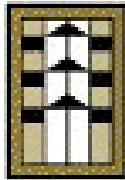


Fort Ord Reuse Authority
Affordable/Workforce Housing Study

by

The Clark Group



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Executive Summary

Monterey County housing was the least affordable in the United States in 2002. Only 40 percent of the people living in Monterey County own their homes. The closure of Fort Ord in 1994 seemed to offer a bright, new opportunity to address the critical workforce housing shortage. In fact, one of the foundations of the Department of Army's no-cost economic development conveyance to The Fort Ord Reuse Authority (FORA) was that jobs would be created and houses would be produced for the people hired for those jobs.

FORA recognized the important relationship of housing to economic development and job creation in 1997 when the Board said in its Reuse Plan, "Residential development will be critical at the former Fort Ord to achieve the employment to generate development capture rates that are projected."

Progress toward production of new workforce housing has been slow. Barriers to housing development such as complex regulatory procedures and approvals, antiquated infrastructure on the former Fort Ord, and environmental contamination and costly building removal have made the reuse of Fort Ord a particularly difficult challenge for any kind of development, including workforce housing. In order to remove these barriers to the production of workforce housing at Fort Ord, FORA must not only overcome these external forces, but must rethink and renegotiate those constraints imposed upon affordable housing by FORA itself.

The Clark Group recognizes that the professional staff at FORA has put a lot of effort into the redevelopment of the installation and this report does not assume there is any magic formula to solve the problem of affordable housing in the Monterey Peninsula. Any solution will take a disciplined, structured approach, a summoning of political will, and use of all the appropriate financial tools and strategies currently available for affordable housing development.

FORA retained The Clark Group to identify methods, strategies, and resources to increase affordable housing at Fort Ord.

To produce this report The Clark Group:

- Interviewed a number of Fort Ord Reuse Authority officials and staff, city staff and officials of the US Army, US Army CERL, UCMBest, CSUMB, Clark-Pinnacle and Landwatch
- Researched federal, state and local government resources.
- Researched private and foundation resources.
- Reviewed private and public sector housing studies, documents, reports, abstracts, news stories, letters and proceedings.
- Talked to federal, state and local housing officials.
- Reviewed the FORA Base Reuse Plan, Capital Improvement Plan, and Environmental Impact Report.

- Analyzed information on 280 U.S. housing trust funds and 16 community land trusts.
- Selected several housing developments and trust funds as potential models for FORA discussion and action.

Based on this research and these interviews, The Clark Group focused its analysis on five main strategies for increasing production of affordable and workforce housing on Fort Ord:

- 1) Establishing a housing and community land trust.
- 2) Enhancing FORA’s internal capacity to address housing needs.
- 3) Attracting new funding and applying existing and future funds.
- 4) Initiating regulatory changes.
- 5) Enlisting legislators in achieving long-term housing goals.
- 6) Engaging the U.S. Army in solving the water issue.

The recommendations to carry out these strategies are summarized below. Additional details begin on page 49 of the Report.

The report is divided into seven chapters:

- Introduction: Defining Affordable and Workforce Housing
- Chapter One: Monterey County Housing “Least Affordable in U.S.”
- Chapter Two: FORA’s Original Affordable Housing Goals
- Chapter Three: Barriers, Opportunities and Strategies
- Chapter Four: Models and Case Examples
- Chapter Five: Federal, State, Local and Private Resources
- Chapter Six: Findings and Recommendations

ESTABLISH A HOUSING AND COMMUNITY TRUST FUND

Finding: California jurisdictions that are producing workforce and affordable housing adequate to their needs devote other resources and revenues to that production besides 20% set aside funds. They, in turn, attract numerous grants, subsidies and loans from a variety of outside sources. Some of the most successful jurisdictions in producing workforce and affordable housing have done so through the creation of housing trust funds to (1) dedicate specific resources to increased housing production; (2) capture subsidies, grants and below market loans available to such non-profits; (3) leverage funds 5-10 times the contributions of participating jurisdiction(s).

Finding: To keep new housing units affordable in the long-term, some jurisdictions have created community land trusts, separate nonprofit corporations that retain ownership of the land on which for-sale affordable housing (and sometimes rental housing) is built, therefore keeping the dwelling appreciation from pricing future owners (or renters) out of affordable units.

Recommendation 1: Create a Housing and Community Land Trust Fund--a hybrid nonprofit corporation based on successful trust fund models and the unusual needs of the FORA jurisdictions--to produce affordable and workforce housing on Fort Ord and elsewhere within FORA jurisdictions. Jurisdictions and local groups and corporations willing to contribute to its success will dedicate a revenue stream, land, services, and/or personnel and constitute its core membership. The first three (or more) years of operation could be focused on production of mixed income housing at Fort Ord; thereafter, the fund's services could be expanded to include all of the Monterey Peninsula.

A formula for local funding of the Housing and Community Land Trust can be devised among the jurisdictions to take into account historical inequities, and allow jurisdictions with land at Fort Ord to dedicate land to the Fund for affordable housing instead of a revenue stream.

Recommendation 2: The Housing and Community Land Trust will need a variety of funding mechanisms and seed capital. The Clark Group recommends that FORA jurisdictions act to create a tax increment pool as one of the most significant funding mechanisms.

Finding: FORA and its jurisdictions are blessed with several experienced nonprofit developers and experts in building and managing affordable housing who are available to assist FORA in developing affordable/workforce housing at Fort Ord.

Recommendation 3: Invite local and regional nonprofit developers to help design the Housing and Community Land Trust Fund. Invite them to help FORA design financial packages, down payment assistance programs, employer assisted housing programs, homeowner information/education programs, and model a nonprofit and for-profit developer partnership to produce mixed income housing. They can also be tapped to provide administration and management of dedicated affordable units, i.e. qualifying potential tenants and administering resale restriction agreements.

- Local nonprofit developers include: CHISPA, Mid-Peninsula Housing Coalition, South County Housing and the Housing Authority of Monterey County.
- Regional nonprofit developers include nationally acclaimed BRIDGE, Inc., creator of award-winning mixed-income developments and Ecumenical Association for Housing, who has been instrumental in

building workforce and affordable housing in the San Rafael and San Jose areas.

Finding: According to the last FORA Capital Improvement Plan (CIP) available to The Clark Group, the CIP allocates over \$76 million dollars to contingency costs, including \$30.78 million dollars for “potential sound walls for major streets” and “street landscaping”; \$14.40 million for “caretaker cost contingency”; and \$30 million for a contingency reserve. The plan also projects net revenue of \$13.57 million. These contingencies, reserves and revenues total \$89,719,569, nearly one-third of the entire capital improvements plans cost. That figure is the FORA developer fee equivalent of 2,564 units of residential housing.

Housing is, in effect, taxed most heavily to pay for all other improvements, giving landscaping and sound walls, reserves and revenues a higher priority in the CIP than creating the housing that necessitates items such as sound walls.

Recommendation 4: Instead of devoting the entire \$89 million (or whatever the current figure is) to contingencies and net reserves, FORA could allocate some funds to forgive, discount or defer developer fees on affordable and workforce housing units. This would require an amendment of the Rate and Method of Apportionment of Special Taxes for the Community Facilities District (CFD), an affirmative vote of two-thirds of the current landowners.

ENHANCE FORA’S INTERNAL CAPACITY TO ADDRESS HOUSING

Finding: No FORA or jurisdictional staff with appropriate expertise are focused fulltime on developing and implementing a FORA workforce housing strategic plan. FORA’s Affordable Housing Task Force has been given no measurable goals or deliverables, and has not made the task force or any other group responsible for delivering an affordable and workforce housing action plan.

Recommendation 5: Get free professional expertise from the Center for Community Change (CCC) to develop a Housing and Community Land Trust Fund. (Details page 48)

Recommendation 6: Hire a housing coordinator (or acquire a loaned housing executive from one of the jurisdictions’ housing or redevelopment authorities) to work for 6-8 months with FORA and CCC to (a) to coordinate solicitation of funds necessary to found the trust fund; (b) organize a workshop (d) file for 501(c)(3) status for the Housing and Community Land Trust Fund.

Recommendation 7: Conduct an independent workshop for Board, staff and interested publics, inviting top nonprofit and for-profit affordable and

workforce housing developers, lenders, underwriters and advocates (e.g. Enterprise Foundation, Center for Community Change, BRIDGE, LISC, Santa Clara Housing Trust Fund, Fannie Mae, Bank of America, FHLBSF as well as local housing officials) to help construct an action plan and timetable for overcoming barriers to affordable and workforce housing production at Fort Ord, including the establishment of a Housing and Community Land Trust fund.

These actions are recommended to be undertaken concurrently in order to move beyond discussion to action as quickly as feasible.

ATTRACT NEW FUNDING AND APPLY EXISTING AND FUTURE FUNDS

Finding: Nearly half (\$145 million) of the Base Reuse Capital Improvement Plan revenues/costs are dedicated to transportation infrastructure.

Recommendation 8: Continue to seek transportation funding for FORA-related projects within federal highway appropriations and within the next round of highway funding, currently dubbed “Next-TEA.” Devote any funds awarded to these projects and no longer needed to underwrite transportation infrastructure on or off Fort Ord to forgive developer fees on affordable or workforce housing. Alternatively, place the funds in a Housing and Community Land Trust Fund to support a variety of affordable and workforce housing subsidies and services.

Finding: There are a number of free services which would increase FORA’s understanding of affordable and workforce housing finance. Fannie Mae, for example, has a variety of special mortgage products designed to increase affordable and workforce housing. Federal Home Loan Bank, Wells Fargo, Bank of America and other financial institutions also have special programs and products which will boost the effectiveness of a Housing and Community Land Trust Fund. FORA, through its recently received credit enhancement grant, can initiate these steps in a logical follow-up to its previous work.

Recommendation 9: As current escrow funds from the previous grant become available, they should be reprogrammed for work with Fannie Mae, especially the Local Partnership Office, and other financial institutions (listed in the Resources section) to create partnerships between local or regional lenders and FORA to increase subsidies and decrease financial constraints to expanding affordable homeownership on Fort Ord.

Finding: The former Fort Ord made the Superfund list in 1990. Cleanup will include extracting and treating contaminated groundwater and capping the

landfills to limit future infiltration and minimize additional leaching. Forty-one sites have been identified as potentially hazardous sites.

Recommendation 10: Working in coordination with the Environmental Protection Agency (EPA) and the State of California Department of Toxic Substances Control (DTSC), invite self-insured brownfield redevelopment companies with nationally recognized decontamination expertise to re-evaluate properties currently believed irredeemable for housing and retail development at Fort Ord. In addition (not in lieu of) increasing production of workforce housing on clean property, work with the EPA, DTSC and the Army to transfer land that can be privately remediated by such companies, selling contaminated land at an appropriate discount, with stipulations for production of *mixed income* housing.

Finding: FORA has a grant to research innovative environmental remediation measures and with FORA's support, the U.S. Army Corps of Engineers Construction Engineering Research Lab (CERL), CSUMB and others are engaged in developing technologies and finding processes to reduce the costs of FORA building deconstruction and to prevent long-term environmental impacts from demolition. The potential exists at Fort Ord—and many other active and retired DOD facilities—for creating a public/private deconstruction program more cost-efficient than demolition, a program that could become a national model and provide an income center, local jobs and training programs. FORA has not factored in the full cost of disposing of these materials (such as landfill and opportunity costs)

There also exists the *potential* that millions of dollars can be saved through building deconstruction by companies and/or nonprofits. The materials that are salvaged can be reused or sold, the donated labor becoming “sweat-equity,” credited towards home ownership and relieving jurisdictions of some of the financial burden of building removal. Deconstruction also offers a better long term solution for the environment.

Recommendation 11: (a) Develop and implement a policy to support federal and local pilot programs in deconstruction and recycling; (b) Raise the goal for recycling in building removal activities to 50 percent; (c) Support the creation of a building materials resale store on the former Ft Ord.

Finding: The state's recent passage of Proposition 46 offers FORA the opportunity to solicit funds from the new Local Housing Trust Funds program and other new programs.

Recommendation 12: Take full advantage of the provisions of Proposition 46—The Housing and Emergency Shelter Trust Fund Act of 2002. Programs of note:

- Multifamily Housing development, \$800 million annually, Notice of Funding Availability (NOFA) January, 2003, non-profit and for-profit developers and public agencies eligible for new construction, rehab and preservation of rental housing for low income households.
- Local Housing Trust Funds, \$25 million in grant funds, NOFA 07/03, non-profits and public agencies are eligible applicants. If a public agency is the applicant, grant is conditional on housing element approval.
- Details on page 54 of the report

Finding: The state has a significant home purchase assistance pilot program to assist first-time homebuyers in high cost areas in California. The Monterey Peninsula area was the highest housing cost area in the state in 2002 but it is not included in High Cost Area Home Purchase Assistance Pilot Program (HiCAP). Currently eligible counties in the program are: San Francisco, San Mateo, Santa Clara, Alameda, Contra Costa and Sonoma.

Recommendation 13: Advocate state government inclusion of Monterey County in any extension of the HiCAP pilot program.

Finding: The housing crisis in Monterey County is a regional problem requiring a regional solution. The jurisdictions that currently have the most very low and low income housing and do not need to create more to achieve a jobs/housing balance (Marina, Seaside) are the cities that will be responsible, along with the County, for creating most of the housing on Fort Ord. If Marina and Seaside are expected to create more affordable housing (moderate, low and very low income) at Fort Ord, all FORA jurisdictions who need affordable housing should share in the costs as well as the benefits of producing that housing on Fort Ord.

