



5 Year Business Plan

2012 to 2016

DRAFT

October 19, 2011

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Executive Summary

The Irvine Community Land Trust (ICLT) was created in 2006 as an independent, 501 (c) 3 public benefit corporation in the State of California. It is governed by a seven-member Board of Directors. It functions as the implementing entity for all of the City of Irvine (City) affordable housing programs.

Consistent with the City's adopted Housing Strategy; ICLT strives to meet the full spectrum of housing needs, both rental and homeownership, in the City. In addition to developing new units, it strives to preserve the numerous affordable housing units that have been or will be created as result of public policies.

ICLT will use the City's funds effectively and leverage them with other funds to create additional affordable housing units, as the City proceeds to meet its overall affordable housing goal of 9,700 units by 2025, (or 10% of the City's total housing units), as specified in the City's approved Housing Strategy.

ICLT's 2012 – 2016 Business Plan is based on the following assumptions:

- The strong relationship between ICLT and the City will be maintained.
- Irvine will continue to be a business and employment hub for Orange County.
- The City's Inclusionary Housing Program will remain in place.
- The City will continue the operations of its Redevelopment Agency¹, which will generate on-going financial support for ICLT projects.
- All housing projects will adhere to Irvine's strict standards for design, quality construction and maintenance.

¹ Providing the California Supreme Court will uphold the CRA/LOCC lawsuit to overturn ABIX 26 and ABIX 27.

- Permanent affordability will be a desired feature of all future ICLT projects as well as affordable housing projects developed without ICLT's direct involvement.

ICLT will advance the cause of affordable housing by developing new units in partnership with external housing development entities, financial institutions, and service providers. ICLT will be involved in at least three distinct kinds of development projects:

1. Various types of affordable rental units on land which ICLT identifies and acquires in partnership with the City
2. Inclusionary units
3. Affordable homeownership units on donated or purchased land.

2012 - 2016 Goals

Given the current weakness of the 2011 economy and the lack of demand for ownership units, the ICLT Board has identified the following three priorities for the next five years, 2012 to 2016:

1. New construction of multifamily rental units, including units addressing special needs populations.
2. Acquisition, rehabilitation and rental of attractively-priced condominium and townhouse units (already completed or underway). Whenever feasible, a rent-to-own program will be offered to eligible households.
3. New senior rental housing units, with emphasis on low and very low income seniors including units providing various levels of assisted living.

To meet its five-year goals, ICLT will take advantage of the following opportunities:

- Starting in December 2011 and each year for the next five years, the City will receive three (3) acres of land from the Irvine Company, totaling fifteen (15) acres, for the development on new units. The type of housing developed will be determined based upon location, nearby amenities, available funding sources, and potential affordable housing entities that provide creative approaches to affordable housing together with additional sources of subsidy.
- ICLT has recently received approximately \$2 million from the recent transfer of redevelopment funds from the City to the ICLT. Presuming the continuance of the City's redevelopment agency (see "assumptions" above), it is estimated that ICLT will receive an additional \$13 million over the next five years.
- Even though federal funding for CDBG and HOME are expected to be reduced, they are still projected to provide an additional \$3.6 million over the next five years. Tax credits are also potentially available to support ICLT projects.
- Additional land may be acquired with ICLT funds, either through direct purchase or through negotiation with developers of the City's inclusionary requirements in return for land donations to ICLT. The City might also donate land it currently owns or acquires in the future to ICLT. In addition, land might be acquired or be donated to ICLT by corporations that no longer have a presence in Irvine. Finally, private individuals might donate land to ICLT to achieve tax benefits.

Staff will focus their immediate efforts on the identified priorities and opportunities. During the next five years, (2012 to 2016), ICLT's goal is to provide at least ___ new rental opportunities for households earning less than 80% of Area Median Income. Development of these units will require subsidies from multiple sources including the Irvine Redevelopment Agency (RDA) (and/or the low-mod housing set aside funds), land donations from the Irvine Company and others, CDBG funds, federal HOME funds, Low Income Tax Credit investments, and other potential state sources. Additional sources of development subsidy may also be sought for specific projects, such as senior assisted living and other special needs housing.

2017 – 2021 Goals

Since the economic conditions are likely to change in years 6 to 10, or perhaps sooner if the economy recovers sufficiently, ICLT's priorities will expand to include the following:

1. New construction of homeownership projects, with title to the land retained and leased to the homeowner by ICLT in order to achieve permanent affordability, consistent with the land trust model.
2. Transit-oriented development, featuring mixed use (commercial/residential) and mixed income projects, and 100% affordable. Commercial use might include nonprofit office space, perhaps offering services for resident populations.
3. Reuse projects, with land reclaimed from commercial use for new rental and/or ownership units. Two potential target areas for reuse projects are the IBC and Planning Area 35.
4. New SRO (single-room occupancy) rental projects to serve the needs of the extremely, very, low income populations in need of low-income housing and services.
5. Sale of the remaining condominiums which ICLT currently owns, with title restrictions to preserve affordability, to generate additional revenue for development of new units.

For the five-year period, 2017 to 2021, ICLT's goal is to provide ___ new homeownership units and ___ new rental units, while also preserving the existing affordable housing stock in the community. Additional sources of subsidy might include State CalHOME and BEGIN. Through these efforts, ICLT will make a significant and material contribution to the City's goal of 9,700 affordable housing units by 2025.

Partnerships

To achieve its development goals, ICLT will identify and work with various partners. The following have been identified:

- Nonprofit housing developers, such as BRIDGE, Jamboree, National CORE, Mercy Housing, Abode Communities, and others.
- For-Profit housing developers, such as Shea, William Lyon, etc.
- The Irvine Company
- Lennar
- UCI (University of California at Irvine)
- ETHIC
- Home Aid
- Neighborhood Housing Services of Orange County
- Orange County Business Council
- Orange County Housing Trust
- Orange County CDFI's (Community Development Financial Institutions)
- BIA (Building Industry Association) of Orange County
- The Affordable Housing Clearinghouse
- Habitat for Humanity
- Architects and consultants with creative approaches to affordable housing
- Other local institutions (schools, hospitals)
- Other Community Land Trusts

Staffing

Staffing of ICLT is currently provided by an in-kind donation of existing staff in the City's Housing Department, but eventually ICLT will hire independent staff. Dedicated staff positions of Executive Director, Housing Manager, Compliance Coordinator and Administrative Assistant will be eventually be filled, most likely beginning on a part-time basis.

