

**The Economics of Affordable Housing  
Development:  
Cost Drivers and How Nonprofit Developers  
Provide Long Term Affordability**

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Executive Director,  
Community Corp. of Santa Monica

# TODAY'S SPEAKERS



**Nicole Norori**

Director, Financial  
Consulting  
California Housing  
Partnership



**Tara Barauskas**

Executive Director,  
Community Corporation  
of Santa Monica

# ABOUT US: CHPC

- **Leadership in applied** research statewide, through publications, convenings and data tools that facilitate housing policy development and outcomes tracking
- **Advisor to many nonprofit AH developers and leaders statewide** on how to execute and plan for developments, legislation etc.



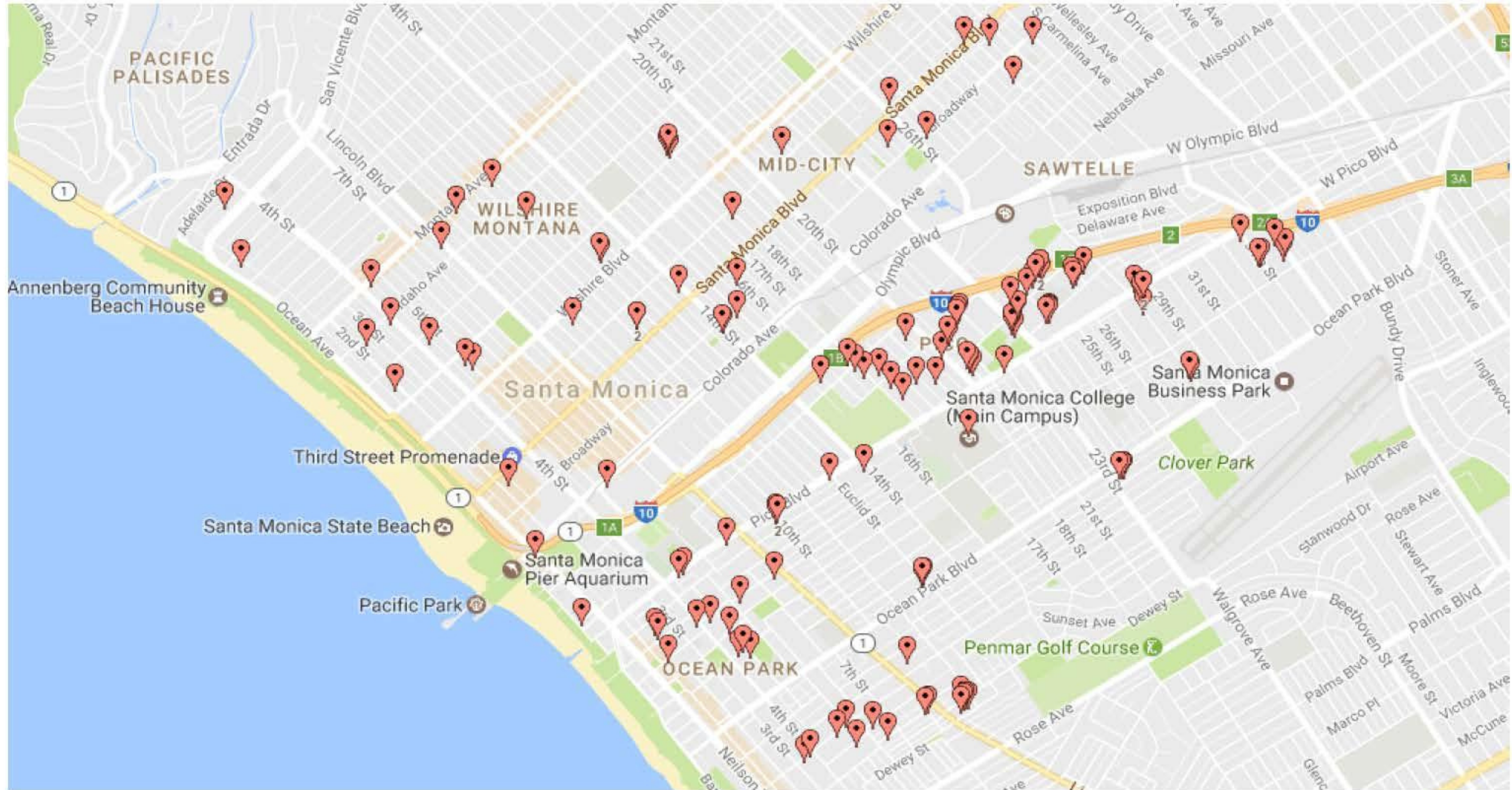
# ABOUT US: CCSM

- Nonprofit established in 1982
- Mission to improve lives w/ permanent affordable housing in high opportunity communities
- Over 1,900 units of affordable housing, 100 buildings, over 4,000 people served.  
Vertically integrated
- 3 projects under construction (all in SM), 2 starting next year (1 in SM, 1 in LA)





