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Tax Credit Legislation and Regulations

A LOOK AT THE YEAR AHEAD



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Focus On: Paradise, California

BRAD STANHOPE, SENIOR EDITOR, NOVOGRADAC

More than seven years after a catastrophic wildfire nearly destroyed Paradise, California, multifamily affordable rental housing is in the spotlight.

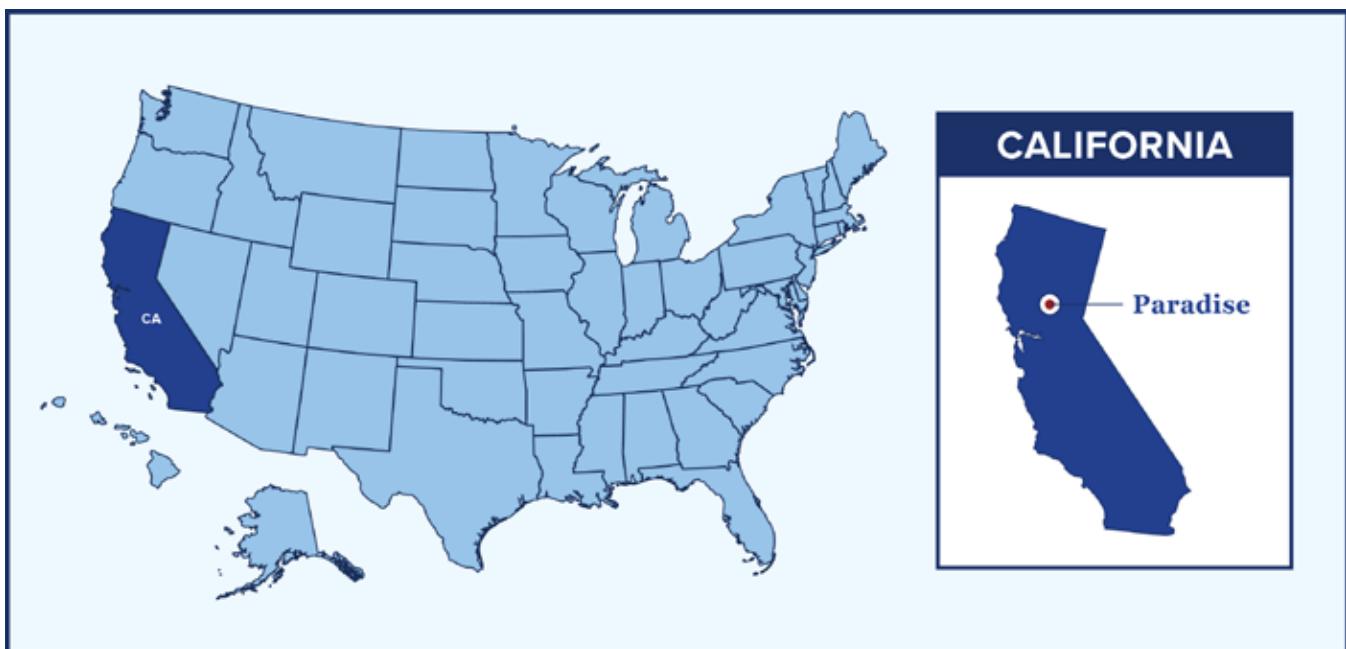
“The Camp Fire definitely thrust us into the practice of disaster recovery housing, first with rebuilding Paradise Community Village [which was lost in the fire] and then supporting homeownership and multifamily housing,” said Seana O’Shaughnessy, president and CEO of nonprofit affordable housing developer Community Housing Improvement Program (CHIP), which is based in nearby Chico. “There wasn’t a lot of multifamily housing in Paradise [before the fire]. There were mobile homes and long-held assets rented at affordable rents.

“Post-disaster, the ability for mom-and-pop organizations to rebuild affordably didn’t exist, so

we’re not seeing a ton of that naturally occurring affordable housing coming back,” O’Shaughnessy said. “There’s been a shift in the character of the type of housing, going from a lot of single-family rentals to a number of apartment complexes.”

Before, Immediately After the Fire

Maidu tribes made Butte County their home as early as 1500 B.C. Paradise, 90 miles north of Sacramento in the Sierra Foothills, got a boost after discovery of gold in California in 1848. Although miners came to the area to try their luck, some remained and communities began to form as lumber mills began to operate. After railroad service came in the early



1900s, agriculture became the key business as the town slowly grew.

