage for utilizing tax-exempt bonds. In Placer County, a developer can build a 1500 square foot unit for $204,000. In Orange County, the same size unit would cost $289,000. The Placer County developer can charge $721 a month in rent for that unit. In Orange County, the developer can charge $850 for the same unit. Although the unit costs are 42% higher in Orange County, the unit income is only 18% higher. This means that the Placer County developer has more income to pay down the bond debt.

It is easier to identify the causes behind counties that utilize high proportions of CDLAC bonds, than to definitively identify why some counties utilize such low proportions of the bonds. In the urban counties, where need is concentrated but costs are higher, the majority of counties have secured CDLAC financing for quantities of affordable units that are 2% to 3.5% of their respective proportions of the program's target households. Of particular concern are San Francisco and Los Angeles counties. Both Los Angeles and San Francisco were allocated CDLAC financing that provides units for less than 2% of the counties' program target households. Los Angeles County fares the worst of all urban counties, having been allocated bonds that only finance units for 1.68% of the county's

[31] Source: TCAC, Cost Per Square Foot data set
[32] ibid

program target households. One of the main causes behind this poor showing is area median income.

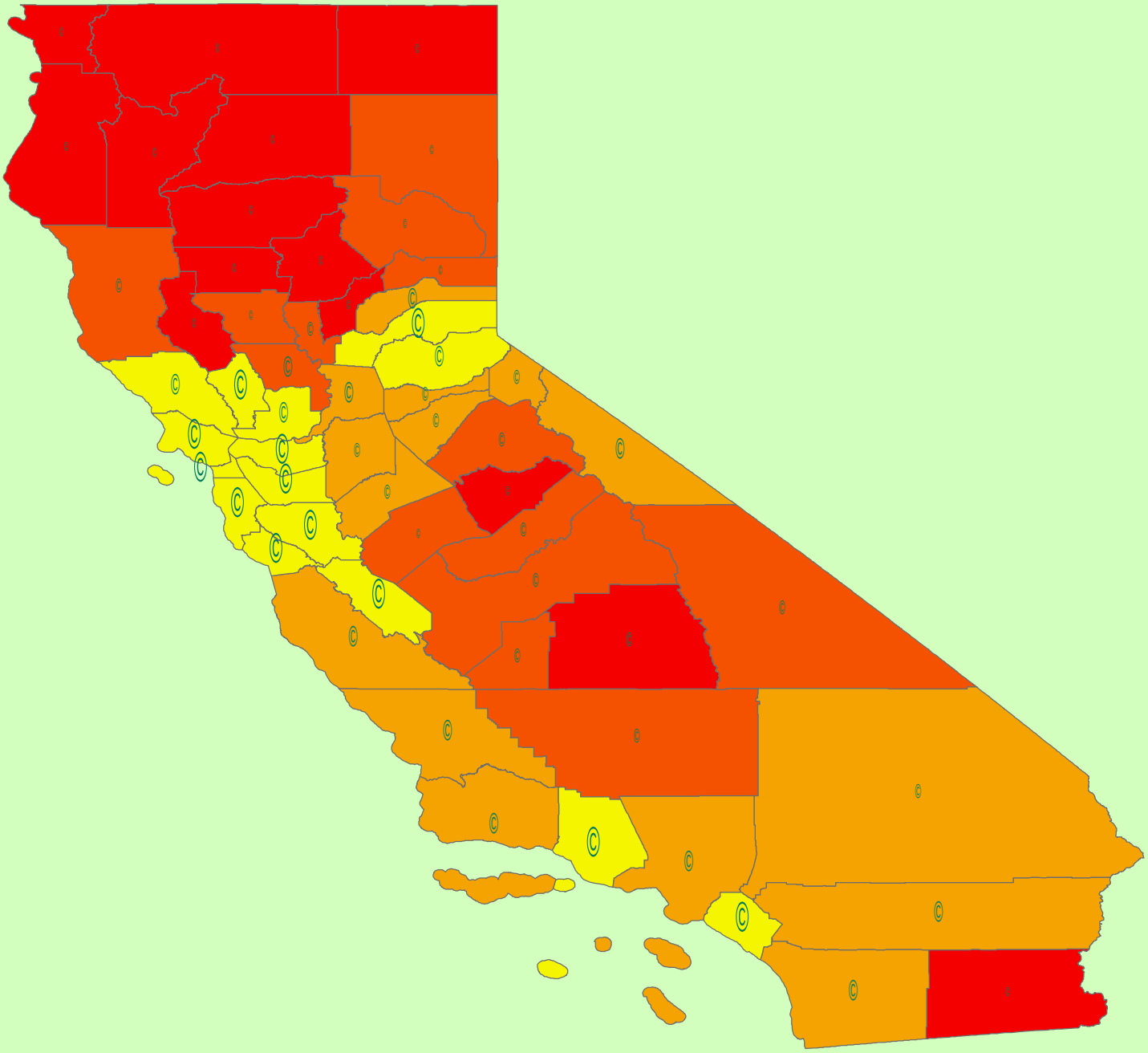
Table 4

Characteristics of the Five Urban Counties
Making the Best Use of CDLAC QRRP Financing

County	CDLAC Units as a Percent of Target Pop	2004 3-person median income	Costs Per Square Foot	Number of Program Target Households	Percent of Program Target Households
Santa Clara	5.02%	$95,500	$219	135713	5.16%
Sacramento	4.02%	$57,700	$131	118887	4.52%
Contra Costa	3.27%	$74,500	$191	69661	2.65%
San Diego	3.19%	$61,700	$174	242078	9.20%
Ventura	2.99%	$69,700	$184	52494	2.00%

The five urban counties that have most utilized the program all have moderate to high area median incomes, as demonstrated in Table 4. The concentration of poverty in Los Angeles lowers the county's area median income. Ironically, the county's need for affordable housing, in the form of high numbers of low-income households, places the county at a disadvantage to utilize CDLAC bonds. While projects in other counties may be able to raise enough revenue from restricted rental unit rents to pay down tax-exempt bonds, Los Angeles County projects need other sources of income to pay down the bonds because revenue from rents is extremely low due to income targeting.

Map 3 demonstrates the disparities in county proportions of low-income residents and high-income residents. The map serves as a picture of the depth of poverty and wealth across the State. It is clear from the map that the depth of wealth is much greater in the Bay area and the depth of poverty more severe in Southern California. There is a relationship between the economic constraints and advantages produced by residential concentrations of poverty and wealth and county ability to utilize tax-exempt multi-family housing bonds.



Of the urban counties, Los Angeles ranks the lowest in its utilization of CDLAC rental project bonds. Alameda, Sacramento, San Francisco, and San Diego counties have all been able serve higher proportions of the program's target households than Los Angeles County. The question is whether Los Angeles County is at an inherent disadvantage in its ability to utilize CDLAC bonds, or whether issuers and developers in the County simply did not apply for the bonds. The next section of this report seeks to answer of the question of "why." Why did Los Angeles County fair so poorly in its utilization of CDLAC rental project bonds?

C. Correlation and Regression Analyses

The following analysis examines the social, economic, and political variables that affect a county's ability to utilize CDLAC bonds. The correlation analysis simply measures if there is a relationship between a county's proportion of CDLAC financed units and the individual social, economic, and political variables.

Table 5
Correlation of Social, Economic, and Political Variables to
CDLAC-financed Units Normalized for the Number of Target Households

Unit of Measurement =Counties; N = 57

Variables	Correlation Coefficient	Statistical Significance Level
Housing Stock Growth to CDLAC-financed Units Normalized	0.157	Not significant
Population Growth to CDLAC-financed Units Normalized	0.313	0.05
HMI to CDLAC-financed Units Normalized	0.302	0.05
Costs to CDLAC-financed Units Normalized	0.190	Not significant
Prop 46 Approval to CDLAC-financed Units Normalized	0.318	0.05
Cost/Income Ratio to CDLAC-financed Units Normalized	-0.292	0.05

Table 5 shows that the pattern of approval rates for Prop 46, pattern of population growth, pattern of median income, and pattern of the ratio of project cost to income appear to correspond with the pattern of bond utilization. There is a positive correlation between Prop 46 approval and a county's proportionate utilization of CDLAC bonds.