It was initially projected that ICLT would reach a revenue stream sufficient to hire staff and begin the self sufficiency process once the ICLT portfolio reached approximately 200 homeownership units. However, the Board recently decided to emphasize rental housing due to the economic downturn. In addition, ICLT recently received all of the Irvine Redevelopment Agency's low and moderate income housing funds. Given this sizable amount of money, it is proposed that ICLT will hire an Executive Director once the portfolio reaches 200-300 units of rental and/or ownership units and a consistent activity level that deserves time beyond that currently provided by the City's Housing Department.²

Outreach and Promotion

In order to identify development opportunities at early stages, ICLT will increase its exposure through aggressive branding and public relations activities. Publicity materials will be developed to showcase ICLT, the organization and its resources, including both land and cash, in order to increase awareness and interest from potential partners and supporters. Periodic meetings will be held with potential partners and memorable "leave-behind" materials will be provided. ICLT will build upon its strong logo, enhance its website, and increase its social networking efforts. The intention is that, by developing a strong brand, potential partners will consider ICLT a potential partner and vice versa, when development opportunities arise.

² ICLT, through the terms of the current redevelopment grant agreement, will immediately begin the process of funding ICLT office expenses and existing Housing Department staff for compliance monitoring of affordable units throughout the City.

Introduction

In 2005 the City of Irvine contracted with CivicStone, Inc., affordable housing consultants, to develop a comprehensive Housing Strategy for the City. As part of that process a Housing Task Force was established to review the consultants' recommendations and help develop an implementation plan for the future provision and preservation of affordable housing in the City. Due to the opportunity presented by the recent annexation of the former El Toro Base, the City wanted to identify strategies to address the local affordable housing needs. Additionally it was important to avoid a repeat of the then current situation in which a significant number of affordable housing units, created through the City's inclusionary housing ordinance, were being lost to the market due to expiring affordability restrictions. In response, the Housing Task Force recommended the creation of the Irvine Community Land Trust to maintain permanent affordability of any new affordable units generated as a result of the City's inclusionary housing ordinance or from funds associated with the newly established El Toro Redevelopment Area. The Irvine City Council unanimously approved the City's Housing Strategy in March, 2006.

The Irvine Community Land Trust (ICLT) will function to preserve the value of the public asset of numerous affordable housing units which will be created as a result of local policies. ICLT will enable the City to use its housing funds and effectively leverage them with other funds to create additional affordable

housing units, as the City strives to meet its overall affordable housing goal of 9,700 units by 2025 (or 10% of the City's total housing stock).

Finally, and of significant importance, ICLT will also work to ensure that all of the housing in its portfolio will remain permanently



affordable for future generations.

Housing Needs Assessment

The increasing cost of housing in the City of Irvine through 2007 was making it extremely challenging for residents and employees to locate housing opportunities, both rental and ownership, that did not overly strain a household's budget. This was a growing problem throughout the state, but the issue was exacerbated in certain areas, including the City of Irvine. While the median home price in 2005 in California was \$538,770 and Orange County it was \$707,000, the median home price in the City of Irvine as of January 2006 was \$800,000.³

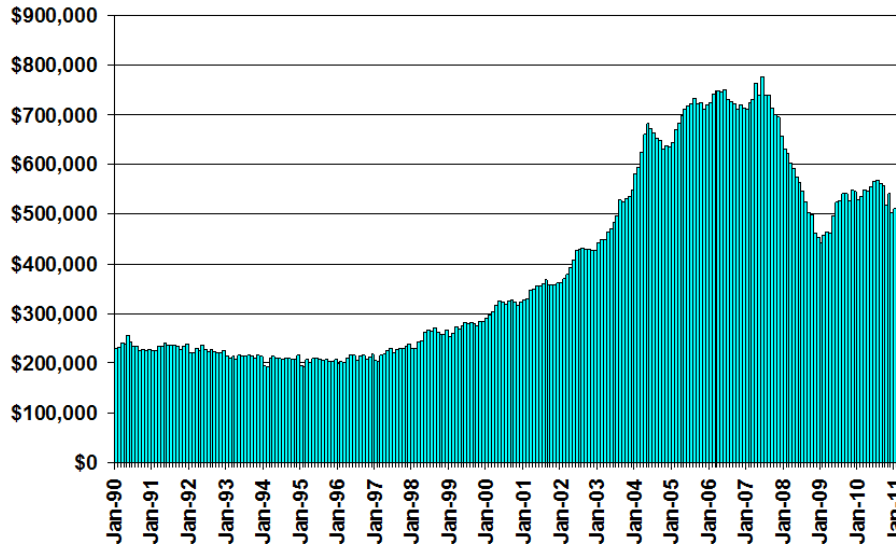
Since the time of the previous ICLT Business Plan the median home price in Orange County dropped to its lowest point in January 2009 at \$442,170 (37.46% decline in value). The good news is that Orange County has pulled out of this low point and is now at \$530,140 (see graph and chart on the following page).

Similarly, rental rates had been increasing dramatically over the past decade and rental vacancy rates had been decreasing. While, in comparison with surrounding cities, Irvine had a considerable supply of existing affordable rental apartments (4,440), a significant number of these units were nearing the end of their affordability restrictions and were consequently scheduled to convert to market rate within the next decade. However, the City and the Irvine Company were able to negotiate an extension of 30 years for the existing affordable units plus a transfer to the City of 15 acres of vacant land for affordable housing. In return, the City waives all inclusionary fee requirements for Planning Area 39.

³ Figures from Housing Strategy Report and Implementation Plan, 2006. City of Irvine and Irvine Redevelopment Agency.

Median Price of Existing Detached Homes

Orange County, April 2011: \$530,140, Down 2.9% YTY



SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Trough vs. Current Price – April 2011

