

Gateway Cities  
Affordable Housing Assessment Report

September 13, 2022

Report Prepared For:



Melani V Smith, AICP  
Director of Regional  
(213) 479-0719  
msmith@gatewaycog.org

Report Prepared By:

Grant Henninger  
714-323-5731  
ghenninger@civichome.net  
grant@mobius-planning.com



Mobius Planning

## Executive Summary

As in all of California, the Gateway Cities subregion of Los Angeles County is in the midst of a housing crisis. As described by the State of California, the Gateway Cities Council of Governments (COG) subregion, comprised of 27 cities and parts of unincorporated Los Angeles County, in southeast Los Angeles County, currently has an unmet housing need of 76,709 new homes, including 32,338 low and very-low income homes that need to be built over the next eight years.

Over the past eight years, the region has built 792 new homes that are affordable to low and very-low income residents. If the Gateway Cities are to meet their State identified unmet housing need, affordable housing production needs to increase by 40 times that which has been built over the past eight years.

To make this even more difficult, over the past several years, the cost to build affordable homes has hit an all-time high. The current cost of building an affordable home in Los Angeles County is averaging approximately \$530,000 per home. These costs have increased for a variety of reasons, including a tight supply of both construction labor and material, targeting of special needs populations that need additional services, and high land prices.

Each affordable home requires substantial subsidy from government funding sources to become viable. Using current housing production methodology, each low income home requires a subsidy of approximately \$400,000 and each extremely-low income home requires approximately \$480,000 in subsidy. Currently, the Gateway Cities (not including the County of Los Angeles) are eligible to receive approximately \$41.65 million annually for the development of affordable housing. Using current levels of subsidy and housing production, this available funding enables the development of between 80 and 100 new affordable homes a year, or between 640 and 800 homes over the next eight years, depending on the income targets for the new homes. This is a shortfall of more than 31,000 affordable homes from the identified need in the subregion over the next eight years.

At the same time, the number of residents experiencing homelessness in the subregion has continued to climb as housing costs have risen. The subregion's homeless population grew by over 18% between 2020 and 2022.

The subregion will need an additional \$14.2 billion over eight years, or approximately **\$1.775 billion annually in additional affordable housing funds** in order to build the necessary amount of affordable housing. To meet the needs of subregion's homeless population, **\$3.9 billion is needed just for the residents that are currently unhoused.**

The purpose of this report is to clearly identify the affordable housing needs in the subregion, the cost of meeting those needs, the actual funding available today in the subregion, and the shortfall of that funding. Based on the findings of this report, it is reasonable to conclude that a "yes, and" approach is needed to address the identified housing funding and production shortfall in the subregion. A "yes, and" approach requires the subregion to pursue every available strategy for meeting its housing needs: increasing the available funding, instituting policy approaches such as inclusionary housing policies, encouraging accessory dwelling unit production, and facilitating land assembly, as well as approving new types of construction that will reduce the cost of development for affordable homes.

## Table of Contents

<b>The Gateway Cities Subregion.....</b>	<b>1</b>
<b>Housing Needs and Affordability in the Gateway Cities .....</b>	<b>4</b>
Homelessness in the Gateway Cities.....	6
<b>Cost of Housing Construction.....</b>	<b>8</b>
<b>Funding Availability for Affordable Housing &amp; Services.....</b>	<b>11</b>
Low Income Housing Tax Credits.....	11
<i>Available Tax Credits in the Gateway Cities.....</i>	<i>11</i>
<i>Tax Credit Scoring .....</i>	<i>13</i>
Affordable Housing Program.....	18
HOME Investment Partnerships Program .....	18
Community Development Block Grant.....	19
Housing Choice Vouchers.....	20
Multifamily Finance Super NOFA .....	21
Permanent Local Housing Allocation.....	23
Mental Health Services Act .....	25
Los Angeles County Homeless Initiative.....	26
Summary of Available Subsidy for Affordable Housing.....	26
Conventional financing.....	27
<b>Funding Shortfall to Meet Housing Needs.....</b>	<b>28</b>

## List of Tables

Table 1	Local Coordinating Alliances .....	1
Table 2	2022 Income Limits for Los Angeles County .....	4
Table 3	Gateway Cities Housing Needs .....	5
Table 4	Housing Production Compared to Housing Needs .....	6
Table 5	Housing Production Compared to Housing Needs, Except Long Beach .....	6
Table 6	Residents Experiencing Homelessness .....	7
Table 7	Development Costs for 2021 4% Tax Credit Applications in Los Angeles County .....	9
Table 8	LIHTCs Available in Los Angeles County outside of City of Los Angeles .....	12
Table 9	LIHTCs Awarded within Gateway Cities .....	12
Table 10	LIHTC Application Neighborhood Amenities.....	13
Table 11	AHP Funding in the Gateway Cities.....	18
Table 12	Gateway Cities HOME Awards .....	19
Table 13	Gateway Cities CDBG Awards' .....	19
Table 14	Housing Choice Vouchers.....	22
Table 15	Available Super NOFA Funding .....	23
Table 16	Gateway Cities Historic MHP Allocation .....	23
Table 17	Direct Allocation of PLHA Funds to Gateway Cities .....	24
Table 18	LACDA Allocation of PLHA Funds to Gateway Cities .....	25
Table 19	LA County MHSA Housing Funding .....	25
Table 20	LA County Homeless Initiative Funding .....	26
Table 21	Available Funding for Affordable Housing .....	26
Table 22	Los Angeles County Rent Limits .....	27
Table 23	Total Needed Subsidy .....	28

## List of Figures

Figure 1	Map of the Gateway Cities Subregion .....	2
Figure 2	Map of LCA Boundaries.....	3
Figure 3	High Quality Transit Areas.....	15
Figure 4	Affirmatively Furthering Fair Housing Opportunity Areas.....	16
Figure 5	Transit Corridors and Opportunity Areas in Gateway Cities.....	17

A lack of affordable housing is one of the biggest challenges facing the State of California. According to California Housing Partnership’s *California Affordable Housing Needs Report 2022*<sup>1</sup>, half of California’s 6 million renter households are lower income. Although California has more than doubled production of new affordable homes in the past three years, the State is only funding 16% of the housing needed to meet its goals, with Southern California only funding 11% of the housing needed to meet its goals.

This Affordable Housing Assessment Report for the Gateway Cities outlines the affordable housing needs and resources in the subregion, and quantifies the funding shortfall – the amount that would actually be needed to meet the identified need. The purpose of this report is to shed light on the gap in public funding between what is currently being provided and what is needed within the region.

## The Gateway Cities Subregion

The Gateway Cities is a subregion of Los Angeles County in southwestern portion of the county, as shown in Figure 1, *Map of the Gateway Cities Subregion*. The Gateway Cities COG is comprised of 27 cities:

- |                 |                      |                      |
|-----------------|----------------------|----------------------|
| 1. Artesia      | 10. Downey           | 19. Montebello       |
| 2. Avalon       | 11. Hawaiian Gardens | 20. Norwalk          |
| 3. Bell         | 12. Huntington Park  | 21. Paramount        |
| 4. Bell Gardens | 13. Industry         | 22. Pico Rivera      |
| 5. Bellflower   | 14. La Mirada        | 23. Santa Fe Springs |
| 6. Cerritos     | 15. Lakewood         | 24. Signal Hill      |
| 7. Commerce     | 16. Long Beach       | 25. South Gate       |
| 8. Compton      | 17. Lynwood          | 26. Vernon           |
| 9. Cudahy       | 18. Maywood          | 27. Whittier         |

Homeless services in the subregion are divided into four Local Coordinating Alliances, with services being provided by a different lead agency in each LCA. The cities of each LCA are listed in Table 1, *Local Coordinating Alliances*, and the boundaries of the LCAs are shown in Figure 2, *Map of LCA Boundaries*.