Recommendation 14: Following Fair Housing Act guidelines, (1) expand and instigate Employer Assisted Housing programs for teachers, university employees, and city and county public safety employees (in all FORA jurisdictions) through the Housing and Community Land Trust Fund. (2) Use the availability of employer-assisted workforce housing programs in recruitment of business and industry to Fort Ord. (3) Use recruitment in Employer Assisted Housing programs as the backbone of the first workforce housing development on the former Fort Ord. Housing Trust Fund Employer Assisted programs could be used by the jurisdictions to offer 1) preference in Fort Ord affordable housing or 2) housing subsidies inside their jurisdictions

INITIATE REGULATORY CHANGES

Finding: Monterey County, in its East Garrison option announcement, gives its developer the flexibility to reduce developer fees on affordable units (increasing fees for above-market units as a cross subsidy). This is the most straightforward way to increase affordable housing in developments at Fort Ord given current redevelopment cost-recapture policies and is an available option for all landowner jurisdictions.

Recommendation 15: FORA jurisdictions planning mixed income housing should develop a flexible development fee structure based on the goals and strategies for the redevelopment of Fort Ord.

ENLIST LEGISLATORS TO ACHIEVE LONG-TERM GOALS

Finding: Some of the regulatory hurdles that FORA faces can be overcome by enabling legislation. Workforce housing challenges at Fort Ord are understood by its legislators, who are willing to help either by seeking funding or relaxing barriers. Two in your Congressional delegation sit on committees that directly affect appropriations and the reuse of military installations.

Recommendation 16: FORA should develop a long term legislative strategy and work closely with the California legislature and the Congressional delegation to seek funds, relax barriers and acquire the water needed to produce more workforce housing.

ENGAGE THE U.S. ARMY IN SOLVING THE WATER ISSUE

Finding: The U.S. Army has retained 1691 acre feet per year (AFY) of water at the former Fort Ord, even though its maximum foreseeable need for water is only 600 AFY. Each 100 AFY represents 400 potential units of workforce housing.

Recommendation 17: The Army should relinquish 400-500 AFY of its retained water for workforce housing at Fort Ord, which will leave the Army with 591-691 more acre feet per year than they are ever likely to need.

Introduction: Defining Affordable and Workforce Housing

Use of the word “affordable” in reference to housing is imprecise at best. It can be confusing and misleading. It can refer to:

- Moderately priced dwelling units that families earning 60 to 120 percent of the area median income (AMI) can purchase
- Public housing for low-income people earning below 50 percent of AMI.
- Housing that is subsidized through the use of Section 8 vouchers or low-income tax credits, designed for families earning 50 to 60 percent of AMI who cannot afford market rate housing.

Fannie Mae’s definition of affordable housing:

- At least 20% of all units must have restricted rents affordable to households earning no more than 50% of AMI OR at least 40% of all units have restricted rents affordable to households earning no more than 60% of AMI OR there is a compelling public purpose—namely continued affordability—which is furthered by the property.

Urban Land Institute’s definition of workforce housing:

- Affordable to households of low, moderate and above moderate income in a range of 60 – 120% of AMI

Housing Land Trust Fund of San Francisco Bay definition of workforce housing:

- Housing that is affordable to private and public sector workers with incomes at or below that of teachers and public safety workers.

In this report, affordable housing refers to mixed income housing development that includes all income categories: very low, low, moderate, above moderate and market rate housing. Workforce housing refers to mixed income housing that excludes very low income households.

Affordable vs. Workforce Semantics

Objections to affordable housing are not limited to very low income housing. Proposed housing for households at 50 or 60 percent of median income draw critics as well. To counter such objections, the term “work-force housing” is often used to convey that it is working families that are being served, not people on public assistance.

Affordable Housing: Subsidy or Social Equity?

One of the gravest difficulties in producing affordable housing is that the demand for housing assistance in the U.S. outstrips federal and state funding by three to one. One reason for the limited funding is a lack of general public support for low-income housing programs. In comparison, housing subsidies for middle- and upper-income families in the form of deductions for mortgage interest, property taxes and capital gains enjoy broad support. These deductions total about \$2.5

billion in reduced tax revenues, or roughly three times the budget for the U.S. Department of Housing and Urban Development. (HUD).

(Source: Millennial Housing Commission, 2002, Table 8).

Chapter One **Monterey County Housing “Least Affordable in U.S.”**

California has nine of the ten least affordable housing markets in the United States, and Monterey County, according to a 2002 National Association of Home Builders survey, has the “least affordable housing in the United States.” Housing prices have increased sharply in the Monterey Bay Area in the last five years. Land in the Peninsula is in short supply and is costly. The demand for housing far exceeds supply.

About 430,000 people live in Monterey County and only 40% own their own homes, compared to the national average of 60%. The economic base made up of agriculture, tourism, government and the military does not supply the high-salary, high-wage jobs demanded by the for-sale housing market. Nearly 50% of new jobs created in Monterey County in the next five years will be service industry jobs with annual wages between \$20-40,000. 75% of tourism industry jobs start at minimum wage. Starting salaries in the county are \$45,000 for policemen and \$43,000 for registered nurses. (2001 figures)

Yet the median home price in Monterey County is \$342,500 and the average sales price is \$572,000. Increasing housing costs appear to be pressuring residents to relocate to more affordable outlying areas where longer commuting distances create their own set of social and environmental challenges. In some cases, residents may be driven out of the area altogether.

According to the 2001 Monterey County Housing Report, only 23% of county households could afford a single family home at the median price in 1999. The median price in Monterey County is twice the U.S. national average.

- 40% couldn't afford the median rent.
- 60% are overpaying for housing.
- 43% of Monterey County housing is in need of rehabilitation.

The Association of Monterey Bay Area Governments (AMBAG) has estimated that the FORA jurisdictions (not counting the unincorporated County) will need to produce 3481 housing units by 2007 to keep jobs and housing needs in balance.

AMBAG Population Growth & Jobs/Housing Balance Formula	Total Housing Needed	Very Low Income	Low Income	Moderate Income	Above Moderate
Del Ray Oaks	21	10	9	11	13
Marina	1790	376	322	448	644
Monterey	1140	262	228	274	376
Pacific Grove	214	49	41	54	70
Sand City	232	28	42	63	99
Seaside	1158	243	208	278	429
Carmel	43	10	9	11	13
Totals	3481	870	731	905	975

These figures indicate that there is a 2.5 times greater need for affordable housing than there is for above-moderate and market rate housing within the FORA jurisdictions.

Many groups, including the Mayors of Monterey County and the FORA board, have conducted workshops and studied housing issues hoping to find a formula that will alleviate the affordable housing shortage.

Mayors' Ad Hoc Committee on Housing Issues

Responding to the affordable housing crisis in 2001, the County Association of Mayors sponsored an Ad Hoc Committee on Housing Issues to make recommendations on "Possible Solutions to Resolve the Housing Crisis." The Ad Hoc Committee on Housing, made up of a distinguished group of professionals from the County, city and nonprofit housing agencies, made 100 recommendations--22 for immediate action, 49 for short term action, 29 requiring long-term action.

The Committee's number two housing concern on its top ten list was "use Fort Ord now."

FORA Housing Discussions Identify Actions Needed

Much of what should be done in a campaign to develop more affordable housing at Ford Ord—and some of what stands in the way--was discussed in a FORA Board Housing Workshop on October 25, 2001.

Comments from Board members and the Public:

1. Tap the non-profit sector for help in designing workforce housing programs. (see comment #5)
2. Get “industry” guarantees as a mechanism to ensure affordable housing in the region, e.g. employer-based housing from the major segments of the economy in Monterey County.
3. Maintain long term affordability through permanent deed restrictions placed on housing units or use a land trust to accomplish affordability. (see comment #14)
4. Consider more leased land deals as a mechanism to increase affordable housing.
5. Build a mix of all housing types, including a mix of ownership and rental units.
6. Provide incentives to for-profit developers to build affordable housing.
7. Find additional funding to lessen the cost burden for reuse that falls on the jurisdictions.
8. Every jurisdiction needs to create its own fair share in the jobs/housing balance; if one or more cities are being called upon to do more than their share, there needs to be a regional approach to compensating these communities.
9. “Housing does not pay its share of costs for long term public services.” So it is not as simple as just increasing tax revenue to address the public service costs associated with creating housing.
10. “Costs are local; revenues are regional.” Costs to provide housing fall on the local jurisdictions, but revenues to create the housing are a regional responsibility.
11. CSUMB needs a full range of types and prices of housing to in order to entice faculty, employees and students.

FORA Lists Workforce Housing Strategies in Response to Congress

In August of 2002, FORA responded in a memorandum to the concerns raised by the Subcommittee on Military Construction that FORA was not producing affordable housing.

“FORA staff continues to work on specific programs that could access local resources to provide direct financial assistance to residents from northern Monterey County to purchase homes developed on the former Fort Ord. These include:

- Combining affordable housing redevelopment revenue sources;
- Accessing transient occupancy tax resources;
- Creating a workforce housing financial assistance fund;
- Seeking special grants to provide the financial resources necessary; and
- Pursuing negotiations with market rate developers to increase the amount of work force housing in their proposed developments.”

Chapter Two: FORA's Original Affordable Housing Goals

It is useful to review FORA's excellent intentions for affordable housing as outlined in its Base Reuse Plan (BRP). The Plan recommends that the majority of new homes built on Fort Ord be in the \$150,000 - \$299,000 range. (Adjusted for inflation, these figures would now be in the \$167,000 - \$340,000 range.) The Plan addresses the housing needs of people who are likely to be recruited for jobs created at Fort Ord

Key Points on Housing from the Fort Ord Base Reuse Plan:

- “Residential development will be critical at the former Ft. Ord to achieve the employment-generating development capture rates (that are) projected.” (pg. 42)
- “Much of the residential demand at the former Fort Ord will be derived from employment generated on the property. Forecasts show total employment between 13,400 and 22,900 at the former Ft. Ord by 2015.” (pg. 45)
- “An average income by projected land use is \$27,100 in 1995 dollars.” (pg 45). [approximately \$30,600 in 2001 dollars]
- “The single-wage household earning an average wage at the former Fort Ord is unlikely to be able to afford a home priced much above \$90,000, unless that household has accumulated savings that would cover more than a ten percent down payment. However, at least 50% of households are likely to contain a second wage earner. Given two average incomes totaling \$54,200 annually, a home of about \$190,000 would be affordable.” (pg. 45)
- *“The majority of the homes recommended would be priced in the \$150,000-to-\$299,000 range, affordable to most two-income households and those employed in the former Fort Ord planning area.”* (pg. 46) (Adjusted for inflation, current range is \$167,000 to \$340,000).

Business and Operations Plan Development Strategies:

“To accommodate the broadest number of segments of the desirable real estate market during the initial years. This strategy will 1) allow leverage of the housing market to enhance the attractiveness of the former Fort Ord as a jobs center; 2) use market support to generate investment capital for infrastructure improvements;. . . . (pg 15)”

BRP on Housing Density (Base Reuse Plan Elements, pg. 235-240):
Residential Land Use Policy A-1: The Cities of Marina and Seaside, and the County of Monterey “shall provide variable housing densities to ensure development of housing access to all economic segments of the community. Residential land uses shall be categorized according to the following densities:

DESIGN	DENSITY
Single Family Low Density	Up to 5 development units/acre
Single Family Med Density	Up to 10 development units/acre
Multifamily High Density	10 to 20 development units/acre
Residential Infill Opportunities	5 to 10 development units/acre
Planned development Mixed Uses	8 to 20 development units/acre

FORA Base Reuse Plan Housing Projections

The Base Reuse Plan’s design is to provide housing for the people who will have jobs at Fort Ord. But it appears the people who work in the jobs created at Fort Ord be able to afford the housing?

JOB CREATION		POPULATION	
Industrial/Office	7,350	New Housing	16,016
UCMBEST Center	4,000	CSUMB(students)	12,506 *
Retail	2,372	Existing Housing	4,734
CSUMB	1,600	Presidio Annex	4,134
Public facilities	1,450		
Hotel	1,155		
Presidio annex	310		
Habitat/parks	105		
TOTAL Jobs	18,342	TOTAL Population	37, 370 *

* Students are temporary residents

FORA Job Creation (Estimate)

Likely Income Levels

Industrial/Office	7,350	Low to High (\$40,000 –\$125,000)
UC MBEST Center	4,000	Low to High (\$40,000 – \$125,000)
Retail	2,372	Very Low, Low, Moderate (\$20– 65,000)
CSUMB	1,600	Low, Moderate (\$40,000 - \$65,000)
Public facilities	1,450	Very Low, Low, Moderate (\$20 -65,000)
Hotel	1,155	Very Low, Low (\$20,000 – \$40,000)
Presidio Annex	310	Low, Moderate (\$40,000 - \$65,000)
Habitat/Parks	105	Low to Mod High (\$40,000 - \$85,000)

As evident from this chart, even in two-income households, the percentage of workers in jobs created at Fort Ord who will need housing in the \$300,000 or less price range is very high. Given current plans for Fort Ord housing development, will these people be forced to commute? Doesn’t deviation from the plan exacerbate the affordable housing shortage? Where will the new Fort Ord workforce live?

