CalHFA's Mixed-Income Program (MIP)
Outcomes Analysis, Rounds 1-3

April 2022 Memo

Program Background

The Mixed-Income Program (MIP) was created in 2017 after the passage of Senate Bill 2 (SB2), the Building Homes and Jobs Act, to create mixed-income multifamily housing for households between 30% and 120% AMI. The program's funds are administered by the California Housing Finance Agency (CalHFA). CalHFA receives 15% of SB2 funds for this purpose and in 2020 and 2021, CalHFA also received MIP funds through the State Budget. The SB2 funds amount to almost $40 million annually with the 2020-2021 and 2021-2022 budgets each providing $45 million more.[1] In addition, AB101 allows the Tax Credit Allocation Committee to dedicate up to $200 million in state tax credit reservations annually to Mixed Income Projects. TCAC awarded $232 in state credits to MIP projects in the 2020 and 2021 calendar years combined.

To date there have been three full application cycles – 2019, 2020, and 2021 – with a fourth round scheduled for February 2022. While most application periods have been competitive, some funding in 2020 was awarded through over-the-counter applications.

There are several requirements that program applicants must adhere to, including:

- **Affordability:**
    - Project must have an income average of 60% AMI across all restricted units (households can earn as high as 120% AMI.
- **Subsidy:**
    - No development may receive more than the lesser of $8 million, or the aggregate MIP loan amount of up to $50,000 per MIP unit or up to $60,000 per MIP unit for a development located within the High or Highest Resource areas.
- **Financing:**
    - Applicants must pair their MIP award with a CalHFA permanent loan as well as borrow from a CalHFA Mixed-Income Qualified Construction lender.
    - MIP loans must be structured as a tax-exempt bond and 4% tax credit project where at least 51% of the units in the project must be tax credit financed

[1] https://www.ebudget.ca.gov/2020-21/pdf/Enacted/GovernorsBudget/1000.pdf; https://www.ebudget.ca.gov/2021-22/pdf/Enacted/GovernorsBudget/1000.pdf

    - Projects awarded MIP funds cannot be combined with other state subordinate debt and/or subsidy programs with the exception off the Infill Infrastructure Grant (IIG) program.
    - At the time of MIP application to CalHFA, a project must not have already received an allocation of 4% federal and/or state tax credits from CTCAC or a tax-exempt bond allocation from CDLAC.
- **Sponsor, Geographic, and Housing Type Caps**:
    - No sponsor may receive more than 20% of total MIP allocation or funding of two projects, whichever is less, for the respective year.
    - No one county may receive more than 25% of total MIP allocations for the respective year.
    - No more than 25% of total MIP funds for the respective year may be received by age-restricted projects (units that are restricted to residents who are 62 or older).

General Program Outcomes and Trends

In its first three years of awards (2019-2021), the Mixed-Income Program awarded more than $219 million to 35 developments. These 35 developments utilized $232 million in competitive state LIHTCs and $1.4 billion in competitive CDLAC tax-exempt bond capacity. They further leveraged more than $973 million in federal 4% LIHTCs, which are unlimited and therefore not competitive. These resources enabled the construction of 5,493 income-restricted units.

Developments awarded MIP funds tend to have the following characteristics:

- MIP-awarded developments have an average AMI of 59%. On average, 6% of affordable units house renters at or below 30% AMI, 32% house renters 31%-50% AMI, 31% house renters 51%-60% AMI, 30% house renters 61%- 80% AMI, and 1% house renters above 80% AMI.
    - By contrast, new construction LIHTC-awarded developments awarded tax credits 2019-2021 have deeper affordability than their MIP counterparts: on average, 4% LIHTC-awarded developments have an average AMI of 47% and 9% LIHTC-awarded developments have an average AMI of 45%. For both programs, a majority of units are affordable to renters earning at or below 50% AMI (65% of units for the 4% program and 74% of units for the 9% program).
- Most awarded developments are new construction (90%) and the majority are family-serving (77%) or house seniors (23%). None of the awarded developments have units set aside for special target populations such as those experiencing homelessness or chronic homelessness and veterans.
- Awarded developments also tend to be larger, on average, than other LIHTC-awarded developments. On average, an MIP-funded development has 157 affordable units compared to the tax credit program's 85 average affordable units (2019-2021).
- The "typical" financing structure for an MIP-awarded development consists of the MIP loan, the CalHFA perm loan, tax credit equity, and some combination of local funds (often in the form of fee waivers or land donations) and federal funding (often CDBG or HOME).

- On average, the MIP award finances 9% of total development costs – ranging from 1% of TDC to 18% of TDC.
- On average, tax credit equity finances 41% of total development costs. State tax credit equity, specifically, finances 8% of TDC – ranging from 0% to 19%.
- Similar to LIHTC-awarded developments, MIP-awarded developments utilize 5 sources of funding on average.