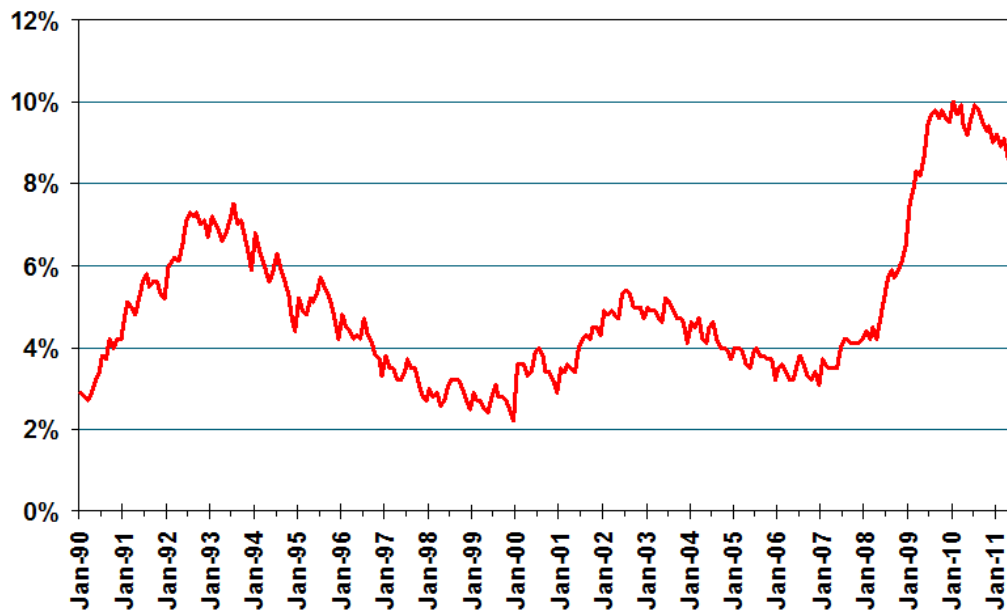
Region	Trough Month	Trough Price	Apr-11 Median	% Chg From Trough
Monterey Region	Feb-09	\$241,130	\$332,790	38.0%
Santa Clara	Feb-09	\$445,000	\$585,000	31.5%
San Francisco Bay Area	Feb-09	\$378,520	\$490,670	29.6%
Ventura	Feb-09	\$359,630	\$448,440	24.7%
Orange County	Jan-09	\$442,170	\$530,140	19.9%
CALIFORNIA	Feb-09	\$245,230	\$293,570	19.7%
Los Angeles	Mar-09	\$248,850	\$290,120	16.6%
San Diego	Mar-09	\$326,830	\$378,230	15.7%
San Luis Obispo	Apr-09	\$338,890	\$390,180	15.1%
Palm Springs/Lower Desert	Apr-09	\$150,140	\$171,670	14.3%
Riverside/San Bernardino	Apr-09	\$150,860	\$169,460	12.3%
High Desert	May-09	\$106,210	\$117,510	10.6%
Northern Wine Country	Feb-09	\$310,950	\$321,260	3.3%
Sacramento	Apr-09	\$167,340	\$170,270	1.8%
Northern California	Jan-11	\$218,160	\$221,950	1.7%

SOURCE: California Association of REALTORS®

So while home prices in Orange County have risen since 2009 they still remain significantly below the 2007 peak values, demand for ownership has diminished, job growth has stalled, and mortgage rates have decreased. While this has increased affordability levels significantly, demand for ownership housing remains low as the job market continues to be weak and families struggle to make ends meet.

Unemployment Rate

Orange County, April 2011: 8.6%

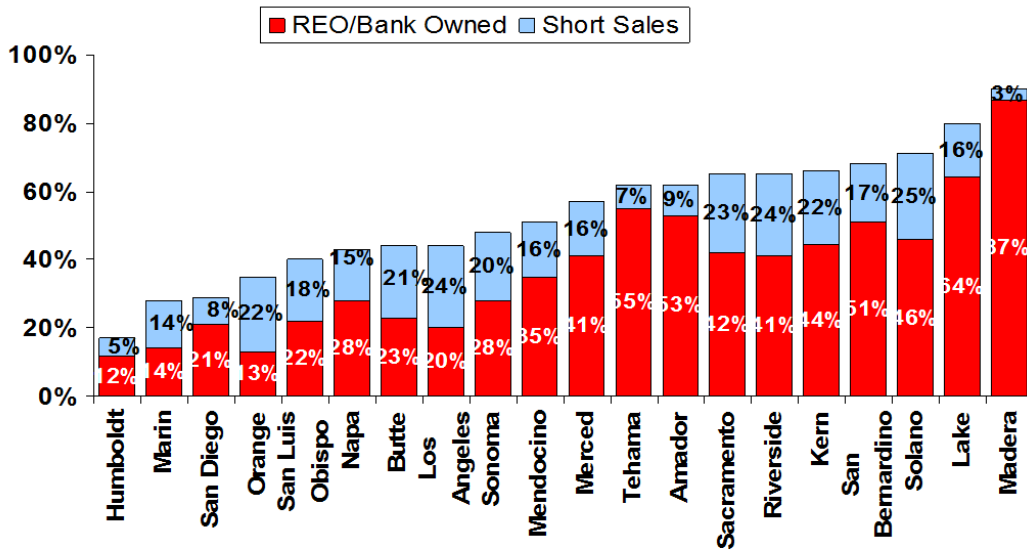


SOURCE: CA Employment Development Division

The decline in home values and the rise in unemployment have caused a significant increase in distressed sales within the City of Irvine. While the percentage of distressed sales in Orange County is considerably lower than other regions in the state, it still represents over one-third of

total sales. The distressed sales become comparable properties when homes are sold and lower the value of other nearby properties.

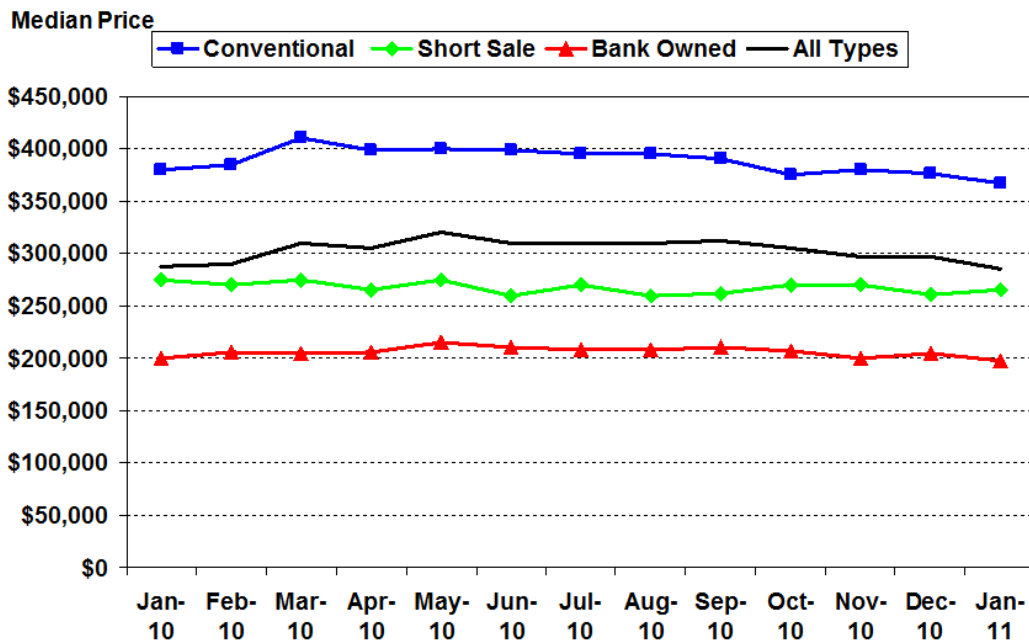
REO Sales & Short Sales by County (May 2011)



SOURCE: California Association of REALTORS®

Price Differential by Type of Sale

REO, Short-Sale, Conventional



SOURCE: C.A.R.

Nevertheless, because housing costs in Orange County and the City of Irvine were previously higher than other areas of the State, and the region continues to maintain an exceptional quality of life for its residents, the area remains one of the more expensive housing markets in the State even after the correction.

