Preservation of Subsidized Housing Units

State Housing Element law requires that all Housing Elements include information about the number of existing subsidized housing units that are "at-risk" of conversion to other, non-low-income housing uses (such as market-rate housing). This resulted from concerns that many affordable housing units across the country were going to have affordability restrictions lifted because their government financing was due to expire or could be pre-paid. When the financing is pre-paid or expires, the restrictions on rent limits also go away and the units can be converted to market-rate housing or other uses. The analysis of "at-risk" units is required to identify and describe the potentially "at-risk" projects, analyze the cost of preserving them as affordable housing, described available resources which can be used for preservation, and set quantified objectives for preservation of affordable "at-risk" units.

With the substantial need for additional affordable housing units currently facing Alameda County as projected by ABAG and documented in the needs section of the Housing Element, the County cannot afford to lose the affordable housing already in place. It is much more cost-effective to preserve the existing affordable housing stock than to replace it with newly constructed units.

IDENTIFICATION AND DESCRIPTION OF POTENTIALLY "AT-RISK" PROJECTS

The following table highlights the current inventory of projects in the Unincorporated Areas of the County that are at risk of conversion to market rate. This table shows the project name, the owner type (nonprofit, private, etc.), the total number of units in the development, the number of those that are income-restricted, the income levels of the restricted units, the potential conversion date, and an analysis of the level of conversion risk for each development.

Inventory of Subsidized Rental Housing in Unincorporated Alameda County

Project Name	Owner Type	Total Units	Restricted Units	Income Levels of Restricted Units	Conversion Date	Risk Analysis
Ashland Village	Private	142	142	80% of median	2004	High
Vista Creek Apts.	Private	50	10	80% of median	2004	High
Landmark Villa	Private	97	20	80% of median	2007	High
Quail Run Apts.	Private	104	104	80% of median	2061	Very Low
Park Terrace/Acacia Garden	Private	43	9	80% of median	See below	Very Low
Bermuda Gardens	Nonprofit	80	80	30%, 50%, 60% of median	2057	Very Low
Concord House	Nonprofit	8	8	30%, 50% of median	2057	Very Low
Eden House Apts.	Nonprofit	116	116	80% of median	2057	Very Low
Grove Way	Nonprofit	8	8	50% of median	2008	Very Low
Pacheco Court	Nonprofit	10	10	30%, 50% of median	2052	Very Low
South Co. Sober Housing	Nonprofit	8	8	SSI	2057	Very Low
Sparksway Commons	Nonprofit/Limited Equity Coop	45	45	50%, 80% of median	2013	Very Low
Strobridge Apts.	Nonprofit	96	96	50%, 60% of median	2057	Very Low
Wittenberg Manor I	Nonprofit	95	92	80% of median	2033	Very Low
Wittenberg Manor II	Nonprofit	63	63	50% of median	2033	Very Low
TOTALS		965	728			

Projects are considered “High Risk” if they are owned by private, for-profit entities and their subsidies/financing restrictions are due to expire or convert during the planning period of this housing element.

Projects are considered at “Very Low Risk” if they are owned by nonprofit housing corporations. Projects are labeled “Monitor Risk” if they are owned by private, for-profit entities or public housing authorities but their subsidies/financing restrictions are not due to expire or convert until after the planning period for this housing element.

With respect to Park Terrace, these nine units have been preserved directly through the Housing Authority, rather than through a renewal of a contract with a private entity. The Housing Authority owns these units and is maintaining them below market rate indefinitely.

There are three projects, comprised of 289 total units and 172 units with restricted rents, currently categorized as being at "High Risk" of conversion. These three projects total 24% of the Unincorporated County's project-based subsidized affordable housing supply.

- Ashland Village has 142 total units, all of which are rent-restricted to households at or below 80% of median income. It is subsidized by federal 221d4 and Section 8 programs. The Section 8 subsidy and accompanying rent restrictions are set to expire in 2004.

- Vista Creek has 50 total units, ten of which are rent-restricted to households at or below 80% of median income. It was locally subsidized with Multifamily Mortgage Revenue Bond financing and the rent restrictions are set to expire in July 2004.

- Landmark Villa has 97 total units, twenty of which are rent restricted to households at or below 80% of median. It was locally subsidized with Multifamily Mortgage Revenue Bond financing and the rent restrictions are set to expire in July 2007.