**Table 1 Local Coordinating Alliances**

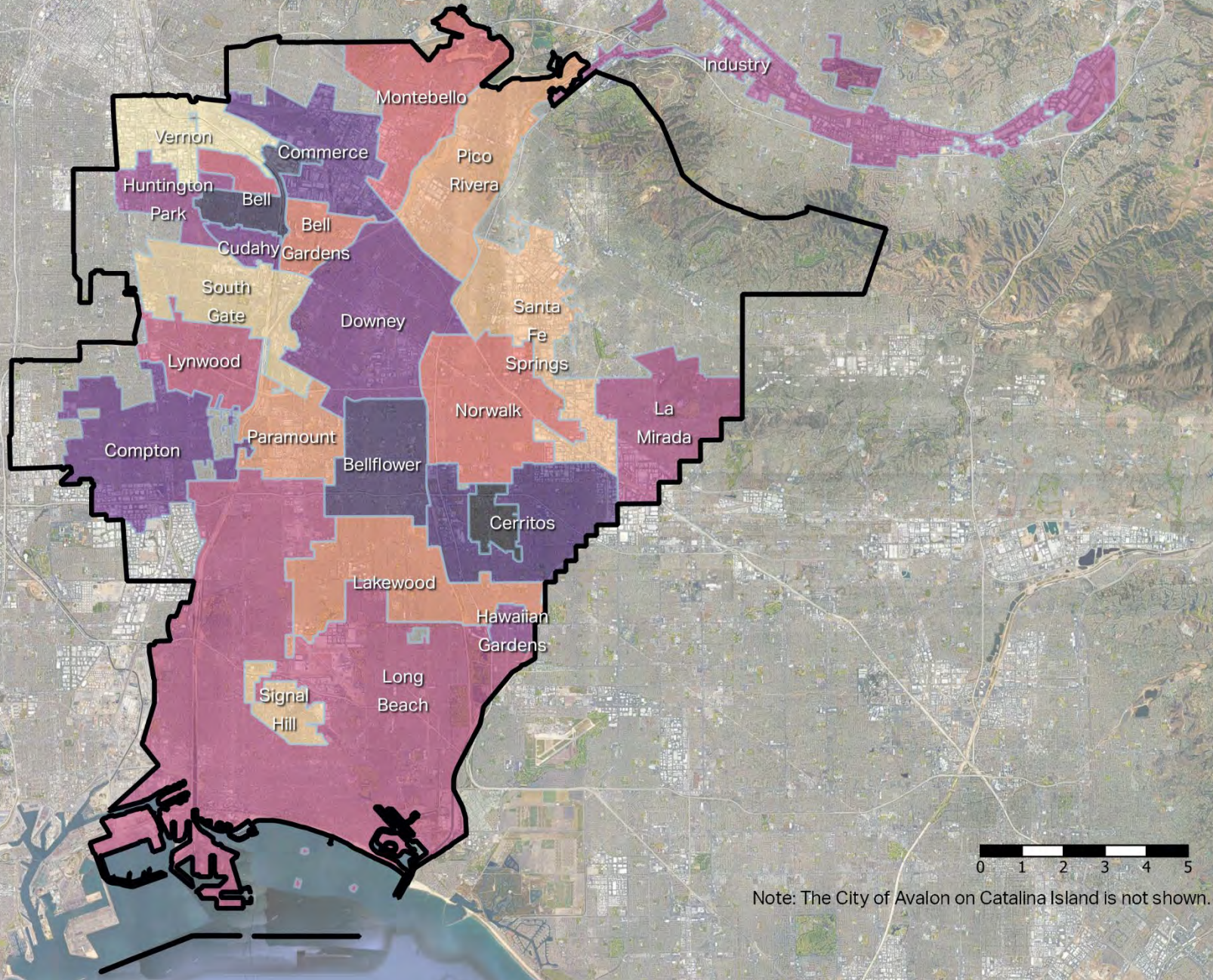
LCA 1	LCA 2	LCA 3	LCA 4
<ul style="list-style-type: none"> <li>• Bell</li> <li>• Bell Gardens</li> <li>• Commerce</li> <li>• Cudahy</li> <li>• Huntington Park</li> <li>• Maywood</li> <li>• South Gate</li> <li>• Vernon</li> </ul>	<ul style="list-style-type: none"> <li>• La Mirada</li> <li>• Montebello</li> <li>• Pico Rivera</li> <li>• Santa Fe Springs</li> <li>• Whittier</li> </ul>	<ul style="list-style-type: none"> <li>• Artesia</li> <li>• Bellflower</li> <li>• Cerritos</li> <li>• Compton</li> <li>• Downey</li> <li>• Lynwood</li> <li>• Norwalk</li> <li>• Paramount</li> </ul>	<ul style="list-style-type: none"> <li>• Hawaiian Gardens</li> <li>• Lakewood</li> <li>• Signal Hill</li> </ul>

The cities of Avalon, Industry, and Long Beach are not part of an LCA. Each of those three cities acts as its own lead agency for the provision of services.

<sup>1</sup> California Affordable Housing Needs Report 2022 is available at <https://chpc.net/resources/california-affordable-housing-needs-report-2022/>.



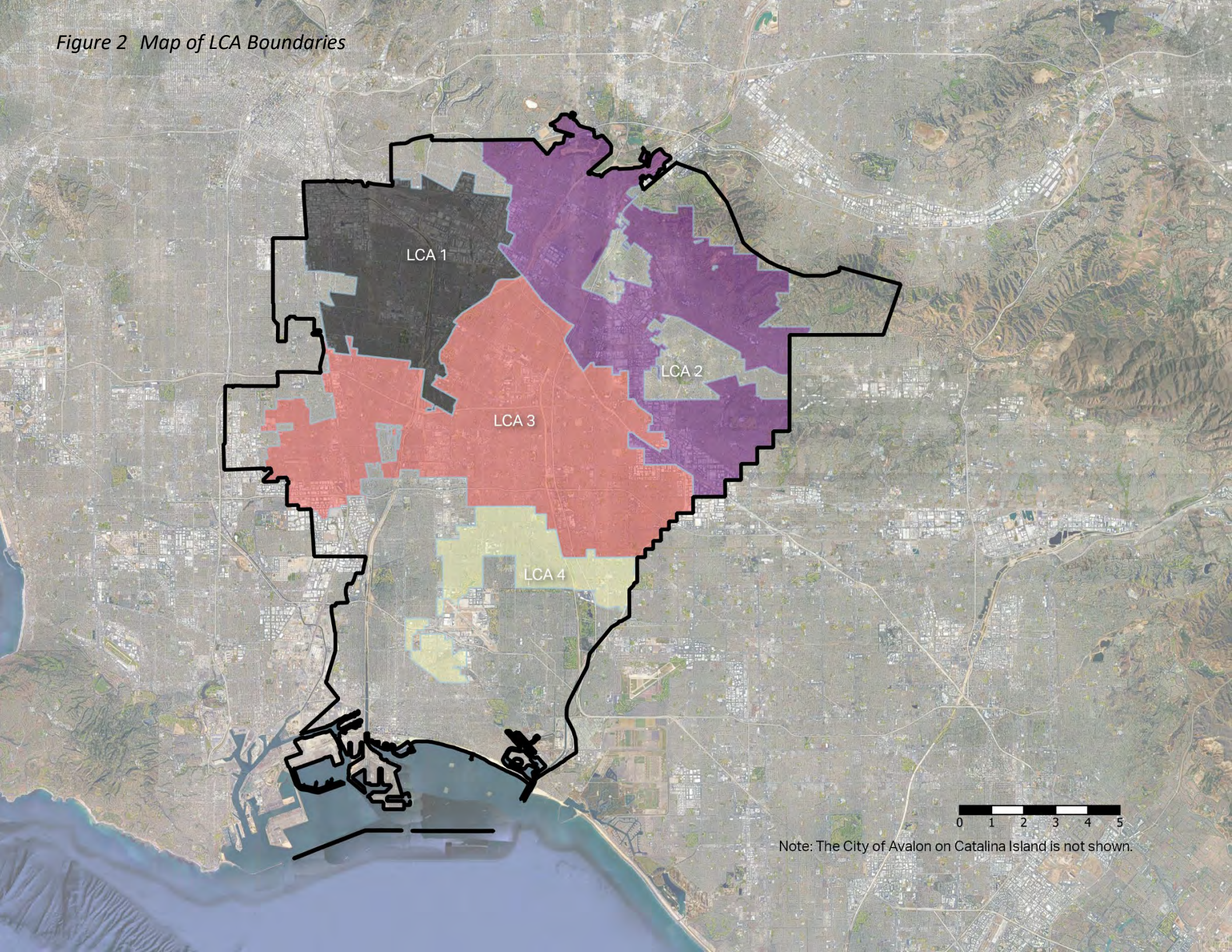
Figure 1 Map of the Gateway Cities Subregion



Note: The City of Avalon on Catalina Island is not shown.



Figure 2 Map of LCA Boundaries



LCA 1

LCA 2

LCA 3

LCA 4



Note: The City of Avalon on Catalina Island is not shown.



# Housing Needs and Affordability in the Gateway Cities

As part of the Southern California Association of Governments, the cities in the Gateway Cities subregion are currently in the process of updating their Housing Elements to accommodate their Sixth Cycle Regional Housing Needs Assessment Allocation. For the planning period from 2021 through 2029, the cities within the Gateway Cities subregion have been allocated a total of 76,709<sup>2</sup> new homes at all income levels. The number of new homes at each income level, by city and LCA, is shown in Table 2, *Gateway Cities Housing Needs*, on the next page.

The housing needs are broken down by income level, which is calculated annually by the California Department of Housing and Community Development (HCD). The income limits for Los Angeles County for 2022 are shown in Table 2, *2022 Income Limits for Los Angeles County*. HCD calculates income limits based on U.S. Department of Housing and Urban Development (HUD) revisions to the Public Housing and Section 8 Income Limits that HUD releases annually.

The very low-income limits are the basis for all other income limits. The very low income limit typically reflects 50% of Area Median Income (AMI). The acutely low income limit represents 15% of AMI, the extremely low income limit represents 30% of AMI, and the low income limit represents 80% percent of AMI.

**Table 2 2022 Income Limits for Los Angeles County**

Household Size	1	2	3	4	5	6	7	8
Acutely Low (15% AMI)	8,400	9,600	10,800	12,000	12,950	13,900	14,900	15,850
Extremely Low (30% AMI)	24,850	28,400	31,950	35,450	38,300	41,150	44,000	46,800
Very Low (50% AMI)	41,400	47,300	53,200	59,100	63,850	68,600	73,300	78,050
Low (80% AMI)	66,250	75,700	85,150	94,600	102,200	109,750	117,350	124,900
Median <sup>3</sup>	56,000	64,000	72,000	80,000	86,400	92,800	99,200	105,600
Moderate (120% AMI)	67,200	76,800	86,400	96,000	103,700	111,350	119,050	126,700

In total, 21,271 very-low income, 11,067 low income, 11,570 moderate income, and 32,801 above moderate income homes need to be built in the Gateway Cities subregion, in order for the cities to meet their housing needs over the next eight years. In contrast, through the end of the eight years from 2013 through 2021, 480 very-low income, 312 low income, 424 moderate income, and 3,244 above

<sup>2</sup> The SCAG 6<sup>th</sup> Cycle Final RHNA Allocation Plan states that a total of 71,678 new homes are required within the Gateway Cities COG. However, adding up the number of new homes required in each city that’s a member of the COG, the total is 76,709.

<sup>3</sup> Due to adjustments made to the income limits in Los Angeles County for high housing cost relative to income, the application of state non-metropolitan income limits in low-income areas, and national maximums in high-income areas, the low income limit exceeds the area median income for the County.