This implies that in counties where there is strong support for affordable housing, there is a political mandate that translates into higher utilization of CDLAC bonds.

A county's population growth is another factor that correlates to bond utilization. Surprisingly, housing stock growth, a related variable, does not appear to have a statistically significant relationship to bond use. It is difficult to interpret this result. It could imply that in counties with little population, there is less bond use, or it could imply that in counties with high population increases, there is robust bond utilization. The anecdotal evidence points to the latter, but the correlation results are skewed because there are a number of growth counties that did not utilize the bonds. For example, Calaveras County experienced a 30% increase in the number of households from 1990 to 2000, but did not utilize any bonds. Additionally, growth in the number of housing units is even further skewed by outliers, which may explain why this related variable is not statistically significant. Twelve counties that experienced net gains of housing units over 10% utilized no CDLAC bonds.

The correlation results for the cost variable implies that high project costs alone do not prohibit bond usage. High ratios, demonstrating a large gap between project costs and revenue generated from restricted rents, do have a negative relationship to bond utilization. This result implies that a county like Alameda is at an advantage to utilize bonds because although the county has high project costs ($197.71 a square foot), the costs are offset by a high area median income ($74,500 for a three-person household). In contrast, a county like San Luis Obispo has high project costs ($199.41 a square foot) and a relatively low area median income ($55,500). This gap between costs and revenue puts counties at a disadvantage to utilize bonds.

Because a number of these variables are related, a regression analysis can further tease out the impact of these variables on bond usage by controlling for the variable interaction. After running a series of regression models, it became clear that the most significant factor in predicting bond utilization is median income. Table 6 presents the results of regression analysis testing the relationship between bond utilization and median income when controlling for population size and population growth.

Table 6
Regression Model 1
Dependent Variable: CDLAC Financed Units
Normalized for County Proportion of Program Target Households

DF=54 R-Square= 0.219
Adj R-Sq= 0.176

Normalized CDLAC Financed Units	Coefficient Estimate	T Value	Significance
Intercept	-0.043	-2.55	0.014
Log of the Number of Households	0.003	1.78	0.08
Rate of Increase in the Number of Households from 1990 to 2000	0.067	2.4	0.02
HUD Determined Area Median Income for 3-person Households	3.72	2.15	0.036

Model 1 demonstrates that when controlling for population size and population growth, there is a significant relationship between area median income and utilization of CDLAC bonds. This implies that counties with higher area median incomes are more likely to finance higher proportions of CDLAC-financed units.

To determine whether Los Angeles County fits this pattern, another regression was conducted that included a dummy variable for Los Angeles.

Table 7
Regression Model 2
Dependent Variable: CDLAC Financed Units Normalized
for County Proportion of Program Target Households

N= 57 R-Square= 0.220
Adj R-Sq= 0.160

Normalized CDLAC Financed Units	Coefficient Estimate	T Value	Significance
Intercept	-0.044	-2.54	0.014
Log of the Number of Households	0.003	1.73	0.089
Rate of Increase in the Number of Households from 1990 to 2000	0.066	2.26	0.028
HUD Determined Area Median Income for 3-person Households	3.618	2	0.051
Los Angeles Dummy	-0.004	10.23	0.816

The second regression model shows that Los Angeles does not have any characteristics that separate it from the other counties in the model. The dummy variable for Los Angeles is not statistically significant. This means that area median income is a predictor of bond utilization in Los Angeles County. This is consistent with the data. Los Angeles County's area median income is low, $53,600 for a three-person household, and the county utilizes a low proportion of CDLAC bonds.

D. Interviews

The data explain some of the reasons why certain counties are able to utilize higher proportions of tax-exempt bonds than other counties. The data only provide a partial picture though. To gain a greater understanding of why Los Angeles County and other Southern California counties utilize lower proportions of CDLAC rental project bonds, a series of interviews was conducted with key players in affordable housing development. These interviews focused on how issuers and developers are currently applying for and utilizing CDLAC rental project allocations. Additionally, policy solutions were discussed. The interviews were conducted with a variety of affordable housing stakeholders including developers, advocacy groups, bond issuers, local leaders, and

TCAC, HCD, and CDLAC staff. Certain topics were raised in numerous interviews. The topics listed below came up in numerous interviews:

- **Los Angeles Disadvantage**
  Every interviewee agreed that Los Angeles is a difficult area in which to develop affordable housing. Interviewees reported that land costs are high; land is scarce; area median income is low; the regulatory environment is burdensome; and there is less local support for affordable housing in the County as compared to other counties in the State.

- **Difficulty of Bond Deals**
  Simon Fraser, Assistant Project Manager for Simpson Housing Solutions,[33] reported that across the country, it is difficult to make bond deals work financially. The tax-exempt bond programs in both Florida and Texas are under-subscribed. Under-utilization is not limited to California. The federal program guidelines mean that some counties in every state may be at a disadvantage due to local economic factors.

- **Local Investment**
  One of the themes that emerged in numerous interviews was the lack of local funds dedicated to Los Angeles projects. Richard Gerwitz, Managing Director of Newman Associates,[34] reported that local governments in Northern California dedicate substantially higher percentages of local funds to affordable housing projects. Russ Schmunk, Senior Underwriting Specialist for the Division of Community Affairs,[35] stated that there is a big need for pre-development dollars. In a number of areas in the State, local subsidies provide these needed pre-development dollars. Higher local subsidies may be the result of political will to build affordable housing and available revenue. Local subsidy sources include tax increment financing, taxes, linkage fees, in-lieu fees, mitigation fees, housing trust funds, and general fund dollars.

- **The Big Picture**
  Another theme that numerous interviewees raised was the concept of a big picture vision. The City of Los Angeles is creating affordable housing by developing individual properties one at a time. Cities like Boston, San Francisco, and Greenville, South Carolina, use broader models in which affordable housing is developed on the neighborhood scale. For example, Greenville has used affordable housing as an important tool in the revitalization of its downtown. As such, Greenville has developed numerous projects in a small area. Recognizing the importance of affordable housing in turning neighborhoods around, each of the cities listed above has dedicated resources and removed onerous restrictions on affordable housing projects. For example, Greenville does not require

[33] Simpson Housing Solutions, LLC is a national for-profit affordable housing developer.
[34] Newman Associates is a financial services firm specializing in affordable housing finance.
[35] The Division of Community Affairs is a division of the California Department of Housing and Community Development, which administers the MHP program.

affordable housing developments to provide parking. Interviewees agreed that Los Angeles does not share this big picture vision for affordable housing development.

- **Financial Know-how**
  Justin Chapman, Senior Development Associate with Urban Partners LLC,[36] reported that there is a lack of institutional knowledge about the bonds. Mr. Chapman reported that neither issuers nor financial advisers understand the entire process, from putting a bond deal together through issuing the bonds. Mr. Fraser of Simpson Housing stated that developers in Los Angeles might not have the experience and sophistication that Northern California developers have. This lack of experience may manifest itself in a lack of institutional knowledge by developers, issuers, and financial advisers in Los Angeles.

- **Cheap Land, Little Regulation, & High Demand**
  Numerous interviewees concurred that a combination of factors makes it easier to do bond deals in the growth counties. Developers are attracted to the cheap land and the lack of building and environmental regulations in the growth counties. Additionally, more and more people are willing to commute farther, thus creating demand in areas that were previously agricultural. These factors make it easier to do bond deals in these counties because costs are lower, there are fewer bureaucratic barriers, and there is high demand for housing. Additionally, HCD, the administrator of numerous rural housing subsidy programs such as state HOME funds and HUD Colonias funds, has made an effort in recent years to coordinate with CDLAC. These subsidies allow developers in rural areas to utilize increasing bond allocations.