Mission of the ICLT

The mission of the Irvine Community Land Trust is:

“The Irvine Community Land Trust was created by the City of Irvine to provide secure, high-quality affordable housing. The Irvine Community Land Trust will achieve its mission through the operation of a nonprofit community land trust, securing and retaining title to land on which permanently affordable rental, ownership and special needs housing will be constructed and maintained for the benefit of income-eligible families.”

Vision of the ICLT

The Board of ICLT has adopted the following vision statement:

“By the year 2025, the Irvine Community Land Trust will have created approximately 5,000 units of permanently affordable housing in the City of Irvine, contributing more than 50% of the City’s 2025 goal of 9,700 affordable units. In addition, the Irvine Community Land Trust will conduct a monitoring program and provide stewardship for these units, insuring high-quality design, construction, sustainability, maintenance and permanent affordability.”

Structure

The Irvine Community Land Trust is organized as an independent, public benefit corporation in the State of California.

Tax-Exempt Status

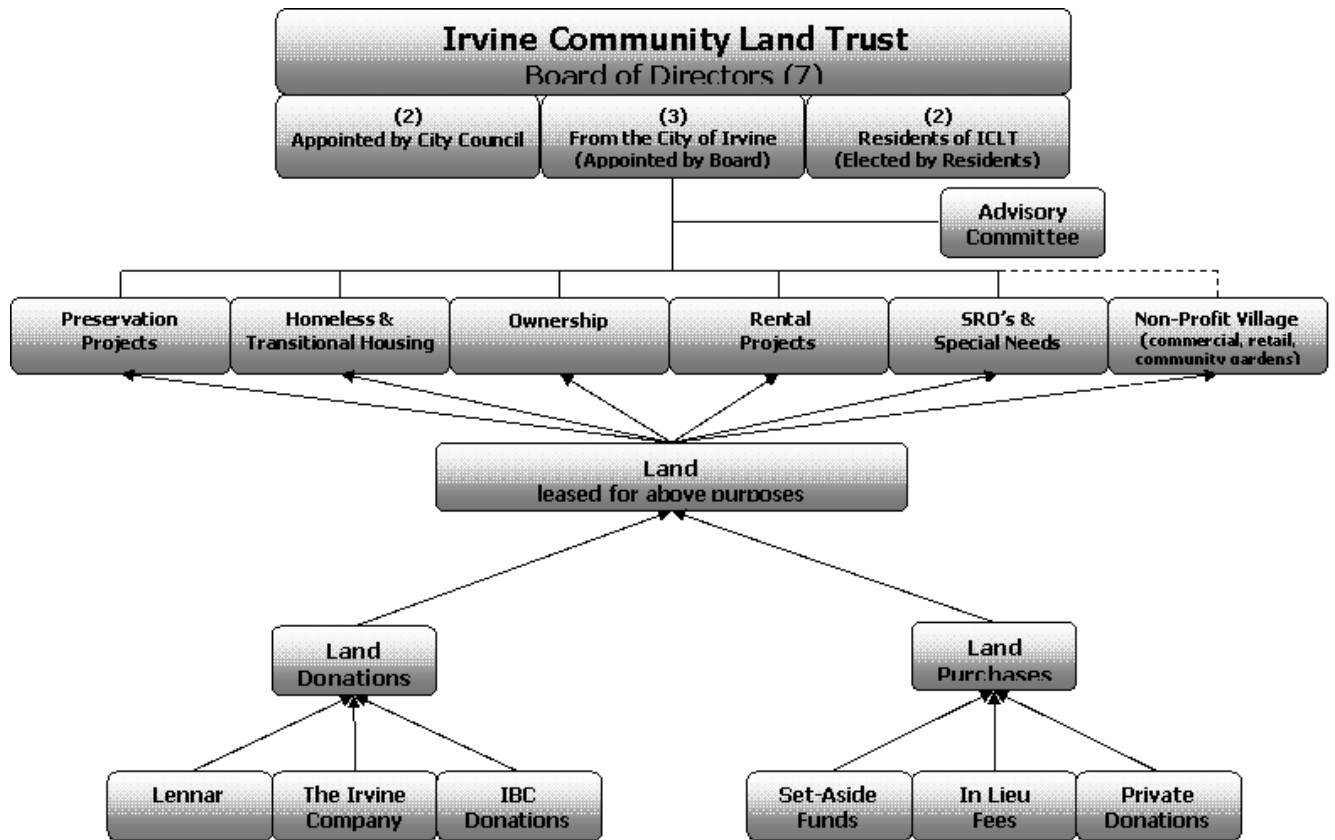
In March 2006, the ICLT applied to the Internal Revenue Service for recognition as a 501(c) 3 non-profit corporation with the provision of affordable housing as one of its purposes. The IRS officially approved the ICLT’s exemption application in March, 2007. This status allows the ICLT to receive donated land from the city, access specific public funding sources, and provide tax benefits for contributions and private charitable donations to the organization.

Governance and Board Structure,

The ICLT is governed by a seven-member Board of Directors. All members of the initial board were appointed by the City Council. The board includes two City Council representatives, three community representatives, and two resident representatives. The resident representatives on the initial board were appointed by the Council, but future representatives will eventually be elected by the residents of the ICLT’s projects.

Similarly, community representatives will be elected by the ICLT Board, while the Council representatives will always be appointed by the City Council.

This graphic illustrates the basic organizational structure of the Irvine Community Land Trust.



2012 - 2016 Program Goals

The 2012 - 2016 goals for the Irvine Community Land Trust are as follows:

1. New construction of multifamily rental units, including units addressing special needs populations.
2. New senior rental housing units, with emphasis on low and very low income seniors and providing various levels of assisted living.
3. Acquisition, rehabilitation and rental of attractively-priced condominium and townhouse units (already underway). Whenever feasible, a rent-to-own program will be offered to eligible households.

2017 – 2021 Program Goals

In years 6 to 10, or perhaps sooner if the economy recovers sufficiently, ICLT's priorities will expand to include the following:

1. New construction of homeownership projects, with title to the land retained and leased to the homeowner by ICLT in order to achieve permanent affordability, consistent with the land trust model.
2. Transit-oriented development, featuring mixed use (commercial/residential), mixed income projects, and 100% affordable. Commercial use might include nonprofit office space, perhaps offering services for resident populations.
3. Reuse projects, with land reclaimed from commercial use for new rental and/or ownership units. Two potential target areas for reuse projects are the IBC and Planning Area 35.
4. New SRO (single-room occupancy) rental projects to serve the needs of very low income populations in need of low-income housing and services.

5. Sale of the remaining condominiums which ICLT currently owns, with title restrictions to preserve affordability, to generate additional revenue for development of new units.