Key Finding #1: Most Awarded Developments are Located in Northern California Counties

The geographic distribution of developments is heavily weighted towards northern California counties: 74% of awarded developments and 72% of MIP funding are located in the state's northern counties. Contra Costa and Sonoma counties, specifically, have received the most awards and largest share of MIP funding.

FIGURE 1: Distribution of MIP Awards by County – 2019-2021

County	MIP Developments	Affordable Homes	MIP Award Total
Alameda	1	139	$5,000,000
Contra Costa	6	1,117	$39,722,000
Fresno	1	178	$4,500,000
Los Angeles	2	589	$27,350,000
Monterey	1	140	$2,800,000
Nevada	1	67	$4,388,000
Sacramento	4	586	$24,860,000
San Diego	4	450	$20,420,968
San Francisco	1	201	$10,150,000
San Mateo	2	354	$11,700,000
Santa Clara	3	333	$15,105,674
Solano	2	347	$17,430,000
Sonoma	6	724	$29,100,000
Ventura	1	268	$7,000,000
Grand Total	**35**	**5,493**	**$219,526,642**

Key Finding #2: Most Awarded Developments are Located in Suburban Areas and Large Cities

As shown in Figure 2 below, most awarded developments are in suburban areas and large cities: 46% of developments (or 45% of affordable homes) are located in suburban areas – or areas outside of a principal city and inside an urbanized area with population of 100,000 or more. 29% of awarded developments (or 32% of affordable homes) are in large cities – or areas inside an urbanized area and inside a principal city with population of 250,000 or more.[2]

[2] This analysis uses the National Center for Education Statistics locale classification typology to describe the type of area where each MIP development is located. NCES classifies all territory in the U.S. into four types – Rural, Town, Suburban, and City, and each type is divided into three subtypes based on population size or proximity to

FIGURE 2: Distribution of MIP Awards by Place Type – 2019-2021

Place Type	MIP Developments		Affordable Homes		MIP Award Total	
	#	%	#	%	$	%
City (large)*	10	29%	1,773	32%	$75,935,968	35%
City (small & midsize)*	6	17%	822	15%	$27,055,674	12%
Suburban	16	46%	2,487	45%	$90,042,000	41%
Town	1	3%	67	1%	$4,388,000	2%
Rural	2	6%	344	6%	$22,105,000	10%
Grand Total	**35**	**100%**	**5,493**	**100%**	**$219,526,642**	**100%**

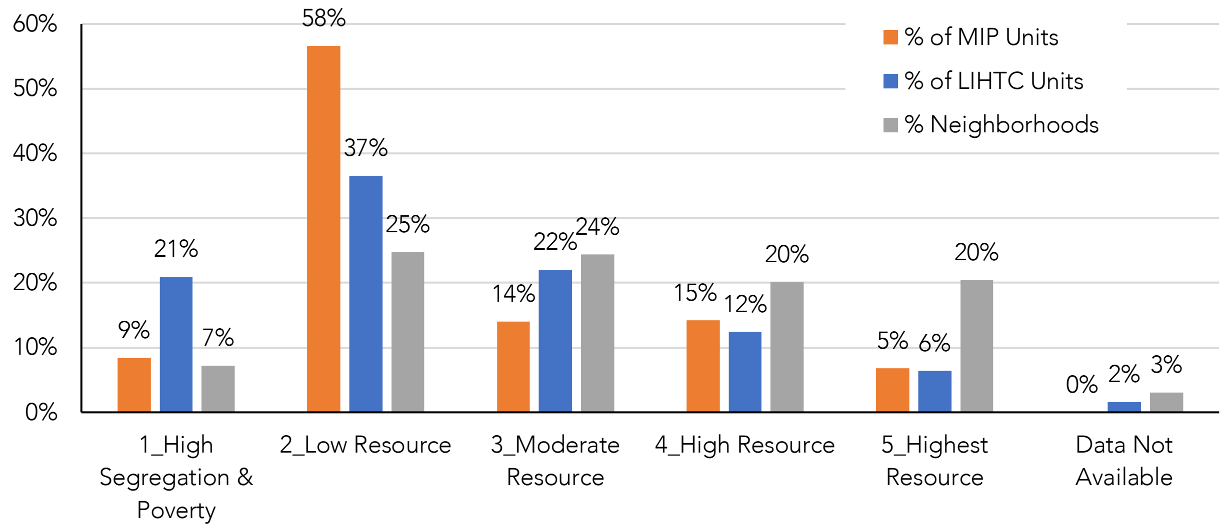
**A large city is inside an urbanized area and inside a principal city with population of 250,000 or more. Midsize cities have a population between 100,000 and 250,000. A small city has a population less than 100,000.*

Key Finding #3: Most Awarded Developments are Located in Lower Resource Areas

Figure 3 shows the distribution of affordable homes in MIP-financed developments relative to the neighborhood categories in the 2021 TCAC/HCD Opportunity Map. Statewide, MIP-financed affordable homes are heavily *overrepresented* in Low Resource areas (58% of affordable homes versus 25% of neighborhoods) and greatly *underrepresented* in Moderate, High, and Highest Resource areas statewide. Though MIP-awarded developments are located in High Resource areas marginally more often than their LIHTC-financed counterparts, the program is far from achieving equal access to areas of opportunity statewide.