- **Bureaucracy**
  One theme that came up consistently in almost all of the interviews was bureaucratic ineffectiveness in the City of Los Angeles. Interviewees reported that there is no communication between the city housing department and the Community Redevelopment Agency (CRA) and that there is a lack of transparency in the city agencies that handle housing. Additionally, interviewees stated that the agencies are not "developer-friendly" and that the city and the County do not proactively reach out to developers. Further comments suggested that local officials do not lobby for more state and federal housing funds and that it is not clear how housing monies (such as CDBG and CRA housing set asides) are being used in the city. Furthermore, it was pointed out there is little communication or collaboration between the City of Los Angeles and other cities in the County.

Interviewees had a range of suggestions about what it would take to increase the usage of tax-exempt bonds in Los Angeles developments. These suggestions are discussed in detail in the following section of this report.

[36] Urban Partners LLC is a for-profit housing developer, which has used CDLAC bonds for a mixed income project in Los Angeles.

E. Perfect Storm Counties

The data analysis and interviews point to the fact that certain counties are at a disadvantage to utilize tax-exempt rental project bonds. Counties with low area median incomes and high costs face the greatest barriers to bond utilization. Paradoxically, urban counties with the greatest need may experience low area median income and high costs. Concentrations of low-income households drive area median incomes down. At the same time, urban areas are often built out, causing scarcity of available land and high land prices. In California, Los Angeles County exhibits these characteristics. Los Angeles County is a "perfect storm" of concentrated need, extensive poverty, low area median income, scarcity of land, and high land costs. This perfect storm limits the ability of issuers and developers in Los Angeles County to utilize tax-exempt bond financing.

If we use Los Angeles County as a baseline, we can compare it to wealthy counties, growth counties, and rural counties to illustrate the challenges the County faces in utilizing bonds.

Table 8

Comparison of Wealthy, Growth, Rural and Perfect Storm Counties

Category	County	2004 4-person AMI	Cost per Square Foot	Comparison	AMI	Costs
Perfect Storm	Los Angeles	$59,500	$142.51			
Growth	El Dorado	$64,100	$128.17	Los Angeles to El Dorado	AMI is 8% higher in El Dorado	Costs are 10% lower in El Dorado
Growth	Placer	$64,100	$135.69	Los Angeles to Placer	AMI is 8% higher in Placer	Costs are 5% lower in Placer
Wealthy	San Mateo	$113,100	$197.35	Los Angeles to San Mateo	AMI is 90% higher in San Mateo	Costs are 38% higher in San Mateo
Wealthy	Santa Clara	$106,100	$219.32	Los Angeles to Santa Clara	AMI is 78% higher in Santa Clara	Costs are 54% higher in Santa Clara
Rural	Butte	$49,100	$121.65	Los Angeles to Butte	AMI is 17% lower in Butte	Costs are 15% lower in Butte
Rural	Lake	$49,100	$132.47	Los Angeles to Lake	AMI is 17% lower in Lake	Costs are 7% lower in Lake

It is clear from Table 8 that Los Angeles County is at a disadvantage as compared to the other comparison counties. The growth counties have higher area median incomes and lower costs. In terms of bonds, this means that these counties have more income from their project rents to pay down less debt. Therefore, these counties are at the greatest advantage to utilize tax-exempt rental project bonds.

The wealthy counties have higher area median incomes and higher costs, but the area median incomes are much higher in comparison to Los Angeles, while the costs are only somewhat higher. It appears that project revenue from higher income targeted rents are offsetting the higher project costs.

The rural counties have lower area median incomes and lower costs. The differentials between the lower incomes and lower costs are much closer in these counties, thus placing Los Angeles at only a minor economic disadvantage in comparison to the rural counties. However, the main difference between Los Angeles County and the rural counties is that Los Angeles County has the highest level of need for CDLAC-financed rental units, while the rural counties have very minor levels of need. Ultimately, Table 8 shows that housing programs that do not correct for economic differences will leave some urban counties that are most in need of tax-exempt bond financing, at a disadvantage to utilize it. The only way to offset economic disparity in geographic tax-exempt bond utilization is to provide subsidies to correct for the disparities. Without subsidies, tax-exempt bond deals will not pencil out in perfect storm counties.

V. Policy Recommendations

Programs set up to facilitate the production of affordable housing must build on the economic assets of counties and alleviate, to whatever extent possible, the economic barriers faced by other counties. This is particularly true for urban counties, where need is highly concentrated. Under the current State housing programs, Los Angeles County is at an inherent disadvantage to utilize tax-exempt bond financing. This is of acute concern because the County has the greatest concentration of the households that bond financing is set up to serve. Los Angeles County is the prime example of a perfect storm county where tax-exempt bond deals are dependent on additional subsidies.

The data analysis and interviews point to three goals for increasing bond utilization in perfect storm counties:

- Correct for low area median income in the counties with the greatest need and the greatest barriers to bond utilization;
- Lower project costs in these counties; and
- Increase program accessibility generally.

These goals can only be achieved through a combination of state and local policy changes.

A. State Recommendations

State Policy Recommendations

Goal	Policy	Method	Description
Correct for low area median income in the counties with the greatest need and facing the greatest barriers to bond utilization	Increase soft dollars available to perfect storm counties	➢ Provide additional HCD funds that could be used to leverage bonds by increasing the per unit cap on funds for perfect storm counties ➢ Set aside a portion of any future State affordable housing bonds or a State housing trust fund for perfect storm counties	The policies that have the greatest chance of impacting a perfect storm county's ability to utilize tax-exempt bonds are those policies that correct for the low county median income. HCD deferred payment loans increase project income by providing soft dollars to developers. These loans are provided to developers serving very low and extremely low-income households. These projects are generally 100% affordable projects providing assisted units. Additional funds for mixed-income projects could be provided from future State bonds and/or a State housing trust fund.

A. State Recommendations

State Policy Recommendations

Goal	Policy	Method	Description
Lower project costs	Lower the costs of bond issuance for smaller projects	➢ Work with bond counsel, under writers, and issuers to encourage pooled issuance with pre-determined documentation ➢ State and/or local agencies could work with foundations to establish a fund to cover the cost of issuance for smaller projects ➢ Non-profit legal services or State attorneys could provide bond counsel for smaller projects at significantly discounted rates	One of the many challenges to utilizing tax-exempt bonds is the cost of bond issuance. Bond issuance requires the services of financial consultants and legal counsel. For small projects, the cost of bond issuance can be prohibitive. In built out cities, smaller projects may be more likely to occur because of the scarcity of land. Lowering, or subsidizing, the cost of bond issuance would allow an increased number of small project developers to apply for, and utilize, tax-exempt bonds. The smaller projects also tend to be the 100% affordable and special needs projects, which are the most difficult projects to finance. One program that is currently lowering the cost of bond issuance for smaller projects is the California Community Reinvestment Corporation. This program could be expanded and studied as a model for lowering the cost of issuance.

A. State Recommendations

State Policy Recommendations

Goal	Policy	Method	Description
Lower project costs	Lower the staff resources necessary to apply for tax-exempt bonds	➢ Create a universal application for CDLAC, CalHFA, HCD, and TCAC ➢ Create an inter-departmental effort made up of CDLAC, TCAC, HCD, and CalHFA staff to provide guidance to developers and issuers as they are putting financial packages together	Projects generally use a combination of State financing tools. It is common for majority affordable projects to utilize numerous local subsidies, bonds, tax credits, and HCD funds. Creating a universal application for the above-mentioned programs would limit the staff and financial resources needed to apply for financing.[1] Additionally, providing program guidance would lower the need for staff resources and consultants. A coordinated effort to provide guidance to developers could increase the number of developers utilizing bonds and could reduce the number of developers who revert bond allocations. Additionally, program guidance could steer developers to the most appropriate financing source for their individual project.

[1] CDLAC staffs were working with TCAC, HCD, and CalHFA staff to create a universal application during the writing of this report.