The ICLT has developed a ground lease and deed restrictions as well as other supporting legal and financing documents necessary to preserve those homes as permanently affordable. ICLT has also developed a set of policies and procedures related to screening and selecting buyers for ICLT homes and assisting those buyers in obtaining private mortgage financing. In addition, ICLT has developed a system of regular orientation and education events and materials to ensure that potential homebuyers fully understand the unique characteristics of the ICLT model.

For the five-year period, 2017 to 2021, ICLT's goal is to provide ___ new homeownership units and ___ new rental units, while also preserving the existing affordable housing stock in the community. Through these efforts, ICLT will make a significant and material contribution to the City's goal of 9700 affordable housing units by 2025.

Roles and Responsibilities

ICLT will assist the City of Irvine the Irvine Redevelopment Agency in the provision of affordable housing by assuming responsibility for a number of roles. In addition to undertaking project development, ICLT will monitor the continued affordability of the units over time. ICLT will have general organizational roles related to the maintenance of affordability, the growth of the organization, and specific project development roles related to distinct projects of varying types which are described in this document.



Eligibility Screening and Waiting List Management:

ICLT will serve as a central point of intake for low and moderate-income tenants and potential homebuyers seeking affordable housing opportunities in Irvine. ICLT has developed policies and procedures necessary to insure that units are made available to eligible applicants in a fair manner. ICLT has developed clear resident selection and eligibility criteria to ensure that applicants meet the eligibility requirements before being offered units.

Marketing Units:

ICLT will market their affordable housing units widely throughout the City and County. ICLT will use their central waiting list to market units in its development projects. ICLT will also refer eligible buyers or prospective tenants to developers that are producing affordable units independent of ICLT.

Financial Fitness & Homebuyer Education:

ICLT will deliver, or contract to deliver, specialized financial counseling to eligible residents who are trying to improve their financial situation and/or preparing to purchase a home. This education and orientation will prepare residents for better financial management and the future responsibility of purchasing a home. The training also ensures that prospective buyers understand the specific restrictions involved with purchasing an ICLT unit.

Monitoring Compliance:

A primary role for ICLT will be to monitor compliance with the restrictions and responsibilities imposed by a Master Affordable Housing Plan and the ground lease and/or deed restrictions associated with ICLT units. This monitoring will apply to renters, individual homeowners and to housing corporations, which lease land for affordable rental housing. ICLT will ensure that individual units are rented or sold to eligible households at the restricted rents or price. ICLT will also ensure that subsequent purchasers of affordable rental projects intend to maintain the affordability of these units. ICLT will establish a comprehensive monitoring program and procedures for all affordable units in Irvine.

Policy Development:

ICLT will advise the City of Irvine on the development of affordable housing, contracts, and policies, especially policies related to the ongoing management and oversight of permanent affordable units.

Advocacy and Education:

ICLT will be responsible for promoting the CLT model and educating the community about its benefits. A specific focus of education will be private mortgage lenders who may need increased understanding of the CLT model in order to provide financing for ownership units.

Project Development Strategy

While the specific circumstances for every development project will be unique and will require ICLT to play a different set of roles, in the next five years, ICLT will participate in three distinct “types” of projects.

1. New construction of multifamily rental units, including units addressing special needs populations.
2. Acquisition, rehabilitation and rental of attractively-priced condominium and townhouse units (already underway). Whenever feasible, a rent-to-own program will be offered to eligible households.
3. New senior rental housing units, with emphasis on low and very low income seniors and providing various levels of assisted living.

In years 6 to 10, or perhaps sooner if the economy recovers sufficiently, ICLT's priorities will expand to include the following:

1. Transit-oriented development, featuring mixed use (commercial/residential) and mixed income projects, 100% affordable. Commercial use might include nonprofit office space, perhaps offering services for resident populations.
2. Reuse projects, with land reclaimed from commercial use for new rental and/or ownership units. Two potential target areas for reuse projects are the IBC and Planning Area 35.
3. New SRO (single-room occupancy) rental projects to serve the needs of very low income populations in need of low-income housing and services.
4. Sale of the remaining condominiums which ICLT currently owns, with title restrictions to preserve affordability, to generate additional revenue for development of new units.
5. New construction of homeownership projects, with title to the land retained and leased to the homeowner by ICLT in order to achieve permanent affordability, consistent with the land trust model.

For the five-year period, 2017 to 2021, ICLT's goal is to provide ___ new homeownership units and ___ new rental units, while also preserving the existing affordable housing stock in the community. Through these efforts, ICLT will make a significant and material contribution to the City's goal of 9,700 affordable housing units by 2025.

Roles and Responsibilities

While there will be differences between specific projects of any given type, ICLT's general roles and responsibilities and mechanisms for compensation will be similar for projects of each type. A general outline of the roles and responsibilities that ICLT would expect to assume for new development of rental projects is described below. Additionally, in the future ICLT may be involved in the preservation of existing affordable units via purchase and/or the development of special needs housing such as homeless shelters, transitional housing, or senior assisted-living developments.

Project Type: Rental

Overview

ICLT will partner with experienced housing developers (for-profit or non-profit) to develop multi-family rental housing projects, most probably financed with low-income housing tax credits and tax-exempt bonds, redevelopment housing set-aside funding, and other layers of federal/state government funding and/or bank special financing.

ICLT's development role will be limited. In many cases ICLT will identify and acquire a site, often in conjunction with the City, and then select a developer. ICLT may play an initial role in the design and planning phase by helping to develop a project concept to ensure that the project will meet the local housing needs. In addition, ICLT will bring local knowledge and

relationships to these partnerships and rely on the partner to manage the financing, development and construction.

ICLT will hold title to the land during construction and will charge a land lease fee (which may be deferred until project completion). After project completion, ICLT will assist the City in monitoring affordability and management quality for these rental projects. ICLT will charge the projects an annual ground lease fee to help support this function. ICLT, by holding title to the land, will insure that these rental properties remain permanently affordable through any future transitions in ownership (especially after the expiration of public funder affordability requirements).

Units in projects of this type are likely to be occupied by and affordable to households earning less than 80% of Area Median Income.

Financing strategy

These projects will require 4 percent Low Income Housing Tax Credits, redevelopment housing set-aside funding, and other layers of federal/state government funding and/or bank special financing.

Legal Structure

ICLT will be the owner of the land under these projects. The buildings will be owned by limited partnerships with the development partners serving as Managing General Partner and ICLT serving as co-general partner. The Ground Lease will provide ICLT with an option to purchase should the building owner ever wish to sell as well as a right to approve any significant refinancing of the project.

Development Related Revenue:

ICLT will not collect any development-related revenue from this project type because ICLT will not be involved in the marketing and rent up of these units.

Post Occupancy Revenue

ICLT would charge these projects a small ground lease fee, per unit, per month (currently at \$25 for rental) to support its involvement in asset management.