This is the most compelling reason to strive for production of affordable housing at Fort Ord. The former base reuse cannot solve the County's affordable housing crisis. It should, however, try to provide a housing incentive tied to jobs. Those jobs may be physically located on Fort Ord and/or jobs held by the essential employees of nearby jurisdictions.

Chapter Three: BARRIERS, STRATEGIES AND OPPORTUNITIES

Barriers

Among the barriers to producing more affordable/workforce housing at Fort Ord are the significant cleanup and mitigation costs associated with the base's reuse. Thousands of acres of Fort Ord are currently unusable due to contamination, unexploded ordinance and below code infrastructure. Transfer of land and buildings has been slow, resulting in extraordinarily frustrating loss of potentially salvageable housing.

Through Congressional efforts, especially those of Representative Sam Farr, the Army determined that FORA could receive the land through a no-cost economic development conveyance. In the case of Fort Ord, the "no cost" land is transferred with provisions requiring that any revenues received be reinvested in the capital cost of redevelopment. The redevelopment plan that has been devised by FORA (according to the 2001/2002 CIP) is estimated to cost over \$300 million. In a memorandum to a Congressional subcommittee in August, 2002, FORA listed its direct costs at "over \$500 million."

To pay for over \$300 million (or \$500 million) in infrastructure and mitigation expenses identified in the FORA Base Reuse Plan and the EIR, FORA is collecting fees on land development. They currently assess fees on developers, primarily housing developers, who will then pass the costs on to buyers in the overall purchase price of the property or house.

FORA jurisdictions (cities and the county) and their developers have been provided with an option to redistribute the fees or provide some type of subsidy through redevelopment tax increment or other revenue resources to offset these particular costs. However, the CIP also hopes to use tax increment revenue, not to produce affordable housing, but to augment revenues to cover "obligatory CIP projects" costs. (CIP, pg 7)

FORA's Difficult Job

Though affordable housing gets built all the time, it is not easy and uncomplicated in the best of circumstances. Affordable housing development generally requires a package of subsidies, grants and below-market financing to be feasible.

The challenges of financing mixed income housing (housing that includes affordable/workforce units) requires for-profit or nonprofit developers who are skilled and experienced in putting complicated deals together and managing the associated risks. Developers need to be solicited on the basis of their degree of motivation and expertise in producing mixed income/affordable housing.

FORA has a number of barriers to overcome in order to produce affordable housing.

- Economic—development costs on Fort Ord are high; developer fees are consequently high.
- Process and Procedure--Transfer of land has been extremely slow because of impediments beyond FOR A's control. This has increased predevelopment costs to jurisdictions and developers. Presumably, those costs must be absorbed by developers and they in turn will want to pass them to the housing consumer.
- Regulatory—the health and safety issues of ordnance and explosives, lead paint and other forms of contamination to the land and existing buildings have also created delays and costs.
- Multi-jurisdictional issues—Issues between the jurisdictions, including traditional patterns of affordable housing development in the County (the unresolved “more than our fair share” argument) may stand in the way of a solution to an equitable distribution of cost and benefit in the creation of affordable housing at Ford Ord.

Overcoming Barriers

The production of affordable housing in any jurisdiction in the best of situations takes highly motivated leadership and an intense focus on working through the issues systematically.

There are no strategies or recommendations that represent an immediate, transformational solution. Success will require tailoring strategies that have worked elsewhere to FORA's unique situation and acquiring the resources necessary to implement those strategies.

ESTABLISH COMMUNITY TRUSTS TO FOCUS ON HOUSING NEEDS

Some communities have created or increased local funding for affordable housing. They have focused on increasing redevelopment funds targeted for affordable housing is a very effective way to provide more support for affordable housing. California law requires at least 20% of redevelopment funds be set aside in a special fund to subsidize the construction and rehabilitation of low and moderate income housing. Many communities have increased this percentage to high rates such 30% or even 50%.

Housing Trust Funds

Housing trust funds have been successfully used in 280 locations across the U.S. They are distinct funds established by legislation, ordinance or resolution to receive public revenues, which can only be spent on housing. The key characteristic of a housing trust fund is that it receives on-going revenues from dedicated sources of public funding such as taxes, fees or loan repayments. Typically, legislation or an ordinance is passed that increases an existing revenue source, such as a real estate transfer tax, with the increase being committed to the housing trust fund.

Housing trust funds are a local expression of the commitment to build affordable housing and to find new ways of doing so. Housing trust funds provide a more secure and sensible way to fund needed housing. Funds are often used to leverage additional funding; on average, each dollar spent by a trust fund has leveraged an additional seven.

Key Components of a Housing Trust Fund

1. Purpose of the fund.

Housing trust funds are established to provide the financial resources needed to address the housing needs of low and very low income households. Some HRTs extend this mission to moderate income; others focus on the needs of the homeless or other special groups. They serve the unmet existing housing needs of their residents.

2. Administration

Most housing trust funds are administered by the agency or department that typically handles federal housing programs, such as HOME and CDBG. Staff will be assigned to run day-to-day operations of the housing trust fund. It is common for a Board to be established with oversight responsibilities for the fund. The Board is usually appointed by the participating members and represents nonprofit developers, service providers, private industries, unions, low income citizens, and others. It is not uncommon for the City Council or County Commissioners to have final say over the direction of the fund and the awards made, but the Boards

bring representation from the community as well as support from all segments involved in housing issues.

3. Programs

Housing trust funds are designed locally so they take advantage of unique opportunities and address specific needs that exist within a community. Housing trust funds support virtually any housing activity that serves the targeted beneficiaries and would typically fund new construction and rehabilitation, as well as community land trusts and first time homeowners.

Most housing trust funds contain components, in addition, that reflect their unique purpose. They often require that the units supported remain affordable to the intended beneficiaries for the longest possible period; and they typically encourage leveraging of other public and private resources. Funds are usually made available as loans or grants through a competitive request for proposal process. Projects are typically ranked on a number of pre-established criteria.

4. Revenues

Nearly forty different sources of revenue have been dedicated to existing housing trust funds. Most housing trust funds in existence have revenue from a tax or fee dedicated to the Fund. Total annual revenue collected by trust funds range from a high of \$180 million each year to less than \$100,000 annually. Overall, housing trust funds commit some \$750 million to housing projects each year through dedicated revenue streams along with additional funds through appropriations and other special funds.

The revenues most commonly committed to housing trust funds include: exactions required of developers, real estate transfer taxes, or document recording fees. New sources are constantly being secured including: unclaimed utility deposits, gaming revenues, interest from rainy day funds, among others. Los Angeles sell ads on bus stops and other public spaces and dedicates the revenues to its housing trust fund.

Summary of Housing Trust Funds in the California and U.S.

There are ten city housing trust funds in California (administering agents in parentheses): Berkeley (Housing Dept), Cupertino (Community Development Dept), Los Angeles (Dept of Housing), Menlo Park (Housing and Redevelopment Agency), Morgan Hill, Business Assistance and Housing Service), Palo Alto (Dept of Planning and Community Development), San Diego (Housing Commission), San Francisco (Mayor's Office of Housing), Santa Monica (Housing and Redevelopment Division) and West Hollywood (Rent Stabilization and Housing Dept).

There are four California county housing trust funds (administering agents in parentheses): Alameda County (Housing and Community Development Department); Napa County (Housing Authority); Santa Clara Housing Bond Trust

Fund (Office of County Executive) and Santa Clara Housing Trust (Housing Trust of SC County).

There are one multi-jurisdictional housing trust funds in California and two others in the U.S. and their administering agents are: Sacramento City and County Housing Trust Fund (Redevelopment Authority); ARCH Eastside Housing Trust Fund (ARCH: A Regional Coalition for Housing) in Seattle, Washington; Columbus/Franklin County, Ohio (Columbus Housing Trust Corporation).

Revenue Sources

The most common revenue source for a state housing trust fund is the real estate transfer tax. Other options include budget stabilization funds, interest from real estate escrow or mortgage escrow accounts, and document recording fees.

The most common revenue source for a county housing trust fund is the document recording fee; other sources include sale of county owned land; sales taxes, real estate transfer taxes; inclusionary payments in-lieu fees, developer fees, fees from condominium conversions, sales tax, food and beverage taxes, non-residential impact fees, loan repayments and general funds.

The most common revenue source for a city housing trust fund is a linkage program—impact fees placed on non-residential developers to offset the impact of their development on the housing market. These fees are part of zoning ordinances. Other city housing trust revenue sources include: business license tax, sales tax, housing excise tax, redevelopment tax increment, sale or donation of city owned land, city-owned parking revenues, settlement funds, inclusionary payments in-lieu fees, property taxes, real estate excise taxes, UDAG repayments, CDBG loan repayments, hotel/motel (TOT) taxes and general funds.

Multi-jurisdictional Housing Trust Funds

There are three multi-jurisdictional housing trust funds in the U.S.: Sacramento City and County and Columbus/Franklin County, Ohio, which are combined city and county funds, and ARCH Eastside Housing Trust Fund in King County, Washington (Seattle and environs), which includes a county and 13 cities within that county.

Administration

Sacramento City and County HTF is administered by a redevelopment agency with jurisdiction over both the city and county. Columbus and Franklin County HTF is administered by a nonprofit organization with its own board. ARCH is a regional nonprofit corporation that was established by the participating jurisdictions. All three multi-jurisdictional HRTs have two staff people administering their trust funds.

Boards

All three have an oversight board; one has a citizen advisory board. Sacramento City and County and Columbus/Franklin HRTs award only loans; ARCH provides loans, grants and other forms of assistance.

Application Process

Sacramento and ARCH use a request for proposal process; Columbus/Franklin has an open year-round application process.

Eligible Recipients

All three make nonprofit and for-profit developers, units of government and housing authorities eligible recipients of their awards. Each has different income targeting requirements. In Columbus/Franklin, the funds can serve those earning 120% or less of median income. ARCH HTF serves those earning 80% or less of the area median income.

Funding Purposes and Services Offered

All three make new construction, rehabilitation, acquisition and pre-development costs eligible for funding. Two provide a match for other state and federal funds and down payment assistance. Two of the funds impose long term affordability requirements on the projects they support.

Funding Sources

The Sacramento City/County HTF receives impact fees from non-residential developers. Developers pay a fee to the housing fund, or meet up to 80% of their obligation by directly building affordable housing. This generates about \$7 million a year and has led to the creation of 2,714 housing units since 1989.

The Columbus/Franklin HTF receives hotel/motel taxes from the City and general funds from the City and County. This generates about \$2 million per year.

ARCH receives about \$2.5 million a year in a variety of funding sources from the participating jurisdictions. Of the \$13 million in funds and surplus land made available to the fund since 1993, 60% has been made available for new construction loans and pre-development financing. That supported the creation of over 1650 housing units valued at over \$100 million (other funds coming from King County, state, federal and private sources).

Leveraged Funds

The three multi-jurisdictional trust funds have attracted attract about eleven to thirteen times their investment in housing construction.

Economic Impact

Sacramento estimates from an input-output analysis that direct housing construction of 2700 units had a total regional economic impact of \$582 million. Employment generated is estimated at 2,726 worker years, with more than \$5.7

million in payroll taxes, \$1.4 million in retail sales taxes and \$2.2 million in property tax revenue to local government.

Community Land Trusts (CLTs)

CLTs are typically private, non-profit corporations set up to acquire and hold land for the benefit of a community and to provide affordable access to land and housing. They prohibit speculation and absentee ownership. They preserve the long-term affordability of housing. CLTs work in cooperation with local governments. Some municipalities and counties allocate land, Community Development Block Grant funds and HOME funds to CLTs, as well as other available resources

CLTs acquire property--donations of property from cities or counties and property or funds from corporations and individuals. CLTs use various kinds of subsidies to make housing and land use more affordable for people who cannot compete in the market. They keep housing affordable for future generations by retaining ownership of land where housing is developed, thereby controlling the rise of some of the appreciation homeowners receive when they sell their homes.

Access for Low-Income People

The land trust provides access to land and housing for people who might otherwise be priced out of the housing market. Some land trust homes are rented, but, when possible, the land trust helps people to purchase homes on affordable terms. The land beneath the homes is then leased to the homeowners through a long-term (usually 99-year) renewable lease. Residents and their descendants can use the land for as long as they wish to live there.

Prices Stay Affordable

When land trust homeowners decide to move, they can sell their homes. The land lease agreement gives the land trust the right to buy each home back for an amount determined by the land trust's resale formula. Each land trust sets its own resale formula - to give homeowners a fair return for their investment, while keeping the price affordable for other lower income people.

Owner-Occupancy is Preserved

The land lease requires that owners live in their homes as their primary residences. When homes are resold, the land trust can ensure that the new owners will also be residents - not absentee owners.

Multi-Family Housing

A land trust can work with various ownership structures for multi-family buildings. The land trust itself may own and manage a building, another nonprofit may own it, or the residents may own it as a cooperative or as condominiums. In each case, the land trust will have provisions to ensure long-term affordability.

Helping New Homeowners

Land trusts can provide a variety of training opportunities and other services to first-time homeowners. They can provide crucial support if homeowners face unexpected home repairs or financial problems. In these cases the land trust can often help residents to find a practical solution, and may help to make necessary financial arrangements.

Flexible Approach

In addition to affordable housing, land trusts may make land available for community gardens, playgrounds, economic development activities or open space, and may provide land and facilities for a variety of community services.