A. State Recommendations

State Policy Recommendations

Goal	Policy	Method	Description
Lower project costs	Provide clear information on residential prevailing wage requirements	➢ Provide public access on-line to information on stable residential prevailing wage requirements	One reoccurring subject that came up in interviews with developers, issuers, and financial consultants was the issue of prevailing wage. The State requirement for prevailing wage is recent and very controversial. Developers feel that the requirements for compliance with this rule are onerous. The issue of whether the prevailing wage requirement is good or bad is far beyond the scope of this report. One policy change that could ease the burden of prevailing wage is clear information about residential prevailing wage requirements. This information is not available currently, and the lack of information drives project costs up by forcing developers to pay commercial prevailing wage requirements that are higher than residential wage rates.
Increase program accessibility	Provide resources for education on State housing programs	➢ State provision of coordination and/or funding to local housing agencies to provide education on State housing programs	Tax-exempt bonds are intimidating and confusing for developers new to affordable housing production. Additionally, the State housing programs are difficult to navigate. Regular, formalized, on-going education would allow new developers the opportunity to familiarize themselves with State housing programs. Education would also help developers find the State housing financing that is right for their individual project. This is particularly important for market-rate developers who may wish to add affordable components to their developments, but who are unfamiliar with the types of public financing available.

A. State Recommendations

State Policy Recommendations

Goal	Policy	Method	Description
Correct for low area median income in the counties with the greatest need and facing the greatest barriers to bond utilization	Target some CDLAC allocations for perfect storm counties	➢ Eliminating, or reducing, the minimum point threshold for perfect storm counties, thus allowing more mixed income projects to qualify for CDLAC bonds ➢ Award points in the application process for concentrated need in perfect storm counties, thus allowing more projects in these counties to qualify for CDLAC bonds	The CDLAC program is currently non-competitive and all projects that meet the minimum criteria are awarded tax-exempt bond authority. CDLAC currently prioritizes urban infill projects by awarding points for categories such as urban revitalization. However, should CDLAC become competitive in the future, reducing/eliminating a minimum point threshold and awarding points for the concentrated need in perfect storm counties would impact the competitiveness of these counties. CDLAC currently provides a rural project pool to increase the competitiveness of rural counties. This policy recommendation would accomplish the same goal, but for perfect storm counties.

B. Local Recommendations

Los Angeles Policy Recommendations

Goal	Policy	Method	Description
Correct for low area median income in the counties with the greatest need and the greatest barriers to bond utilization	Increase local sources for pre-development financing and soft dollars	➢ Fully fund the City of Los Angeles Housing Trust Fund with dedicated sources of revenue ➢ Establish housing trust funds in other Los Angeles County municipalities ➢ Increase county aid for affordable housing funds in cities outside of Los Angeles	Local subsidies are the most powerful public tool for increasing the utilization of tax-exempt bonds in Los Angeles County. The City of Los Angeles' Housing Trust Fund is the natural conduit to provide additional pre-development financing and soft dollars to developers within the city. Additionally, more financing and subsidies need to be made available to projects outside of the city. These funds could be provided through the County, City of Industry funds, CDBG funds, or tax-increment financing.

Los Angeles Policy Recommendations

Goal	Policy	Method	Description
Lower project costs	Identify and facilitate the transfer of surplus and nuisance properties to housing developers	➢ Create an inter-departmental program of staff members from the Los Angeles Housing Department (LAHD), the Los Angeles Community Redevelopment Agency (CRA), and the City Attorney's office to coordinate the sale of surplus and nuisance properties ➢ Facilitate the identification and sale of surplus and nuisance properties to affordable housing developers in the County	As part of Mayor Hahn's Maximizing Our Real Estate initiative, the LAHD has started the Housing Development Central program to identify surplus city properties that may be purchased for affordable housing development. This program could be expanded to include staff from the CRA and the City Attorney's office. The purpose of this expansion would be to maximize the number of properties that could be sold at lower than market rates to affordable housing developers. Of the six hundred surplus city properties, LAHD has only identified between thirty and forty properties that could be developed into housing.[1] This number could be greatly expanded by coordinating with the City Attorney's Citywide Nuisance Abatement Program. Additionally, an inter-departmental program could provide guidance to developers in identifying the best issuers to partner with and identifying the best sources of public funding to support projects. The County could also facilitate a similar program.

[1] Interview with Sergio Tejadilla of the Los Angeles Housing Department conducted on March 30, 2004.

B. Local Recommendations

Los Angeles Policy Recommendations

Goal	Policy	Method	Description
Correct for low area median income in the counties with the greatest need and the greatest barriers to bond utilization	Increase foundation support for affordable housing production in Los Angeles	➢ Outreach to the foundation community in Los Angeles and clearly communicate how foundation dollars could be leveraged to increase bond usage	There are over 2,700 foundations in Los Angeles County.[2] A number of these foundations have begun grantmaking to affordable housing developers. These grants could be expanded and strategically targeted to leverage higher bond utilization in Los Angeles. Strategic targeting could include pre-development financing and soft dollars. These funds would need to be administered by a single entity to ease the burden of the application process for foundations and developers. Outreach to the Los Angeles foundation community would need to be conducted by elected officials or an appointed task force to create significant momentum within the foundation community.
Increase program accessibility	Increase the transparency of city regulations and city programs	➢ Expand the ZIMAS (Zoning Information and Map Access System) website ➢ Increase city outreach to the developer community ➢ Streamline the process of applying to issuers	One of the many complaints about the City of Los Angeles is the city's lack of transparency. One tool that could be used to increase transparency is the city's ZIMAS website. ZIMAS could be expanded to include information on neighborhood council and CRA jurisdictions. The system could also include information on key stakeholders, geographic sources of funding for affordable housing, buildable height limits, parking requirements, and setback requirements. Additionally, the city could do more to increase the accessibility of issuers by increasing outreach to developers and streamlining applications.

[2] Anheier, Helmut; Katz, Hagai; Mosley, Jennifer & Spivak, Laurie. 2004. *Facing Uncertainty – The State of the Nonprofit Sector in Los Angeles*. Los Angeles, CA: University of California, Los Angeles School of Public Policy and Social Research Center for Civil Society.

B. Local Recommendations

Los Angeles Policy Recommendations

Goal	Policy	Method	Description
Increase program accessibility	Demystify the bond process for developers and issuers	➢ The LAHD, the County, the California Housing Partnership, or a combination of all three could provide informational workshops on tax credit and bond programs	The bond process is intimidating for small developers who are not familiar with it. Some developers may not utilize bonds because of a lack of information about the process. The State, the County, the City, or private advocacy groups could provide informational workshops for developers. These workshops could also include opportunities to network with issuers and financial institutions.

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Appendix 1: HUD 2004 California Income Limits