**Table 3 Gateway Cities Housing Needs**

City	Very-low Income	Low Income	Moderate Income	Above-Moderate Income	Total
<b>LCA 1</b>					
Bell	43	24	29	133	229
Bell Gardens	100	29	72	302	503
Commerce	55	22	39	131	247
Cudahy	80	36	53	224	393
Huntington Park	264	196	243	902	1,605
Maywood	55	47	55	208	365
South Gate	2,136	994	1,173	3,979	8,282
Vernon	5	4	-	-	9
<b>LCA 1 Subtotal</b>	<b>2,738</b>	<b>1,352</b>	<b>1,664</b>	<b>5,879</b>	<b>11,633</b>
<b>LCA 2</b>					
La Mirada	634	342	320	666	1,962
Montebello	1,314	707	777	2,388	5,186
Pico Rivera	299	146	149	430	1,024
Santa Fe Springs	253	159	152	388	952
Whittier	1,025	537	556	1,321	3,439
<b>LCA 2 Subtotal</b>	<b>3,525</b>	<b>1,891</b>	<b>1,954</b>	<b>5,193</b>	<b>12,563</b>
<b>LCA 3</b>					
Artesia	312	168	128	461	1,069
Bellflower	1,015	488	553	1,679	3,735
Cerritos	679	345	332	552	1,908
Compton	235	121	131	517	1,004
Downey	2,079	946	915	2,585	6,525
Lynwood	377	139	235	807	1,558
Norwalk	1,546	759	658	2,071	5,034
Paramount	92	43	48	181	364
<b>LCA 3 Subtotal</b>	<b>6,335</b>	<b>3,009</b>	<b>3,000</b>	<b>8,853</b>	<b>21,197</b>
<b>LCA 4</b>					
Hawaiian Gardens	61	44	46	180	331
Lakewood	1,296	637	653	1,336	3,922
Signal Hill	161	78	90	188	517
<b>LCA 4 Subtotal</b>	<b>1,518</b>	<b>759</b>	<b>789</b>	<b>1,704</b>	<b>4,770</b>
<b>Unaffiliated Cities</b>					
Avalon	8	5	3	11	27
Industry	6	4	2	5	17
Long Beach	7,141	4,047	4,158	11,156	26,502
<b>Unaffiliated City Subtotal</b>	<b>7,155</b>	<b>4,056</b>	<b>4,163</b>	<b>11,172</b>	<b>26,546</b>
<b>Grand Total</b>	<b>21,271</b>	<b>11,067</b>	<b>11,570</b>	<b>32,801</b>	<b>76,709</b>



Moderate income homes<sup>4</sup> were built in the subregion. Table 4, *Housing Production Compared to Housing Needs*, shows the needed homebuilding over the next eight years as it compares to the homebuilding of the preceding eight years, illustrating the dramatic increase in homebuilding needed throughout the subregion at every income level.

**Table 4 Housing Production Compared to Housing Needs**

Planning Period	Very-low Income	Low Income	Moderate Income	Above-Moderate Income	Total
2013-2021	480	312	424	3,244	4,460
2022-2029	21,271	11,067	11,570	32,801	76,709
Additional housing production	20,791	10,755	11,146	29,557	72,249

Production of affordable housing in the City of Long Beach accounts for a significant number of the total housing production in the subregion over the previous planning period, as well as the state identified housing needs for the next planning period. As shown in Table 5, *Housing Production Compared to Housing Needs, Except Long Beach*, removing Long Beach from the totals shows that 14,130 very-low income, 7,020 low income, 7,412 moderate income, and 21,645 above-moderate income homes need to be built in the remainder of the Gateway Cities over the next eight years. In context, that’s 47,666 more homes over the next eight years than were built in those cities over the previous eight years.

**Table 5 Housing Production Compared to Housing Needs, Except Long Beach**

Planning Period	Very-low Income	Low Income	Moderate Income	Above-Moderate Income	Total
2013-2021	174	250	424	1,693	2,541
2022-2029	14,130	7,020	7,412	21,645	50,207
Additional housing production	13,956	6,770	6,988	19,952	47,666

Throughout the Gateway Cities, including in the City of Long Beach, the region needs a total of **32,338 new low and very-low income homes** which will require some amount of subsidy through Low Income Housing Tax Credits, project based vouchers, or other government funding sources in order to feasibly be constructed.

#### Homelessness in the Gateway Cities

Homelessness has been a particular concern throughout Southern California and in the Gateway Cities in recent years. In order to track progress on reducing homelessness, the County of Los Angeles and the City of Long Beach each conduct a Point in Time Count of the residents experiencing homelessness. (However, due to the COVID-19 pandemic, the Point in Time Count was not conducted in 2021.) Table 6, *Residents Experiencing Homelessness*, shows the number of residents experiencing homelessness in the subregion.

<sup>4</sup> Data compiled from the California Department of Housing and Community Development’s Annual Progress Report Permit Summary for the 5<sup>th</sup> Cycle reporting period as of June 25, 2019, located at [https://www.hcd.ca.gov/community-development/housing-element/docs/annual\\_progress\\_report\\_permit\\_summary.xlsx](https://www.hcd.ca.gov/community-development/housing-element/docs/annual_progress_report_permit_summary.xlsx)

**Table 6 Residents Experiencing Homelessness<sup>5</sup>**

	2022	2021	2020	2019	2018	2017	2016	
<b>LCA 1</b>								
Bell	146	No Data	493	495	134	140	145	
Bell Gardens	133		83	150	105	93	102	
Commerce	83		182	295	490	321	350	
Cudahy	47		23	76	32	31	73	
Huntington Park	86		282	195	309	211	97	
Maywood	19		47	24	18	89	118	
South Gate	340		399	357	259	157	108	
Vernon	9		70	156	126	22	80	
<b>LCA 1 Subtotal</b>	<b>863</b>			<b>1,579</b>	<b>1,748</b>	<b>1,473</b>	<b>1,064</b>	<b>1,073</b>
<b>LCA 2</b>								
La Mirada	41	No Data	40	29	53	12	33	
Montebello	227		170	158	340	359	52	
Pico Rivera	166		170	205	204	215	106	
Santa Fe Springs	346		161	178	274	171	72	
Whittier	127		230	283	178	203	244	
<b>LCA 2 Subtotal</b>	<b>907</b>			<b>771</b>	<b>853</b>	<b>1,049</b>	<b>960</b>	<b>507</b>
<b>LCA 3</b>								
Artesia	0	No Data	24	24	16	8	8	
Bellflower	175		242	148	135	166	213	
Cerritos	101		46	53	58	66	27	
Compton	644		652	430	365	384	383	
Downey	218		258	174	180	124	200	
Lynwood	193		85	112	146	97	109	
Norwalk	311		168	200	262	316	193	
Paramount	180		85	105	83	110	50	
<b>LCA 3 Subtotal</b>	<b>1,822</b>			<b>1,560</b>	<b>1,246</b>	<b>1,245</b>	<b>1,271</b>	<b>1,183</b>
<b>LCA 4</b>								
Hawaiian Gardens	29	No Data	24	111	32	68	16	
Lakewood	86		77	96	98	105	45	
Signal Hill	27		46	50	36	28	35	
<b>LCA 4 Subtotal</b>	<b>142</b>			<b>147</b>	<b>257</b>	<b>166</b>	<b>201</b>	<b>96</b>
<b>Unaffiliated Cities</b>								
Avalon	34	No Data	31	34	42	6	18	
Industry	230		30	150	67	122	82	
Long Beach	3,296		2,034	1,894	No data	1,863	No data	
<b>Unaffiliated City Subtotal</b>	<b>3,560</b>			<b>2,095</b>	<b>2,078</b>	<b>109</b>	<b>1,991</b>	<b>100</b>
<b>Grand Total</b>	<b>7,294</b>			<b>6,152</b>	<b>6,182</b>	<b>4,042</b>	<b>5,487</b>	<b>2,959</b>

<sup>5</sup> Data compiled from the Los Angeles Homeless Service Authority (<https://www.lahsa.org/data?id=54-homeless-count-by-city-community>) and the City of Long Beach (<https://www.longbeach.gov/health/services/directory/homeless-services/homeless-count/>)



## Cost of Housing Construction

Over the last few years, construction costs have been skyrocketing. While an affordable housing development might have cost less than \$200,000 per unit in the past, it is not abnormal to see total development costs of over \$750,000 per unit in 2022, as shown in Table 7, *Development Costs for 2021 4% Tax Credit Applications in Los Angeles County*. There are several factors that have driven up construction costs in recent years, including supply chain issues related to the COVID-19 pandemic, a reduced construction labor pool since the Great Recession in 2008, and an increase in needed services for the households in affordable homes due to a greater number of homes being built for people experiencing homelessness.

The California Tax Credit Allocation Committee (TCAC) makes available the financing breakdown of affordable housing developments that apply for 4% tax credits. This data includes the total number of units and total project costs in the development. We can use these numbers to estimate the average per unit construction costs. Table 7, *Development Costs for 2021 4% Tax Credit Applications in Los Angeles County*, shows all 4% TCAC applications for projects in Los Angeles County with the exception of projects located in Lancaster and Palmdale since these cities have distinctly separate construction markets from the Gateway Cities region.

This average of approximately **\$530,000 per unit** includes a wide range of target populations, building types, and unit sizes. Unless a change occurs in the housing typology, the diversity of projects in 2021 will likely mirror the diversity of projects over the next eight years through the current planning cycle.

The most expensive housing to build is that which targets the region's population that is currently experiencing homelessness. The City of Los Angeles has been funding the development of housing for this population through funds made available through Measure HHH. Since these new developments target this specific population and are in close proximity to the Gateway Cities region, it is possible to use the development costs of Measure HHH projects to estimate the costs of development for projects in the Gateway Cities that would target the region's homeless population. According to a City of Los Angeles Controller report entitled *The Problems and Progress of Prop. HHH*<sup>6</sup>, the range of per unit development costs of projects currently under construction range from \$309,413 to \$765,118 with the average development cost of **\$596,486 per unit**.

Given 32,338 new low and very-low income housing units need to be constructed in the Gateway Cities subregion in this housing element cycle, the region will need just over \$17 billion, or about **\$2.1 billion annually**, in financing for affordable housing construction over the next eight years.

However, if the Gateway Cities were solely to focus on the permanent supportive housing need of its 6,105 homeless residents [NOTE: this is the 2020 PIT count number, it needs to be updated once the 2022 PIT count results are available], then the region would need just over **\$3.6 billion** in financing for new permanent supportive housing for the residents of the region who are experiencing homelessness right now.

---

<sup>6</sup> *The Problems and Progress of Prop. HHH* is available online at <https://lacontroller.org/audits-and-reports/problems-and-progress-of-prop-hhh/>.