# Community Corp. of SANTA MONICA



# AFFORDABLE HOUSING DEVELOPMENT MODELS



# AFFORDABLE HOUSING MODEL

- Affordable housing in high opportunity/disadvantaged neighborhoods creates inclusion, integration and opportunity for improving circumstances and breaking the cycle of poverty
- High quality housing, well maintained + enviro sustainable
- Rents = permanently affordable; ranging from about \$450-\$1500 depending on income and size of household
  - Household income range \$18K - \$80K approximately. Families, seniors, homeless individuals



# AFFORDABLE HOUSING EXAMPLES

## New Construction:

- Las Flores
- 73 Units
- Completed in 2023





# AFFORDABLE HOUSING EXAMPLES

## Rehabilitation:

- Rehabilitated in 1991
- Historic preservation-almost 100 years old
- 15 units, 100% affordable



# AFFORDABLE HOUSING EXAMPLES

## Inclusionary Housing

- 1626 Lincoln Blvd. (at Colorado), Santa Monica
- 64 units for low-income families
- Completed 2018
- \$44 million total project cost
- NO City money
- LEED Platinum



# AFFORDABLE HOUSING EXAMPLES

## Modular Housing

- Berkeley Station
- 13 units
- TAY and family Housing



# AFFORDABLE HOUSING EXAMPLES

High Place West - 47 homes for families. Completed in 2011



# AFFORDABLE HOUSING SERVICES

AH provides resident services that uplift and engage the community



# THE NONPROFIT MODEL: WHY IT MATTERS



# THE UNIQUENESS OF THE NONPROFIT MODEL



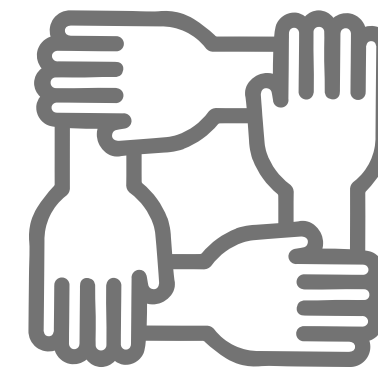
## MISSION DRIVEN PRIORITIES

WITH THE GOAL OF SERVING LOW INCOME  
RENTERS



## PERMANENTLY AFFORDABLE

UNLIKE PRIVATE DS WHO WILL FLIP IN A  
SHORT PERIOD TO TURN A PROFIT



## USES PRIVATE-PUBLIC PARTNERSHIPS

MAKING THE UNITS A PUBLIC ASSET BY  
FINANCING WITH PUBLIC SUBSIDIES

# WHY THE NONPROFIT HOUSING MODEL MATTERS

- Our communities are served by all these development models
- Affordable housing = long term public asset; financially front loaded to provide lasting affordability, maintenance and operations;
- NOT flipped for profit or short gains



# WHY THE NONPROFIT HOUSING MODEL MATTERS CONT.

- We must encourage the narrative that affordable housing is essential infrastructure that requires investment at scale across EVERY community.
- Affordable housing provides important investments in our communities and serves the public good for what it costs.

**THE COST OF  
AFFORDABLE  
HOUSING:  
FINANCING,  
COST DRIVERS  
AND WAYS TO  
INNOVATE**





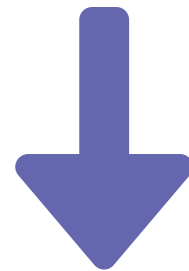
**AFFORDABLE  
HOUSING**



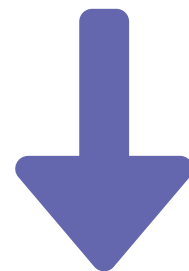
**AFFORBLE  
TO RENT**

# HOW AFFORDABLE HOUSING IS FINANCED

Low rents = Low Net Operating Income (NOI)



