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# Affordable and Sustainable Multi-Family Housing

Introduction to Affordable Housing Financing and its Impact on Design



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# MidPen Housing

Our mission is to provide safe, affordable housing of high quality to those in need and to establish stability and opportunity in the lives of our residents.

## Managing 121 properties

- 8,000+ units
- 22,000+ residents
- 11 counties: Santa Rosa to Monterey

## Pipeline

- 3 properties actively leasing up
- 3 under construction (4 more soon)
- 3,500 units in predevelopment





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# Non-profit, Mission-driven Affordable Housing Developer

Long term owner and operator of the building

- Interest in long term health of building and residents
- Not all affordable housing developers are non-profit and mission-driven
  - More for-profit developers entering the space
  - Market rate projects that turn out infeasible are converted to affordable



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# What is Affordable Housing?

## Low Income Housing Tax Credit (LIHTC)

Federal program, administered at the State level = Regulations and application process vary State by State

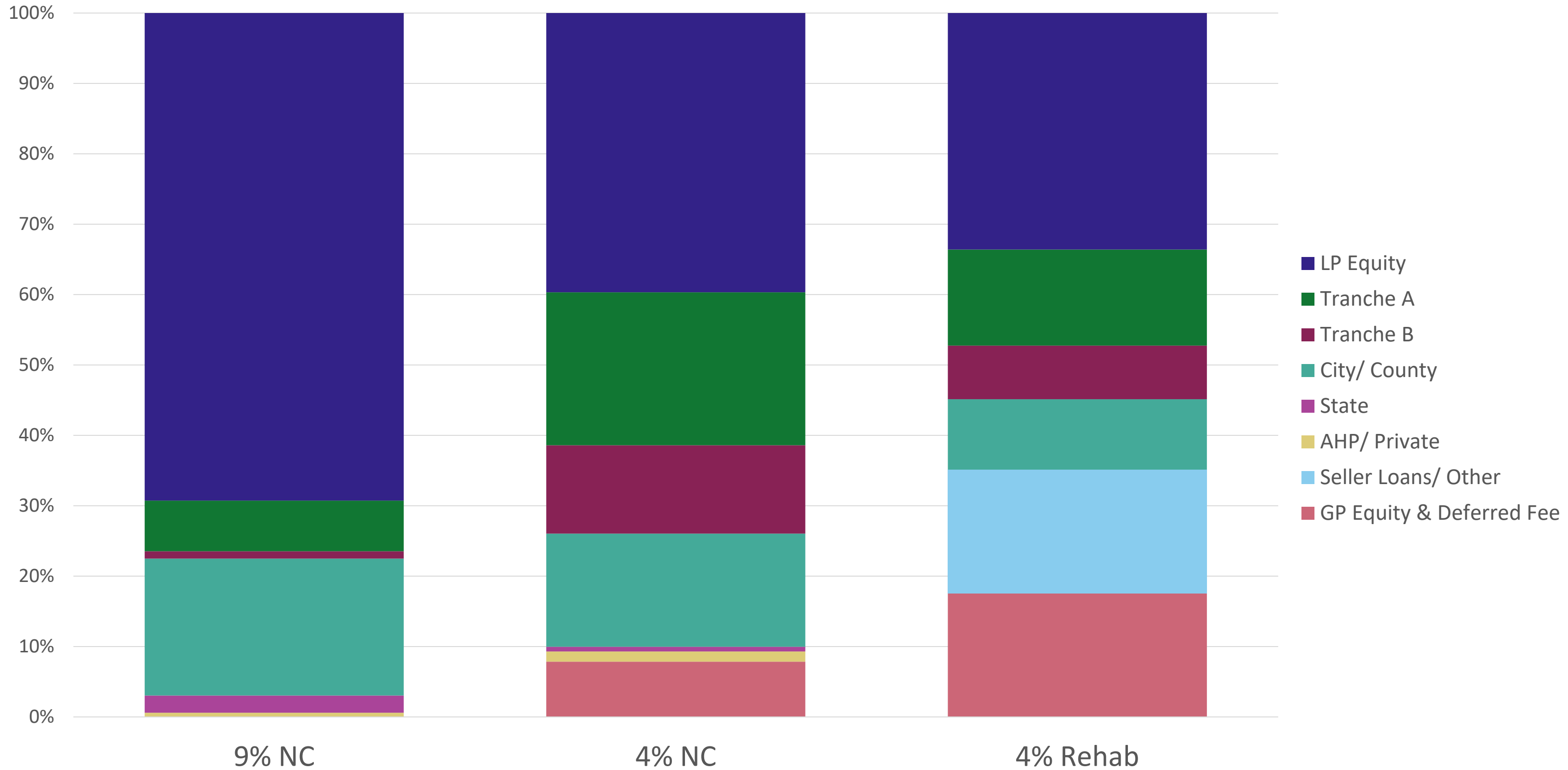
In California:

- Administered by the California Tax Credit Allocation Committee (TCAC)
- Paired with State Tax Credit, administered by the California Debt Limit Allocation Committee (CDLAC)

| 9%  | 4%  |
|---|---|
| Competitive   | Historically non-competitive<br>Became competitive in 2020 and remains competitive (and will be for the foreseeable future) |
| Capped – only used on smaller projects (up to 60 units) | Uncapped – used for larger projects/in high-cost areas  |
| Covers 50-75% of Total Development Cost (TDC)           | Covers 30-40% of TDC  |



# Typical Financial Stack



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# Challenges Specific to Affordable Housing

Financial stack: 5-8 sources, up to 11 (vs. 2 for market rate)

- Nearly all competitive, by design or because of over subscription
  - 2021 R1 of TCAC: 9% 2:1 oversubscribed, 4% 3:1 and Bay Area closer to 6:1
  - Tiebreaker based on cost per unit (and bond request) -> high-cost area at a clear disadvantage
- Each with their own requirements/application/calendar, sometimes competing against each other
  - E.g. Prevailing Wage (HOME, local sources) vs. Focus on cost containment (TCAC/CDLAC)

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# Consequences

Developer focus = cost and sources requirements

- Won't officially commit to more than sources requirements, to avoid unnecessary risk/complication
- What makes you competitive for a gap funding source can hurt for LIHTC

Cost containment at all levels

- Also impacts soft cost and consultant choice
- Sustainable Building Requirement was removed from TCAC/CDLAC reg in 2020
  - AHSC targeted towards GHG reduction
  - Local sources/Local Reach Code -> because local, potentially hurt in TCAC/CDLAC competition







**What Success  
Looks Like**





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# Making Sustainable Affordable Housing Happen

## Assembling a team

- Energy consultant to drive MEP
- Calling out part of the MEP scope
- Repeat consultants

## Construction cost neutral or savings (better)

- Simple skin
- Lower windows to wall ratio
- Right size mechanical equipment

## Move cost from operation to construction: understand all the impacts on operating expenses (opex)

- Savings on utilities
- Added O&M
- Lifecycle and replacement cost
- Developer and lenders to be open to underwriting opex differently



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# An Example from the Past

## Edwina Benner Plaza – MidPen first All-Electric Building

Some construction facts:

- 66 units – Family and PSH
- Construction: 04/2017 – 10/2018 (2013 Code)
- Centralized Heat Pump Water Heater (two plants)
- Central supply ventilation + individual exhaust fans
- Mini-splits space heating/cooling
- 123kW PV array



In operation

- Don't skip commissioning, highly recommend monitoring
- Utility: \$3,000/yr vs. \$18,000 for similar mixed-fuel property
- PV O&M similar to ST O&M + PV monitoring





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# Moving Forward

Produce 3,000 new environmentally sustainable affordable homes serving those in greatest need, ensuring rents are deeply discounted from the market.

New Construction to be all-electric, unless technically/financially unfeasible

- All electric less expensive at construction in most cases
- Unless challenges with transformer

Self imposed targets on

- PV sizing
- Green Building certification

Exploring

- Water conservation and reuse
- Back-up batteries
- EV charging
- Electrification of existing properties



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# Moving Forward

Reform and expand affordable housing finance systems to better align with the need in our region. Advocate for housing stability and an environmentally sustainable system that addresses the severe imbalance in jobs and housing.

Advocacy at Local, State and Federal level

- More money, more equitably distributed
- Alignment and streamlining of the financing systems
- Centring Public benefits







# What Success Looks Like





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# Going Further

- Follow CHPC, NPH and local Housing Advocacy groups
- Readings
  - CHPC [Building Decarbonization Summit 2021 Report](#)
  - The Turner Center
    - [The Complexity of Financing LIHTC in the US Report](#)
    - [The Cost of Affordable Housing Production: Insights from California's 9% LIHTC Program](#)
  - Greenlining Institute [Equitable Building Electrification Framework](#)
  - MidPen's [Strategic Plan](#)