Paradise was finally incorporated in 1979 when the town had a population of 22,000, growing slowly over the decades until the Nov. 8, 2018, Camp Fire. The deadliest and most destructive fire in California

history, it killed 85 people, destroyed more than 18,000 buildings, displaced more than 50,000 people and caused more than \$16 billion in damage.

In the aftermath of the fire, it was found that only 5% of Paradise's buildings didn't have serious fire damage and most of them were lost. The population,

HOUSEHOLD FORMATION

YEAR	PARADISE	USA
2023	-5.1%	1.0%
2028	0.9%	0.6%

Source: Esri, Novogradac Consulting LLP

JOB GROWTH

YEAR	CHICO MSA	USA
2015	7.2%	5.3%
2016	6.7%	4.9%
2017	5.9%	4.4%
2018	5.1%	3.9%
2019	5.2%	3.7%
2020	9.5%	8.1%
2021	6.9%	5.4%
2022	4.6%	3.7%
2023	5.2%	3.6%
2024	5.9%	4.0%
2025	6.2%	4.2%

Source: Esri, Novogradac Consulting LLP:

UNEMPLOYMENT RATE

YEAR	CHICO MSA	USA
2015	7.2%	5.3%
2016	6.7%	4.9%
2017	5.9%	4.4%
2018	5.1%	3.9%
2019	5.2%	3.7%
2020	9.5%	8.1%
2021	6.9%	5.4%
2022	4.6%	3.7%
2023	5.2%	3.6%
2024	5.9%	4.0%
2025	6.2%	4.2%

Source: Esri, Novogradac Consulting LLP:

HOUSEHOLD INCOME 2028

COHORT	PARADISE	USA
\$0-\$9,999	4.3%	5.4%
\$10,000-\$19,999	8.8%	7.2%
\$20,000-\$29,999	10.2%	7.8%
\$30,000-\$39,999	8.8%	7.7%
\$40,000-\$49,999	8.7%	7.4%
\$50,000-\$59,999	6.9%	6.9%
\$60,000-\$74,999	11.2%	9.1%
\$75,000-\$99,999	12.7%	12.3%
\$100,000-\$124,999	9.4%	9.6%
\$125,000-\$149,999	6.8%	7.2%
\$150,000-\$199,999	6.4%	7.9%
\$200,000+	5.9%	11.5%

Source: Esri, Novogradac Consulting LLP:

POPULATION BY AGE

AGE	PARADISE	USA
0-9	7.5%	10.7%
10 to 19	7.6%	11.7%
20-29	7.6%	13.4%
30-39	9.8%	13.5%
40-49	9.9%	13.0%
50-59	12.8%	12.2%
60-69	17.3%	11.3%
70-79	17.6%	9.5%
80-older	10.3%	5.3%

Source: Esri, Novogradac Consulting LLP:

which was 26,216 in the 2010 census, dropped to less than 5,000 residents in 2020.

The slow, steady rebuilding began immediately. Negligence by Pacific Gas & Electric (PG&E) was found to be the fire's cause, leading to a \$1 billion settlement from the company, including \$270 million for Paradise, money that continues to fund the town government (PG&E also established a \$13.5 billion fund for individual victims and insurance companies). While many businesses opened within months of the fire, ahead of original projections, cleanup wasn't completed until September 2019, 10 months after the fire.

By 2025, according to data from ESRI, the city had 8,123 residents, although the Chamber of Commerce says there are 11,000 residents. Either is a decline of 20,000 from 2018, although that figure is expected to continue to grow. Since 2020, the town has seen an influx of new residents. It's a different world than before Nov. 8, 2018.

The Growth of Multifamily Housing

Before the Camp Fire, Paradise's housing inventory was dominated by single-family housing.

"Housing in the town pre-fire was typically older and small," said Sarah Richter, the Paradise housing program coordinator. "I was a Realtor for a long time before the fire and saw a lot of homes that people built themselves or their uncle built it. They were funky and definitely DIY and really inexpensive. A lot of homes got passed down and many of those homes were rentals. You can't replace those. The cost to build them doesn't work anymore."

Meanwhile, the combination of nearly \$200 million in Community Development Block Grant-Disaster

Recovery (CDBG-DR) funds from the U.S. Department of Housing and Urban Development and low-income housing tax credit (LIHTC) equity fueled rapid growth in multifamily affordable rental housing. From the one LIHTC-financed property with 36 homes, there are now 150 affordable apartments, with another 140 coming from properties that broke ground in early 2026.