STATE:CALIFORNIA

	PROGRAM	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
Bakersfield, CA MSA									
FY 2004 MFI: 46600	30% OF MEDIAN	10300	11800	13250	14750	15900	17100	18250	19450
	VERY LOW INCOME	17200	19650	22100	24550	26500	28500	30450	32400
	LOW-INCOME	27500	31400	35350	39300	42400	45550	48700	51850
Chico--Paradise, CA MSA									
FY 2004 MFI: 47800	30% OF MEDIAN	10300	11800	13250	14750	15900	17100	18250	19450
	VERY LOW INCOME	17200	19650	22100	24550	26500	28500	30450	32400
	LOW-INCOME	27500	31400	35350	39300	42400	45550	48700	51850
Fresno, CA MSA									
FY 2004 MFI: 45900	30% OF MEDIAN	10300	11800	13250	14750	15900	17100	18250	19450
	VERY LOW INCOME	17200	19650	22100	24550	26500	28500	30450	32400
	LOW-INCOME	27500	31400	35350	39300	42400	45550	48700	51850
Los Angeles--Long Beach, CA PMSA									
FY 2004 MFI: 53500	30% OF MEDIAN	12500	14300	16050	17850	19300	20700	22150	23550
	VERY LOW INCOME	20850	23800	26800	29750	32150	34500	36900	39250
	LOW-INCOME	33300	38100	42850	47600	51400	55200	59000	62850
Merced, CA MSA									
FY 2004 MFI: 43900	30% OF MEDIAN	10300	11800	13250	14750	15900	17100	18250	19450
	VERY LOW INCOME	17200	19650	22100	24550	26500	28500	30450	32400
	LOW-INCOME	27500	31400	35350	39300	42400	45550	48700	51850
Modesto, CA MSA									
FY 2004 MFI: 52000	30% OF MEDIAN	10900	12500	14050	15600	16850	18100	19350	20600
	VERY LOW INCOME	18200	20800	23400	26000	28100	30150	32250	34300
	LOW-INCOME	29100	33300	37450	41600	44950	48250	51600	54900
Oakland, CA PMSA									
FY 2004 MFI: 82200	30% OF MEDIAN	17400	19850	22350	24850	26850	28800	30800	32800
	VERY LOW INCOME	29000	33100	37250	41400	44700	48000	51350	54650
	LOW-INCOME	46350	53000	59600	66250	71550	76850	82150	87450
Orange County, CA PMSA									
FY 2004 MFI: 74200	30% OF MEDIAN	15900	18150	20400	22700	24500	26300	28100	29950
	VERY LOW INCOME	26450	30250	34000	37800	40800	43850	46850	49900
	LOW-INCOME	40250	46000	51750	57500	62100	66700	71300	75900
Redding, CA MSA									
FY 2004 MFI: 46400	30% OF MEDIAN	10300	11800	13250	14750	15900	17100	18250	19450
	VERY LOW INCOME	17200	19650	22100	24550	26500	28500	30450	32400
	LOW-INCOME	27500	31400	35350	39300	42400	45550	48700	51850
Riverside--San Bernardino, CA PMSA									
FY 2004 MFI: 54300	30% OF MEDIAN	11400	13050	14650	16300	17600	18900	20200	21500
	VERY LOW INCOME	19000	21700	24450	27150	29300	31500	33650	35850
	LOW-INCOME	30400	34750	39100	43450	46900	50400	53850	57350
Sacramento, CA PMSA									
FY 2004 MFI: 64100	30% OF MEDIAN	13450	15400	17300	19250	20750	22300	23850	25400
	VERY LOW INCOME	22450	25650	28850	32050	34600	37200	39750	42300
	LOW-INCOME	35900	41000	46150	51300	55400	59500	63600	67700
Salinas, CA MSA									
FY 2004 MFI: 60800	30% OF MEDIAN	12750	14600	16400	18250	19700	21150	22600	24100
	VERY LOW INCOME	21300	24300	27350	30400	32850	35250	37700	40150
	LOW-INCOME	34050	38900	43800	48650	52550	56400	60300	64200

STATE:CALIFORNIA

	PROGRAM	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
		INCOME LIMITS							
San Diego, CA MSA									
FY 2004 MFI: 63400	30% OF MEDIAN	14400	16450	18500	20550	22200	23850	25500	27150
	VERY LOW INCOME	24000	27400	30850	34250	37000	39750	42450	45200
	LOW-INCOME	38350	43850	49300	54800	59200	63550	67950	72350
San Francisco, CA PMSA									
FY 2004 MFI: 95000	30% OF MEDIAN	23750	27150	30550	33950	36650	39350	42050	44800
	VERY LOW INCOME	39600	45250	50900	56550	61050	65600	70100	74650
	LOW-INCOME	63350	72400	81450	90500	97700	104950	112200	119450
San Jose, CA PMSA									
FY 2004 MFI: 105500	30% OF MEDIAN	22300	25450	28650	31850	34400	36900	39450	42000
	VERY LOW INCOME	37150	42450	47750	53050	57300	61550	65800	70050
	LOW-INCOME	59400	67900	76400	84900	91650	98450	105250	112050
San Luis Obispo--Atascadero--Paso Robles, CA MSA									
FY 2004 MFI: 61700	30% OF MEDIAN	12950	14800	16650	18500	20000	21450	22950	24450
	VERY LOW INCOME	21600	24700	27750	30850	33300	35800	38250	40700
	LOW-INCOME	34550	39500	44400	49350	53300	57250	61200	65150
Santa Barbara--Santa Maria--Lompoc, CA MSA									
FY 2004 MFI: 64700	30% OF MEDIAN	13600	15550	17450	19400	20950	22500	24050	25600
	VERY LOW INCOME	22650	25900	29100	32350	34950	37550	40100	42700
	LOW-INCOME	36250	41400	46600	51750	55900	60050	64200	68300
Santa Cruz--Watsonville, CA PMSA									
FY 2004 MFI: 75300	30% OF MEDIAN	16400	18750	21100	23450	25350	27200	29100	30950
	VERY LOW INCOME	27350	31300	35200	39100	42250	45350	48500	51600
	LOW-INCOME	43800	50050	56300	62550	67550	72550	77550	82600
Santa Rosa, CA PMSA									
FY 2004 MFI: 74600	30% OF MEDIAN	15650	17900	20150	22400	24150	25950	27750	29550
	VERY LOW INCOME	26100	29850	33550	37300	40300	43250	46250	49250
	LOW-INCOME	40250	46000	51750	57500	62100	66700	71300	75900
Stockton--Lodi, CA MSA									
FY 2004 MFI: 55100	30% OF MEDIAN	11550	13200	14900	16550	17850	19150	20500	21800
	VERY LOW INCOME	19300	22050	24800	27550	29750	31950	34150	36350
	LOW-INCOME	30850	35250	39650	44100	47600	51150	54650	58200
Vallejo--Fairfield--Napa, CA PMSA									
FY 2004 MFI: 73900	30% OF MEDIAN	15500	17750	19950	22150	23950	25700	27500	29250
	VERY LOW INCOME	25850	29550	33250	36950	39900	42850	45800	48750
	LOW-INCOME	40250	46000	51750	57500	62100	66700	71300	75900
Ventura, CA PMSA									
FY 2004 MFI: 77400	30% OF MEDIAN	16250	18600	20900	23200	25100	26950	28800	30650
	VERY LOW INCOME	27100	30950	34850	38700	41800	44900	48000	51100
	LOW-INCOME	40250	46000	51750	57500	62100	66700	71300	75900
Visalia--Tulare--Porterville, CA MSA									
FY 2004 MFI: 42100	30% OF MEDIAN	10300	11800	13250	14750	15900	17100	18250	19450
	VERY LOW INCOME	17200	19650	22100	24550	26500	28500	30450	32400
	LOW-INCOME	27500	31400	35350	39300	42400	45550	48700	51850
Yolo, CA PMSA									
FY 2004 MFI: 60200	30% OF MEDIAN	12650	14450	16250	18050	19500	20950	22400	23850
	VERY LOW INCOME	21050	24100	27100	30100	32500	34900	37300	39750
	LOW-INCOME	33700	38550	43350	48150	52000	55850	59700	63550

