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New affordable home project in Irvine could be last to be hindered by large property tax burden

Nonprofit landowners have been paying market-rate taxes until they could build, but a bill awaiting Gov. Newsom's signature would change that



A rendering shows the planned look of Salerno, an 80-unit affordable apartment community in Irvine that will provide homes for veterans, people with developmental disabilities and families at risk of homelessness. (Courtesy of Irvine Community Land Trust)

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A new 80-unit apartment complex that recently broke ground in Irvine could be a new beginning for the veterans, developmentally disabled people and families at risk of homelessness who will become its tenants when it opens next year.

But Salerno, as the project is called, is also important to local housing officials for the ending they hope it represents. Legislation Gov. Newsom is expected to sign would allow properties slated for affordable rental homes to get a tax exemption sooner, saving nonprofit builders between thousands and millions of dollars that could instead go toward building more homes – a benefit projects done after Salerno would enjoy.

The bill also would extend the property tax break (known as the [welfare exemption](#)) to land for owner-occupied affordable home projects.

“It’s really hard to build these projects. You have to have a lot of funding,” and property taxes can take a significant bite out of that, said Melissa Fox, an Irvine councilwoman who chairs the nonprofit Irvine Community Land Trust’s board.

“Even if it didn’t prevent us from doing the project,” she said of Salerno, “it lowered the number of units we could do.”

Tax frustration

The Irvine Community Land Trust was formed in 2006 to help build homes for families with lower incomes or special needs. But once it was up and running, the economy tanked, so from 2009 to 2011 the trust focused on buying, rehabbing and selling foreclosed homes at affordable prices, Executive Director Mark Asturias said.

In 2012, the trust began work on its first rental project, a [104-unit apartment community called Alegre](#) that opened in 2015. Income-qualified residents were drawn by lottery after more than 2,400 people signed an interest list.

Since then, the trust has partnered with developers to build two more apartment complexes, Parc Derian and Doria, totaling about 214 units for families making no more than 80 percent of the area’s median household income; some residents earn less than 30 percent of the median, which in Orange County is \$97,900 for a family of four.

But before the new legislation, Asturias said, landowners such as the trust couldn't get the property tax exemption until a project was underway, and county tax assessors were interpreting that to mean anything from shovels in the ground to tenants moving in.

With California's lengthy regulatory process plus up to 16 months' construction time, it could easily take four to five years from acquiring land to cutting the ribbon on new homes, Asturias said. Vacant land in Irvine is going for about \$4 million an acre, which for Salerno added up to roughly \$275,000 in property taxes.

"It can actually jeopardize the entire project because until we can find the money to pay the taxes, we cannot start construction," he said.

The trust can't recoup that money by charging market-rate rents and most of the grants and other funding for affordable homes is earmarked for construction. Private donors envision their money building homes, not footing a tax bill, Asturias added.

The Irvine land trust's next project will be 68 owner-occupied townhomes on Native Spring alongside the 133 toll road. Asturias said the trust has been under contract to buy the land from the city for four and a half years, but held off on closing escrow until the new legislation is in place, saving an estimated \$600,000 in property taxes.

Salerno broke ground Sept. 19 at Nightmist and Sand Canyon Avenue. When it opens in fall 2020, the \$37.7 million complex with a pool, exercise room and tot lot will include 35 apartments for veterans, people with developmental disabilities and families at risk of homelessness; a majority of the remaining units will be reserved for families earning less than half the area median income.

The land trust is providing the land and a \$6.8 million loan to the developer. Other loans and funding come from tax credits, the county and Citi Bank, according to a press release. Rents will run from about \$550 to \$695 a month.