August 3, 2018

Strategic Growth Council
1400 Tenth Street
Sacramento, Ca 95814

Re: Proposed Updates to 2017-2018 Affordable Housing and Sustainable Communities (AHSC) Program Guidelines

Dear Strategic Growth Council,

Thank you for the opportunity to provide comments supporting the development of Round 4 of the Affordable Housing and Sustainable Communities (AHSC) Program. Habitat for Humanity (Habitat) is a nonprofit organization that brings people together to revitalize neighborhoods, build affordable and sustainable housing solutions, and empower families through successful homeownership.

We appreciate the immense effort that went into creating the guidelines and reviewing the applications for the first three rounds so quickly. We are pleased that our East Bay/Silicon Valley Habitat affiliate was the first and only homeownership program to receive funding; 1 million in the first year of the program for their Central Commons development in Fremont. Habitat also appreciates the time the Strategic Growth Council and Department of Housing and Community Development, and Air Resources Board staff have spent with outreach and workshops.

We are excited about the future of the AHSC Program and many of our local affiliates have been incorporating the goals of the program into upcoming developments as they move through the local planning process. However, the changes in each round of guidelines are significant and this concerns us as real estate development projects take years to plan and many features of a development are determined early on and are not easily changed. We believe there are some improvements that can be made to the guidelines and offer the following comments.

General:

1. Please consider scoring owner-occupied projects separately from rental projects. Housing funding has been reduced over last decade; homeownership has been disproportionately impacted at the state and federal level, and some homeownership is specifically excluded from many funding sources. Unlike rental projects, homeownership development projects are ineligible for funding through the Low Income Tax Credit program, thus, receiving significantly less funding.

2. Instead of focusing on units – in the application and CalEEMod – there should be a focus on bedrooms, which is more reflective of the number of people housed in the unit. We believe this funding should emphasize putting greater numbers of people who use transit near transit, not a greater number of units near transit. This is especially true in homeownership developments, which frequently serve families living in larger units resulting in a higher number of individuals served. By focusing on units versus bedrooms, it incentivizes developers to build smaller units that house less people – this is counterintuitive.

Specific:

Section 103(a)(1)(A)(iii) – Affordable Housing Development Capital Projects

3. We believe the new threshold requiring the overall Project average affordability to be no greater than 50% AMI discourages mixed-income developments and essentially eliminates developers of affordable ownership housing from applying for AHSC funding. Many Habitat developments are mixed-income communities that include moderate income housing along with lower income homes. Please consider increasing the average AMI requirement for ownership housing developments to 80% or moving this required threshold back to scoring criteria.

Section 104(c)(4)(D) – Assistance Terms and Limits

4. By prohibiting homeownership AHDs from being eligible for AHD loans, this limits the amount of money that developers of for-sale housing developments can apply for to $50,000 for HRI-related activities and does not allow these developers to apply for funding that can be used for other areas of housing development. Instead of limiting homeownership AHDs to only be eligible for HRI grants, please consider also providing AHSC Program assistance in accordance with the provisions of the CalHome Program as applicable. Habitat affiliates have many years of experience managing CalHome loans on behalf of HCD and could easily manage that through the AHSC Program, too.

   Additionally, please increase the HRI total first-time homebuyer grant amount to $100,000 per residential unit (not just Restricted Units).

Section 106(a)(7)

5. It is very difficult for a homeownership project to reach a 90% level of committed funding at the time of application. Home sales proceeds make up a significant portion of for-sale development project's funding source, but this money comes in at the end of the project when the homes are sold. This means that EFCs and the AHSC funding request cannot make up 90% of the project's total development costs unless home sales proceeds were to be considered an EFC. Please consider removing this requirement or allowing projected home sales proceeds to be considered an EFC.

Section 103(a)(1)(A)(iv)

6. In Round 1, the density requirement of 30 units per acre was included in the scoring criteria. However, this changed in Round 3 and moved to become a requirement We propose to movind density back into the criteria section. We would also like to propose moving easements back into the allowed deductible area to arrive at Density per Net Residential Area not density per gross land area.

   As for non-urban communities such as those in the Central Valley and in northern California counties, Habitat for Humanity supports guidelines such as suggested by the Rural Smart Growth Task Force that would require minimum densities of five units/acre. This standard would allow organizations like Habitat and Self-Help Enterprises to create homeownership opportunities for low-income households in a manner compatible with the community standards of rural areas and small towns.

Please consider our comments in developing the final guidelines, and please do not hesitate to contact Janice Jensen, CEO of the Habitat East Bay/Silicon Valley affiliate at jjensen@habitatEBSV or 510.803.3314, if you have any questions or concerns.

Sincerely,

Sharon Ellis

Sharon Ellis
Chair
Habitat for Humanity California