Preservation of "At-Risk" Housing

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Two hundred and forty thousand seniors, disabled persons and lower-income families in California face displacement from their homes because of the termination of federal housing subsidies.

Summary of the Problem: During the past several decades, the United States Department of Housing and Urban Development (HUD), provided subsidies under the Section 8 program, producing over 110,000 housing units. Under the typical arrangement, HUD provided low-interest loans or rental subsidies in exchange for agreements by owners to limit rents to affordable levels for at least 20 years.

As these 20-year affordability terms have expired, many of these housing units are "at-risk" of conversion from the affordable housing stock to market-rate operations. In strong rental markets, owners have an especially strong incentive to convert.

Over the past 10 years, HUD has borne virtually all of the cost of preserving "at-risk" housing produced under federal programs. Under recent federal legislation, HUD is reducing the amount of subsidy it provides to preserve "at-risk" housing and is seeking to transfer administration of much of this housing to state and local entities.

Without additional state and local resources, a reasonable guess is that 15-20% of the existing federally-assisted housing in California (approximately 20,000 units), may convert to market-rate operations. Approximately 240,000 people reside in Section 8 "at-risk" units in the state. Forty percent are elderly. The median income of residents is $9,300. Every county in California has Section 8 buildings that are "at-risk", with the largest concentrations in Los Angeles County, the Bay Area Counties, San Diego and Sacramento.

Proposed Solution: There is broad support among local governments, business, labor and housing groups to provide partial funding for the acquisition and rehabilitation of this affordable housing. The Multi-Family Housing Program at the Department of Housing and Community Development (HCD) provides 3% deferred payment loans to acquire and rehabilitate "at-risk" housing. Private lenders would provide the balance of the needed capital at market rates. Funds are allocated in order to maximize leverage of state funds, to fund developments in areas with high unmet need, and to coordinate with allocation schedules and funding availability of other state housing programs.

A state investment of $15 million would leverage $45 million in private and local funds and, assuming an average per unit cost of $15,000, would facilitate preservation of approximately 1,000 rental units. Preserving existing affordable housing is cost-effective, particularly when compared to the cost of constructing new units. Matching CHFA's tax-exempt financing capacity with HCD deferred payment loans gives the state a realistic chance to preserve a significant number of "at-risk" housing units.

By providing partial funding, and by leveraging local and private funds, the state can play an effective catalyst role in the preservation of "at-risk" housing. By fashioning creative responses to recent changes in federal law, California can preserve an invaluable housing resource for its most vulnerable citizens.