Project Type: Homeownership

As described above, homeownership projects are not likely to be developed until the economy rebounds. However, once it does, the City's inclusionary program will require the creation of new additional affordable units. After it is clear that economic conditions have improved, ICLT will embark on the direct development of new ownership projects.

Overview

In 2003, the City of Irvine passed an ordinance that requires that 15% of all new development be made available to lower-income households at affordable prices. It is anticipated that application of this policy will contribute 3,189 new affordable units by 2025. A number of these units are expected to transfer to the ICLT portfolio for continued monitoring of the affordability restrictions.

In these projects a developer of a market-rate condo project will make a percentage of the units available at affordable prices through ICLT. ICLT will bring local knowledge and relationships to the partnership and rely on the developer to manage the financing, development and construction. ICLT will often play a lead role in marketing the affordable units, providing homebuyer education, and screening buyers for eligibility. In most cases, ICLT will enter into an assignable Purchase and Sales Agreement with the developer allowing it to market units, screen buyers, and coordinate buyer education. In some cases, the City and ICLT will agree that the developer should retain responsibility for marketing the affordable units within these mixed-income projects and ICLT would enter into a more limited contract with the developer to screen buyers for eligibility for a more limited fee. These ownership units will generally serve households between 80 percent and 120 percent of area median income.

ICLT will play a long-term monitoring role for these units, many of which will likely be encumbered with deed restrictions as opposed to a ground lease. However, in this case, ICLT will seek to enter into an annual fee for service contract with the City of Irvine to support the monitoring responsibility in the absence of regular ground lease fees. In most other respects the deed restrictions and ground leases will contain identical provisions. Like the ground leases, these deed restrictions will contain provisions giving the ICLT an assignable option to purchase each unit when a homeowner decides to sell. At that point, ICLT will identify a subsequent income-eligible buyer and coordinate sale from one owner to another at the formula price. The ICLT will charge sellers a resale management fee for each successful transaction.

Financing strategy

Units will be sold at appraised (market) value, which may be less than their development costs. However, a deferred loan (silent second) is provided to the buyer. The deferred loan does not require a monthly payment and does not affect the buyers qualifying ratio. Therefore, the buyer's monthly payment is affordable for their household income. Affordable units will benefit from internal subsidies resulting from inclusionary requirements. Homebuyers would provide down payments (3-5%) , obtain a large down payment deferred loan, and finance the remainder of the purchase price with traditional 30-year mortgages from private lenders.

Legal Structure

Whenever practical, ICLT will hold title to the land, sell the homes subject to a ground lease, and play a permanent role in protecting the affordability of the homes. But given that most of these inclusionary units will be part of multi-story building, it will likely be more effective for ICLT to secure the affordability through the use of deed restrictions; in either case the restrictions and requirements and ICLT's monitoring role should be the same.

Development Related Revenue:

ICLT's primary compensation for projects of this type will be project marketing fees which will likely be calculated at 3% of the sales price. ICLT will also charge a lease initiation fee of \$250 to new buyers.

Post Occupancy Revenue:

For Ground Lease projects or Deed Restriction units, homeowners will pay a monthly *Ground Lease Fee* (\$50) to ICLT to help cover administration costs.

Upon resale, ICLT will charge sellers a *Lease Re-issuance Fee*. This fee will be equal to 2% of the sale price of the home. This fee will cover the cost of services related to identifying and screening buyers, and insuring compliance with local program requirements. It is unlikely that

there will be many sales of these homes during the first 10 years⁴, but eventually ICLT would expect a constant cycle of resales to occur each year generating more substantial annual fees. The annual level of these fees would rise along with the limited resale prices of the homes.



Sources of Development Subsidy

In addition to donated land, ICLT will need to compile development and home buyer funding from a number of sources including:

- Federal HOME funds
- Redevelopment Housing Set-Aside Funds
- CDBG
- Inclusionary In-Lieu Fees
- Low Income Housing Tax Credits
- CalHome
- BEGIN

⁴ The average length of time of years owned before selling seven. However, it is very likely to be even more years for affordable housing because of financial subsidies. Source: www.car.org

- Other State programs, like the previous MHP program
- Affordable Housing Program of the Federal Home Loan Bank (AHP)
- Private donations

Partnerships with a non-profit or financial institution may be needed to increase the likelihood of obtaining a few of the desired funding listed above.

Federal HOME Program: The HOME program administered by the US Department of Housing and Urban Development (HUD) is one of the most common sources of funding affordable housing to local governments in the country. The City of Irvine is a HOME Participating Jurisdiction and expects to receive between \$475,000 and \$525,000 annually for the next five years.

Participating jurisdictions may choose among a broad range of eligible activities, using HOME funds to provide home purchase or rehabilitation financing assistance to eligible homeowners and new homebuyers; build or rehabilitate housing for rent or ownership; or for "other reasonable and necessary expenses related to the development of housing," including site acquisition or improvement, and payment of relocation expenses.

Redevelopment Agency Housing Set Aside Funds: Redevelopment agencies issue tax increment bonds to finance city improvements without using General Fund monies or raising taxes. Tax increment is derived from the increasing value of property created by the investments of the redevelopment agency. As Irvine has recently created the Irvine Redevelopment Project Area on the former El Toro Military Base, the Redevelopment Agency has the ability to use tax increment financing and a portion of this must be directed to affordable housing. It is required that at least 20% of the tax increment funds generated from redevelopment project areas must be used to improve the community's supply of affordable housing. Preliminary estimates project that the Irvine Redevelopment Project Area will generate about \$13.6 million in housing set-aside funds over the next 5 years.

Community Development Block Grant (CDBG): CDBG funds must be used for activities that benefit low- and moderate-income persons. In addition, each activity must meet one of the following national objectives for the program: benefit low- and moderate-income persons, prevention or elimination of slums or blight, or address community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community for which other funding is not available.

The City of Irvine receives an annual allocation of CDBG funds. Historically, a portion of the City's funds goes towards affordable housing efforts in the City. It is estimated that \$1.1 million in CDBG funds will be provided over the next 5 years for future ICLT projects.

Inclusionary In-Lieu Fees: Under the City of Irvine's Inclusionary Housing Ordinance, developers have the option of paying a fee to the City in lieu of developing an affordable unit. These fees will be a source of subsidy for ICLT projects. Preliminary estimates are that the City will generate about \$4.7 million in in-lieu fees over the next 5 years.

Federal Low Income Housing Tax Credits/Tax Exempt Bonds: Although they may be subject to State budget appropriations, Low Income Housing Tax Credits (LIHTC) provides the most important source of subsidy for affordable rental housing development. There are two types of LIHTC financed projects: 9 percent and 4 percent credits. The more generous 9 percent credits are awarded on a competitive basis while the 4 percent credits are generally available for any eligible project. While it may be possible to find sites that would be competitive for 9 percent tax credits, it is unlikely that very many of these projects will be developed in ICLT's service area in the immediate future given the competitive nature of the program and the specific site requirements incorporated into the scoring system. The noncompetitive 4 percent credits together with tax-exempt bonds will provide a more reliable financing mechanism for rental projects in the area.