County staff has contacted the owners of these three properties to initiate discussions concerning their desire to retain the affordability on these units and subsidies and programs that can be used towards that end. During the period of this Housing Element, the County successfully worked with the new owners of the MFMRB-financed Quail Run Apartments to extend the term of affordability and increase the number of affordable units.

A fourth project was also eligible to convert during the term of this Housing Element, but the affordable units are owned by the Housing Authority.

- Park Terrace has 43 total units, 9 of which are maintained by the Housing Authority (which owns them) for households earning less than 80% of median. This development was originally subsidized by the federal 221d4 and Section 8 New Construction programs. In 1995, the project was converted into condominiums, and the 9 subsidized units were purchased by the Alameda County Housing Authority. The Section 8 New Construction contract and accompanying rent restrictions with the original owner expired in 2003. The Housing Authority has committed to provide tenant based vouchers to maintain the affordability of the nine units. The Authority has no intention to sell or dispose of the units.

COST ANALYSIS OF PRESERVING "AT-RISK" PROJECTS

Given the housing market in Alameda County and recent significant increases in rental rates, conversion to market rates is likely to be an attractive option for owners of the two at-risk properties. The loss of these units to the affordable housing supply in the Unincorporated County would be significant.

The cost of producing an affordable unit to replace a lost unit is extremely high. For example, recent developments that have been subsidized by the County Housing and Community Development Department have had subsidies ranging from $60,000 to $189,000 per unit. The average local subsidy on these projects is $135,520 per unit. Generally, the higher the income limit which rents are restricted to, the lower the subsidy amount needed. The cost of *replacing* the 172 units at risk, calculated at the average per unit subsidy on current HCD projects, would be about $23 million. In general, the cost of preserving affordable units is less than the cost of replacement.

Preservation of at risk units can be accomplished in several ways, including acquisition of the property by qualified non-profit housing corporations, local housing authorities, or other organizations that are committed to long-term affordable housing. As a part of the financing of this type of acquisition, long-term regulatory restrictions are recorded against the property, removing the risk of conversion. In projects where only a portion of the units are restricted, long term project-based subsidies can be put in place to preserve the affordability.

The costs of preservation are significantly lower than the costs of replacement. Based on the current market conditions, rental units in the Unincorporated County can be acquired for between $70,000 and $100,000 per unit depending on location, size, and condition. The cost to acquire the 172 identified high-risk units ranges from $12 million to $17 million. Since the units are restricted to families with incomes at or below 80% of median income, the projects are able to carry some debt service. Therefore, the actual subsidy required to acquire all 172 units is less than the full purchase price. Current projects administered by the County have required subsidy levels of approximately $60,000 per unit. Based on this assumption, the subsidy costs of the preservation of the 172 high-risk units is approximately $10 million. This cost would be further reduced if the Housing Authority is able to place project based Section 8 vouchers at the sites at the time of purchase.

AVAILABLE RESOURCES FOR PRESERVATION

The County will actively work with HUD, the owner, and other interested parties to extend Section 8 and other possible federal subsidies to preserve the affordability of Ashland Village. The County will also work with the owner to extend the affordability of the units at Vista Creek.

Resources include County Redevelopment Agency Housing Set-aside funds, Unincorporated County share of HOME funds (which are awarded through an RFP process within the Urban County), Unincorporated County share of Community Development Block Grant funds, and local Housing Trust Fund monies. It is also possible that funds from other State and Federal programs could be obtained to support preservation efforts. The Alameda County Housing Authority administers the Section 8 existing certificate and voucher program in the Unincorporated County, including project based vouchers.

In addition to the financial resources highlighted above, nonprofit housing development organizations are potential resources in that they may be able to partner with the County in preventing affordable units from converting to market-rate units. Mercy Housing, Inc. was successful at working with a tenant's organization and obtaining federal and local funds to preserve the affordability of the 116 unit Eden House Apartments during the last Housing Element implementation period, for example. Other possible nonprofit partners include Eden Housing, Inc., Allied Housing, Resources for Community Development, and others that have been or have expressed interest in operating within the Unincorporated County. A list of entities interested in participating in the State's first right of refusal program is located in Appendix D.

QUANTIFIED OBJECTIVES FOR PRESERVATION OF AFFORDABLE "AT-RISK" UNITS

As part of the objectives for this Housing Element Update, quantified objectives were established for the construction, rehabilitation, and preservation of housing units. Included in these objectives is the preservation of the two developments that have been identified as potentially being at High Risk for conversion before 2007. The specific objective is the preservation of all 172 High Risk units of affordable housing.