**Table 7 Development Costs for 2021 4% Tax Credit Applications in Los Angeles County**

Project Name	Construction Type	City	Total Units	Total Project Costs	Costs per Unit
Building 209	Acquisition & Rehabilitation	Unincorporated	55	\$20,769,536	\$377,628
Canterbury Village	Acquisition & Rehabilitation	Santa Clarita	64	\$23,350,627	\$364,854
Little Tokyo Towers	Acquisition & Rehabilitation	Los Angeles	301	\$104,281,636	\$346,451
Plummer Village	Acquisition & Rehabilitation	North Hills	75	\$29,324,634	\$390,995
Jessie L. Terry Manor	Acquisition & Rehabilitation	Los Angeles	170	\$79,392,805	\$467,016
803 E 5th St	Adaptive Reuse	Los Angeles	95	\$57,562,665	\$605,923
Avalon 1355	Adaptive Reuse	Los Angeles	54	\$30,856,598	\$571,418
2400 Long Beach	New Construction	Long Beach	194	\$92,015,094	\$474,305
26 Point 2	New Construction	Long Beach	77	\$39,521,908	\$513,272
515 Pioneer Drive	New Construction	Glendale	340	\$149,446,817	\$439,549
619 Westlake	New Construction	Los Angeles	78	\$50,733,198	\$650,426
Anaheim & Walnut	New Construction	Long Beach	88	\$53,119,065	\$603,626
Barry Apartments	New Construction	Los Angeles	61	\$38,278,805	\$627,521
Beacon Landing	New Construction	Los Angeles	89	\$44,795,412	\$503,319
Central Apartments	New Construction	Los Angeles	57	\$35,561,286	\$623,882
Citrus Crossing	New Construction	Glendale	127	\$57,496,120	\$452,725
Corazón del Valle II	New Construction	Panorama City	90	\$51,815,767	\$575,731
East End Village	New Construction	Pomona	125	\$75,541,440	\$604,332
Lincoln Apartments	New Construction	Los Angeles	40	\$28,167,704	\$704,193
Long Beach Senior	New Construction	Long Beach	68	\$42,665,272	\$627,430
Lumina	New Construction	Los Angeles	55	\$30,098,382	\$547,243
Manchester Urban Homes	New Construction	Los Angeles	122	\$67,653,790	\$554,539
McDaniel House	New Construction	Los Angeles	47	\$22,042,881	\$468,997
Miramar Development	New Construction	Los Angeles	137	\$63,918,188	\$466,556
Montecito II Senior Housing	New Construction	Hollywood	64	\$41,297,830	\$645,279
Montesquieu Manor	New Construction	Los Angeles	53	\$29,111,279	\$549,269
My Angel	New Construction	North Hills	54	\$33,022,371	\$611,525
NoHo 5050 Apartments	New Construction	Los Angeles	40	\$24,005,515	\$600,138
Oak Apartments	New Construction	Los Angeles	64	\$37,787,205	\$590,425
Parkview Affordable Housing	New Construction	Los Angeles	127	\$80,247,200	\$631,868
Pasadena Studios	New Construction	Pasadena	181	\$44,605,631	\$246,440
Pointe on La Brea	New Construction	Los Angeles	50	\$32,100,380	\$642,008
QCK Apartments	New Construction	Quartz Hill	36	\$23,768,681	\$660,241



**Table 7 Development Costs for 2021 4% Tax Credit Applications in Los Angeles County**

Project Name	Construction Type	City	Total Units	Total Project Costs	Costs per Unit
Ramona Metro Point	New Construction	El Monte	51	\$30,665,431	\$601,283
Residency at the Entrepreneur Hollywood	New Construction	Los Angeles	200	\$98,327,704	\$491,639
Rousseau Residences	New Construction	Los Angeles	52	\$27,644,012	\$531,616
Santa Monica & Vermont Apartments	New Construction	Los Angeles	187	\$114,438,909	\$611,973
Southside Senior Housing	New Construction	Los Angeles	50	\$29,938,897	\$598,778
Thatcher Yard Housing	New Construction	Marina del Rey	98	\$63,366,720	\$646,599
The Banning	New Construction	Los Angeles	64	\$41,159,929	\$643,124
The Brine Residential	New Construction	Los Angeles	97	\$55,439,888	\$571,545
The Quincy	New Construction	Los Angeles	54	\$33,279,467	\$616,286
Pasadena Hope Center	New Construction	Pasadena	66	\$38,328,364	\$580,733
The Wilcox	New Construction	Los Angeles	62	\$39,342,044	\$634,549
Vermont Manchester Family	New Construction	Los Angeles	118	\$93,061,287	\$788,655
Vermont Manchester Senior	New Construction	Los Angeles	62	\$51,722,469	\$834,233
Voltaire Villas PSH	New Construction	Los Angeles	72	\$35,808,355	\$497,338
Washington Arts Collective	New Construction	Los Angeles	56	\$41,791,368	\$746,274
West Carson	New Construction	Unincorporated	230	\$112,744,444	\$490,193
West Carson Villas	New Construction	Torrance	111	\$62,956,819	\$567,179
Whittier HHH	New Construction	Los Angeles	64	\$32,023,061	\$500,360
<b>Total</b>			<b>4,972</b>	<b>\$2,636,394,890</b>	<b>\$530,248 (average)</b>

## Funding Availability for Affordable Housing & Services

There are numerous sources of funding for affordable housing available through both Federal and State programs to help the Gateway Cities subregion meet its low income housing needs. At the Federal level, these programs include the Low Income Housing Tax Credit program, the Affordable Housing Program, the HOME Investment Partnerships Program, Community Development Block Grants, and multiple voucher programs including Housing Choice Vouchers and the Veterans Affairs Supportive Housing program. At the State level, California offers numerous affordable housing financing programs available to both local governments and directly to affordable housing developers, including the Multifamily Housing Program, Permanent Local Housing Allocation, No Place Like Home, Project Homekey, the California Housing Accelerator Program, Mental Health Services Act, and the Special Needs Housing Program. Additionally, voters in the County of Los Angeles have approved Measure H, which provides a local source of financing for affordable housing. Each of these funding sources is detailed below as they relate to the Gateway Cities subregion.

### Low Income Housing Tax Credits

The primary source of financing for affordable housing in California is the Low-Income Housing Tax Credit (LIHTC) Program, which is a Federal program that was enacted as part of the Tax Reform Act of 1986. The LIHTC program is managed through the California Tax Credit Allocation Committee (TCAC). Affordable housing developers can apply for tax credits through TCAC for new developments. If awarded, developers are given tax credits over a period of 10 years, which are sold to a tax credit investor, which then becomes a partner in the affordable housing development. The amount of credits that a project receives is based on the project's development costs.

Tax credits come in two varieties, 9% credits and 4% credits. Projects receiving 9% tax credits can expect that the credits will pay for approximately 70% of the development costs of the project, while projects receiving 4% tax credits can only expect that the credits will pay for approximately 30% of the project costs. However, projects receiving 4% tax credits can also be awarded tax-exempt bonds, which enable them to receive less expensive debt financing to help make up for the shortfall in funding. All tax credit funded projects require additional gap financing from local government to pay for the unfunded portion of the development costs.

In addition to Federal tax credits, California makes additional State tax credits available for the development of affordable housing in the state.

### Available Tax Credits in the Gateway Cities

Tax credits are divided by specific set asides and geographic apportionment. Approximately 40% of the available tax credits are reserved for the set asides, with the balance of tax credits being apportioned geographically. The tax credit set asides are for nonprofits, rural projects, at-risk projects, and projects serving special needs populations. Projects awarded tax credits under any of these set asides can be located anywhere in the State and are not also apportioned geographically.

The geographic apportionment of tax credits includes an apportionment for Los Angeles County outside of the City of Los Angeles (the City of Los Angeles receives its own geographic apportionment.) Los Angeles County receives between \$11-12 million per year from the LIHTC program. The specific amount of tax credits available to affordable housing developments in the County of Los Angeles for the years

2018 through 2022 is shown in Table 8, *LIHTCs Available in Los Angeles County outside of City of Los Angeles*.

**Table 8** LIHTCs Available in Los Angeles County outside of City of Los Angeles

Year	Federal Credits	State Credits	Annual Adjusted Credits <sup>7</sup>
2022	\$ 9,834,434	\$ 14,599,961	\$ 11,294,430
2021	\$ 10,654,234	\$ 12,939,489	\$ 11,948,183
2020	\$ 10,736,819	\$ 11,880,923	\$ 11,924,911
2019	\$ 10,557,488	\$ 11,608,886	\$ 11,718,377
2018	\$ 10,406,040	\$ 10,406,040	\$ 11,103,322

Historically, projects within the Gateway Cities subregion have received a portion of this geographic apportionment, as well as the tax credit set asides. The amount of tax credits awarded to developments within the Gateway Cities subregion are shown in Table 9, *LIHTCs Awarded within Gateway Cities*. While the year-to-year award of tax credits in the Gateway Cities subregion varies widely based on the number and size of projects awarded funding. For instance, there were five tax credit projects funded in both 2020 and 2021, but each project funded in 2021 was larger and more expensive than any of the projects funded in 2020, therefore the total award in 2021 was over \$9 million more than in 2020. It can be anticipated that a similar average of tax credits will be awarded to developments within the Gateway Cities subregion going forward.

**Table 9** LIHTCs Awarded within Gateway Cities

Year	Number of Projects Awarded	Geographic Apportionment	Percent of Geographic Apportionment	Set Asides	Total Tax Credits Awarded
2021	5	\$13,429,745	112%	-	<b>\$13,429,745</b>
2020	5	\$3,044,787	26%	\$ 1,272,768	<b>\$ 4,317,555</b>
2019	2	\$4,691,753	40%	-	<b>\$ 4,691,753</b>
2018	1	\$1,911,237	17%	-	<b>\$ 1,911,237</b>
<b>Average Annual Award</b>	<b>3.25</b>	<b>\$5,769,380</b>	<b>49%</b>	<b>\$ 318,192</b>	<b>\$ 6,087,572</b>

Given the historical data, and unless changes are made to attract more competitive affordable housing projects relative to projects in the rest of Los Angeles County, it can be anticipated that developments in the Gateway Cities subregion can expect to receive approximately half, or about \$6 million, per year of the tax credits available to Los Angeles County through the LIHTC program.

