#### **Affordable Housing**

Affordable means rent is 30% of your income

Orange County – fair market rent is **\$934**.

What does income need to be?





#### **Affordable Housing**

Income needed to afford: \$37,360 (62.8% of AMI)

Minimum Wage fulltime: \$15,080 (25.3% of AMI)

Person with a disability: \$9,600 (16.1% of AMI)





**Tenant Rent** 



the solution to homelessness is housing



Tenant Rent

- Expenses



the solution to homelessness is housing



Tenant Rent

- Expenses
- = Income



the solution to homelessness is housing



Tenant Rent

- Expenses
- = Income
- Debt (borrowed money you pay back)



#### the solution to homelessness is housing



Tenant Rent

- Expenses
- = Income
- Debt (borrowed money you pay back)
- = Profit



#### the solution to homelessness is housing



- Tenant Rent
- Expenses
- = Income
- <u>- Debt (borrowed money you pay back)</u>
  = Profit



<u>Income</u> = 1.2 (called Debt Coverage Ratio) Debt



Tenant Rent	\$856 (FN	MR)		
- Expenses	<u>\$350</u>			
=Income	\$506			
<u>- Debt</u>	<u>\$422</u>			
=Profit	\$ 84	the <b>solution</b> to <b>h</b>	omelessr	ness is housing

#### <u>Income</u> = 1.2 (called Debt Coverage Ratio) Debt



Tenant Rent	\$856 (FN	/IR)
- Expenses	<u>\$350</u>	
=Income	\$506	
<u>- Debt</u>	<u>\$422</u>	
=Profit	\$ 84	the <b>solution</b> to <b>homelessness</b> is <b>housing</b>

<u>Income</u> = 1.2 (called Debt Coverage Ratio) Debt What if tenants can only pay \$400?



### **1 Apartment Example**

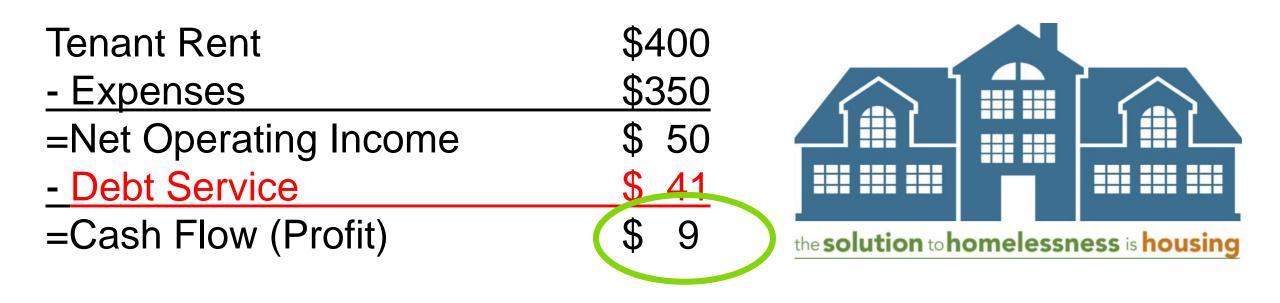
Tenant Rent	\$400
- Expenses	\$350
=Net Operating Income	\$ 50
- Debt Service	<u>\$ 41</u>
=Cash Flow (Profit)	\$9



What if tenants can only pay \$400? Apartment needs affordable financing



### **1 Apartment Example**



Is this sustainable?

At very low incomes, ratios are less important than real costs

### **1 Apartment Example**

Tenant Rent	\$400
+ Rental Subsidy	\$ 75
- Expenses	\$350
=Net Operating Income	\$125
- Debt Service	<u>\$ 41</u>
=Cash Flow (Profit)	\$ 84



Tenant needs additional dollars to pay rent



#### **ELI Example**

Tenant Rent (disability)	\$159
+ Rental Subsidy	\$275
- Expenses	\$350
=Net Operating Income	\$84
- Debt Service	<u>\$</u> 0
=Cash Flow (Profit)	\$84





# ELI Housing (under 30%)

- Real costs need to be considered
- Any debt is risky
- Most will need very little to no debt
- Subsidies needed even with no debt
- Assumption of income increase at 2% is often unrealistic





# "Free money" Needed to Build

- Equity (owner, LIHTC)
- Grants
- Forgivable loans
- Deferred loans
- Low-interest loans





# **Subsidy Needed to Operate**

- Section 8 (tenant or project-based)
- HUD-VASH
- Key
- Transitions to Community Living
- Rapid re-housing
- Private
- Master lease
- Cross-subsidized\*





## Cross Subsidy Example (private)

Tenant Rent	\$856
+ Subsidy needed	\$275
+ Debt needed	\$422
- Expenses	\$350
=Income	\$506
- Debt	\$422
=Profit	\$84



Tenant rent becomes \$1553, affordable to someone making \$65,240



### **ELI Considerations**

- Transit and amenities
  - Land cost connection
- Tenant limitations
  - Paycheck-to-paycheck
  - Limited support networks
  - Renter insurance
  - Utility histories
- Staff time & specialized skills
  - Recertifications
  - Program knowledge
  - 2 rent checks