Low NOI = Small conventional mortgage



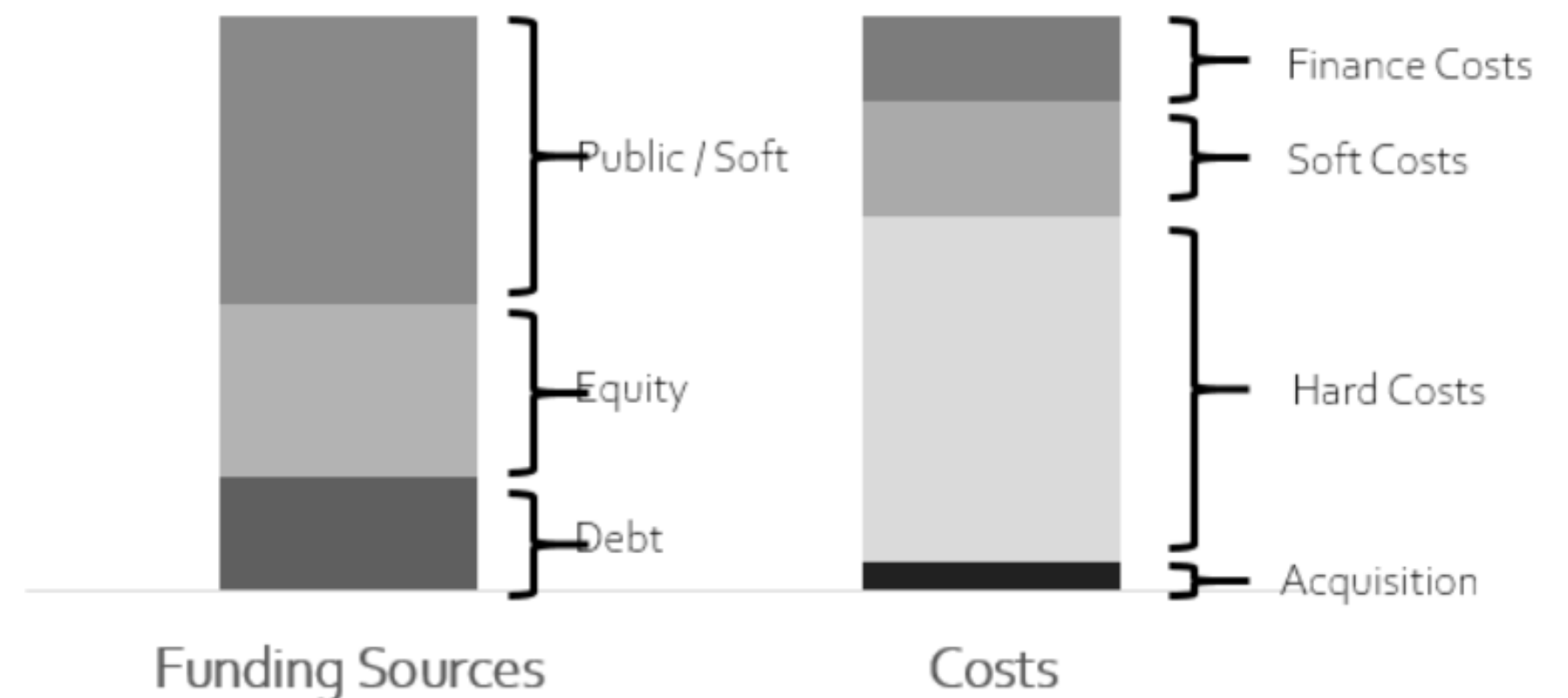
Small mortgage = Need for public subsidy

# HOW AFFORDABLE HOUSING IS FINANCED

Need to pull from multiple sources to finance an AH project so that it pencils out, this is called a "**Capital Stack.**" Used to be 1 source, now 7-10 are needed on average.

