



**395**

AFFORDABLE HOUSING DEVELOPMENTS IN PREDEVELOPMENT

**32,944**

AFFORDABLE HOMES IN PREDEVELOPMENT

**\$7.6B**

SUBSIDY NEEDED TO FUND THE AFFORDABLE HOUSING PIPELINE



Bay Area Affordable Housing Pipeline, February 2023

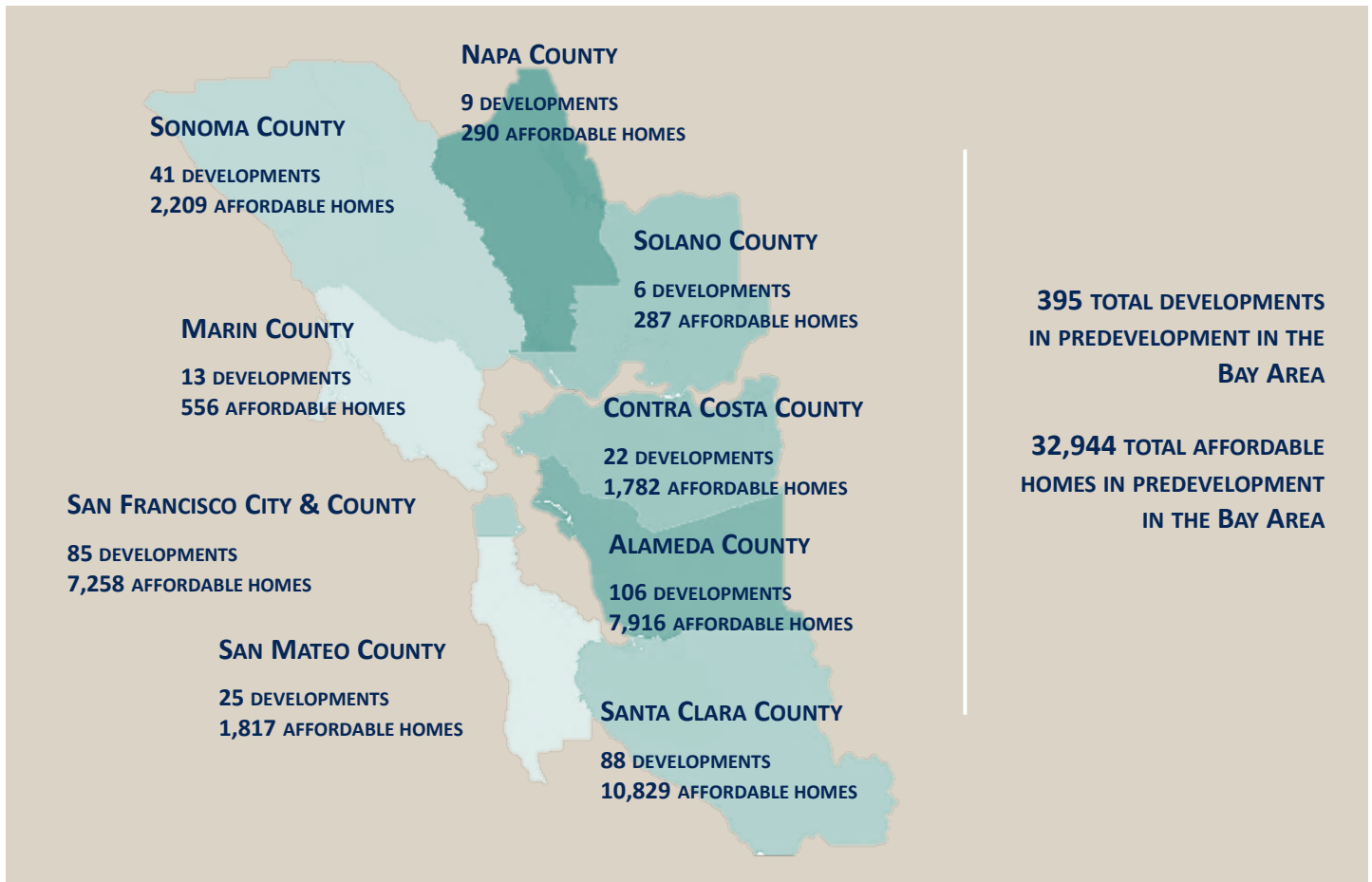
## Unlocking New Affordable Homes in the Bay Area

The Bay Area has one of the most robust and sophisticated affordable housing sectors in the country. Affordable housing developers, community development corporations, community land trusts, public housing authorities, and other public sector and finance partners work together to help meet the growing affordable housing need.