Land trust land is held permanently - never sold - so that it can always be used in the community's best interest. The residents, however, may own the buildings on land trust land.

CLTs develop their own membership criteria. Some CLTs provide homeowner training and assistance, financial management, resident training and selection.

Community Land Trusts--Key Features

Dual ownership—the CLT owns the land and sells the improvements to an individual homeowner, or a cooperative housing corporation, a nonprofit developer of housing or some other nonprofit, government or for-profit entity.

Leased Land—the CLT plans never to resell the land and provides for the exclusive use of its land by owners of any buildings located upon it through long term ground leases.

Perpetual Affordability—the CLT retains an option to repurchase the improvements that are located upon its land should their owners ever choose to sell. The resale price is set by a formula, contained in the ground lease that is designed to give present low-income homebuyers fair access to housing at an affordable price.

Perpetual Responsibility—the CLT does not disappear once a building is sold to a homeowner, a co-op or another entity. As owner of the land underlying multiple buildings and as owner of an option to repurchase those buildings, the CLT has a continuing interest in what happens to those buildings. The ground lease gives the CLT the right to step in and force repairs, or step in the case of default to cure it and stop the foreclosure.

Community Control—the CLT is a community-based organization drawing some members from its leaseholders.

Flexible—the CLT is a tool of great flexibility, accommodating a variety of land uses and a diversity of building tenures and types.

An example of a successful land trust and housing trust collaboration is the The Berkeley Housing Trust Fund has supported (through the Northern California Land Trust) ten projects preserving more than 100 units of affordable housing with an average housing trust fund subsidy of \$38,000.

ENHANCE FORA'S INTERNAL CAPACITY TO ADDRESS HOUSING NEEDS

Successful affordable housing production requires a sense of shared responsibility between the public, private and nonprofit communities and a cooperative regional government approach. Some experts say that the only way to tackle affordable housing is regionally. Since affordable housing is harder to finance (financing is available but needs to be pieced together from a variety of sources), financing expertise and leadership are imperative for housing efforts to succeed. It is big boost to have a lead local lender with experience or strong desire to work with the developers and with national affordable housing underwriters.

The first place to start to increase FORA's capacity in affordable housing is by engaging the local nonprofit housing developers. Another important source of technical assistance is the Center for Community Change, who has a San Francisco Office. CCC was established in 1969 and provides technical assistance and training on creating local housing trust funds. Their website is www.communitychange.org; phone number (415)982-0346.

FORA needs a workforce housing coordinator who knows the players and the vehicles that create high quality, well-designed workforce housing. Some of the resources available to such a Coordinator are:

Mixed Income Housing Development Technical Assistance is available from the Innovative Housing Institute. Innovative Housing Institute services include 1) review or market analysis to confirm the features required for a successful mixed-income development; 2) review the master schedule and milestones to ensure financing deadlines and requirements are met; 3) review of the project budget; 4) advice on the developer selection process; 5) review and recommendations with regard to the arrangements for private debt and equity financing and finalize terms of all public and private financing; 6) recommendations for the funding of supportive and community service programming. In essence, IHI acts as the agency's advisor and representative in planning for and implementing complex real estate transactions. Their website is www.inhousing.org and their phone number is (301)933-5949.

One of the FORA jurisdictions may be able to loan a housing executive or specialist for a limited period to kick-start a number of actions and strategies. The Housing Authority of Monterey County recently became entangled in an argument about what it would cost a developer to build workforce housing on Fort Ord. Instead of getting into public debates about the subject, or matching experts and wits to disprove each other, FORA and the Housing Authority should work together to solve housing problems. If a sufficient quantity of affordable housing is to be produced at Fort Ord, partnerships created with nonprofit housing developers are likely to be a key element.

Attract New Funding and Use Existing Funding to Create New Housing

The fundamental principle of affordable housing is that its production is dependent on the availability of land and its cost. Land intended for affordable housing that is low cost, no cost or below market will attract affordable housing developers even if their profit is limited to 10-15%. (This is the percentage range accepted by developers of affordable housing in Santa Clara County).

Jurisdictions serious about developing affordable housing use a variety of funding mechanisms to subsidize affordable and workforce housing, including:

Tax Options

- Property Taxes to repay general obligation bonds over a 20 to 30 year period can be used to finance new housing. A two-thirds vote is required to raise property taxes for obligation bonds.
- Transfer Taxes on the sale of property cannot be levied for special purposes under Proposition 13, but in certain cases can be used to add to the general fund. New and existing transfer tax proceeds can sometimes be redirected to housing related uses.
- Gann Limit Surpluses can be a resource for affordable housing and require only a majority vote of the electorate.
- Dedication of revenues, such as the interest from municipal accounts, residuals from bond repayments, or the proceeds from the sale of public property can be used for housing. Some communities have used such dedicated funds to support a housing trust fund.
- General fund allocations can be made to support affordable housing activities. This can occur on a one-time project or program specific basis or as part of annual budgeting.

Community Second Mortgages, also called “piggy-back mortgages” and “silent seconds” can simultaneously reduce the size of the first mortgage and overcome wealth gaps. A second mortgage that at loan to value ratios below the level that requires mortgage insurance (typically 75-80%) can both reduce the lender’s collateral risk as well as reduce the borrower’s monthly debt service costs, overcoming income gaps.

Home buyers in three California markets led the country in percentage of homes bought with second mortgages. 10.1% of homebuyers in the San Francisco area in 1985-1988 used second mortgages to purchase homes with a median value of \$300,000. In the San Jose area, the numbers were 9.1% of homebuyers using second mortgages to purchase homes with a median value of \$285,000. In Oakland, 8.4% of homebuyers used seconds to purchase homes with a median value of \$182,000.

- In 1998-2000, Neighborhood Reinvestment Corporation’s Neighborworks Campaign for Homeownership, 20,000 low-and moderate-income

homebuyers were served by \$1.3 billion in private lender first mortgages leveraged by \$46 million in second mortgages, primarily from nonprofit revolving loan funds. These fully amortized loans will be recycled for future generations of homebuyers.

EQ2—Second Mortgage Capital--One emerging vehicle for second mortgage capital is the equity equivalent investment, called EQ2. These investments are structured as a long-term, deeply subordinated loan to a nonprofit, with features that make it function like equity. Financial institutions receive enhanced lending credit under the Community Reinvestment Act (CRA). The investment is treated as a form of fully subordinated secondary equity capital, and considered a general obligation of the nonprofit organization not secured by any assets. The lender cannot accelerate payments—unless the organization ceases operations, and the interest rate is not tied to any income generated by the organization. EQ2's rolling terms results in an indeterminate maturity, but interest payment are required during its term, although at a rate well below market rates. The bank is entitled to claim a pro rate share of the incremental loans by the organization to which the bank has invested. EQ2 represents a promising new source of lending capital for second mortgages.

Lease-Purchase-- Lease-Purchase is an option that nonprofit organizations can use to help borrowers who have successfully managed their credit obligations in the past, but have insufficient savings for a down payment. With Lease-Purchase, nonprofit organizations can purchase homes that can be leased with an option to buy. Part of the rent payment is saved for the purpose of accumulating the down payment and closing costs needed to buy the home. The mortgage may then be assumed by the borrower from the nonprofit at a later time, usually three to five years after the initial lease date.

Employer Assisted Housing—Employer assisted housing is often offered as an employee benefit in high cost areas as a means of recruiting, retaining and rewarding employees. The programs can be customized to fit the needs of the employer—private, public, university, hospital, nonprofit organization. The most common Employer Assisted Housing benefits are grants, forgivable loans, deferred or repayable loans, matched savings programs, interest-rate buydowns, shared appreciation, and home-buyer education. Funds are commonly used toward down payments, closing cost and interest rate buydowns. The Employer Assisting Housing benefit may be available to all employees or limited to specific segments of the employee population, such as non-management staff or first-time homebuyers. Most Fannie Mae lender-partners can assist employers in matching the best employer housing benefit structure to support community housing strategies.

Fannie Mae helps all types of companies -- including private employers, nonprofit organizations, universities, hospitals, and public employers -- customize and offer an EAH benefit. The most common benefits are grants, forgivable loans,

deferred or repayable loans, matched savings, interest-rate buy-downs, shared appreciation, and home-buyer education (provided by an employer-funded counseling agency). Funds are commonly used toward down payments, closing costs, and interest rate buy-downs. An EAH benefit may be available to all employees or limited to specific segments of the employee population, such as non-management staff or first-time home buyers. An EAH may be available for all homes, or homes that meet specific criteria, such as primary residences or homes located in specific neighborhoods.

Multi-jurisdictional Affordable Housing Development Financing

Tax increment pooling—combining of funds from several tax increment districts that may be leveraged for the benefit of all the districts.

Tax increment financing (TIP)—method of financing in which improvements made in a designated area are paid by the taxes generated from the added taxable value of the improvements.

Supplemental Redevelopment Agency funding—Redevelopment agencies can agree to provide supplemental funding for a special purpose, over and above the 20% funds required by law to be set aside for affordable housing.

Interest/Repayments/Miscellaneous—Fees received as a review agency for Federal and State Low-Income Housing Tax Credit (LIHTC) applications, bond issuance fees, loan repayments, in-lieu payments.

Federal Funds—Community Development Block Grant (CDBG) fund; HOME Investment Partnership funds. Also consider Emergency Shelter grant funds and Housing Opportunities for Persons with Aids (HOPWA).

Single jurisdiction

Bond Funds—Jurisdictions can issue bonds to finance affordable housing construction.

Mortgage Revenue Bonds and Tax Exempt Revenue Bonds--The most common forms of financing for affordable housing are Mortgage Revenue Bonds (MRBs) and Tax-Exempt Revenue Bonds. MRBs are generally used to assist first-time homebuyers in the purchase of either new or existing housing, while tax-exempt revenue bonds are used to assist developers of multi-family rental housing units to acquire land, construct a new development or rehabilitate an existing unit. Tax-exempt revenue bonds do not require voter approval.

Federal and state restrictions require that tax-exempt bonds used to increase affordable housing opportunities include a minimum of 20 percent of total units be affordable to very low income households (less than 50% of AMI). Projects

with deeper affordability (often 100 percent) have a much better chance of getting bond allocations. Issuing bonds is a complex enterprise, generate administrative costs and are not cost effective for small projects.

INITIATE REGULATORY CHANGES TO INCREASE HOUSING

Success strategies used by jurisdictions to increase affordable housing include:

- 1) Establishing a coalition of local governments that can offer a one-stop shop on fast-track permitting, special tax credits, funding, and site availability.
- 2) Linking workforce housing to other land uses, offering more mixed-use opportunities and density bonuses in exchange for workforce housing development.
- 3) Increasing or dedicating a portion of existing real estate transfer taxes, with the additional funds dedicated to workforce housing development; or create a housing production trust fund dedicated to workforce housing.
- 4) Expanding employer-assisted housing programs
- 5) Converting more non-residential sites (such as brownfields) to mixed income and affordable residential use.
- 6) Adopting inclusionary housing policies
- 7) Soliciting donated or discounted land
- 8) Allowing accessory apartments—(AKA in-law apartments or granny flats)
- 9) Incentivizing mixed use development
- 10) Offering density bonuses
- 11) Reducing lot sizes
- 12) Charging linkage fees
- 13) Streamlining permit/review process
- 14) Reducing street right-of-way and pavement width
- 15) Encouraging nonprofit and for-profit developer partnerships
- 16) Identifying land for compact affordable housing development
 - Through the housing element, cities are required to identify an inventory of land suitable for residential development. Communities **must** zone for “by right” multi-family housing development if the inventory of sites indicates that there are insufficient sites to meet the regional housing needs allocation. Communities go farther still by establishing affordable housing overlay zoning that permits, by right, the development of affordable housing on medium and high-density residential properties that are covered by the overlay.
- 17) Increasing densities & reduce parking requirements
 - Medium density residential zoning can increase to 20 units per acre, while high density residential zoning can increase to 30 units per acre. Higher densities allow for more housing choices, by encouraging housing styles such as townhomes, condos, apartments and sing-room-occupancy developments.

- Made higher density zones near current and future transit and near shops and amenities.
- 18) Creating or increasing local funding for affordable housing
- a. Increasing redevelopment targeted for affordable housing is a very effective way to provide more support for affordable housing. California law requires at least 20% of redevelopment funds be set aside in a special fund to subsidize the construction and rehabilitation of low and moderate income housing. Many communities have increased this percentage to high rates such 30% or even 50%.
 - b. Using other local revenue sources including municipal bonds, local taxes and revenues, general obligation bonds, mortgage revenue bonds, and/or tax exempt revenue bonds, which can be devoted to a Housing Trust Fund.

Brownfields Redevelopment

Environmentally distressed properties, or brownfields, are an important development resource at the former Fort Ord. There are private companies willing to purchase contaminated property, take all other entities out of the chain of title, provide environmental insurance and develop the property, even housing. Through the right combination of private, community and government action, along with technical expertise to construct a viable plan, brownfields and perhaps even Superfund sites at Fort Ord can be reclaimed.

A self-insured private brownfields remediation company could buy extant Fort Ord brownfields from the appropriate jurisdiction, earning the right to remediate them now and then either develop or re-sell the cleaned up land to a developer. The company could include an affordable housing component in their development or pay an in-lieu fee that would support affordable housing development elsewhere.