"We didn't have to struggle with getting developers to apply when we put out the RFP (request for proposals)," said Nadia Alekseev, the town's housing program manager. "For the original \$55 million [in CDBG-DR funds] we received [for affordable multifamily rental housing], we got applications from four developers right away and awarded them based on a first-come, first-served basis."

Multiple Sources of Funding

In addition to the CDBG-DR funding, Paradise received a large grant from the state and Congress approved \$1 billion in special disaster LIHTCs for the fire-damaged areas in California. But timing was an issue: The CDBG-DR funds often take at least three years, which put that funding beyond the placed-in-service deadlines for LIHTC awards. Affordable housing properties that received CDBG-DR funding had to wait and compete for regular LIHTCs from the state, rather than the disaster credits.

"We realized immediately that there was no way Paradise would achieve any comparable affordability without investing in multifamily housing," O'Shaughnessy said. "I think the town's planning, building and housing departments also recognized that. The town had been spread out, low-profile and not condensed. The adjustment is ongoing for people, but the multifamily properties that have been built are all attractive and the quality is incredibly high. That has helped people to accept it."

Rich Ciraulo, regional director of real estate development at Mercy Housing, which worked with CHIP on the two phases of Cypress projects, said building in a fire-ravaged town requires a different approach.

“You’re coming into a community that’s been destroyed, so you have to think about the rebuild and about what happened to the people who left,” said Ciraulo. “Some moved to other states and established lives in other places. ‘Build it and they will come’ is one thought, but it’s also thinking about the community being re-created and the ongoing investment.”

A Changing Market

In 2023, the Chamber of Commerce launched a marketing campaign focused on affordability, safety, quality of life, community and location. Seven years after the Camp Fire, things are different.

“The town has been at a tipping point for the last year or two, where the people buying homes and moving to town are first-time residents in Paradise rather than people who are returning,” said O’Shaughnessy.

But it’s difficult to maintain accurate population estimates.

“One of the things we discovered in our first survey is that we still have a high population of seniors and that surprised a lot of people,” said Richter. “It feels like most of the new residents are young families, but every time we get a piece of data, it says we have 40% of the population that is 65 or older.”

Paradise’s role in the wider region is fluid.

“Before the fire, Paradise played a unique housing role in the region, where Chico is the hub and is a

little more expensive,” O’Shaughnessy said. “People would look to buy their first home outside Chico and still shop or work there. Historically, Paradise was a retirement community, but with a lot of families starting with their first home. We’re back to being that again.”

Challenges: Septic Systems, Insurance, Unfamiliarity

While the fire is the biggest challenge for developers, the fact that most of the town is on septic systems also limits the ability to build.

O’Shaughnessy said septic systems sometimes frighten potential developers, but that shouldn’t be the case if the system is engineered properly and well maintained. “It requires more land,” she said. “Finding flat land that has space for septic is a challenge.”

The fact that Paradise is in the foothills also presents challenges.

“We have a lot of slopes,” said Alekseev. “One of our developments purchased land with high groundwater levels, requiring a dewatering process and soil stabilization. You could be somewhere near very high water level or in a very rocky place, which may necessitate a large, engineered septic system, adding significant costs to the project.”

And then there’s property insurance, which has surged.

“A perpetual challenge is insurance headwinds,” said Jeremy Hoffman, chief operating officer at Zen Development, which serves as a consultant and developer in affordable housing with a unique focus on disaster areas. “You’re staring down the barrel at

what's probably a 50% higher insurance premium than in the Bay Area. That's particularly a problem."

Tips for Developers

Zen Sawyer, owner and founder of Zen Development, said the city is remarkable.

"Paradise has been like a dream to work with," said Sawyer. "The town staff has been so supportive. They're team players and nimble and capable. They have specialists in all areas, but it's not unwieldy. They're able to keep things moving and understand when there's a need."

With land challenges comes an opportunity. In mid-December, Zillow listed 88 properties of at least

a half-acre in Paradise for sale at a price of less than \$50,000. Almost all of them were previously developed, so they have existing infrastructure.

"Scattered site definitely makes sense here," said Richter. "We have a lot of available, individual residential lots and high-density housing is uncommon here."

Developers say research is required.

"If you come up here, scope it out and talk to the building department," Alekseev said. "Do some research on zoning. There's not a lot of large parcels you can buy, but you can piece deals together or buy out an old mobile home park that hasn't reopened." ♦

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