

## 7b - Affordable Housing

**1. Program Area:**

COMMUNITY SERVICES

**2. Agencies and Departments involved:**

Housing and Community Services

**3. New or previously identified in earlier Strategic Financial Plans, if previously identified, what has changed and why:**

This priority has been previously identified, however, as the General Fund component has since been eliminated, HCS is trying to leverage outside funding to help address this need.

**4. Description of the project/program - what it is and what it will achieve:**

Orange County is experiencing an affordable housing shortage that is impacting local residents and the business community. Home prices and rents are at an all time high, and the 2005 housing market continues to appreciate, creating additional pressure and affordability problems for Orange County residents. At the same time, land prices and construction costs continue to increase, creating new home and condominium prices that are out of reach for the vast majority of residents. The housing climate shows no signs of abating in the near future without direct collaborative efforts by the County, Cities, developers, and non-profits.

During the 2001 Strategic Planning Cycle, the Board of Supervisors took aggressive action to address the issue of Affordable Housing. The Board identified the affordable housing crisis as its number two Strategic Priority for 2001 and then committed general funds over a four-year period beginning in FY 02/03 to help alleviate the problem. Unfortunately, in FY 02/03 the Board was faced with serious fiscal problems that necessitated the reallocation of the Affordable Housing funding to operational needs.

However, from FY 03/04 thru FY 05/06, the Board of Supervisors continued to identify the affordable housing crisis as a top Strategic Priority, without committing scarce general funds. Although general funds have not been committed, the Board's on-going support for affordable housing as a Strategic Priority has been instrumental in keeping the issue at the forefront, resulting in creative partnerships and the leveraging of additional resources for new affordable housing.

Recent data regarding Orange County housing market includes the following:

- 89% of households are unable to afford the median priced home in Orange County.
- Over half of renter households pay more than 30% of their income for shelter.
- In September 2005, the median price of all homes in Orange County was \$609,000, and \$460,000 for condominiums.
- In June 2005, the average rent in Orange and LA Counties is \$1,419 – a 6.2% increase from last year.

Not only does this climate impact the residents of Orange County, it also has a substantial impact on the business community. According to an annual survey of Orange County by OC business executives, housing costs are the leading barrier to business expansion in Orange County. The lack of affordable housing in the County has a direct negative impact on attracting and retaining skilled employees for numerous corporations. Despite the County's average median income of \$75,700 for a family of four, obtaining affordable housing in the County is a struggle. In 2004, the ratio of job formation to housing units created in Orange County was 3.33 to 1; whereas the national standard for a "healthy" ratio is 1.5 to 1. Given the above conditions, Orange County has the most unbalanced housing market out of 45 metro areas nationwide.

To address the issue, the Regional Housing Needs Assessment (RHNA) calls for the development of 22,687 additional housing units in the unincorporated area of Orange County, over 7,000 of which should be affordable to very low and low-income households. Of the 7,000+ units, 2,950 units are needed for low-income households at or below 80% of the Area Median Income (AMI) and 4,084 are needed for very low-income households at or below 50% AMI. Based on the County's recent Housing Element Update status report, the 2,950 units needed for low-income households have been realized.

However, the 4,084 units necessary for very low-income households remains a great challenge and will require a combination of public/private partnerships and strong financial support from local government to reach lower affordability levels. The difficulty in developing projects that focus on meeting the 50% AMI is the need for deeper subsidies to fill the "gap". Traditionally, 75-80% of the total development costs for affordable housing projects are funded through 9% tax credits, HUD SuperNOFA grants, tax-exempt bonds, conventional financing, and equity. The 20-25% unfunded "gap" in affordable housing projects must be covered by other resources such as local funding, fundraising, charitable grants, or other means of financing.

**5. Personnel - will the program/project require additional staffing? If so, estimate number of positions:**

Not at this time. However, in the current FY 05/06 budget, and continuing with the FY 06/07 budget, the decrease in federal revenues and increase in Staff and Employee Benefits has meant position deletions including one in the Housing Development section, which is directly involved in the development of affordable housing.

HCS remains active in addressing the current needs resulting from on-going activity in affordable housing. Many projects that were committed over the past couple of years have recently funded and closed escrow. HCS anticipates closing an additional 5 loans in 2005, as well as committing financing to new developments in an effort to maintain the housing production pipeline. If HCS receives new vouchers for the Section 8 Rental Assistance Program or additional Shelter Plus Care awards, staffing needs will be addressed either mid-year or through the annual budget process.

**6. Cost - estimate and identify costs:**

Please refer to the attached spreadsheet for cost information.

**7. Potential Funding Sources:**

HCS currently has \$8.2 million in uncommitted housing funds available for the construction of affordable housing. These funds primarily consist of HOME and redevelopment set-aside funds (currently budgeted). In addition, this amount includes the uncommitted residual of the Board approved allocation of \$5 million one-time funding in Fund 15U which can only be used for housing purposes.

The annual allocation of funds distributed to the County for affordable housing development is approximately \$2.2 million in HOME funds, which are allocated, based upon a federal formula, and approximately \$2,000,000 in redevelopment set-aside

*Please refer to the attached spreadsheet for funding information.*

**8. Community Awareness (stakeholders):**

Housing and Community Services, Orange County residents, OC business community, and developers.

**9. Mandated or discretionary:**

Discretionary. The County's Housing Element which is required under state law provides strategies for the County to accomplish meeting the regional housing needs assessment goals. One of those strategies included \$34.8 million in general funds that has since been eliminated.

**10. Implementation period if funding were available:**

If funding were available in FY 06-07, the development of new units of affordable housing as a result of this funding would occur over a two to four year period of time depending on the size and scope of the construction and successful leveraging of other financial resources.