Filling Affordable Housing Gaps: Matching Strategies to Constraints

STRATEGY	POLICY/PROGRAM	CONSTRAINT ADDRESSED
Below Market Rate Mortgage	Mortgage Revenue Bonds	Income
Amortizing Piggyback Second Mortgages	Revolving Loan Fund	Wealth
Direct Housing Payment Subsidy	Section 8 Vouchers for Home Ownership	Income
Housing Payment Subsidy Through Tax Code	Mortgage Interest Deduction	Income
Construction/Development Subsidy	Low Income Housing Tax Credit; HOME; CDBG	Supply

Substantial Rehabilitation Subsidy	203k rehab loan insurance; HOME; CDBG	Supply
Down payment Grants and Gifts	Individual Development Accounts (IDA)	Wealth
Relaxed Underwriting Standards	Fannie Mae Community Lending; Freddie Mac Affordable Gold	Wealth/Income
Homebuyer Education	Neighbor Works (Fannie Mae), HUD Counseling	Knowledge
Mortgage Insurance	FHA or private	Wealth

(Source: Mind the Gap, Collins and Dyla, LISC, 2000, Table 11)

Cross Subsidy—Creating Mixed Income Housing Developments

The following are the highlights of study of U.S. mixed income housing developments sponsored by Joint Center for Housing at Harvard University. The study found that while mixed income developments have proved “effective in producing high-quality housing, overcoming community barriers and producing housing more cost-effectively.”

- The rents or sales from high-income units can be used to cross-subsidize lower-income units to reduce the public subsidy needed.
- It requires a tight housing market to achieve the high rents or sales needed.
- Developments that rely on cross-subsidization are only as strong as the housing markets and economies in which they operate.
- Cross subsidization is more likely to occur with nonprofit developers who have a lower financial return threshold.
- A for-profit developer may require a 15 percent annual return on the investment, whereas a nonprofit developer may only require a five percent return. Home-ownership developments provide a less risky means of cross-subsidization since the gains can be captured immediately.
- A common scenario in mixed-income developments appears to be a cross-subsidy from the low-income units to the market units. One way this occurs is when the value of Section 8 vouchers is greater than the rent

California Density Bonus Requirement

To address the statewide affordable housing crisis, the State of California requires all communities to offer a 25% increase in the density of any development if they provide a minimum of 20% of the units as affordable housing. In addition to these measures, some counties and cities mandate the inclusion of a certain percentage of affordable housing in all developments over a certain threshold size. Jurisdictions determine the specific terms (percent of units, who is eligible, whether on-site or off site, fees in lieu of the inclusion, length of affordability requirement).

that can be charged for a true market-rate unit. Or when development subsidies are used to partially fund the construction of market-rate units that would otherwise not be financially feasible.

- Mixed income units are almost always more complicated to finance than market rate developments. Financing typically involves piecing together funds from a number of public and private sources. However, this creative financing is being successfully done throughout the U.S., and especially in many mixed income developments in California under the auspices of BRIDGE, Inc. and other developers and partnerships.

Category	Description	Illustrative Mix of Incomes % of units	Illustrative Mix of Incomes % of AMI
Moderate Income Inclusion	Predominantly market-rate developments that include moderate income units	80 % 20	Market 80%
Low Income Inclusion	Predominantly market-rate developments that include low-income units	80% 20	Market 50
Broad Range of Incomes	Serves market-rate, moderate income or low income households and very low income households	33 33 33	Market 60 30
Market-Rate Inclusion	Predominantly low income developments that include market rate units	20 80	Market 50/60
Affordable Mix	Serves moderate or low income and very low income households	50 50	60 30

Moderate-Income Inclusion

- Market: Typically in high-cost housing markets
- Mix: Developments in which 10-25% of the units are set at below-market prices. Also the below-market prices are set on the higher end of the spectrum of affordable housing, such as 80 – 120 % of AMI. Many of these developments offer a high percentage of for-sale townhomes, homes and condominiums.
- Motivation: Build workforce housing in high cost areas, offering housing for teachers, police officers and other needed workers. Uses less subsidy in construction of the units.
- **Funding option 1:** non-profit and for-profit developer partnerships bring the financing tools available to them to construct a package

- **Funding option 2:** Privately financed. Incentives need to be offered to encourage developers or to offset potential losses from the affordable units.

Low Income Inclusion

- **Market:** Typically in high-cost or relatively tight housing markets.
- **Mix:** Majority of units are market-rate, but the affordable units are rental, reaching down to a lower-income population, such as 50 percent of AMI. Affordable home-ownership units are less common.
- **Motivation:** Build low-income units with less subsidy. Build high quality low income units.
- **Funding:** New York City and the state of Massachusetts have created 80/20 programs that offer tax-exempt or taxable financing for projects in which 20 percent of the units are reserved for households with incomes of 50% of less AMI. (These percentages also qualify this kind of development for Low Income Housing Tax Credit funding). NYC also allows 25 percent of the units to be reserved for households at 60 percent.
- **Example:** Chelsea Centro: 356 residential units, 71 reserved for tenants with incomes less than 50% of AMI. Project financed with a taxable bond and a low-interest second mortgage of \$20,000 per low-income unit. (New York Housing Development Corporation, 2002, www.nychdc.org)

Broad Range of Incomes

- **Market:** High cost or strong housing market
- **Mix:** These developments have a strong balance between market-rate units and affordable units. The affordable units are targeted to families with 50 to 60 percent of AMI, or within range of the LIHTC subsidy. Home-ownership units may be part of the mix to attract higher-income families.
- **Motivation:** Meet housing needs of families with a broad range of incomes.
- **Funding:** May include LIHTC, HOME and/or HOPE VI.

Affordable Mix

- **Market:** Usually communities in which the market is not strong enough to attract tenants with income that approach the AMI.

ENGAGE LEGISLATION AND LEGISLATORS TO ACHIEVE LONG-TERM GOALS

Some of the regulatory and financial hurdles that FORA faces can be overcome by enabling legislation and appropriations. On the House Appropriations Committee, there are at least 4 subcommittees that are interested in either workforce housing or the successful redevelopment of former military installations. In the Senate, there are also four appropriation subcommittees that are interested in workforce housing. Other committees such as the Senate Finance Committee could be helpful in helping provide incentives to developers of workforce housing in the area. There are authorizing committees that can authorize pilot projects for brownfields redevelopment, deconstruction projects, road demonstration, UXO removal, new market crediting and other kinds of demonstration that might not be directly linked to workforce housing, but catalyze workforce housing.

Workforce housing challenges at Fort Ord are understood by its legislators, who are willing to help either by seeking funding or relaxing barriers. Two in FORA's Congressional delegation sit on committees that directly affect appropriations and the reuse of military installations. The senior Senator from California is on the Senate Armed Services Committee and has made it a point to ensure that the Army upholds its responsibilities in rapid clean-up and would likely be receptive to pilot projects to ensure Fort Ord is successful. Rep Farr sits on Appropriations Committee. Likewise, the Minority Leader of the House of Representatives is from the San Francisco Bay area. All this adds up to a very influential delegation who could be engaged in the workforce housing challenge.

FORA should develop a long term legislative strategy and work closely with the California legislature and the Congressional delegation to seek funds and/or relax barriers to produce more workforce housing.

Chapter Four: MODELS AND CASE EXAMPLES

Development Models

California Workforce Housing

Marin Consortium for Workforce Housing—Employers and local governments formed a consortium to increase affordable housing, establishing a housing trust fund and a \$7.5 million revolving loan fund. Jurisdiction initiatives within the consortium include a City of Novato set aside for government workers of one-third of 650 affordable housing units planned for construction at the former Hamilton Field military base; the water district offers loan up to \$150,000 or 33%

of the purchase price of a home, with repayment due upon sale of the property, 15 years from the date of the loan or when the employee leaves the agency.

Coastal Housing Partnership of Santa Barbara—Consortium of 15 public and private employers who worked out an agreement with a local lender to secure favorable financing for their employees. Employees get 80% loan at favorable rate and the lender makes a second mortgage of 10% of the purchase price. There are no direct costs to employers.

Nashville Housing Fund

The Nashville Housing Fund is a 501(c)(3) as well as a Community Development Financial Institution with revenue commitments totaling \$13.6 million annually. It receives money from the city, state and federal governments (47% of budget); 43% from banks, 4% from other financial institutions, 4% from corporations and institutions, and 2% from charitable organizations. It operates three programs: development loans for new construction of affordable housing, down payment assistance to promote homeownership of low and moderate income households and The Front Door, a counseling service for households wishing to buy a home.

Housing Trust of Santa Clara County

This housing trust fund is a public/private initiative created in 1997 by the Santa Clara County Board of Supervisors, Silicon Valley Manufacturing Group, Santa Clara County Collaborative on Housing and Homelessness and Community Foundation Silicon Valley. Its goals are to produce more long-term affordable housing, support first-time homebuyer opportunities and provide assistance for extremely low income households.

Its initial goal is to help 5,000 low to moderate income households by creating 3,000 affordable rental homes, 800 first-time homebuyer homes and support services for 1,000 homeless families.

The Trust has collected pledges of \$20 million, which will leverage approximately \$180 million in development, and made its first grants and loans in 2001. More than half of its funding comes from employers in the county (51%); 13% of revenue comes from the County; 23.5% comes from the cities within the County and 12% comes from private foundations, community organizations and individuals.

San Jose Affordable/Workforce Housing

Almaden Lake--The City of San Jose worked with three sets of developers to create a mixed income housing development on the hillside in popular Almaden Valley. Using LIHTC equity financing, a for profit developer working with a nonprofit partner developed 144 family rental units for very low income households next door to 35 moderate income for sale houses developed by a second for-profit developer with construction financing provided by the city of San Jose.

Nearby, a third developer more recently developed a 250 family rental complex, with 50 devoted to very low income households. 200 units of the development is financed by City-issued tax-exempt bonds, requiring that 20% of the units be set aside for very low-income households for 30 years. No City funds were needed to produce the 50 units of affordable housing.

Midtown--On a former Sears department store site, the City of San Jose, working with a for-profit and nonprofit partnership, created 62 ownership housing units, 31 of which were for moderate income households, 140 senior units, 139 were for very low income, and 90 family rental units, 54 for very low income households and 35 for low income households. The City provided \$12 million of the total financing of \$47 million.

San Francisco Chamber of Commerce Workforce Housing Committee and the Federal Home Loan Bank are raising a \$4 million Workforce Housing Fund to increase homeownership opportunities for middle-income workers.

Silicon Valley Manufacturing Group in Santa Clara--175 companies, local governments, community leaders and labor representatives have spearheaded the establishment of the Santa Clara Trust Fund, raising \$20 million in less than two years. They make low-interest loans to first time homebuyers and provide gap financing for affordable rental housing projects.

Los Angeles Public-Safety Employee Program—Provides \$10,000 down payment assistance for police officers and firefighters and access to below-market financing through revenue bonds.

Affordable Housing Projects and Programs Outside California

Workforce Housing Development Project Model—Belle Creek--an award-winning 156 acre mixed-income, master-planned community located in suburban Denver (8 miles from downtown). The land was sold to the developer with the stipulation that Belle Creek be affordable to moderate, low and very income households and include a childcare center, computer lab, recreation center and charter school. The developer used a nonprofit developer to build the rental housing and find below market equity and community reinvestment act partners. Located between residential and industrial areas, sandwiched between railroad tracks and a gravel pit, it was a tough site to develop, but the city streamlined and fast-tracked the zoning and annexing process. It also set new design standards—12 foot wide alleys with 20 foot wide easements and 30 foot wide streets.

- 931 units; 156.1 acres; 6 for sale units per acre; completed 2002
- 13 single-family plans, easy-to-build box-on-box construction with vernacular porches, deep overhangs, well-detailed entries
- 51% of units had to be priced for people earning 80% of less of the AMI of \$62,000.

- Single-family for-sale units: \$178,900 - \$264,900; Townhouse units, \$162,900 – 188,500; Rental units \$550 – 900.
- 13 single family plans are easy-to-build, box on box construction; savings on framing were used to elaborate on details, such as good-sized, well-detailed entries and front porches, deep overhangs and other curb appeal features
- For-profit developers Landcraft Communities working with non-profit developers (for rental units) Rocky Mountain Mutual Housing
- Features include family center and charter school; town center and convenience retail; town green and pocket parks.
- Won American Builders Association Gold Nugget Grand Award for Best Affordable Project-Detached, and Merit Awards for Best Community/Town Plan, Best Single Family Detached Home 1800-2300 square feet (small lot), Best Single Family Detached Home Under 1800 square feet (small lot), Best Single Family Detached Home under 2,200 sq. ft.

Supporting Home Ownership—Model Program

The City of Burlington joined with the Burlington Community Land Trust, Vermont Development Credit Union, and Fannie Mae in an initiative called Burlington's Home Ownership Program (BHOP). The City works with Fannie Mae and local lenders to make specific mortgage options available to low- and moderate-income families who want to purchase homes in Burlington.

Fannie Mae will purchase up to \$10 million of the end loans originated by local lenders through this program, which uses many of Fannie Mae's community lending tools that focus on various flexible mortgage options designed to increase homeownership, such as lower down payment requirements and flexible underwriting, and home-buyer education and counseling provided by nonprofit organizations.