STATE:CALIFORNIA

	PROGRAM	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
Yuba City, CA MSA									
FY 2004 MFI: 46300	30% OF MEDIAN	10300	11800	13250	14750	15900	17100	18250	19450
	VERY LOW INCOME	17200	19650	22100	24550	26500	28500	30450	32400
	LOW-INCOME	27500	31400	35350	39300	42400	45550	48700	51850
Alpine County									
FY 2004 MFI: 60800	30% OF MEDIAN	12750	14600	16400	18250	19700	21150	22600	24100
	VERY LOW INCOME	21300	24300	27350	30400	32850	35250	37700	40150
	LOW-INCOME	34050	38900	43800	48650	52550	56400	60300	64200
Amador County									
FY 2004 MFI: 61200	30% OF MEDIAN	12850	14700	16500	18350	19850	21300	22750	24250
	VERY LOW INCOME	21400	24500	27550	30600	33050	35500	37950	40400
	LOW-INCOME	34250	39150	44050	48950	52900	56800	60700	64650
Calaveras County									
FY 2004 MFI: 58000	30% OF MEDIAN	12200	13900	15650	17400	18800	20200	21600	22950
	VERY LOW INCOME	20300	23200	26100	29000	31300	33650	35950	38300
	LOW-INCOME	32500	37100	41750	46400	50100	53800	57550	61250
Colusa County									
FY 2004 MFI: 47500	30% OF MEDIAN	10300	11800	13250	14750	15900	17100	18250	19450
	VERY LOW INCOME	17200	19650	22100	24550	26500	28500	30450	32400
	LOW-INCOME	27500	31400	35350	39300	42400	45550	48700	51850
Del Norte County									
FY 2004 MFI: 43000	30% OF MEDIAN	10300	11800	13250	14750	15900	17100	18250	19450
	VERY LOW INCOME	17200	19650	22100	24550	26500	28500	30450	32400
	LOW-INCOME	27500	31400	35350	39300	42400	45550	48700	51850
Glenn County									
FY 2004 MFI: 42300	30% OF MEDIAN	10300	11800	13250	14750	15900	17100	18250	19450
	VERY LOW INCOME	17200	19650	22100	24550	26500	28500	30450	32400
	LOW-INCOME	27500	31400	35350	39300	42400	45550	48700	51850
Humboldt County									
FY 2004 MFI: 44900	30% OF MEDIAN	10300	11800	13250	14750	15900	17100	18250	19450
	VERY LOW INCOME	17200	19650	22100	24550	26500	28500	30450	32400
	LOW-INCOME	27500	31400	35350	39300	42400	45550	48700	51850
Imperial County									
FY 2004 MFI: 42600	30% OF MEDIAN	10300	11800	13250	14750	15900	17100	18250	19450
	VERY LOW INCOME	17200	19650	22100	24550	26500	28500	30450	32400
	LOW-INCOME	27500	31400	35350	39300	42400	45550	48700	51850
Inyo County									
FY 2004 MFI: 52200	30% OF MEDIAN	10950	12550	14100	15650	16900	18150	19400	20650
	VERY LOW INCOME	18250	20900	23500	26100	28200	30300	32350	34450
	LOW-INCOME	29250	33400	37600	41750	45100	48450	51800	55100
Kings County									
FY 2004 MFI: 43800	30% OF MEDIAN	10300	11800	13250	14750	15900	17100	18250	19450
	VERY LOW INCOME	17200	19650	22100	24550	26500	28500	30450	32400
	LOW-INCOME	27500	31400	35350	39300	42400	45550	48700	51850
Lake County									
FY 2004 MFI: 42700	30% OF MEDIAN	10300	11800	13250	14750	15900	17100	18250	19450
	VERY LOW INCOME	17200	19650	22100	24550	26500	28500	30450	32400
	LOW-INCOME	27500	31400	35350	39300	42400	45550	48700	51850

STATE:CALIFORNIA

	PROGRAM	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
		INCOME LIMITS							
Lassen County									
FY 2004 MFI: 49400	30% OF MEDIAN	10350	11850	13350	14800	16000	17200	18400	19550
	VERY LOW INCOME	17300	19750	22250	24700	26700	28650	30650	32600
	LOW-INCOME	27650	31600	35550	39500	42700	45850	49000	52150
Mariposa County									
FY 2004 MFI: 48600	30% OF MEDIAN	10300	11800	13250	14750	15900	17100	18250	19450
	VERY LOW INCOME	17200	19650	22100	24550	26500	28500	30450	32400
	LOW-INCOME	27500	31400	35350	39300	42400	45550	48700	51850
Mendocino County									
FY 2004 MFI: 49200	30% OF MEDIAN	10350	11800	13300	14750	15950	17100	18300	19500
	VERY LOW INCOME	17200	19700	22150	24600	26550	28550	30500	32450
	LOW-INCOME	27550	31500	35400	39350	42500	45650	48800	51950
Modoc County									
FY 2004 MFI: 42400	30% OF MEDIAN	10300	11800	13250	14750	15900	17100	18250	19450
	VERY LOW INCOME	17200	19650	22100	24550	26500	28500	30450	32400
	LOW-INCOME	27500	31400	35350	39300	42400	45550	48700	51850
Mono County									
FY 2004 MFI: 59100	30% OF MEDIAN	12400	14200	15950	17750	19150	20550	22000	23400
	VERY LOW INCOME	20700	23650	26600	29550	31900	34300	36650	39000
	LOW-INCOME	33100	37800	42550	47300	51050	54850	58650	62400
Nevada County									
FY 2004 MFI: 63600	30% OF MEDIAN	13350	15250	17150	19100	20600	22150	23650	25200
	VERY LOW INCOME	22250	25450	28600	31800	34350	36900	39450	42000
	LOW-INCOME	35600	40700	45800	50900	54950	59000	63100	67150
Plumas County									
FY 2004 MFI: 52000	30% OF MEDIAN	10900	12500	14050	15600	16850	18100	19350	20600
	VERY LOW INCOME	18200	20800	23400	26000	28100	30150	32250	34300
	LOW-INCOME	29100	33300	37450	41600	44950	48250	51600	54900
San Benito County									
FY 2004 MFI: 71900	30% OF MEDIAN	15100	17250	19400	21550	23300	25000	26750	28450
	VERY LOW INCOME	25150	28750	32350	35950	38850	41700	44600	47450
	LOW-INCOME	40250	46000	51750	57500	62100	66700	71300	75900
Sierra County									
FY 2004 MFI: 49300	30% OF MEDIAN	10350	11850	13300	14800	15950	17150	18350	19500
	VERY LOW INCOME	17250	19700	22200	24650	26600	28600	30550	32550
	LOW-INCOME	27600	31550	35500	39450	42600	45750	48900	52050
Siskiyou County									
FY 2004 MFI: 43900	30% OF MEDIAN	10300	11800	13250	14750	15900	17100	18250	19450
	VERY LOW INCOME	17200	19650	22100	24550	26500	28500	30450	32400
	LOW-INCOME	27500	31400	35350	39300	42400	45550	48700	51850
Tehama County									
FY 2004 MFI: 42500	30% OF MEDIAN	10300	11800	13250	14750	15900	17100	18250	19450
	VERY LOW INCOME	17200	19650	22100	24550	26500	28500	30450	32400
	LOW-INCOME	27500	31400	35350	39300	42400	45550	48700	51850
Trinity County									
FY 2004 MFI: 40400	30% OF MEDIAN	10300	11800	13250	14750	15900	17100	18250	19450
	VERY LOW INCOME	17200	19650	22100	24550	26500	28500	30450	32400
	LOW-INCOME	27500	31400	35350	39300	42400	45550	48700	51850

STATE:CALIFORNIA

	PROGRAM	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
		INCOME LIMITS							
Tuolumne County									
FY 2004 MFI: 51300	30% OF MEDIAN	10750	12300	13850	15400	16600	17850	19100	20300
	VERY LOW INCOME	17950	20500	23100	25650	27700	29750	31800	33850
	LOW-INCOME	28750	32850	36950	41050	44300	47600	50900	54150

Appendix 2: TCAC Data Set on Housing Costs Per Square Foot

County	$/SF New Construction 1999 to Present	$/SF 9% New Construction 1997 to Present
Alameda	$168.12	$197.71
Alpine		***$143.85***
Amador		***$143.85***
Butte	**$113.75**	**$121.65**
Calaveras		***$143.85***
Colusa	$147.94	**$145.22**
Contra Costa	$162.47	$190.61
Del Norte		**$144.75**
El Dorado	**$125.59**	**$128.17**
Fresno	$111.88	$127.02
Glenn	**$144.94**	**$144.22**
Humboldt	**$128.40**	**$138.96**
Imperial	**$138.35**	$148.48
Inyo		***$143.85***
Kern	$119.70	$124.84
Kings	**$103.24**	$99.87
Lake	**$127.03**	**$132.47**
Lassen		***$143.85***
Los Angeles	$126.39	$142.51
Madera	**$102.45**	$107.93
Marin	**$250.83**	**$239.50**
Mariposa		***$143.85***
Mendocino	**$129.48**	**$142.56**
Merced	**$108.65**	**$108.74**
Modoc		***$143.85***
Mono		***$143.85***
Monterey	$124.71	$164.15
Napa	$145.77	***$186.37***
Nevada	$150.68	**$164.51**
Orange	$143.46	$193.55
Placer	$124.90	**$135.69**
Plumas		***$143.85***
Riverside	$117.84	$138.22
Sacramento	$123.09	$130.65
San Benito		***$143.85***
San Bernardino	$141.02	$139.97
San Diego	$146.03	$173.92
San Francisco	$206.71	$222.93
San Joaquin	**$126.36**	**$166.29**
San Luis Obispo	$197.74	$199.41
San Mateo	$163.62	$197.35
Santa Barbara	$124.85	$128.67
Santa Clara	$174.36	$219.32
Santa Cruz	$180.46	**$212.51**

Bold = Counties with fewer than 5 Projects.