However, when a project is awarded tax credits, the developer must find a tax credit investor that will purchase the tax credits and invest in the project. The tax credit investor becomes the limited partner to the limited partnership that develops and operates the affordable housing development that received the tax credit award. However, tax credits are not sold on a dollar for dollar basis, and are often sold for

<sup>7</sup> The Adjusted Credit amounts are calculated as follows: (Annual Federal Credit x 10 + Total State Credit)/10.



\$0.90 or less for every dollar of tax credit awarded. So, while over \$6 million in tax credits may be awarded to the Gateway Cities, that only translates to about **\$5.4 million** in available funding for affordable housing in the region.

#### Tax Credit Scoring

The LIHTC Program in California is competitive. Applications submitted to TCAC are scored on a number of factors. Typically, the differentiating factor between applications is the neighborhood amenities surrounding a proposed development. The neighborhood amenities that TCAC scores applications on include transit amenities, public parks, community centers, libraries, grocery stores, schools, medical clinics or hospitals, and pharmacies.

**Table 10 LIHTC Application Neighborhood Amenities**

Neighborhood Amenity	Maximum Points
Transit	7
Public Park or Community Center	3
Library	3
Grocery Store	5
Public School	3
Senior Center (for senior developments)	3
Special Needs Facility (for special needs developments)	3
Medical Clinic	3
Pharmacy	2
High Speed Internet	2
<b>Total</b>	<b>34</b>

While the maximum possible points for neighborhood amenities is 34, some amenities are mutually exclusive, and TCAC caps the number of points an application can earn from neighborhood amenities at 15. Transit amenities offer the most points from any single available amenity, and therefore affordable housing developments are often built within high quality transit corridors, as shown in Figure 3, *High Quality Transit Areas*.

However, due to this tendency to award tax credits to developments in concentrated areas around these high quality transit corridors, in 2018 the state legislature passed AB 686 to Affirmatively Further Fair Housing. AB 686 defines Affirmatively Furthering Fair Housing as “taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics.”

In response to this requirement to Affirmatively Further Fair Housing, HCD and TCAC developed an opportunity map as a way to measure and visualize place-based characteristics linked to critical life outcomes, such as educational attainment, earnings from employment, and economic mobility. This opportunity map categorized each census tract into one of five categories: Highest Resource; High Resource; Moderate Resource; Low Resource; and High Segregation & Poverty. Starting in 2022, TCAC is awarding 8 points for to applications that are located in Highest and High Resource areas. As shown in Figure 4, *Affirmatively Furthering Fair Housing Opportunity Areas*, the Highest and High Resource census

tracts within the Gateway Cities are located along the eastern edge of Long Beach, Artesia, Lakewood, Cerritos, La Mirada, and Whittier.

By combining the High Quality Transit Areas and Affirmatively Furthering Fair Housing Opportunity Areas as shown in Figure 5, *Transit Corridors and Opportunity Areas in Gateway Cities*, TCAC has ensured that applications for LIHTCs can now be competitive almost anywhere in the Gateway Cities subregion, with the exception of Paramount, Bellflower, Norwalk, and Santa Fe Springs.



Figure 3 High Quality Transit Areas

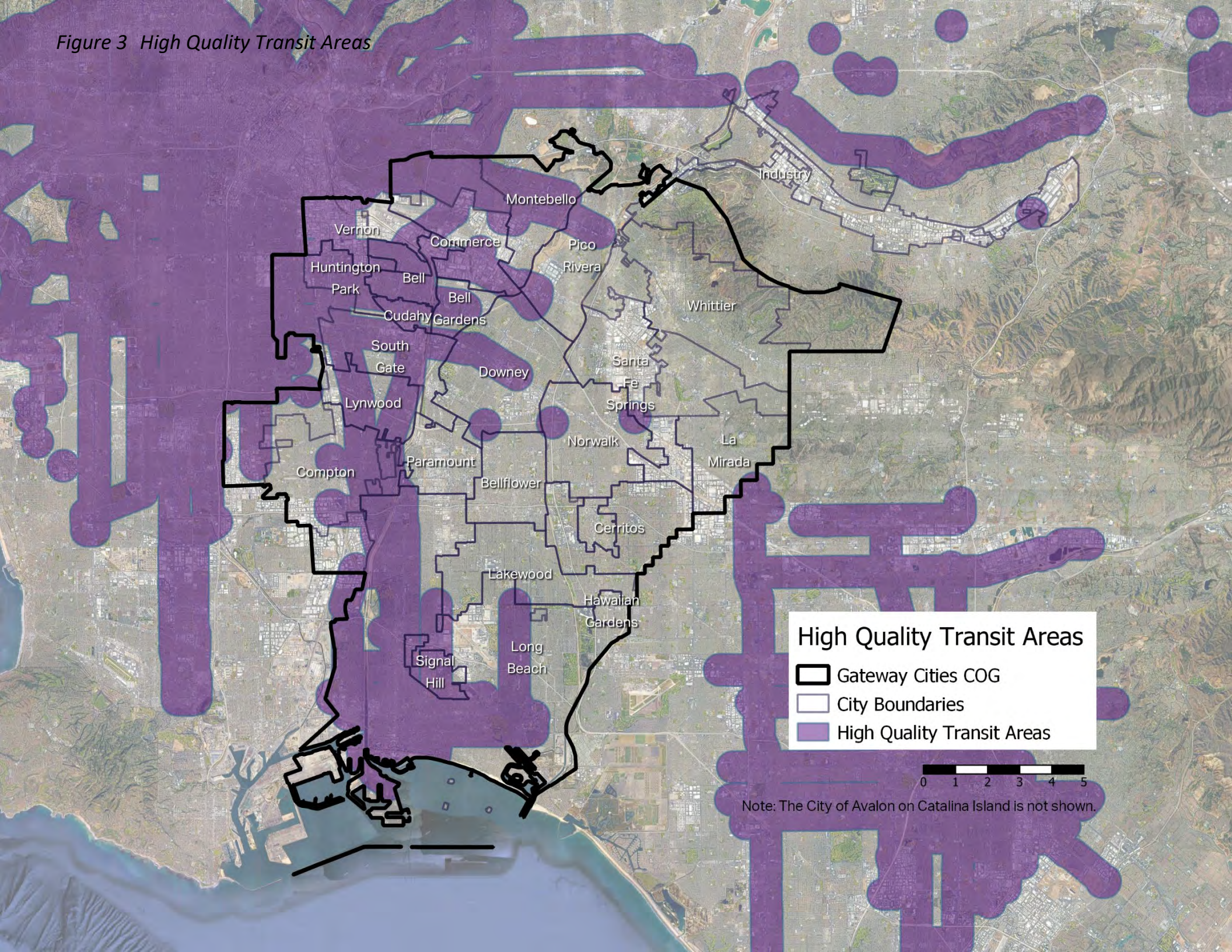
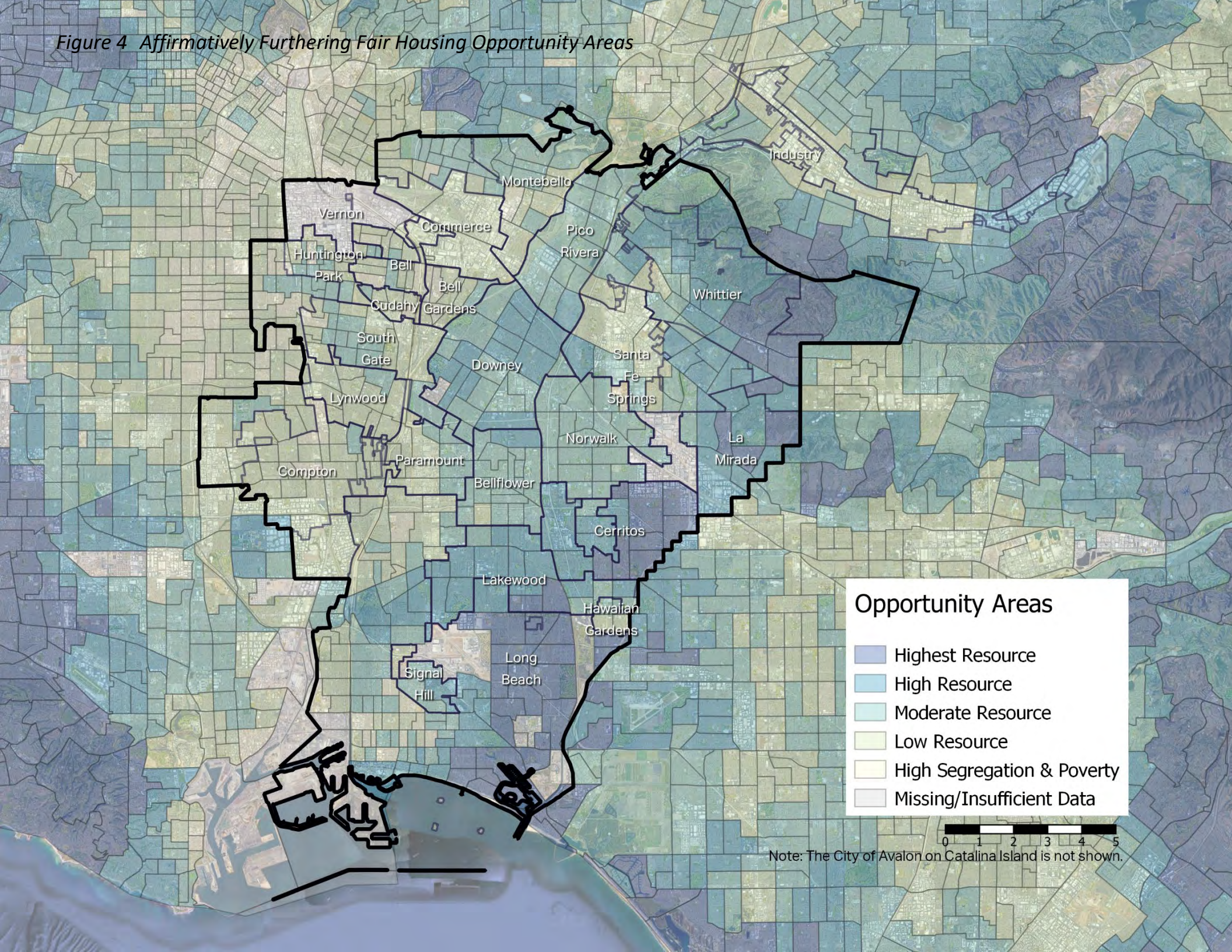




Figure 4 Affirmatively Furthering Fair Housing Opportunity Areas









## Affordable Housing Program

Under the Federal Home Loan Bank Act, financial institutions that are members of the Federal Home Loan Bank can apply for funding through the Affordable Housing Program (AHP). AHP funds have not historically been a significant source of financing for affordable housing developments, but they are an important source of gap financing for developments that wouldn't otherwise be built. Table 11, *AHP Funding in the Gateway Cities*, lists the amount of AHP funding awarded to developments in the Gateway Cities subregion each year over the past five years.