FIGURE 3: Distribution of MIP- and LIHTC-Financed Affordable Homes by Level of Neighborhood Resources (Statewide) – 2019-2021

populated areas. The classifications rely on standard urban and rural designations defined by the U.S. Census Bureau, and each type of locale is either urban or rural in its entirety.



Sources: California Housing Partnership analysis of MIP award data (2019-2021) and TCAC award data (2019-2021); and 2021 TCAC/HCD Opportunity Map.

Key Finding #4: 75% of Awarded Developments are Created by For-Profit Developers

As shown in Figure 4 below, the majority (77%) of MIP-awarded developments are developed by for-profit developers.

FIGURE 4: MIP Awards by Developer Type – 2019-2021

Developer Type	MIP Developments	Affordable Homes	MIP Award Total
For-Profit	27	4,147	$165,446,642
2019	7	1,535	$55,210,000
2020	11	1,354	$71,668,968
2021	9	1,258	$38,567,674
Non-Profit	8	1,346	$54,080,000
2020	5	821	$42,810,000
2021	3	525	$11,270,000
Grand Total	35	5,493	$219,526,642

Key Finding #5: MIP-Financed Affordable Homes Tend to Be More Expensive than 9% LIHTCs and Less Expensive than 4% LIHTCs

As shown in Figure 5 below, MIP-financed affordable homes tend to be less expensive on average that their 4%, new construction LIHTC counterparts (2019-2021) and more expensive than their 9%, new construction LIHTC-awarded counterparts (2019-2021) on a per-unit basis.

FIGURE 5: Total Development Costs Per Unit for MIP- and LIHTC-Awarded Developments – 2019-2021

	Average Total Development Costs Per Unit (2021$)	Median Total Development Costs Per Unit (2021$)
MIP (2019-2021)	$501,000	$460,000
4% LIHTC (new construction; 2019-2021)	$555,000	$539,000
9% LIHTC (new construction; 2019-2021)	$499,000	$472,000

These differences in costs could be due to several factors, including:

- 4% LIHTC-awarded developments tend to leverage one more source of funding than their MIP counterparts or 9% LIHTC counterparts (6.5 sources vs. 5.4 sources vs. 5.3 sources on average, respectively)
- 4% LIHTC-awarded developments tend to be located in higher cost areas of the state when compared to their MIP and 9% LIHTC counterparts.
- MIP-awarded developments receive fewer site amenity points (8 points on average) when compared to both 4% and 9% LIHTC-awarded developments (10 points and 20 points on average, respectively).[3]
    - Generally, developments located in areas that receive more site amenity points have higher total development costs than their lower scoring counterparts.
        - MIP-awarded developments with the most site amenity points (10 points) are 26% more expensive on a per-unit basis (on average) than developments with no site amenity points and 6% more expensive per-unit than developments with 2.5-7.5 site amenity points.
        - 9% LIHTC-awarded developments with the most site amenity points (26-33 points) are 15% more expensive on a per-unit basis (on average) than developments with 15-20 site amenity points and 8% more expensive per-unit than developments with 21-25 site amenity points.[4]
- 4% LIHTC-awarded developments tend to have fewer units per development than their MIP counterparts (92 affordable units per development vs. 157 affordable units per development).
    - Though this explanation is not fully satisfactory given that 9% LIHTC-awarded developments have even fewer units per development on average (63 affordable units per development).

To learn more about the Mixed-Income Program, visit CalHFA's website: https://www.calhfa.ca.gov/multifamily/mixedincome/index.htm.

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[3] Site amenity points were pulled from LIHTC applications from TCAC. This data is only available for 4% awarded developments in 2021. For the 9% program, site amenity points were pulled for both 2020 and 2021 awarded developments. Excluded in this analysis are 4% developments receiving full AFFH points (20 points) and developments receiving 9% disaster credits in 2020.

[4] This comparison focuses exclusively on 9% developments because all awarded 4% developments received 10 site amenity points in 2021. All awarded 4% developments without site amenity points claimed the full AFFH points (20 points) and were excluded from this analysis of costs.

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