- No income or purchase price limits
- Available to first time homebuyers AND people who have owned a house
- Any 1-4 unit property in Burlington is eligible
- Must be owner-occupied
- \$500 down payment for 1 unit
- 5% down for 2 units (3% from borrower, 2% from other source)
- 10% down for 3-4 units (5% from borrower, 5% from other source)
- Maximum debt to income ratio: 1 unit = 42%; 2-4 unit = 43%

The features of Burlington's HomeOwnership Program includes:

- Energy efficient mortgage (EEM) options that consider the projected energy savings a borrower may realize by purchasing or renovating a home to energy efficient standards. The EEM option provides an adjustment to the loan-to-value and qualifying ratios that favor the

- borrower. To qualify, the home must be rated energy efficient under guidelines issued by a residential energy service network (RESNET);
- Employer assisted housing, an employee benefit and recruitment and retention tool that employers can use to help employees achieve homeownership through grants, forgivable loans, deferred or repayable loans, matched savings, interest-rate buydowns, and/or home-buyer education.

Transit Oriented Development

King County, Washington built the nation's first multi-family housing development over a park-and-ride lot and bus transit center. Created through partnership between County (housing trust fund), City of Redmond and Federal Transit Administration, it contains 308 units of workforce housing, 4500 square foot daycare facility, and a Metro park-and-ride transit center. All units are set aside for households with 60% or less area median income. Other King County transit-related affordable housing developments are underway in Renton, Seattle and Shoreline.

Alameda County, CA Affordable Housing Trust Fund--Using fees from market-rate developments, Alameda County and BRIDGE Housing, Inc. created 99 units of low and very low income housing and a community center near a BART station and ACTransit. The housing trust fund contributed to a funding package that includes HOME Partnership funds, Community Development Block Grant funds, Low Income Housing Tax Credits and private financing.

Other Model Programs

Howard University and Fannie Mae LeDroit Park Initiative—Provides down payment and closing cost assistance to university employees, police officers, firefighters, teachers and LeDroit Park residents.

Baltimore Employee Home-Ownership Program—Provides matching down payment funds up to \$2500 and \$7500 as a deferred 10 year loan. City uses CDBG, HOME and UDAG payments to fund this program.

Santa Fe Teacher Home Fund—Provides down payment, closing costs and low interest purchase loans for homebuyers with funds derived from the Land Title Trust Fund, companies placing escrow funds into interest bearing accounts, with the interest accrued then used to support community-housing programs.

Greater Minnesota Housing Fund—Spends \$5 million annually on Employer Assisted Housing, including single family and multifamily projects. Funding comes from state, federal and local governments, foundations, nonprofits and employers. Examples of housing created: Pelican Rapids Townhomes, a 40 unit development. The employer purchased the development's Low Income Housing

Tax Credits for 79 cents each, generating over \$1.5 million in equity for the project. GMHF provided a \$270,000 1% interest deferred loan.

Cambridge, Massachusetts—Requires commercial, hotel, retail and institutional development to pay a linkage fee of \$3 per square foot to fund affordable housing programs.

Chapter Five: Federal, State, Local and Private Resources

U.S. Department of Housing and Urban Development (HUD)

Historically, HUD directly supported the development of housing that served many different types of households. Currently, HUD does not provide financing for family developments, but makes a limited amount of funding available for housing that serves seniors and people with disabilities. Some funds for the development of family housing are distributed through local public agencies.

Low Income Housing Tax Credits (LIHTC)

Increasingly, developers of affordable housing have turned to the LIHTC program for financing. Sponsors can compete to obtain allocations of federal and state low-income tax credits. Using tax credits, sponsors can partner with corporate investors who provide equity to the development in exchange for the tax benefits generated by the housing. Although using tax credit financing is complicated and adds administrative costs, it fills a substantial portion of the funding gap with no impact on the tenants' rents. With the reductions in financing from HUD, tax credits are very valuable. Tax credit equity typically covers 40% -50% of project costs.

Summary of Affordable/Workforce Housing Resources

Affordable Housing Financing—Bank of America offers a large volume of traditional and special loan products, along with affordable housing expertise to make the most impact in communities it serves. For-profit and nonprofit developers and organizations, public housing agencies, first time homebuyers are eligible for various products. 90% loan to value ratio.

Affordable Housing Program—Federal Home Loan Bank of San Francisco provides grants or subsidized interest rate loans for purchase, construction of owner-occupied housing by or for very low-, low-, and moderate-income households and/or to finance the purchase or construction of rental housing. \$18 million available through member banks annually in competitive process. Counties, for-profits, nonprofits, public housing agencies are eligible. The amount of grant or interest rate subsidy depends on the amount of assistance required to make the project feasible. (415)616-2542.

Bridge Loan Program—New York-based secondary mortgage market institution provides bridge loans for construction of new rental housing to provide flow of funding between project closing and equity pay-ins by tax credit investors. To be used with tax credit projects. Nonprofits are eligible. (212)455-9882

California Equity Fund—Tax Credit Syndicate works primarily with nonprofit developers of affordable (new rental) housing, providing equity investment through purchase of tax credits. \$50 million fund. \$800,000 to \$15 million minimum/maximum investment. (213)250-9550

CHFA Bridge Loan Program-- California Housing Finance Authority (CHFA) offers a 2nd loan program designed to provide tax-exempt funds necessary to meet the 50% Basis Test required for 4% Tax Credits in the construction of low income housing. (916)322-5123

CHFA Homeownership Program—Offers single-family home loans requiring as little as 3% down at below-market interest rates (or layered with deferred payment silent second mortgages) to first-time low- and moderate- income buyers. CHFA Approved Lenders access program on behalf of eligible borrowers. Available annual funding \$1 billion. (916)322-5123

CHFA Self-Help Builder Assistance Program-- Development loans to mutual self-help nonprofits for single family construction. Offers an opportunity for families and individuals with limited down payment resources to obtain homeownership. The borrower's labor represents the down payment. Permanent mortgage loans at 5% interest for single family homes built by owner-builders. \$2,000,000 for development loans, continuous funding for loans to buyers. Below market interest rate. (916)322-5123

CalHome Program-- Grants to local public agencies and nonprofit developers to assist individual households through deferred-payment loans. Direct, forgivable loans to assist development projects involving multiple ownership units, including single-family subdivisions. Cities, counties, nonprofits are eligible. (818)550-9895

California Community Reinvestment Corp (CCRC)—Private lender provides permanent financing for new construction of low-income housing through a revolving blind loan pool of \$211 million. Loan rates are tied to T-bills of similar fixed terms. Forward commitments available up to 24 months. For-profit and nonprofit developers are eligible. (498)467-8805

CalPERS Housing Development Program—Working with partners, CalPERS is investing \$450 million in construction and equity investment in single family home developments of 60 – 250 “entry level” homes. For-profit builders are eligible. \$3 – 30 million minimum/maximum award amount. (916)326-3630.

Community Development Block Grant Allocation—Enterprise Fund Component—California HCD program reserves block grant funds for cities and counties, which in turn make loans to businesses or fund public infrastructure improvements. Competitive grants to \$250,000. Counties and cities with population less than 50,000 are eligible. (916)327-3713

Community Development Block Grant – Economic Development Allocation—Over the Counter Component—California HCD provides matching grants to cities and counties for infrastructure required to assist business that creates or retains jobs for low-income persons. Typically grants are used to construct sewer, water and street improvements. Average grant amount \$300,000. Counties and cities less than 50,000 population. (916)327-3713

Community Development Block Grant—Planning/Technical Assistance—California HCD provides matching grants averaging \$30,000 for planning and feasibility studies for projects benefiting low-income persons. (916)327-3713

CHFA 100% Loan Program (CHAP)—California Housing Finance Agency (CHFA) provides 100% of the financing needs for eligible first-time homebuyers by providing a below market interest rate first mortgage combined with a 3% “silent second” to purchase newly constructed or existing housing. (916)322-5123.

Community Development Finance Dept—Private lender offers construction loans and long-term loans for low- and moderate-income housing developments. \$1 billion per year, interest rate fluctuates. (925)947-2474

Community Reinvest Act Loan Program—Wells Fargo Bank provides construction financing and predevelopment/interim financing for for-profits, nonprofits, cooperative corporations and owner-occupants of housing. \$160 million fund. (415)396-3832

CRA Lending—SAMCO, a private lender, provides long-term loans, technical assistance and equity investment in new rental housing, transitional housing and other activities. \$300,000 - \$10 million minimum/maximum loan grant amount. Maximum loan usually 80% LTV. Interest tied to the 10 T-bill. Cities with more and less than 50,000 population, counties, nonprofits, for-profits, public housing agencies are eligible.

EAH, Inc. (Ecumenical Association for Housing)—Developer, property manager of quality affordable housing units (new rental). For-profits, nonprofits, cities and counties eligible to apply. (415)258-1800

Enterprise Mortgage Investments, Inc.-- Provides reasonably-priced, long-term mortgages, streamlined processing and 90% loan to value to for-profit and non-profit community organizations. EMI provides first-mortgage financing across the

nation as a Fannie Mae delegated lender. They have teamed with the Ford Foundation and Fannie Mae to create a \$150 million first mortgage financing program for affordable multifamily rental housing. Criteria: 10% of units must be under market rate, 15 units minimum. For-profits and nonprofits eligible. (410)964-0552

Family Housing Demonstration Program—California HCD program offers construction loans and long-term loans for new rental affordable housing and services which may include on-site child care, job training and development. Below market (3%) interest rates.

Fannie Mae

- Fannie Mae's 2003 Low- and Moderate-Income Limits—Borrowers in California may earn up to 140% of the area median income (\$75,320 in 2002; HUD 2003 limits have not yet been announced).
- Fannie Mae's 2003 Mortgage Loan Limits (California):
 - Single family--\$322,700
 - Two family--\$413,100
 - Three family--\$499,300
 - Four family--\$620,500
- **Fannie 3/2**—15- to 30-year, fixed-rate mortgage loans that allow 38 percent of the borrower's gross monthly income to be targeted for housing costs and other debts, such as credit cards or student loans, and allow up to 33 percent of the borrower's gross monthly income to be used for housing costs (principal, interest, taxes, and insurance). Fannie 3/2 requires a 5 percent down payment, but only 3 percent of it must come directly from the borrower's own funds. The remaining 2 percent can come from a relative; federal, state, or local government agency; employer; or nonprofit.
- **Fannie 97**- Fannie 97 requires a 3 percent down payment from the borrower's own funds; borrower only needs to have one month's mortgage payment in cash savings, or reserves, after closing.
- **FannieNeighbors**--a nationwide, neighborhood-based mortgage option designed to increase homeownership and revitalization in areas designated as underserved by HUD, in low- to moderate-income or minority census tracts, or in central cities. The FannieNeighbors option adds underwriting flexibility to Fannie Mae's Community Home Buyer's ProgramSM mortgage product by removing the income limit if a property is located in one of these areas. (Former Fort Ord zip codes make them eligible in this program because they are designated as underserved by HUD).
- **Community Home Buyer's Program**-- Fannie Mae's Community Home Buyer's Program offers underwriting flexibilities that include a 5 percent down payment and no cash reserves at closing. This mortgage can be combined with the FannieNeighbors[®] mortgage option, which provides an exception to the maximum income limit for eligible properties in specially designated areas.
- Loans for People with Disabilities—HomeChoice—Down payment as low as \$500; greater flexibility in qualifying and underwriting standards; acceptance of non-traditional credit histories.
- **MyCommunityMortgage**-- **Community 97TM**
Community 97 is a low down payment mortgage with flexible credit guidelines. The core features, which can be customized, include a minimum contribution of 1

percent or \$500, whichever is less (from the borrower's own funds), no monthly reserves, and a higher single qualifying ratio. Community 97 may be used with the Energy Efficient Mortgage option.

Community 100™

Community 100 is a zero down payment mortgage, designed for borrowers with good credit. The core features, which can be customized, include flexibility for the 3 percent contribution to come from a range of acceptable sources and a higher single qualifying ratio.

Community 100 Plus™

Community 100 Plus is a more aggressive zero down payment mortgage with flexible credit guidelines for borrowers with limited cash resources. The core features, which can be customized, include a minimum contribution of 1 percent or \$500, whichever is less (from the borrower's own funds), no monthly reserves, and a higher single qualifying ratio. Community 100 Plus may be used with the Energy Efficient Mortgage option.

Community 2-Family™

Community 2-Family provides a flexible, affordable mortgage option to owner-occupants of 2-unit homes. This mortgage allows for a down payment contribution of just 3 percent from the borrower's own funds and offers a higher single qualifying ratio.

Community 3- to 4-Family™

Community 3- to 4-Family provides a flexible, affordable mortgage to owner-occupants of 3- to 4-unit homes. This option allows for a down payment contribution of as little as 5 percent from the borrower's own funds and offers a higher single qualifying ratio.

Community Solutions™

Community Solutions is a suite of flexible mortgage options for low- and moderate-income borrowers. Community Solutions is for borrowers who are full-time teachers, police officers, firefighters, and healthcare workers whose employers offer an Employee Assisted Housing program.

- Energy Efficient Mortgages (EEM, Fannie Mae)—Allows borrowers to qualify for a larger mortgage as a result of energy savings.
- Smart Commute Mortgage (Fannie Mae)—May be available for development near public transit.