**Table 11      AHP Funding in the  
Gateway Cities**

Year	Number of Units	Amount
2021	6	\$ 150,000
2020	64	\$ 620,000
2019	244	\$ 1,929,000
2018	160	\$ 1,900,000
2017	130	\$ 1,260,700
<b>Average</b>	<b>127</b>	<b>\$ 1,353,283</b>

While the amount of AHP funds awarded to developments within the Gateway Cities subregion varies dramatically from year to year, and funds are awarded directly to developments and not to jurisdictions within the subregion, over the past five years the average amount of AHP funds awarded to developments in the subregion has been just over **\$1.35 million annually**.

## HOME Investment Partnerships Program

The HOME Investment Partnerships Program (HOME) provides formula grants to states and localities that communities use - often in partnership with local nonprofit groups - to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. HOME is the largest federal block grant to state and local governments designed exclusively to create affordable housing for low-income households. HOME funds are awarded annually as formula grants to participating jurisdictions. The program's flexibility allows states and local governments to use HOME funds for grants, direct loans, loan guarantees or other forms of credit enhancements, or rental assistance or security deposits.

Ten cities in the Gateway Cities subregion are participating jurisdictions that receive HOME funds. Table 12, *Gateway Cities HOME Awards*, lists the awards received by those participating jurisdictions from 2017 through 2021. In addition, the County of Los Angeles receives HOME funds for the unincorporated portions of the County as well as for cities that are not participating jurisdictions. While some of the County's HOME funds are used within the Gateway Cities subregion, it is not possible to quantify the amount of funds that are spent in the subregion from the available data.

While the amount of HOME funds awarded to participating jurisdictions in the Gateway Cities varies from year to year, over the past five years the average amount of HOME funds awarded to the subregion has been just over **\$6.5 million annually**. What is not certain is whether this funding is being used to create a new housing unit, preserve an existing one, or provide rental assistance to qualified households.



**Table 12 Gateway Cities HOME Awards<sup>89</sup>**

City	2021	2020	2019	2018	2017	Average
Compton	\$ 548,751	\$ 580,749	\$ 538,817	\$ 604,126	\$ 415,275	\$ 537,544
Downey	\$ 439,988	\$ 457,821	\$ 440,137	\$ 462,202	\$ 333,925	\$ 426,815
Huntington Park	\$ 601,519	\$ 639,661	\$ 607,124	\$ 650,206	\$ 454,925	\$ 590,687
Long Beach	\$ 2,825,606	\$ 2,901,396	\$ 2,744,653	\$ 3,011,176	\$ 2,170,329	\$ 2,730,632
Lynwood	\$ 542,802	\$ 561,055	\$ 483,156	\$ 535,587	\$ 351,383	\$ 494,797
Montebello	\$ 300,695	\$ 258,317	\$ 269,841	\$ 299,865	\$ 37,378	\$ 233,219
Norwalk	\$ 340,237	\$ 345,459	\$ 319,185	\$ 356,581	\$ 245,271	\$ 321,347
Paramount	\$ 300,303	\$ 309,301	\$ 303,294	\$ 339,517	\$ 244,799	\$ 299,443
South Gate	\$ 713,127	\$ 664,918	\$ 602,315	\$ 621,500	\$ 456,241	\$ 611,620
Whittier	\$ 349,465	\$ 345,446	\$ 303,865	\$ 338,545	\$ 254,707	\$ 318,406
<b>Total</b>	<b>\$ 6,962,493</b>	<b>\$ 7,064,123</b>	<b>\$ 6,612,387</b>	<b>\$ 7,219,305</b>	<b>\$ 4,964,233</b>	<b>\$ 6,564,508</b>

### Community Development Block Grant

Similar to the HOME program, HUD's Community Development Block Grant (CDBG) program provides funding directly to participating jurisdictions. The CDBG Program provides annual grants on a formula basis to states, cities, and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons. Unlike the HOME program, the CDBG program is not primarily focused on providing funding for affordable housing. However, CDBG may be used for affordable housing through the acquisition of real property, relocation and demolition expenses, and rehabilitation of affordable homes. Table 13, *Gateway Cities CDBG Awards*, lists the awards received by participating jurisdictions in the Gateway Cities subregion from 2017 through 2021. Just like with the HOME funds, the County of Los Angeles receives CDBG funds for the unincorporated portions of the County as well as for cities that are not participating jurisdictions. While some of the County's CDBG funds are used within the Gateway Cities subregion, it is not possible to quantify the amount of funds that are spent in the subregion from the available data.

**Table 13 Gateway Cities CDBG Awards<sup>10, 11</sup>**

City	2021	2020	2019	2018	2017	Average
Compton	\$ 1,478,712	\$ 1,511,679	\$ 1,561,004	\$ 1,574,119	\$ 1,450,717	\$ 1,515,246
Downey	\$ 1,070,264	\$ 1,094,600	\$ 1,064,459	\$ 1,070,413	\$ 980,589	\$ 1,056,065
Huntington Park	\$ 1,234,337	\$ 1,276,124	\$ 1,230,354	\$ 1,276,096	\$ 1,228,240	\$ 1,249,030
Long Beach	\$ 5,892,136	\$ 6,151,677	\$ 6,095,423	\$ 6,099,577	\$ 5,516,208	\$ 5,951,004
Lynwood	\$ 1,078,831	\$ 1,133,803	\$ 1,195,581	\$ 1,265,127	\$ 1,189,997	\$ 1,172,668

<sup>8</sup> In 2021, additional HOME funding was awarded to each participating jurisdiction through the American Rescue Plan. However, the HOME-ARP funds were one-time funds, and are not included in this table.

<sup>9</sup> Data gathered from HUD Exchange (<https://www.hudexchange.info/>) as of February 2022.

<sup>10</sup> In 2021, additional CDBG funding was awarded to participating jurisdictions through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. However, this additional funding was one-time funds, and are not included in this table.

<sup>11</sup> Data gathered from HUD Exchange (<https://www.hudexchange.info/>) as of February 2022.

**Table 13 Gateway Cities CDBG Awards<sup>10, 11</sup>**

City	2021	2020	2019	2018	2017	Average
Montebello	\$ 687,276	\$ 665,346	\$ 677,645	\$ 669,491	\$ 597,005	\$ 659,353
Norwalk	\$ 1,237,215	\$ 1,270,803	\$ 1,235,346	\$ 1,219,829	\$ 1,117,199	\$ 1,216,078
Paramount	\$ 777,492	\$ 793,735	\$ 802,549	\$ 872,132	\$ 825,885	\$ 814,359
South Gate	\$ 1,474,886	\$ 1,487,150	\$ 1,463,262	\$ 1,456,142	\$ 1,359,496	\$ 1,448,187
Whittier	\$ 730,307	\$ 752,926	\$ 752,486	\$ 783,146	\$ 722,211	\$ 748,215
<b>Total</b>	<b>\$15,661,456</b>	<b>\$16,137,843</b>	<b>\$16,078,109</b>	<b>\$16,286,072</b>	<b>\$14,987,547</b>	<b>\$15,830,205</b>

While the amount of CDBG funds awarded to participating jurisdictions in the Gateway Cities varies from year to year, over the past five years the average amount of CDBG funds awarded to the subregion has been just over \$15.8 million annually. However, as stated above, CDBG is not primarily focused on providing funding for affordable housing so the majority of these funds will not be expended on the development of new affordable housing. Based upon the assumption that cities will spend no more than 10% of their available CDBG funds on the allowable uses that will provide direct assistance in developing additional housing. Therefore, the Gateway Cities region will have no more than **\$1.6 million annually** in CDBG funds for affordable housing.

#### Housing Choice Vouchers

The Federal government makes various types of housing vouchers available to local governments and directly to qualifying low income residents. HUD administers the Housing Choice Voucher Program, which provides for rental assistance directly to households. These vouchers are administered through local public housing authorities. Local public housing authorities can use up to 20% of their Housing Choice Vouchers for Project Based Vouchers (PBVs), which provide for a rental subsidy to specific projects instead of individual households. As part of the Housing Choice Voucher Program, there are also specialty vouchers for specific populations, such as Mainstream Vouchers to help people with disabilities live independently, Family Unification Vouchers to assist families where the lack of adequate housing has caused (or is threatening to cause) a child to be removed from the family, and HUD-Veterans Affairs Supportive Housing (HUD-VASH) vouchers for homeless veterans in need of supportive housing.

With the exception of PBVs, Housing Choice Vouchers are awarded to households, and are used to pay the difference between what is affordable for the household to pay and the market rate rent. Housing Choice Vouchers allow low-income households are free to find their own housing on the open market, instead of only being able to find assistance through public housing or a deed-restricted affordable housing unit.

In the Gateway Cities region, there are six local public housing agencies that receive an allocation of Housing Choice Vouchers: Los Angeles County; Long Beach; Compton; Norwalk; South Gate; and Hawaiian Gardens. As shown on the next page in Table 14, *Housing Choice Vouchers*, as of February 2022, these public housing agencies have a total budget authority of \$9,848,907 without the County of Los Angeles and \$37,627,962 with the County of Los Angeles (although the \$27 million allocated to the County is for use within the entire County, not just the Gateway Cities region.)