With these partners and the new **Bay Area Housing Finance Authority (BAHFA)**, Enterprise Community Partners (Enterprise) created a first-of-its-kind database of the region's forthcoming affordable housing. This database, the **Bay Area Affordable Housing Pipeline (Pipeline)**, inventories affordable housing across the region that is in various stages of predevelopment. Predevelopment ranges from early-stage planning, to entitlements, to permitting, to securing all necessary financing.

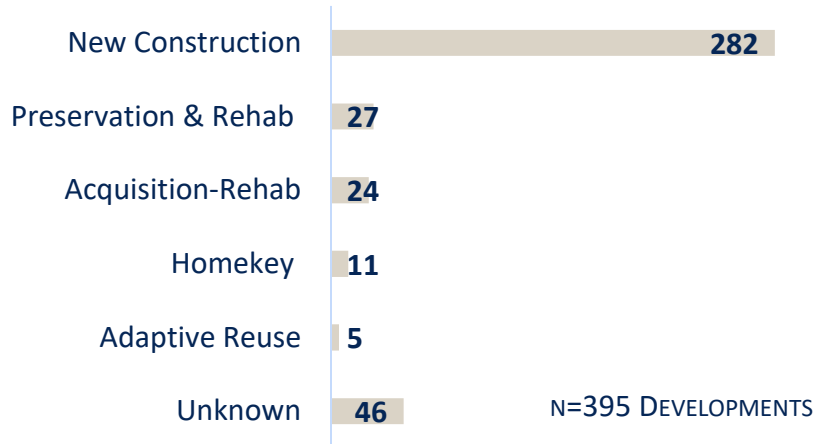
The Pipeline illustrates the enormous progress that the affordable housing sector has made in identifying sites and completing the necessary planning, community engagement, and design for more affordable homes. It also highlights that significant resources are needed at the state, regional, and local levels to move these affordable homes from predevelopment to construction to occupancy. Overcoming resources challenges is critical to putting the Bay Area on track to meet the region's needs for quality, affordable homes.

## EXHIBIT 1. BAY AREA AFFORDABLE HOUSING IN PREDEVELOPMENT



There are currently 395 affordable housing developments in some stage of predevelopment in the Bay Area. These developments must complete the necessary planning and community engagement, receive approvals from local governments, and secure adequate funding to move forward and begin construction. If these 395 developments had the financing and support to move forward tomorrow, they would bring 32,944 new affordable homes to the region.

## EXHIBIT 2. PREDEVELOPMENT PIPELINE BY HOUSING TYPE<sup>1</sup>



<sup>1</sup> "Preservation & Rehab" refers to preservation and rehabilitation of existing, subsidized affordable housing that needs refinancing and/or significant rehabilitation. Acquisition-Rehab refers to the acquisition of currently unsubsidized affordable housing to preserve it as affordable housing into the future. Adaptive Reuse refers to projects that are repurposing formerly commercial uses for residential.



**“Enterprise’s Affordable Housing Pipeline provides invaluable information for lenders, developers, policy makers and everyone working to create the affordable housing solutions the Bay Area needs.”**

—Kate Hartley, Director,  
Bay Area Housing Finance Authority

### EXHIBIT 3. PIPELINE & HOUSING NEEDS BY COUNTY

COUNTY	AFFORDABLE HOUSING PROJECTS IN PREDEVELOPMENT	AFFORDABLE HOMES IN PREDEVELOPMENT	REGIONAL HOUSING NEEDS ALLOCATION AFFORDABLE HOMES 2023-2031 <sup>2</sup>	2022 HOMELESS POINT-IN-TIME COUNT <sup>3</sup>
Alameda	106	7,916	37,197	9,747
Contra Costa	22	1,782	21,031	3,093
Marin	13	556	6,571	1,121
Napa	9	290	1,796	366
San Francisco	85	7,258	32,881	7,754
San Mateo	25	1,817	19,219	1,808
Santa Clara	88	10,829	50,923	10,028
Solano	6	287	4,415	1,179
Sonoma	41	2,209	6,301	2,893
<b>Regional Total</b>	<b>395</b>	<b>32,944</b>	<b>180,334</b>	<b>37,989</b>

<sup>2</sup> Every eight years, the State of California determines the total number of new homes the Bay Area needs to build—and how affordable those homes need to be—in order to meet the housing needs of people at all income levels. The Association of Bay Area Governments (ABAG) then allocates these goals across the 101 jurisdictions and 9 counties in the Bay Area, known as the Regional Housing Needs Allocation. For more information, see the Regional Housing Needs Allocation Plan: San Francisco Bay Area, 2023-2031, ABAG, <https://abag.ca.gov/tools-resources/digital-library/final-rhna-methodology-report-2023-2031update11-22pdf>. The affordable homes referenced in the table above refer to RHNA goals for low- and very low-income homes