Bold Underlined = Counties with adjusted averages due to having fewer than 3 projects.

Bold Underlined Italics = Counties in one of the Regions with No Projects for which the Regional Average was used.

Shading = Counties that are not in the Geographic Apportionment.

County	$/SF New Construction 1999 to Present	$/SF 9% New Construction 1997 to Present
Shasta	**$110.67**	$121.18
Sierra		***$143.85***
Siskiyou		***$145.39***
Solano	$139.25	**$157.04**
Sonoma	$140.19	$165.11
Stanislaus	$75.32	$86.36
Sutter	***$122.71***	***$126.25***
Tehama	**$105.97**	**$136.95**
Trinity		***$143.85***
Tulare	$102.49	$115.62
Tuolumne		**$123.77**
Ventura	$148.47	$184.81
Yolo	$121.05	**$118.76**
Yuba	***$122.71***	**$117.78**
Weighted Average	$142.74	$153.47
Standard Deviation		$56.33

Appendix 3: Proposition 46 Vote Results by County

County	Votes for Prop #46	Votes Against
Alameda	66.30%	33.70%
Alpine	53.80%	46.10%
Amador	44.80%	55.20%
Butte	48%	52%
Calaveras	42.10%	57.90%
Colusa	40.20%	59.80%
Contra Costa	58.40%	41.60%
Del Norte	45%	55%
El Dorado	43.20%	56.80%
Fresno	54.70%	45.30%
Glenn	36.60%	63.40%
Humboldt	53.90%	46.10%
Imperial	60.40%	39.60%
Inyo	45.80%	54.20%
Kern	49%	51%
Kings	49.90%	50.10%
Lake	49%	51%
Lassen	42.60%	57.40%
Los Angeles	63.30%	36.70%
Madera	44.50%	55.50%
Marin	65.60%	34.40%
Mariposa	44%	56%
Mendocino	58.10%	41.90%
Merced	53.80%	46.20%
Modoc	41.70%	58.30%
Mono	45.70%	54.30%
Monterey	61%	39%
Napa	53.30%	46.70%
Nevada	50.50%	49.50%
Orange	48.40%	51.60%
Placer	46.10%	53.90%
Plumas	45.90%	54.10%
Riverside	56.30%	43.70%
Sacramento	57%	43.00%
San Benito	55.10%	44.90%
San Bernardino	53.10%	46.90%
San Diego	55.70%	44.30%
San Francisco	72.10%	28%
San Joaquin	55%	45.00%
San Luis Obispo	49.90%	50.10%
San Mateo	61.30%	38.70%
Santa Barbara	56.90%	43.10%
Santa Clara	60.10%	39.90%
Santa Cruz	65.10%	34.90%
Shasta	43.30%	56.70%
Sierra	44.30%	55.70%
Siskiyou	43.20%	56.80%
Solano	52.80%	47.20%
Sonoma	61.80%	38.20%

County	Votes for Prop #46	Votes Against
Stanislaus	52.60%	47.40%
Sutter	39.60%	60.40%
Tehama	41.50%	58.50%
Trinity	45.90%	54.10%
Tulare	48.90%	51.10%
Tuolumne	44.50%	55.50%
Ventrua	57.60%	42.40%
Yolo	58.60%	41.40%
Yuba	42.60%	57.40%
State Total %	57.60%	42.40%

Appendix 4: Housing Stock Growth from 1990 to 2000 by County

County	Percentage of housing stock increase 1990 to 2000
Alameda	10.72%
Alpine	23.69%
Amador	23.01%
Butte	18.96%
Calaveras	31.47%
Colusa	20.04%
Contra Costa	17.49%
Del Norte	23.28%
El Dorado	27.90%
Fresno	22.55%
Glenn	14.41%
Humboldt	16.81%
Imperial	26.68%
Inyo	13.07%
Kern	23.38%
Kings	31.31%
Lake	16.77%
Lassen	19.47%
Los Angeles	7.35%
Madera	39.77%
Marin	8.37%
Mariposa	27.67%
Mendocino	15.37%
Merced	26.93%
Modoc	10.53%
Mono	22.97%
Monterey	15.78%
Napa	14.90%
Nevada	30.58%
Orange	16.37%
Placer	48.97%
Plumas	20.11%
Riverside	32.68%
Sacramento	19.04%
San Benito	44.51%
San Bernardino	20.93%
San Diego	16.08%
San Francisco	4.27%
San Joaquin	21.29%
San Luis Obispo	20.59%
San Mateo	7.03%
Santa Barbara	10.26%
Santa Clara	13.05%
Santa Cruz	11.21%
Shasta	23.71%
Sierra	11.95%
Siskiyou	14.03%

County	Percentage of housing stock increase 1990 to 2000
Solano	22.21%
Sonoma	19.42%
Stanislaus	21.86%
Sutter	24.96%
Tehama	19.46%
Trinity	15.74%
Tulare	22.67%
Tuolumne	20.34%
Ventura	14.84%
Yolo	22.43%
Yuba	14.98%

Appendix 5: Growth in the Number of Households from 1990 to 2000 by County

County	Growth in the # of Households 1990 to 2000
Alameda	9.14%
Alpine	7.33%
Amador	21.31%
Butte	11.02%
Calaveras	30.20%
Colusa	8.64%
Contra Costa	14.60%
Del Norte	14.81%
El Dorado	25.82%
Fresno	14.49%
Glenn	3.98%
Humboldt	10.38%
Imperial	19.92%
Inyo	1.82%
Kern	14.97%
Kings	18.35%
Lake	15.23%
Lassen	12.67%
Los Angeles	4.82%
Madera	27.44%
Marin	5.94%
Mariposa	18.00%
Mendocino	9.36%
Merced	15.33%
Modoc	1.97%
Mono	29.69%
Monterey	7.32%
Napa	9.90%
Nevada	19.95%
Orange	13.08%
Placer	45.68%
Plumas	10.77%
Riverside	25.90%
Sacramento	14.97%
San Benito	39.07%
San Bernardino	13.74%
San Diego	12.09%
San Francisco	7.89%
San Joaquin	14.84%
San Luis Obispo	15.52%
San Mateo	5.04%
Santa Barbara	5.25%
Santa Clara	8.78%
Santa Cruz	9.06%
Shasta	13.33%
Sierra	13.77%
Siskiyou	7.22%

County	Growth in the # of Households 1990 to 2000
Solano	14.96%
Sonoma	15.70%
Stanislaus	15.77%
Sutter	16.97%
Tehama	12.34%
Trinity	8.36%
Tulare	12.80%
Tuolumne	16.96%
Ventura	11.94%
Yolo	16.49%
Yuba	3.84%

Appendix 6: CDLAC Financed Units 2000 through 2004
Normalized for the Number of Program Target Households by County

County	CDLAC Units as a Percent of Target Pop
Imperial	8.80%
Mono	5.59%
Placer	5.53%
Solano	5.52%
El Dorado	5.46%
Santa Clara	5.02%
Sacramento	4.02%
Napa	3.93%
Glenn	3.30%
Contra Costa	3.27%
San Diego	3.19%
Yolo	3.13%
Merced	3.12%
Ventrua	2.99%
Nevada	2.79%
Riverside	2.72%
Marin	2.69%
Alameda	2.66%
Mendocino	2.62%
Sonoma	2.43%
Orange	2.42%
Lake	2.26%
Monterey	2.17%
Amador	2.07%
San Francisco	1.94%
Yuba	1.89%
Santa Cruz	1.78%
Fresno	1.69%
Los Angeles	1.68%
Shasta	1.58%
Santa Barbara	1.55%
Madera	1.51%
San Benito	1.43%
Kings	1.39%
Tehama	1.08%
San Bernardino	1.00%
Tuolumne	0.96%
San Mateo	0.89%
Kern	0.84%
Butte	0.74%
Tulare	0.70%
San Luis Obispo	0.38%
San Joaquin	0.24%
Humboldt	0.19%
Stanislaus	0.16%
Alpine	0.00%