With that budget allocation, the public housing agencies provide a total of 31,364 households with vouchers, including 2,338 PBVs. However, the PBVs account for only about 7.45% of all vouchers in the region, which is much less than the maximum of 20% that the public housing agencies could allocate. The advantage of allocating vouchers to PBVs instead of to individual households is that the voucher will pay the difference between the restricted rent and the fair market rent, which provides for higher income to the development that can be leveraged to bring in additional funding for affordable housing.

By reallocating Housing Choice Vouchers to Project Based Vouchers, the local public housing agencies within the Gateway Cities region (not including the County of Los Angeles), can allocate an additional \$1 million for affordable housing development. These funds can then be leveraged at approximately 4:1, to bring in a total of approximately **\$5 million of additional funding** for the development of affordable housing in the region.

### Multifamily Finance Super NOFA

In March 2022, the California Department of Housing and Community Development (HCD) released its Multifamily Finance Super Notice of Funding Availability (Super NOFA) which combined numerous affordable housing finance programs into one NOFA. The Super NOFA makes approximately \$650 million in funds available for the development of affordable housing throughout California. The Super NOFA is comprised of funds from programs that were previously offered separately, including the Multifamily Housing Program (MHP), Veterans Housing and Homelessness Prevention (VHHP) Program, Joe Serna, Jr. Farmworker Housing Grant (FWHG) Program, and the Infill Infrastructure Grant (IIG) Program.

Each of these funding sources within the Super NOFA targets different needs within the state's housing market. MHP provides loans to assist the new construction, rehabilitation, and conversion of permanent and transitional rental housing for lower income households. VHHP provides funds for acquisition, construction, rehabilitation, and preservation of affordable multifamily housing for Veterans and their families to allow Veterans to access and maintain housing stability. The FWHG program provides construction loans or deferred loans for multifamily housing, new construction, or rehabilitation to serve agricultural workers with a priority for lower income households. The IIG program provides grant assistance available as gap funding for infrastructure improvements necessary for specific residential or mixed-use infill development projects. The funding available from each program is shown in Table 15, *Available Super NOFA Funding*.

**Table 14 Housing Choice Vouchers<sup>12</sup>**

Public Housing Agency	Budget Authority	Housing Assistance Payments	Unused Budget Authority	Households with Vouchers	Project Based Vouchers	Percent PBV	Approx. Max PBV Amount	Approx. PBV Used	Remaining PBV Available
Los Angeles County	\$27,779,055	\$27,661,939	\$ 117,116	22,917	1,581	6.90%	\$5,555,811	\$1,916,424	\$3,639,387
Long Beach	\$ 8,045,585	\$ 8,362,415	(\$316,830)	6,806	717	10.53%	\$1,609,117	\$ 847,588	\$ 761,529
Compton	\$ 673,499	\$ 633,854	\$ 39,645	578	0	0.00%	\$ 134,700	\$ 0	\$ 134,700
Norwalk	\$ 633,971	\$ 612,833	\$ 21,138	583	40	6.86%	\$ 126,794	\$ 43,497	\$ 83,297
South Gate	\$ 384,613	\$ 375,688	\$ 8,925	358	0	0.00%	\$ 76,923	\$ 0	\$ 76,923
Hawaiian Gardens	\$ 111,239	\$ 122,108	(\$ 10,869)	122	0	0.00%	\$ 22,248	\$ 0	\$ 22,248
<b>Total w/o LA County</b>	<b>\$ 9,848,907</b>	<b>\$10,106,898</b>	<b>(\$257,991)</b>	<b>8,447</b>	<b>757</b>	<b>8.96%</b>	<b>\$1,969,781</b>	<b>\$ 891,085</b>	<b>\$1,078,696</b>
<b>Total</b>	<b>\$37,627,962</b>	<b>\$37,768,837</b>	<b>(\$140,875)</b>	<b>31,364</b>	<b>2,338</b>	<b>7.45%</b>	<b>\$7,525,592</b>	<b>\$2,807,509</b>	<b>\$4,718,083</b>

<sup>12</sup> Data gathered from Housing Choice Voucher Data Dashboard ([https://www.hud.gov/program\\_offices/public\\_indian\\_housing/programs/hcv/dashboard](https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/dashboard)) as of February 2022.



**Table 15 Available Super NOFA Funding**

Funding Program	Approximate Funding Available
Multifamily Housing Program (MHP)	\$ 275 million
Veterans Housing and Homelessness Prevention (VHHP) Program	\$ 95 million
Joe Serna, Jr. Farmworker Housing Grant (FWHG) Program	\$ 80 million
Infill Infrastructure Grant (IIG) Program	\$ 200 million
<b>Total Super NOFA fund available</b>	<b>\$ 650 million</b>

Of this funding, only the \$275 million through MHP and the \$95 million through VHHP are available for the financing of affordable housing in the Gateway Cities region. The Gateway Cities region is not eligible for the funds through the FWHG program due to the area not being a rural area with farmworker housing, and the IIG program is not directly a housing financing program.

Funding through the Super NOFA is in part allocated by geography, with 44% of the total funds for projects located in Southern California (which includes Imperial, Kern, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Luis Obispo, Santa Barbara, and Ventura counties.) Of the \$370 million available for the financing of affordable housing, approximately \$160 million will be made through competitive awards to projects located in the Southern California counties.

HCD does not provide any additional geographic breakdown of funding. However, as shown in Table 16, *Gateway Cities Historic MHP Allocation*, past years funding under MHP can provide a guide for the percent of funding awarded to the Gateway Cities region historically.

**Table 16 Gateway Cities Historic MHP Allocation**

Year	Total MHP Allocation	Gateway Cities MHP Allocation	Gateway Cities Percent of MHP Allocation
2021	\$ 223,743,262	\$ 6,859,462	3.07%
2020	\$ 205,676,118	\$ 13,247,000	6.44%
2019	\$ 262,489,424	\$ 3,491,680	1.33%
<b>Total</b>	<b>\$ 691,908,804</b>	<b>\$ 23,598,142</b>	<b>3.41%</b>

Based on this, it is possible to estimate the amount of funds the Gateway Cities will receive on average annually through the Super NOFA. With \$370 million available through programs that can provide financing for affordable housing in the Gateway Cities region, and with the region securing approximately 3.4% of those funds annually, we can expect the region to receive approximately **\$12.5 million through the Super NOFA each year.**

#### Permanent Local Housing Allocation

In 2017, the California Legislature passed the Building Homes and Jobs Act which established a \$75 recording fee on real estate documents to increase the supply of affordable homes in California. The funds collected under this law are distributed to cities through the Permanent Local Housing Allocation (PLHA). There are two types of assistance under PLHA: formula grants to entitlement and non-

entitlement jurisdictions based on the formula prescribed under federal law for the Community Development Block Grant; and competitive grants to non-entitlement jurisdictions. Funding amounts under PLHA vary based on annual revenues to the State’s Building Homes and Jobs Trust Fund.

In the Gateway Cities, PLHA is allocated through a variety of methods. HCD allocates PLHA funds directly to all entitlement cities in the region, and some of the non-entitlement cities, and then allocates funds to the remaining non-entitlement cities through the Los Angeles County Development Authority (LACDA). Table 17, *Direct Allocation of PLHA Funds to Gateway Cities*, shows the funding levels over the first two years of the program for each city that receive a direct allocation of PLHA funds through HCD, including HCD’s estimated 5-year funding amount for 2021-2025.

**Table 17 Direct Allocation of PLHA Funds to Gateway Cities**

City	2019	2020	Estimated 5-Year Funding Amount	Estimated Annual Average Funding Amount
Artesia	\$ 135,728	\$ 204,479	\$ 814,372	\$ 162,874
Bellflower	\$ 513,624	\$ 798,332	\$ 3,081,744	\$ 616,349
Cerritos	\$ 109,213	\$ 169,751	\$ 655,278	\$ 131,056
Compton	\$ 769,720	\$1,196,383	\$ 4,618,320	\$ 923,664
Downey	\$ 520,279	\$ 808,676	\$ 3,121,674	\$ 624,335
Huntington Park	\$ 651,678	\$1,012,910	\$ 3,910,068	\$ 782,014
Industry	\$ 65,596	\$ 101,632	\$ 393,581	\$ 78,716
Lakewood	\$ 270,847	\$ 420,981	\$ 1,625,082	\$ 325,016
Long Beach	\$2,926,784	\$4,549,129	\$17,560,704	\$ 3,512,141
Lynwood	\$ 631,387	\$ 981,371	\$ 3,788,322	\$ 757,664
Montebello	\$ 316,758	\$ 492,340	\$ 1,900,548	\$ 380,110
Norwalk	\$ 592,762	\$ 921,336	\$ 3,556,572	\$ 711,314
Paramount	\$ 438,197	\$ 681,094	\$ 2,629,182	\$ 525,836
Pico Rivera	\$ 338,973	\$ 526,870	\$ 2,033,838	\$ 406,768
South Gate	\$ 721,320	\$1,121,154	\$ 4,327,920	\$ 865,584
Vernon	\$ 65,376	\$ 100,591	\$ 392,259	\$ 78,452
Whittier	\$ 383,190	\$ 595,595	\$ 2,299,140	\$ 459,828
<b>Total</b>	<b>\$9,451,432</b>	<b>\$14,682,624</b>	<b>\$56,708,604</b>	<b>\$11,341,721</b>

Table 18, *LACDA Allocation of PLHA Funds to Gateway Cities*, shows the funding level for the cities that receive funds through LACDA for the first two years of the program, along with each city’s percent of funding from LACDA’s total allocation.