<sup>3</sup> Point-in-time count data is collected and made available for each county on an annual basis. Information on the 2022 data can be found here: <https://www.allhomeca.org/2022/05/16/2022-regional-prelim-pit-count-release/>

## EXHIBIT 4. FUNDING NEEDED TO UNLOCK THE PIPELINE

**\$7.6B**

SUBSIDY / SOFT DEBT

**\$13B**

TAX-EXEMPT BONDS <sup>4</sup>

**\$11.1B**

4% LIHTC EQUITY

**\$1.5B**

9% LIHTC EQUITY

<sup>4</sup> This demand reflects the need for developments to request at least 50% of their total development cost in tax-exempt bonds, per federal law, in order to qualify for 4% tax credits.

## Understanding the Funding Need

An affordable housing development generally requires multiple funding sources to fully finance construction. This includes a commercial mortgage from a bank, Low-Income Housing Tax Credits (LIHTC) and bonds, and various sources of subsidy or soft debt – also known as “gap” funding. This funding fills the “gap” between the cost of the development and the financing secured through hard debt and LIHTC equity.

Gap funding can come from local, regional, and state programs. It is often the first funding committed to a development, which allows the development to then access additional financing. For this reason, subsidy or soft debt gap funding is especially critical for developments to move forward. Unfortunately, this funding is also in limited supply across California and the Bay Area.

In recent years, oversubscription of California’s tax-exempt bonds have also made securing 4% LIHTC much more challenging, as bonds are a prerequisite for 4% LIHTC. In the past, these credits were readily available for eligible developments. Due to federal constraints on the program, it is now a competitive program, which often delays developments from receiving the final funding they need to begin construction.

## TYPICAL CAPITAL STACK

**SUBSIDY/ SOFT DEBT**

Bonds & Other Local/State Programs

**HARD DEBT**

Mortgage or Tax-Exempt Debt

**TAX CREDIT EQUITY**

Low-Income Housing Tax Credits (LIHTC)

# Looking Ahead

As the Bay Area works to fulfill the affordable housing need, especially for its most vulnerable residents, the Pipeline provides both guidance and urgency to our efforts. There is a clear need to expand resources and reduce financing barriers at the federal, state, regional, and local level. BAHFA is currently exploring a 2024 regional housing revenue measure, which could provide billions of much-needed dollars to fill the soft-debt gap for these developments.

In order to ensure accurate data on need and progress across the region, the Pipeline must be maintained over time as new affordable housing projects begin predevelopment and complete construction. The Pipeline also makes clear that in order to meet its affordable housing goals, California needs to explore additional financing models given federal constraints on tax-exempt bonds and operating subsidies.

## Methodology

The 2022 Bay Area Affordable Housing Pipeline was completed by Enterprise's Northern California team in September 2022. The analysis estimated the affordable housing pipeline, defined as affordable housing developments at any stage of predevelopment or under construction, across the nine-county Bay Area (Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma). In order to capture the most complete information, Enterprise collected data from several sources:

- State-provided public data on applications for state programs, regardless of award status (e.g., 4% and 9% Low-Income Housing Tax Credit (LIHTC), Multifamily Housing Program.)
- Local public data from city and county housing departments and authorities
- Proprietary data from affordable housing developers and financial consultants

Duplicate developments were identified and removed using project name, cross-referenced for city, county, developer, and/or unit count if available. Data from affordable housing developers was the most up-to-date and detailed, compared to public data. After de-duplication, 49 percent of developments were reported via public data only, 25 percent were reported via proprietary data only, and 27 percent were reported via both data source types.

While this data reflects our best approximation of the regional pipeline, there are likely additional

developments that are not yet available in any public data or from developers that did not participate in this analysis. These developments are not represented in the Pipeline.

In order to calculate the funding needed to unlock the Pipeline of affordable homes, Enterprise relied on both data reported directly from affordable housing developers, as well as estimates. For each development, Enterprise summarized or estimated the capital stack for that individual development, including its tax credit equity, tax-exempt bond demand, and subsidy or soft debt. In cases where some or all data points were not provided, Enterprise relied on the following assumptions to calculate estimates, as needed:

- Average per-unit cost by county, 2020-2022 California Debt Limit Allocation Committee averages
- Average proportional utilization of 4% and 9% LIHTC programs and project-based vouchers
- Capital stack average proportions, 2019-2021 The California Tax Credit Allocation Committee averages, adjusted for trends in interest rates

Funding not yet secured for each development was then adjusted for inflation and aggregated to calculate total need.

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