County	CDLAC Units as a Percent of Target Pop
Calaveras	0.00%
Colusa	0.00%
Del Norte	0.00%
Inyo	0.00%
Lassen	0.00%
Mariposa	0.00%
Modoc	0.00%
Plumas	0.00%
Sierra	0.00%
Siskiyou	0.00%
Sutter	0.00%
Trinity	0.00%

Appendix 7: Interview Script

Introductory Phone Conversation

Hello XX, My name is Molly Rysman. XX at XX recommended that I call you. I am graduate student in UCLA's Urban Planning Department. I am researching the California Debt Limit Allocation Committee's (CDLAC's) funding allocations. In particular, I am studying why certain California counties receive a disproportionate amount of CDLAC funding. I am doing this research for the Southern California Association of Nonprofit Housing (SCANPH) with the full support of CDLAC Executive Director, Laurie Weir.

I have completed a series of data analyses looking at this problem and I am now conducting interviews to discuss possible policy remedies. Participation in the research is voluntary. I was wondering if I could interview you, or another staff member in your company, about your CDLAC funded projects and your ideas for how the program could be improved. I anticipate that the interview would take 30 to 45 minutes.

Alternate Introductory Phone Conversation

Hello XX. My name is Molly Rysman. XX at XX recommended that I call you. I am graduate student in UCLA's Urban Planning Department. I am researching the California Debt Limit Allocation Committee's (CDLAC's) funding allocations. In particular, I am studying why certain California counties receive a disproportionate amount of CDLAC funding. I am doing this research for the Southern California Association of Nonprofit Housing (SCANPH) with the full support of CDLAC Executive Director, Laurie Weir.

I have completed a series of data analyses looking at this problem and I am now conducting interviews to discuss possible policy remedies. I was wondering if I could interview you, or another staff member in your agency, about your ideas for how the program could be improved. Participation in the research is voluntary. I anticipate that the interview would take 30 to 45 minutes.

Appendix 7: Interview Script

In-Person Interview
(Anticipated length 30 to 45 minutes)

Hello XX. Thank you for meeting with me today. As I mentioned on the phone, I am studying CDLAC funding allocations for SCANPH. Would you mind if I tape-recorded this interview? The information that you provide to me in this interview may be quoted in my final report. Unless otherwise specified by you, I will use your name when I quote you in the final report.

Thank you. I will begin taping now.

[taping begins]

This is an interview with XX with XX company/agency. This interview is being conducted on XX date by Molly Rysman.

1. I'd like to start the interview by finding out approximately how many CDLAC-funded affordable housing developments your company has built or that your agency has been involved in?

2. Were these projects mixed-income or 100% affordable?

3. Did you find that there were any particular strengths that CDLAC has in the funding process?

4. Did you find that there were any barriers, or challenges to using CDLAC funding?

5. Were there any CDLAC program requirements that made it difficult to utilize this funding source?

6. My research found that certain counties receive a disproportionate share of CDLAC funding. For example, Placer County in Northern California as been able to serve 6% of the county's low-income population with the program. That is to say that Placer has been able to build CDLAC subsidized units for 6% of the county's households earning $28,800 or less. In contrast, Los Angeles County has only been able to serve 1% of the county's low-income population. This is to say that Los Angeles County has only been able to build CDLAC subsidized units for 1% of the county's households earning $26,800 or less. *[show interviewee data analysis]* Do you have any ideas why counties, such as Placer, would be doing so much better than Los Angeles under the program?

7. In general, counties such as El Dorado, Imperial, Placer, Sacramento, Santa Clara, and Solano have done much better than other counties under the program. Each of the above mentioned counties have been able to serve over 3% of their low-

income population with the program. What do these counties have in common in your opinion? Why are they doing so much better than the other counties under the program?

8. Do you have suggestions for how these problems might be remedied?

9. Do you think that there are things that local governments could do to remedy these problems?

10. What key players do you feel would need to be involved to make these changes?

11. Is there any one else that you would suggest that I speak to about this project?

12. I'd like to send you a copy of the report that I am working on when I'm finished. Could I get your card?

[stop taping]

Thank you so much for taking time out of your busy schedule to meet with me today. I really appreciate your time. Thank you.

Appendix 8

Table 9

CDLAC 50% AMI and 60% AMI Units Financed for the years 2000 through 2004

County	Percent of Total State Households	Percent of Total CDLAC Target Population	50% AMI Units by County	Percent of 50% AMI for all Counties	60% AMI Unit by County	Percent of 60% AMI for all Counties
Alameda	4.55%	5.13%	1,670	7.08%	1,925	5.14%
Contra Costa	2.99%	2.65%	734	3.11%	1,544	4.12%
Los Angeles	27.24%	27.77%	5,204	22.06%	7,053	18.83%
Orange	8.13%	6.19%	1,397	5.92%	2,550	6.81%
Riverside	4.40%	4.13%	720	3.05%	2,240	5.98%
San Bernardino	4.59%	4.41%	399	1.69%	766	2.05%
San Diego	8.65%	9.20%	2,090	8.86%	5,637	15.05%
Santa Clara	4.92%	5.16%	3,141	13.31%	3,671	9.80%
City of LA	11.09%	13.58%	3,027	12.83%	2,979	7.95%
LA County w/o LA City	16.15%	14.19%	2,177	9.23%	4,074	10.88%
TOTAL for all Counties in the State			23,595		37,453	

Appendix 9

Table 10

CDLAC Funding Allocations, Reversions, and Issuances for years 2000 through 2003[1]

County	Percent of Total State Households	Percent of Total CDLAC Target Households	Amount Reverted by County	Amount Reverted as a Percent of County Allocation	Amount Issued by County	Percent of Amount Issued for all Counties	Allocation Total by County	Percent of Allocation for all Counties
Alameda	4.55%	5.13%	$ 9,201,394	1.44%	$ 410,301,806	8.52%	$ 640,981,200	9.96%
Contra Costa	2.99%	2.65%	$ 985,856	0.34%	$ 198,413,000	4.12%	$ 293,348,856	4.56%
Los Angeles	27.24%	27.77%	$ 76,346,476	5.88%	$ 980,002,028	20.34%	$1,298,279,039	20.17%
Orange	8.13%	6.19%	$ 11,215,593	2.89%	$ 345,877,035	7.18%	$ 387,891,628	6.03%
Riverside	4.40%	4.13%	$ 36,397,777	17.56%	$ 171,371,000	3.56%	$ 207,290,777	3.22%
San Bernardino	4.59%	4.41%	$ 2,238,000	3.13%	$ 65,542,500	1.36%	$ 71,570,500	1.11%
San Diego	8.65%	9.20%	$ 11,216,899	2.05%	$ 427,795,710	8.88%	$ 546,597,609	8.49%
Santa Clara	4.92%	5.16%	$ 62,104,063	7.41%	$ 658,286,000	13.66%	$ 838,138,961	13.02%
City of LA	11.09%	13.58%	$ 61,113,085	6.98%	$ 679,912,998	14.11%	$875,406,618	13.60%
LA County w/o LA City	16.15%	14.19%	$15,233,391	3.60%	$300,089,030	6.23%	$422,872,421	6.57%
TOTAL for all Counties in the State			$ 289,811,363		$4,818,177,252		$6,435,169,164	

[1] Data on the amount of allocations reverted for 2004 was not available at the time of this report. As a result, the data presented in Table 6 is for the four-year period of 2000 through 2003.