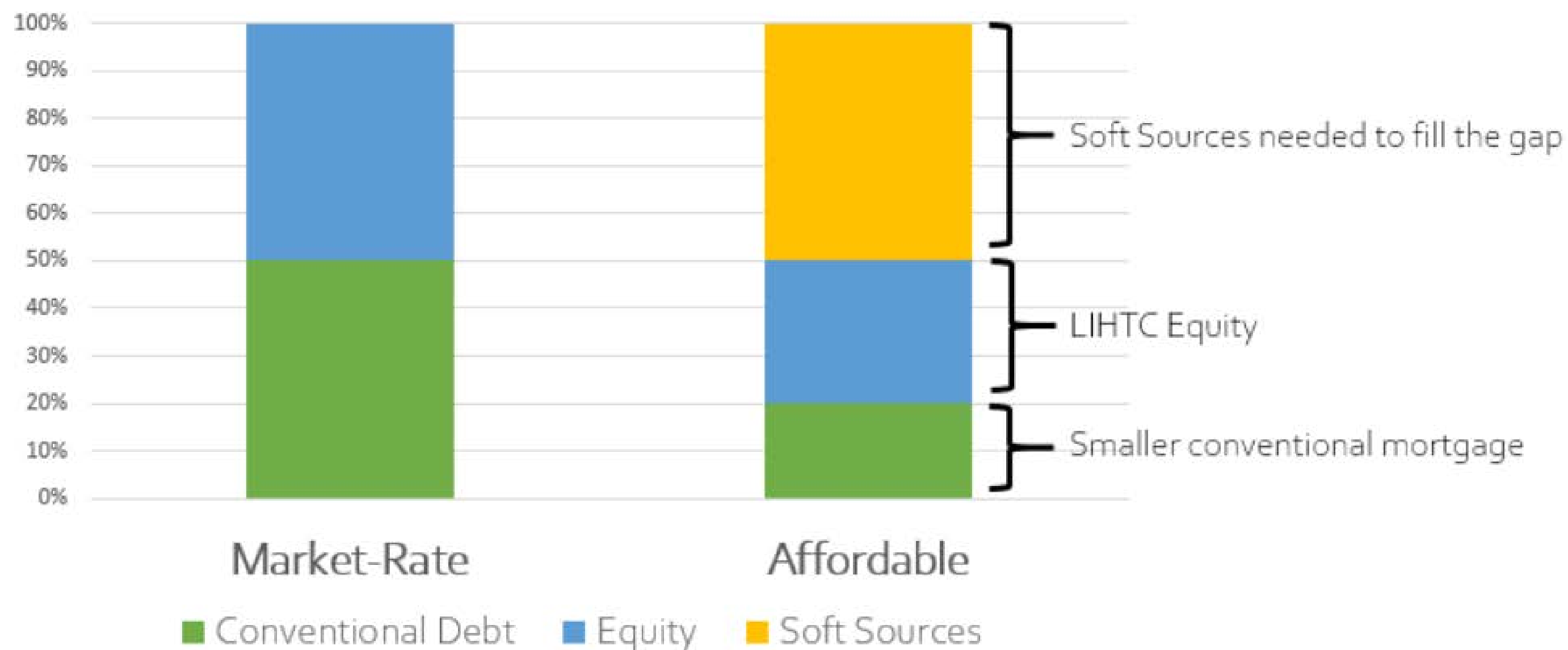
Main source of this funding is through the **Low Income Housing Tax Credit.**

## Typical Funding Stack: Affordable Housing



# HOW AFFORDABLE HOUSING IS FINANCED

## Typical Funding Stack: Market vs. Affordable



# HOW AFFORDABLE HOUSING IS FINANCED

**IMPORTANT TO NOTE:**

**Pulling together numerous funding  
resources is time intensive and  
EXPENSIVE**

# WHAT GOES INTO THE COST TO BUILD AN AFFORDABLE HOUSING UNIT?

- The cost of construction for affordable and supportive housing is ABOUT THE SAME as the cost of private residential construction (about \$560k per unit)
- It is expensive to build in California across the board. Land and supply costs = expensive for both private and nonprofit developers



# COST DRIVERS FOR AFFORDABLE HOUSING PROJECTS

- **Capital stacking** increases costs
- **Development fees**
- **Site constraints** : i.e. difficult topography, pollution remediation, etc.
- **Parking**
- **Design**
- **Additional policy goals:** living wages, energy efficiency, ADA requirements, infrastructure and transit improvements in the surrounding area
- **Additional amenities for residents and community:** furniture, community spaces, office spaces for on-site services, childcare centers and wrap around services

# REHAB PROJECT COMPLEXITIES



# HOW TO BRING DOWN COSTS

- Streamlining
- Land and partnerships
- Construction methods
- Parking – it's complicated
- Sustainability – it's complicated
- Density
- Commercial spaces
- New types of funding
- Tradeoffs
- Best practices/lessons



# COMMONLY ASKED QUESTIONS



# AUDIENCE Q+A