CalHome Program: The CalHome program, administered by the California Department of Housing and Community Development, is the State's primary funding mechanism for affordable homeownership development. The program provides grants to local jurisdictions or nonprofit

recipients which may be used to support predevelopment work on development projects targeting eligible households or make deferred payment loans to eligible homebuyers earning below 80% area median income.

BEGIN Program: The Building Equity and Growth in Neighborhoods (BEGIN) Program provides grants to cities and counties that offer regulatory incentives, or reduce and remove regulatory barriers, to encourage the development of affordable housing. Examples of these incentives include density bonuses in excess of those required by state law, reductions in parking and setback requirements, and other relaxed building or development standards. The BEGIN program provides up to \$30,000 per home. The BEGIN program provides smaller loans than the basic CalHome program, but the funds are awarded to every eligible project on a first-come, first-serve basis rather than being awarded through a competition. BEGIN is one of the few subsidy sources that can be used for units serving moderate-income households (up to 120% of AMI).

Other State Programs: The previous Multifamily Housing Program (MHP), administered by the California Department of Housing and Community Development, was the State's primary funding source for development of affordable rental housing for lower-income households. Deferred payment loans with 55-year terms were made to local governments and for-profit and non-profit entities to develop affordable rental housing. MHP funds were allocated by HCD through two Notice of Funding Availabilities (NOFA's) each year. There are no remaining funds in this program at the current time.

Affordable Housing Program (AHP): Affordable Housing Program (AHP) is administered by the Federal Home Loan Bank. This program provides grants and subsidized loans for both affordable homeownership and rental units on a competitive basis. The grants are most often used as gap financing, but they can also be used for down payment or closing cost assistance. Applications must be submitted by Federal Home Loan Bank members.



Potential Partners and Competitors

Marketing and Education:

The *Affordable Housing Clearinghouse* is a network of lenders, community groups, and public agencies dedicated to the creation of quality affordable housing through creative financing and education strategies. The Clearinghouse provides flexible mortgage products to low- and moderate-income families as well as providing homebuyer education and credit counseling.

Neighborhood Housing Services of Orange County (NHSOC) is a NeighborWorks organization which operates a homeownership center that provides homebuyer education and credit counseling for first-time homebuyers. The NHS program offers a comprehensive homeownership education and counseling program which including outreach, pre- and post-

purchase counseling, and foreclosure intervention counseling. NHSOC also administers down payment assistance programs which may be of use to potential ICLT homebuyers.

ICLT could partner with either of the above organizations to facilitate homebuyer education and counseling services. ICLT may also be able to partner with the Affordable Housing Clearinghouse to educate lenders about the community land trust model and identify lenders willing to make leasehold mortgages.

Project Development:

Habitat for Humanity of Orange County builds homeownership units for lower-income families through sweat equity and volunteer labor. Habitat completed a small development in Irvine and is interested in doing more.

Jamboree Housing Corporation is a nonprofit housing development company that builds, preserves, and maintains affordable rental and ownership housing for lower-income families, seniors and others in the Orange County area and throughout California. Jamboree seeks to serve primarily, but not exclusively, households earning less than 80% of the county median income.

BRIDGE Housing is one of the leading non-profit affordable housing developers in California. They develop and operate both rental and ownership housing for lower-income families throughout the state. They have offices in both San Francisco and San Diego.

ICLT could partner with any of the above housing developers or other developers such as National CORE (formerly SoCal Housing), Irvine Housing Opportunities and others who work in the area to develop the new housing that is part of the project ICLT portfolio.

Post Purchase Monitoring and Support:

Many organizations which provide homebuyer education also provide financial fitness workshops and credit counseling. These organizations may be appropriate in playing a supportive role with regards to avoiding homeowner mortgage default, but they are not likely to be able or interested in participating in monitoring the homes for owner occupancy. There are currently no other organizations in the area that are able to provide comprehensive post purchase monitoring and support services to lower-income homebuyers. ICLT will fulfill this currently unmet need.

Staff Development Strategy

Staffing of ICLT is currently provided by an in-kind donation of existing staff in the City's Housing Department, but eventually ICLT will hire independent staff. Dedicated staff positions of Executive Director, Housing Manager, Compliance Coordinator and Administrative Assistant will be eventually be filled, most likely beginning on a part-time basis.

It was initially projected that ICLT would reach a revenue stream sufficient to hire staff and begin the self sufficiency process once the ICLT portfolio reached approximately 200 homeownership units. However, the Board recently decided to emphasize rental housing due to the economic downturn. In addition, ICLT recently received all of the Irvine Redevelopment Agency's low and moderate income housing funds. Given this sizable amount of money, it is proposed that ICLT will hire an Executive Director once the portfolio reaches 200-300 units of rental and/or ownership units and a consistent activity level that deserves time beyond that currently provided by the City's Housing Department.⁵

⁵ ICLT, through the terms of the current redevelopment grant agreement, will immediately begin the process of funding ICLT office expenses and existing Housing Department staff for compliance monitoring of affordable units throughout the City.

An outline of the basic responsibilities of each staff position is detailed below.

Executive Director

The Executive Director will work with the Board to set the general direction of the organization, coordinate the overall development and communications strategies, and oversee the work of each of the other staff members.

Key Responsibilities:

- Coordinate key administrative functions including budgeting, finance, personnel, office management and Board development.
- Lead the organization's advocacy efforts, assisting the Board and other local policymakers to understand the impact and potential of various programs, policies and projects.
- Lead membership development and fundraising efforts with support from the Administrative Assistant, when hired.
- Oversee implementation and regular updates to ICLT's business plan, coordinate ICLT's real estate development strategy and manage overall growth.
- Play a hands-on role in development projects, especially the initial projects, serving as the point person for negotiations with project development partners and local jurisdictions.
- Participate in establishment of policies and systems related to homebuyer selection, training, marketing and compliance monitoring of affordable units.
- Serve as the public face of the organization, representing ICLT at public hearings and other community events.
- Coordinate education of the general public with respect to housing issues and affordability, especially the need for affordable housing for lower- and median-income families.

- Maintain contact with the media about such issues as well as the ability of ICLT to address this housing need.
- Advocate with local public agencies for policy changes which could enhance the position or usability of the CLT model.

Housing or Project Manager

The Housing or Project Manager will be the primary director of ICLT's inventory of affordable housing units including homeowner outreach and training, oversight of property management, marketing and regulatory compliance program for affordable housing projects, and responsible staff person for all development partnerships and associated projects. Ideally, this staff person would have (or work toward obtaining) a real estate broker's license so that ICLT would not need to contract with a broker on each transaction.

