



**Table H-49  
Summary of At-risk Units**

Project	No. of Bedrooms			Program	Potential Conversion Date	Total Units	At-Risk Units		
	2	3	4				VL	L	Total
Tamarisk Villas	22	20	8	Project Based Section 8	01/09/2005	50	50		50
<b>TOTAL</b>	<b>22</b>	<b>20</b>	<b>8</b>			<b>50</b>	<b>50</b>		<b>50</b>

The FmHA Section 515 low interest loan program provides direct, competitive mortgage loans made to provide affordable housing for Very Low, Low and Moderate income households, the elderly and persons with disabilities. Primarily a direct mortgage program, funds may also be used to buy and improve land, and provide infrastructure. Loans are structured with a 50 year term at a 1% interest rate. For-profit operators must agree to operate on a limited profit basis. At the time Tamarisk Villas was constructed, the program required that 75% of the units be reserved for households at 50% or below of the County median income. Tamarisk Villas offers all 50 units to Very Low income households. The restrictions on the use of the structure for Very Low income households are not at risk of expiring during the next 10 years.

The Project Based Section 8 contract for this project will expire during the period of this Housing Element analysis, and will need to be renewed. Under the Section 8 rental subsidy, HUD pays the difference between a tenant's rent contribution (30% of monthly income) and the Fair Market Rent (FMR) set by HUD for the area. Only Very Low Income households are eligible to occupy Section 8 units. The complex is comprised of 22 two bedroom units, 20 three bedroom units, and 8 four bedroom units. All of the units in the complex have affordability restrictions. Tenants pay 30% of their adjusted monthly income for rent. (Adjusted monthly income is monthly income minus out-of-pocket medical costs). It appears unlikely that the affordability of these units will be threatened based on the determination that HUD is continuing to offer a five year extension with annual renewal, or one year extensions for its Project Based Section 8 program. In order to be eligible for renewal of the Section 8 contract in 2005, the owners must file the extension request under the conditions established by MAHRA and any subsequent legislation 120 days prior to expiration of the contract, including the conduct of a RCS to establish the initial renewal date.

### **Cost of Preservation Versus Replacement**

The Tamarisk Villas project with a total of 50 units is at-risk of conversion to market rate during the July 1, 2000 to July 1, 2005 Housing Element planning period. The cost of preserving these units is estimated to be less in most cases to the County than replacing the units through new construction. Replacing the units with rehabilitated units may be cost effective in some instances. Cost estimates provided in this analysis are intended to indicate an order of magnitude. Actual costs involved in each option will depend on the rental and real estate market situations at the time the affordability controls on these projects expire.



Preservation of the units as affordable may require financial incentives to the project owners to extend low-income use restrictions. Other scenarios for preservation would involve purchase of the affordable units by a non-profit or public agency, or local subsidies to offset the difference between affordable and market rents. The property owner intends to exercise the extension options and this project will not be converted during the planning period.

Scenarios for preservation depend on the type of project at-risk. As no bond financed projects are at-risk during the 10 year analysis period, two of the three options available for the preservation of bond-financed at-risk units in Riverside County: refinancing, and transfer of ownership, are not summarized in detail in this section. Two options exist for preservation of Tamarisk Villas units at-risk of losing their Section 8 rental subsidies: HUD may offer an extension of the Section 8 contract, or the County may offer rental subsidies.

### **Local Rental Subsidy**

One available option for preservation of at-risk units at Tamarisk Villas would be a local rental subsidy to residents. This option could be used to retain the affordable status of the units, by providing assistance to the residents when their affordable units convert to market rate. Rent subsidies using state, local (Economic Development Agency), or other funding sources can be used to maintain the affordability of these at-risk units. Rent subsidies can be structured to mirror the Section 8 program.

Under the Project Based Section 8 program, HUD pays owners the difference between what tenants can pay (defined as 30% of household income) and what HUD and the local Housing Authority estimate to be Fair Market Rent (FMR) on the unit. Section 8 certificates are only available to Very Low Income households earning less than 50% of the County median income. The 1999 HUD median income for Riverside County is \$47,200. To simplify the analysis, all two bedroom units in Tamarisk Villas are assumed to be two person households, all three bedroom units are assumed to be four person households, and all four bedroom units are assumed to be five person or larger households, although it is probable that some of the units are occupied by larger or smaller households. As Tamarisk Villas is comprised of two, three and four bedroom units, other sized units are not considered at risk during this period and therefore not addressed in this analysis. The analysis also assumes the average Very Low Income household has an actual income of 50% of the County median income, adjusted for household size. Thus, the average income for a two person Very Low Income household in Riverside County would be \$18,900, a four person household would be \$23,600, and a five person household would be \$25,500.

As noted in Table H-49, the earliest date the 50 units at Tamarisk Villas can convert to market rate is 2005. The cost of providing subsidies for the 50 at-risk units to maintain subsidized rents assumes that none of the at-risk units are preserved. The cost of providing subsidies to 50 Very Low-income households is based on a comparison between fair market rents (FMR) and rents which are affordable for Very Low-income households. Affordability is defined as rents that do not exceed 30% of a household's monthly income.

The current FMRs for the Riverside-San Bernardino Metropolitan Area (MSA), which encompasses Riverside County, are shown in Table H-50.