Freddie Mac Affordable Gold Program—Mortgage insurance for high loan to value loans at a lower premium. Provides 3% downpayment mortgages with down payment source flexibility for new for-sale housing. (800)424-5401

Federal Home Loan Bank San Francisco Affordable Housing Program

- The Bank awarded \$50 million in Affordable Housing Program grants in 2002 to create housing for over 7,700 households in Arizona, California, Nevada, Florida, and Illinois.
- Since 1990, the Bank's Affordable Housing Program (AHP) has awarded \$279 million in subsidies to create over 55,000 units of housing for households earning up to 80% of the area median income.
- Each year, the Bank sets aside approximately 10% of its net income to fund the AHP.

- The AHP emphasizes creative partnerships between financial institutions and community-based housing developers or government housing agencies, strategies that empower very low- and low-income households, and effective use of the subsidies to create long-term affordable housing opportunities for those most in need of assistance.
- Bank members work with local community groups, nonprofit and for-profit housing developers, public housing agencies and other entities to create housing that meets compelling local needs. Funds may be used to create affordable rental housing or homeownership units.
- AHP subsidies are used to fill a gap in available financing or reduce the interest rate on project or homeowner financing, provide down payment or closing cost assistance, or cover the cost of homebuyer pre- or post-purchase counseling.
- The Bank conducts AHP competitions twice a year. To assist applicants, the Bank sponsors a series of workshops in February and August

Government-Assisted Project Loans—Bank of America program provides funding for refinance/rehab/construction of low- and moderate-income multifamily projects using HUD-insured programs 223(a)(7), 223(f), 221 (d)(4) and 232. 6.5% for tax-exempt financing; 8% for taxable financing (subject to market conditions). For- profits and nonprofits are eligible. \$500,000 to \$2 million minimum/maximum. \$70 million loan fund. (415)622-5093

Home Investment Partnerships Program (HOME)—HUD/HCD program assists cities, counties and nonprofit community housing development organizations (CHDOs) to create and retain affordable housing. Grants to eligible cities and counties, loans to certified CHDOs. New for sale, rental and self help housing. Grants, construction loans, predevelopment/interim finance, long-term loans, loan guarantees, down payment assistance. \$1000 - \$1 million minimum/maximum. Total fund varies \$43-45 million per year. (916)327-3713

House America—Private lender providing affordable residential long term loans for low and moderate income households. \$538 million fund. (626)535-3229

John Heinz Neighborhood Development Program (within HUD)-- Provides grants to non-profit community development organizations to leverage funds from local sources to implement neighborhood development projects, including development of new housing \$4.75 million fund, \$75,000 maximum grant. (202)708-1577

Low-Income Housing Tax Credit Program (LIHTC)-- offering a federal and State income tax credit based on the cost of acquiring, rehabilitating or constructing low-income housing. Federally-subsidized units receive a lower tax credit rate than non-federally subsidized units. California portion \$39 million annually. Cities, counties, nonprofits, for-profits, public housing agencies are eligible. (916)654-6340

Loan Packaging Program—Low Income Housing Fund--Designed to increase access to capital for financing housing at affordable rates and terms.

Construction/rehab loans, long-term loans, predevelopment/interim finance, and technical assistance. New for-sale, new rental and self-help housing. \$12 million fund. Cities, counties, nonprofits, public housing agencies eligible. (510)893-3811

LIHF Mortgage Banking Pools-- Increases access to capital for low-income households. Provides bridge loans for tax credit purposes. Also offers construction loans, predevelopment financing. Current maximum loan \$1.8 million. New for-sale, self-help and rental housing. \$60 million fund. Nonprofits, for-profits and cooperatives are eligible. (510)893-3811

McAuley Institute—Revolving loan fund and technical assistance to build or rehab housing. Loans to \$400,000 at 5.5% interest. City cooperatives and nonprofits eligible. (301)588-8110

Mercy Loan Fund—Makes loans to nonprofit housing developers for projects in which conventional financing is not available or not affordable and promotes innovative and effective financing arrangements. New rental and new for-sale housing. Technical assistance, predevelopment/interim finance, construction, long-term loans. Interest rates 5-7%. Fund also sells loans on secondary market, allowing larger loan sizes of \$250,000 to \$8 million. (303)830-3386

Multifamily Affordable Financing Program—Originates construction and bridge loans to finance qualified multifamily projects and subdivisions that serve households earning 80% or less of AMI.

Predevelopment Construction Loan Program—CFHA Program provides 3% interest only predevelopment loans for projects with five or more units of new construction new rental housing to non-profit sponsors. Loan proceeds may be used to pay for direct costs such as architectural or engineering costs, permits and related fees, land purchase or land holding costs, bonding fees and costs associated with debt financing. \$250,000 maximum. (310)342-1250

Predevelopment/Construction Loan Program-- Rural Community Assistance Corporation offers Counties, nonprofits, cooperative corporations and cities under 50,000 population loans at below market rates to finance a multitude of activities related to general housing and community facility projects, including new for-sale and new rental housing, infrastructure development, public works, communities facilities, self-help housing. Construction loans, predevelopment finance, technical assistance. \$50,000 - \$750,000. (916)447-9832

Public Works Grants—Economic Development Agency provides grants to assist communities in funding public works, infrastructure and facilities that contribute to the creation or retention of private sector jobs. \$160 million annually. \$100,000 to several million minimum/maximum. Cities, counties, nonprofits, public housing agencies. (510)637-2988

Revolving Loan Fund-- Low-Income Housing Fund--LIHF's goal is to increase access to capital for low-income communities, primarily by providing financing for low-income housing and non-residential facilities. Also mini-perms, refinancing loans, lines of credit and working capital loans. New for sale and rental housing, community facilities, self help housing. 5% for loan amounts of \$1 million and above, lower than \$1 million 4.75%. \$5 million maximum. Counties, nonprofits, cooperative corporations, public housing agencies eligible. (510)893-3811

Self-Help Construction Financing –Bank of America Community Development Bank program originates construction loans to finance qualified self-help projects that serve individuals earning 80% or less of AMI. Funds new for-sale housing and self-help housing. Nonprofits only. Loan to value ratio 85%

Tax-Exempt Affordable Mortgage Program—CHFA program provides bond-financed fixed-rate mortgages for 30-40 years to developers of new rental housing that has at least 20% of units affordable to households making no more than 50% of county median income. Approx. \$64 million available annually. For-profit, nonprofit developers and public housing agencies are eligible. (310) 342-1250

Taxable Affordable Mortgage Program (Insured)—CHFA program provides taxable bond financed mortgages for new rental housing of which 20% is occupied by and affordable to very low-income households. Used with FHA insurance, the program can finance affordable rental housing under tax credits. For-profit, nonprofit developers and public housing agencies are eligible. Loan to value ratio of 80%; cash equity requirement.

Vision Forward—Nonprofit Women With Vision provide affordable housing to low-income residents through the U.S., including construction loans, grants and down payment assistance. Activities funded include new rental housing, community facilities, public works, planning and feasibility studies. Tribes, public housing agencies, owner-occupants of housing, nonprofits and first time homebuyers are eligible for various funds.

Wells Fargo Affordable Housing Investments

California Equity Fund (CEF) — Since 1990, Wells Fargo has committed \$90 million to the California Equity Fund. The CEF provides equity investment capital to nonprofit-sponsored low-income housing developments, primarily rental housing, throughout California. Wells Fargo and other corporate participants in the fund provide these equity investments as limited partners in exchange for state and federal low-income tax credits. The CEF works with neighborhood Community Development Corporations to acquire, construct and manage affordable housing. CEF provides technical assistance, loans, and grants through these programs.

From 1998 to 2001, Wells Fargo's investments helped CEF build 34 affordable housing developments that total 1,853 living units in California.

- **Housing Trust Fund of Santa Clara County** — In 2001, Wells Fargo invested **\$500,000** in the Housing Trust Fund of Santa Clara County. This investment will take the form of an Equity Equivalent (EQ2) Investment.
- **The Vernal Fund — Neighborhood Housing Services Silicon Valley (NHSSV)** — In 2001, Wells Fargo invested **\$500,000** in the Vernal Fund. NHSSV was established in 1995 with the mission of supporting home ownership in the City of San Jose. NHSSV established the Vernal Fund in 2001 to make purchase money second trust deed loans to qualified borrowers in the City of San Jose.
- **Fresno Villa Del Mar Apartments** — In 2001, Wells Fargo invested **\$500,000** to help finance the construction of a 47-unit multifamily housing complex for low- to moderate-income families in the city of Fresno. **Sacramento Neighborhood Housing Services (NHS) Family Fund** — In 1996, Wells Fargo invested **\$150,000** in the Sacramento NHS Family Fund.
- Invested **\$4.9 million** to help finance the construction of a 185-unit multifamily housing complex for low- to moderate-income families in the city of Fair Oaks.

World/BRIDGE Initiative—BRIDGE Housing Corp. provides lower-interest construction financing (half point above prime) for affordable or mixed-income rental housing or affordable home ownership through a consortium of World Saving, CalPers, Wells Fargo and the Bank of America. Must be joint development with BRIDGE. Typical project size 50-100 units. For-profit, nonprofit, public housing agencies, Counties, cities with less than and more than 50,000 population. (415)989-1111

Additional programs for developing housing for special groups include: Sec. 202 Supportive Housing for the Elderly, Sec 811 Supportive Housing for the Disabled, Special Needs Affordable Housing Lending Program.

Sources of Private Funding for Housing Nonprofits--California

S.H. Cowell Foundation

- Grants with focus on children, families, housing, economically disadvantaged
- Invests in community-based nonprofit organizations
- Funds for building, capital campaigns, land acquisition, matching funds, seed money
- Average awards amount unknown. Annual giving \$9.3 million.
- Susan Vandiver, 415-397-0285
- www.shcowell.org

Nordson Corporation Foundation

- Grants up to \$25,000 with focus on aging, children, community development, housing, disabled, youth on the Monterey Peninsula.
- Building, capital campaigns, general or operating support, matching funds, seed money, technical assistance
- Constance Haqq, 440-892-1580

- www.nordson.com/corporate/grants.html

Ralph W. Parsons Foundation

- Grants up to \$100,000 with focus on community development, **housing**, youth, economically disadvantaged, aging, technology.
- Building, capital campaigns, general or operating support, program development, seed money.
- Christine Sisley, 213-482-3185

Ludwick Family Foundation

- Grants up to \$50,000 with focus on children, community development, environment, **housing**, neighborhood development, youth.
- Building or renovation, equipment
- Patrick Bushman, 626-852-0092
- www.ludwick.org/

Fannie Mae Foundation

- Grants up to \$50,000 for nonprofits working to increase the supply of affordable housing
- 202-274-8000

Enterprise Foundation

Enterprise Social Investment Corporation (ESIC) is a subsidiary of The Enterprise Foundation who works with partners to finance, develop and acquire affordable housing in the U.S.

- Largest developers in the U.S. of for-sale housing for low-income first time homebuyers.
- Permanent long-term mortgage financing on a forward commitment basis to developers of affordable multifamily housing, minimizing charges. Their portfolio includes over \$90 million for 45 developments totaling over 3,800 units.
- ESIC has raised over \$3.7 billion in equity through the LIHTC program for investment in over 70,000 affordable homes nationwide.
- The Enterprise Foundation and Fannie Mae are currently partnering in a five-year project to provide \$1.5 billion for low- and moderate-income affordable housing development.

Enterprise Homes, Inc. (EHI)

- A subsidiary of The Enterprise Foundation, EHI uses innovative design, construction management and financing techniques to create affordable homes and monthly mortgages for low- and moderate-income households.
- Obtain subsidies and low-cost first mortgages to reduce the purchase price and monthly payment burden.

Bank of America Affordable Housing Programs

- Works with nonprofit, for-profit, single-family, multifamily and public purpose developers
- Construction financing, access to permanent financing, tax-exempt financing, Fannie Mae low- and moderate income multifamily projects, self-help housing financing, FHLB Affordable Housing Program financing for affordable housing developers.
- San Diego--\$125.8 million in loans and investments for construction of affordable housing in San Diego. \$827.8 million in mortgage loans to low- and moderate-income homebuyers.
- San Francisco --\$48.9 million in loans and investments for the construction and rehab of single-family and multifamily affordable housing; \$2 billion mortgage loans to low- and moderate-income homebuyers, \$5.2 million below-market loan and \$215,000 grant for 55 unit multifamily development in the Mission district. \$6.8 million below-market loan and \$50,000 grant for Chinatown 72 unit apartment complex

Chapter Six: Findings and Recommendations

ESTABLISH A HOUSING AND COMMUNITY LAND TRUST FUND

Finding: California jurisdictions that are producing workforce and affordable housing adequate to their needs devote other resources and revenues to that production besides 20% set aside funds. They, in turn, attract numerous grants,

subsidies and loans from a variety of outside sources. Some of the most successful jurisdictions in producing workforce and affordable housing have done so through the creation of housing trust funds to (1) dedicate specific resources to increased housing production; (2) capture subsidies, grants and below market loans available to such non-profits; (3) leverage funds 5-10 times the contributions of participating jurisdiction(s).

Finding: To keep new housing units affordable in the long-term, some jurisdictions have created community land trusts, separate nonprofit corporations that retain ownership of the land on which for-sale affordable housing (and sometimes rental housing) is built, therefore keeping the dwelling appreciation from pricing future owners (or renters) out of affordable units.