**Table 18 LACDA Allocation of PLHA Funds to Gateway Cities**

City	2019	2020	Percent of LACDA Allocation	Estimated 5-Year Funding Amount	Estimated Annual Average Funding Amount
LACDA Allocation		\$17,136,461		66,150,756	
Avalon	\$24,932	\$38,751	0.23%	\$ 149,588	\$29,918
Bell	\$292,586	\$454,769	2.65%	\$ 1,755,515	\$351,103
Bell Gardens	\$376,671	\$585,463	3.42%	\$ 2,260,024	\$452,005
Commerce	\$75,553	\$117,432	0.69%	\$ 453,315	\$90,663
Cudahy	\$222,034	\$345,110	2.01%	\$ 1,332,205	\$266,441
Hawaiian Gardens	\$118,548	\$184,260	1.08%	\$ 711,287	\$142,257
La Mirada	\$160,011	\$248,706	1.45%	\$ 960,063	\$192,013
Maywood	\$256,740	\$399,054	2.33%	\$ 1,540,442	\$308,088
Santa Fe Springs	\$79,514	\$123,589	0.72%	\$ 477,083	\$95,417
Signal Hill	\$65,482	\$101,780	0.59%	\$ 392,895	\$78,579
<b>Total</b>	<b>\$1,672,071</b>	<b>\$2,598,914</b>	<b>15.17%</b>	<b>\$10,032,417</b>	<b>\$2,006,483</b>

In total, the Gateway Cities region can expect to receive approximately **\$13.3 million in funding through the PLHA program annually** for the development of affordable housing. However, only a small number of Gateway Cities jurisdictions have actually applied for either their 2019 or 2020 PLHA allocations. All of the Gateway Cities must apply for their allocated funding for 2021, when the 2022 PLHA NOFA is released in the fall of 2022, or they will lose their unclaimed allocations from previous years, which will be returned to the State Multifamily Housing Fund.

**Mental Health Services Act**

In 2004, the voters of California passed the Mental Health Services Act (MHSA) which created a 1% tax on annual incomes of individuals above \$1 million per year. These funds are used to expand and transform California's behavioral health system to better serve individuals with, and at risk of, serious mental health issues, and their families. One aspect of serving individuals with serious mental health issues is providing housing for those who are experiencing homelessness or are at risk of homelessness.

As shown in Table 19, the Los Angeles County Department of Mental Health (LACDMH) is expected to receive approximately \$500 million annually in MHSA funds. Of that, approximately \$35 million is budgeted to help clients who are homeless to obtain and retain interim and permanent housing.

**Table 19 LA County MHSA Housing Funding**

Year	FY 2021/22	FY 2022/23	FY 2023/24	Annual Average
Estimated New Funding	\$ 563,077,830	\$ 456,433,550	\$ 509,800,000	\$ 509,770,460
Estimated Housing Expenditure	\$ 35,431,191	\$ 35,073,361	\$ 35,133,304	\$ 35,212,619

The majority of the MHSA funding for housing is budgeted for direct assistance to LACDMH clients, and not to the development of new housing units for individuals with serious mental health issues.

However, through the No Place Like Home (NPLH) Program, which is funded by MHSA, and in collaboration with the Los Angeles County Development Authority (LACDA), \$390 million was committed for the development of 57 new MHSA housing developments that will add 1,854 MHSA units to the county's overall total unit count. It is not anticipated that NPLH will be an ongoing program even though MHSA is ongoing. Once all NPLH funds are expended, it is possible that LACDMH, in partnership with LACDA, will allocate additional MHSA funds to the production of new permanent supportive housing units. However, without a change in County policy, it is not expected that additional money will be available for the development of affordable housing using MHSA funds.

#### Los Angeles County Homeless Initiative

In March 2017, voters in Los Angeles County approved Measure H, which created and funded the Los Angeles County Homeless Initiative with a quarter cent sales tax for ten years. It is anticipated that this sales tax will generate \$355 million annually from 2017 through 2027. Of this, \$8 to \$15 million is budgeted annually to promote the development of affordable housing for those experiencing homelessness, as shown in Table 20, *LA County Homeless Initiative Funding*.

**Table 20 LA County Homeless Initiative Funding**

Year	FY 2017/18	FY 2018/19	FY 2019/20	Annual Average
Housing Development Budget	\$ 15,000,000	\$ 15,000,000	\$ 8,150,000	\$ 12,716,667

However, these funds are currently being used for landlord incentives to encourage existing landlords to adjust their rents so that existing Housing Choice Voucher holders will be eligible to rent their market-rate apartments. Measure H funding is not going towards the development of new homes.

#### Summary of Available Subsidy for Affordable Housing

**Table 21 Available Funding for Affordable Housing**

Program	Annual Funding Average
Low Income Housing Tax Credits	\$ 5,400,000
Affordable Housing Program	\$ 1,350,000
HOME Investment Partnership Program	\$ 6,500,000
Community Development Block Grants	\$ 1,600,000
Housing Choice Vouchers	\$ 1,000,000
Super NOFA	\$ 12,500,000
Permanent Local Housing Allocation	\$ 13,300,000
Mental Health Services Act	\$ 0
Los Angeles County Homeless Initiative	\$ 0
<b>Total</b>	<b>\$ 41,650,000</b>

In addition to these sources of funds, there have been various one-time funding programs such as No Place Like Home, the California Housing Accelerator Program, the Special Needs Housing Program, and Project Homekey that were funded through the Coronavirus Aid, Relief, and Economic Security (CARES)



Act, the American Rescue Plan, and other one-time or expired sources and are not expected to provide ongoing funding.

### Conventional financing

Conventional debt financing is often the largest source of funding for affordable housing developments. The amount of conventional debt financing that is available to an affordable housing development is incredibly variable, and it is difficult to make any sort of accurate predictions on the aggregate amount of financing that will be available across the region. It is possible to make some broad guesses based on historical data and anticipated changes to the lending market. However, this projection should be viewed with skepticism and the understanding that it is at best a rough estimate of the funding available.

Conventional debt financing is based on the interest rate and the amount of debt a development can pay back based on the restricted rental income from the units. Table 21, *Los Angeles County Rent Limits*, shows the rent limits for Los Angeles County as set by TCAC for commonly used income limits.

**Table 22 Los Angeles County Rent Limits**

Income Level	Studio	One Bedroom	Two Bedroom	Three Bedroom	Average
80% AMI	\$1,656	\$1,774	\$2,128	\$2,459	\$2,004
60% AMI	\$1,242	\$1,330	\$1,596	\$1,844	\$1,503
50% AMI	\$1,035	\$1,108	\$1,330	\$1,536	\$1,252
30% AMI	\$621	\$665	\$798	\$922	\$752

From these gross rents, project expenses must be paid before debt service. It can be anticipated that approximately half of the gross rent will go towards expenses, leaving the other half available for debt service. Lending institutions often expect to see an 80% loan to value ratio. That results in 40% of the gross rent from each unit going towards debt service.

Assuming that developers build approximately equal amounts of studio, one-, two-, and three-bedroom units across the region, it is possible to use the average gross rent for low and very-low income units. By doing so, it can be anticipated that each low income unit can use up to \$800/mo and each very-low income unit can use up to \$300/mo for debt service.

The other primary determinant for the amount of conventional debt financing available to affordable housing developments is the interest rate. Through the first half of 2022, interests rates have been increasing away from their historically low averages of the preceding decade. For purposes of this analysis, it is anticipated that the average interest rate for affordable housing developments over the next eight years will be 6%.

Given a 6% interest rate and a 30 year loan term, a low income unit can support approximately \$130,000 and a very-low income unit can support approximately \$50,000 in debt. Since each unit costs approximately \$530,000 to build, a low income unit needs a \$400,000 subsidy and a very-low income unit needs a \$480,000 subsidy.

## Funding Shortfall to Meet Housing Needs

There is a dramatic funding shortfall if the Gateway Cities are going to meet their affordable housing needs. Over the next eight years, 11,067 low and 21,271 very-low income homes must be built in the Gateway Cities in order for them to meet their state-mandated housing needs. At an average development cost of \$530,000 per unit, the total development cost of these units is approximately \$17 billion, or about \$2.1 billion annually. Of that \$17 billion, it is expected that approximately \$2.4 billion can be financed through conventional debt financing, if the remaining \$14.6 billion in necessary subsidy were to be available. Table 23, *Total Needed Subsidy*, shows the breakdown of needed subsidy per income level.

**Table 23 Total Needed Subsidy**

	Very-Low Income	Low Income	Total
Total Development Cost per Unit	\$ 530,000	\$ 530,000	
Conventional Debt Financing per Unit	\$ 50,000	\$ 130,000	
Subsidy per Unit	\$ 480,000	\$ 400,000	
Number of Units	21,271	11,067	32,338
<b>Total Needed Subsidy</b>	<b>\$ 10,210,080,000</b>	<b>\$ 4,426,800,000</b>	<b>\$ 14,636,880,000</b>

Currently, approximately \$41,650,000 annually in affordable housing financing flows into the Gateway Cities subregion from a variety of sources. Over the next eight years, this will provide for \$333.2 million in affordable housing subsidy, leaving a remaining gap in the necessary financing of over \$14.2 billion over eight years, or approximately **\$1.775 billion annually in additional affordable housing funds** to meet the needs of the subregion.

This is an overwhelming amount of money that the local governments in the Gateway Cities subregion do not have. However, a more manageable issue to address would be to end homelessness in the subregion through the construction of additional permanent supportive housing. Already, the majority of the affordable housing finance programs available in the region, especially Los Angeles County programs, are reserved for providing subsidy to permanent supportive housing. If the Gateway Cities region were to focus on the needs of the region’s homeless population, instead of on the broader need for affordable housing, it would need **\$3.9 billion** to provide enough housing for the region’s residents that are homeless today. This amount is a fraction of the over \$10 billion that is needed to meet the very-low income housing needs of the subregion, but would address the subregion’s deepest need.

Any solution to addressing the subregion’s housing needs will require significantly more money than is currently available. However, money alone is not a viable solution to the housing crisis. There is not enough public funds available to dedicate to housing to make up for the current funding shortfall. Cities, regions, and the State will need to pursue a “Yes, and” approach to addressing the housing crisis, where they pursue every available policy that will increase the production of housing at all income levels. A “yes, and” approach requires the subregion to pursue every available strategy for meeting its housing needs: increasing the available funding, instituting policy approaches such as inclusionary housing policies, encouraging accessory dwelling unit production, and facilitating land assembly, as well as approving new types of construction that will reduce the cost of development for affordable homes.