Key Responsibilities:

- Develop draft policies related to marketing, waitlist management, buyer screening and resident selection for approval by the ICLT board and the City of Irvine.
- Craft a communications and marketing strategy to identify potential buyers of affordable homes.
- Develop a database system for tracking interested households for all affordable ownership and rental units anywhere in the region and to provide a project specific waiting list/applicant list for individual projects.
- Develop and deliver or contract for delivery, a multi-session homebuyer orientation program including training on resale controls, and ground leases/deed restrictions.
- Ensure that individual homebuyers fully understand all resale restrictions.
- Serve as the point of contact with all potential buyers.
- Coordinate marketing meetings, walkthroughs and any other marketing/outreach events.

- Coordinate the homebuyer selection process, insuring compliance with ICLT selection policies and any requirements of local jurisdictions or other funders.
- Support homebuyers in obtaining mortgage financing from private lenders.
- Coordinate collection of all buyer documentation necessary to certify homebuyer eligibility to local jurisdictions and any state or federal agencies.
- Work with local realtors and title companies to transfer completed affordable homes to selected buyers.
- Oversee the Property Management Company responsible for all ICLT owned rental units.

Administrative Assistant

The Administrative Assistant will provide general administrative support and will serve as the primary coordinator for all aspects of the organizational fundraising, communications and advocacy strategies.

Key Responsibilities:

- Provide administrative support to the Executive Director and other staff as appropriate.
- Coordinate ongoing communication with existing and prospective members.
- Support the Executive Director in membership development and fundraising efforts.
- Coordinate preparation of Board and Committee agendas, minutes etc.

Compliance Coordinator

The Compliance Coordinator will be responsible to ensure that all affordable units in Irvine, whether directly controlled by ICLT or not, are fulfilling their responsibilities to the terms of their affordable housing contract.

Key Responsibilities:

- Establish a database of all affordable housing units in Irvine and the related compliance monitoring requirements.
- Perform annual inspections of affordable units
- Perform annual income and applicant certifications for appropriate units
- Assist the Executive Director in developing new project compliance monitoring standards and procedures in all Master Affordable Housing Plans

Realtor (As needed)

ICLT will contract with a licensed real estate broker to supplement staff marketing efforts. ICLT will seek to enter into a contract with realtors to provide a limited set of services related to the transfer of property. The services of a realtor should not be necessary to reach potential buyers, and it should not be necessary to offer traditional broker commissions because ICLT staff will be managing the central waiting list. But a licensed broker will be necessary to administer aspects of the sale and for this purpose ICLT will enter into contracts with realtors.



Project Pipeline

In the first five years, ICLT plans to develop ___ new rental housing units, serving a variety of needs. As described above, homeownership units will not be developed until the market rebounds. It is expected that ICLT will begin to bring homeownership units online beginning in 2017, unless inclusionary units are added before that time.

(Rental unit pipeline for five years to be added here)

Administration Operating Budget

ICLT has a variety of revenue sources for its Administration Operating Budget. An overview of each revenue source is provided below.

Development Related Revenue:

- **Marketing Fees:** For ownership units, a marketing fee equal to 3% of the affordable sales price will be charged for each new unit sold through ICLT. A portion of this fee will initially be used to compensate a broker working with the program, but the program will realize net proceeds of approximately 1% of sales prices.
- **Lease Initiation Fees:** These onetime fees will be charged to homebuyers to cover part of the administrative costs of initiating the ground lease. Homebuyers of the converted public housing stock will be charged \$1,000 at sale and buyers purchasing the new units will be charged \$250 at the initiation of the lease.

Post Occupancy Revenue:

- **Ground Lease Fees:** Each CLT homeowner will pay a monthly ground lease fee. While these fees may be the most reliable source of revenue, the small numbers of initial CLT homes and the need to keep the fee relatively low to facilitate affordability means that the ICLT will not be able to rely on ground lease fees to cover a significant portion of the

cost of operating the program in the initial years. The operating budget is based on the assumption of an initial \$50 per month Ground Lease Fee (increasing according to CPI).

Developers of ICLT projects will also pay a Ground Lease Fee for each rental unit. A proposed amount of \$25 per unit/per month will be proposed.

- **Lease Re-issuance Fees:** Because the resale formula tends to hold the price of most CLT homes far below their market value, ICLT will be able to add a small charge to the resale price without compromising the home's affordability, when CLT homes change hands. This charge will be used to defray some of the costs of overseeing the transfer of ownership from one low-income homeowner to another. Once there is a significant portfolio of CLT homes these fees can provide a sizable source of ongoing revenue, but ICLT is unlikely to earn significant re-issuance fees during the first three years.
- **ICLT Owned Rental Income:** ICLT currently owns six condominiums that are being rented to low income tenants. The units are without debt but still have monthly expenses for such items as property taxes, home owner's association fees, property management, etc. The net income of these six condominiums will help support ICLT's administration expenses.
- **Monitoring and Compliance Fee:** For all of the affordable units in the Great Park and IBC, developers will be required to pay a \$25 per unit/year monitoring and compliance fee.
- **10% of Low & Moderate Income Housing Fund:** Ten percent of all Low & Moderate income housing funds each year will be available to the ICLT for administration and operating expenses.

(Chart of revenue projects to be added here)

With the fee structure and development pipeline described above, ICLT will generate revenues that exceed the program's operating expenses over a five-year period.

Operating Expenses

The major operating expenses for ICLT will be the salaries and benefits of the program staff and administrative overhead. A snapshot on the following page provides details on the project expenses.

(Chart of operating expenses to be added here.)

Once fully staffed, expenses for office and administrative overhead, including supplies, rent, accounting and human resources services are **estimated at approximately \$ __, __ annually.**

Conclusion

The Irvine Community Land Trust provides a much-needed service to the City of Irvine by monitoring the long term affordability of affordable homeownership and rental units which are produced with the benefit of public subsidy or as a result of the City's inclusionary housing policy. ICLT will continue to explore creative partnerships and innovative ways in which to develop a wide spectrum of affordable housing. As development opportunities recover from the current recession, ICLT anticipates being a model for city-sponsored community land trusts and an example to other California communities. ICLT is expected to be able to sustain its own operating expenses after a minimum of 200 units are in its portfolio. Until that time ICLT will be able to cover its expenses through grants and fee revenue, assuming that...

- The strong relationship between ICLT and the City of Irvine will be maintained.
- Irvine will continue to be a business and employment hub for Orange County.
- The City's inclusionary housing program will remain in place.
- The City will continue the operations of its Redevelopment Agency, which will generate on-going financial support for ICLT.
- All housing projects will adhere to Irvine's strict standards for design, quality construction and maintenance.
- Permanent affordability will be a desired feature of all future ICLT projects.