Recommendation 1: Create a Housing and Community Land Trust Fund--a hybrid nonprofit corporation based on successful trust fund models and the unusual needs of the FORA jurisdictions--to produce affordable and workforce housing on Fort Ord and elsewhere in FORA jurisdictions. Jurisdictions and local groups and corporations willing to contribute to its success will dedicate a revenue stream, land, services, and/or personnel and constitute its core membership. The first three (or more) years of operation could be focused on production of mixed income housing at Fort Ord; thereafter, the fund's services could be expanded to include all of the Monterey Peninsula (or the entire County).

A formula for local funding of the Housing and Community Land Trust can be devised among the jurisdictions to take into account historical inequities, and allow jurisdictions with land at Fort Ord to dedicate land to the Fund for affordable housing instead of a revenue stream.

Recommendation 2: The Housing and Community Land Trust will need a variety of funding mechanisms and seed capital. The Clark Group recommends that FORA jurisdictions act to create a tax increment pool as one of the most significant funding mechanisms.

Finding: FORA and its jurisdictions are blessed with several experienced nonprofit developers and experts in building and managing affordable housing who are available to assist FORA in developing affordable/workforce housing at Fort Ord. FORA can use its expertise and capability to greater advantage than it has historically.

Recommendation 3: Invite local and regional nonprofit developers to help design the Housing and Community Land Trust Fund. Invite them to help FORA design financial packages, down payment assistance programs, employer assisted housing programs, homeowner information/education programs, and modeling a nonprofit and for-profit developer partnership to produce mixed income housing. They can also be tapped to provide

administration and management of dedicated affordable units, i.e. qualifying potential tenants and administering resale restriction agreements.

- Local nonprofit developers include: CHISPA, Mid-Peninsula Housing Coalition, South County Housing and the Housing Authority of Monterey County.
- Mid-Peninsula is the developer of Moonridge in Half Moon Bay, City Center Plaza in Redwood City and Open Doors in Los Gatos, all winners of the American Building Association's awards and other design and LIHTC Best in the Nation awards.
- Regional nonprofit developers include nationally acclaimed BRIDGE, Inc., creator of award-winning mixed-income developments and Ecumenical Association for Housing, who has been instrumental in building workforce and affordable housing in the San Rafael and San Jose areas.
- The Housing Authority of Monterey's staff represents decades of experience in the County and elsewhere in the country in affordable housing development and brings a nonprofit development perspective to FORA deliberations which is important to hear out, even when its conclusions do not match that of for-profit developers.
- CHISPA/MOCHA has developed and can provide a top-notch homebuyer education and counseling program that FORA (through the Housing Trust Fund) can incorporate into its own workforce housing, employer assisted housing or other homeownership programs and services at Fort Ord.

Finding: The FORA Capital Improvement Plan (CIP) allocates over \$76 million dollars to contingency costs, including \$30.78 million dollars for "potential sound walls for major streets" and "street landscaping"; \$14.40 million for "caretaker cost contingency"; and \$30 million for a contingency reserve. The plan also projects net revenue of \$13.57 million. These contingencies and revenues total \$89,719,569. That figure is the FORA developer fee equivalent of 2,564 units of residential housing.

Recommendation 4: Instead of devoting the entire \$89 million to contingencies and net reserves, FORA could allocate some funds to forgive, discount or defer developer fees on affordable and workforce housing units. This would require an amendment of the Rate and Method of Apportionment of Special Taxes for the Community Facilities District (CFD), an affirmative vote of two-thirds of the current landowners.

ENHANCE FORA'S INTERNAL CAPACITY TO ADDRESS HOUSING NEEDS

Finding: No staff with expertise in Housing Trust Funds or other affordable housing subsidization methods are engaged by FORA or the jurisdictions in developing and implementing a FORA workforce housing strategic plan. FORA's Affordable Housing Task Force has been given no measurable goals or deliverables, and has not made the task force or any other group responsible for delivering an affordable and workforce housing action plan.

Recommendation 5: Get free professional expertise from the Center for Community Change to develop a Housing and Community Land Trust Fund.

The Center for Community Change's Housing Trust Fund Project--the only national source of technical assistance on housing trust funds--works with organizations interested in creating a housing trust fund, through every necessary stage, including:

- Development of a housing trust fund proposal
- Campaign to establish a fund
- Efforts to implement the fund

This assistance has saved local groups enormous amounts of time and expense and helped them develop funds that can benefit from the lessons learned by earlier trust fund campaigns. For more information, contact Mary Brooks, Housing Trust Fund Project, Frazier Park, CA, (661)245-0318.

Recommendation 6: Hire a housing coordinator (or acquire a loaned housing executive from one of the jurisdictions' housing or redevelopment authorities) to work for 6-8 months with CCC to (a) to coordinate solicitation of funds necessary to found the trust fund; (b) organize a workshop (d) file for 501(c)(3) status for the Housing and Community Land Trust Fund.

Recommendation 7: Conduct an independent workshop for Board, staff and interested publics, inviting top nonprofit and for-profit affordable and workforce housing developers, lenders, underwriters and advocates (e.g. Enterprise Foundation, Center for Community Change, BRIDGE, LISC, Santa Clara Housing Trust Fund, Fannie Mae, Bank of America, FHLBSF as well as local housing officials) to help construct an action plan and timetable for overcoming barriers to affordable and workforce housing production at Fort Ord, including the establishment of a Housing and Community Land Trust fund.

These actions are recommended to be undertaken concurrently in order to move beyond discussion to action as quickly as feasible.

ATTRACT NEW FUNDING AND APPLY EXISTING AND FUTURE FUNDS

Finding: Nearly half (\$145 million) of the Base Reuse Capital Improvement Plan revenues/costs are dedicated to transportation infrastructure.

Recommendation 8: Continue to seek transportation funding for FORA-related projects within federal highway appropriations and within the next round of highway funding, currently dubbed “Next-TEA.” Devote any funds awarded to these projects and no longer needed to underwrite transportation infrastructure on or off Fort Ord to forgive developer fees on affordable or workforce housing. Alternatively, place the funds in a Housing and Community Land Trust Fund to support a variety of affordable and workforce housing subsidies and services.

Finding: There are a number of free services which would increase FORA’s understanding of affordable and workforce housing finance. Fannie Mae, for example, has a variety of special mortgage products designed to increase affordable and workforce housing. Federal Home Loan Bank, Wells Fargo, Bank of America and other financial institutions also have special programs and products which will boost the effectiveness of a Housing and Community Land Trust Fund. FOR A, through its recently received credit enhancement grant, can initiate these steps in a logical follow-up to its previous work.

Recommendation 9: As current escrow funds from the previous grant become available, they should be reprogrammed for work with Fannie Mae, especially the Local Partnership Office, and other financial institutions (listed in the Resources section) to create partnerships between local or regional lenders and FORA to increase subsidies and decrease financial constraints to expanding affordable homeownership on Fort Ord.

Finding: The former Fort Ord made the Superfund list in 1990. Cleanup will include extracting and treating contaminated groundwater and capping the landfills to limit future infiltration and minimize additional leaching. Forty-one sites have been identified as potentially hazardous sites.

Recommendation 10: Working in coordination with the Environmental Protection Agency (EPA) and the State of California Department of Toxic Substances Control (DTSC), invite self-insured brownfield redevelopment companies with nationally recognized decontamination expertise to re-evaluate properties currently believed irredeemable for housing and retail development at Fort Ord. In addition (not in lieu of) increasing production of workforce housing on clean property, work with the EPA, DTSC and the Army to transfer land that can be privately remediated by such companies, selling contaminated land at an appropriate discount, with stipulations for production of *mixed income* housing.

Finding: FORA has a grant to research innovative environmental remediation measures and with FORA's support, the U.S. Army Corps of Engineers Construction Engineering Research Lab (CERL), CSUMB and others are engaged in developing technologies and finding processes to reduce the costs of FORA building deconstruction and to prevent long-term environmental impacts from demolition. The potential exists at Fort Ord—and many other active and retired DOD facilities--for creating a public/private deconstruction program more cost-efficient than demolition, a program that could become a national model and provide an income center, local jobs and training programs. FORA has not factored in the full cost of disposing of these materials (such as landfill and opportunity costs)

There also exists the *potential* that millions of dollars can be saved through building deconstruction by companies and/or nonprofits. The materials that are salvaged can be reused or sold, the donated labor becoming "sweat-equity," credited towards home ownership and relieving jurisdictions of some of the financial burden of building removal. Some of the lumber in old Army installations is more valuable than new lumber at building supply stores. To take advantage of this situation, Habitat for Humanity has developed a program called "ReStore," where deconstructed materials are brought for reuse. Deconstruction also offers a better long term solution for the environment.

Recommendation 11: Develop and implement a policy to support federal and local pilot programs in deconstruction and recycling. Raise the goal for recycling in building removal activities to 50 percent. Support the creation of a building materials resale store on the Former Ft Ord.

Finding: The state's recent passage of Proposition 46 offers FORA the opportunity to solicit funds from the new Local Housing Trust Funds program and other new programs.

Recommendation 12: Take full advantage of the provisions of Proposition 46—The Housing and Emergency Shelter Trust Fund Act of 2002. Programs of note:

- Multifamily Housing development, \$800 million annually, Notice of Funding Availability (NOFA) January, 2003, non-profit and for-profit developers and public agencies eligible for new construction, rehab and preservation of rental housing for low income households.
- Local Housing Trust Funds, \$25 million in grant funds, NOFA 07/03, non-profits and public agencies are eligible applicants. If a public agency is the applicant, grant is conditional on housing element approval.

Program Name-- Moderate Income Programs	Element Name	Purpose	Agency	Eligible Applicants	Conditional on housing element approval?	First NOFA issued	Total in millions available annually
California Homebuyers Down Payment Assistance Program	California Homebuyers Down Payment Assistance Program	Deferred low-interest loans up to 3% of purchase price for 1 st time MI and LI homebuyers	CalHFA	Funds disbursed through mortgage lenders and brokers	N/A	Funds available first come, first served beginning 01/03	\$117.5m
California Homebuyers Down Payment Assistance Program Ken Williams (916) 322-487 williams@alhfa.ca.gov	Extra Credit Teachers' Down Payment Assistance Program	Loans to school personnel for down payment assistance	Cal HFA	School personnel	N/A	Funds available beginning 01/03	\$25 m

Cal-Home Programs Peter Solomon (916) 445-3086 psolomon@hcd.gov	Cal Home Program	Homeownership programs for low income households	HCD	Public Agencies, Non-profit developers	Yes, if PA is applicant	05/03	\$115m
	Building Equity and Growth in Neighborhoods	Down payment assistance to buyers of new homes located in developments for which the local jurisdiction has reduced regulatory barriers or provided incentives	HCD	PA. PA then loans funds to individuals	Extra points on application is housing element approved	07/03	\$75m

Jobs-Housing Balance Incentive Grants (for capital projects only) Linda Nichols lnichols@hcd.ca.gov (916)323-3175	Workforce Housing (N)	Grants to local jurisdictions that issue new residential building permits specifically for LI & VLI housing	HCD	PA	Yes. Must have filed Annual General Plan housing reports	06/03	\$65m
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Finding: The state has a significant home purchase assistance pilot program to assist first-time homebuyers in high cost areas in California. The Monterey Peninsula area was the highest housing cost area in the state in 2002 but it is not included in High Cost Area Home Purchase Assistance Pilot Program (HiCAP). Currently eligible counties in the program are: San Francisco, San Mateo, Santa Clara, Alameda, Contra Costa and Sonoma.

Recommendation 12: Advocate state government inclusion of Monterey County in any extension of the HiCAP pilot program.

Finding: The housing crisis in Monterey County is a regional problem requiring a regional solution. The jurisdictions that currently have the most very low and low income housing and do not need to create more to achieve a jobs/housing balance (Marina, Seaside) are the cities that will be responsible, along with the County, for creating most of the housing on Fort Ord. If Marina and Seaside are expected to create more affordable housing (moderate, low and very low income) at Fort Ord, all FORA jurisdictions who need affordable housing should share in the costs as well as the benefits of producing that housing on Fort Ord.

Recommendation 13: Following Fair Housing Act guidelines, (1) expand and instigate Employer Assisted Housing programs for teachers, university employees, and city and county public safety employees (in all FORA jurisdictions) through the Housing and Community Land Trust Fund. (2) Use the availability of employer-assisted workforce housing programs in recruitment of business and industry to Fort Ord. (3) Use recruitment in Employer Assisted Housing programs as the backbone of the first workforce housing development on the former Fort Ord. Housing Trust Fund Employer Assisted programs could be used by the jurisdictions to offer 1) preference in Fort Ord affordable housing or 2) housing subsidies inside their jurisdictions.

INITIATE REGULATORY CHANGES

Finding: Monterey County, in its East Garrison option announcement, gives its developer the flexibility to reduce developer fees on affordable units (increasing fees for above-market units as a cross subsidy). This is the most straightforward way to increase affordable housing in developments at Fort Ord given current redevelopment cost-recapture policies.

Recommendation 15: FORA's planned mixed use projects that include mixed income housing should develop a flexible development fee structure based on the goals and strategies for the redevelopment of Fort Ord.

ENLIST LEGISLATORS TO ACHIEVE LONG-TERM GOALS

Finding: Some of the regulatory hurdles that FORA faces can be overcome by enabling legislation. Workforce housing challenges at Fort Ord are understood by most legislators, and they are willing to help either by seeking funding or relaxing barriers.

Recommendation 16: FORA should develop a long term legislative strategy and work closely with the California legislature and its

Congressional delegation, two of whom sit on committees that directly affect appropriations and the reuse of military installations.

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