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Financing mid-priced housing

Teachers, firefighters among those to benefit

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Middle-income workers such as firefighters and teachers will be the beneficiaries of a new $30 million equity fund that will help finance affordable work-force housing throughout California.

While subsidized housing for the poor has long occupied the attention of affordable housing developers, more recently the focus has turned toward making homeownership affordable to the middle class.

The new Workforce Housing Fund, as it is being called, is among a number of similar financing initiatives in pricey California, where moderate-income households, which earn too much money to qualify for low-income subsidies, are being squeezed out of the real estate market.

The goal of the Workforce Housing Fund is to use $30 million to help finance roughly 500 for-sale homes affordable to moderate-income workers, such as nurses, teachers, firefighters and government employees.

Overseeing the fund is the Glendale-based California Community Reinvestment Corporation (CCRC), a nonprofit multibank lending consortium that makes loans to developers of low-income rental housing.

“We're hoping some of the developers we work with in the low-income housing world will be attracted to build more for-sale housing that they couldn't ordinarily provide,” said Mary Kaiser, president of CCRC.

“It's going to take a village to get these projects done, with our piece being cheaper equity so people don't have to pay 60, 70 percent of their incomes for housing. Homeownership is on the rise, but it may be on the rise because of all the creative (mortgages).”

“The fund was extremely important to us, given that as a nonprofit doing projects with affordability restrictions it's often difficult to get traditional investors who are looking more at the bottom line,” said Lehman.

In San Diego County, there already is in place a $90 million work-force housing fund that is close to announcing which affordable projects it plans to fund this year. Unlike the CCRC initiative, which is looking at projects statewide, the San Diego Smart Growth Fund will focus exclusively on local developments.

The goal of the San diego fund, which is managed by the Phoenix Realty Group, is to assist smaller developers on projects that will not only provide housing affordable to middle-wage earners, but will also help revitalize older low-and moderate-income neighborhoods

Similarly, the CCRC fund is designed to provide a return for its investors and help fill the financing gap faced by developers interested in building housing affordable to middle-income households in communities where land costs are sky high. Financing from the fund, however, is not made directly to prospective buyers, only to developers.

Equity financing will be made available for up to 25 percent of housing project costs. Investors in the fund include a number of CCRC's member banks, such as the Bank of the West, Wells Fargo, Union Bank of California, the Bank of America, Washington Mutual Bank, City National Bank and the Montecito Bank & Trust. A consortium of major insurers is also among the investors.

George Vine, a consultant to the Glendale lending consortium, explained how the funds would be dispersed:

“The developer will go to a construction lender and they'll lend him X amount of dollars, so this fund picks up the difference between what the construction lender will lend and what resources the developer has. The money does have to be paid back from the sales proceeds as the units sell."

The fund will be used to finance work-force housing projects throughout California, including San Diego, where CCRC already has helped finance some low-income housing developments. In all, it has made loan commitments or already issued loans to San Diego projects totaling $9 million, according to Vine.

The intent of the fund is to invest in projects that will be affordable to households earning up to 120 percent of median income. In San Diego County, that translates into $76,100 a year for a family of four.

Ken Sauder, president of Wakeland Housing and Development Corp. in San Diego, said he thinks the fund would be especially useful to nonprofits like his own that are interested in pursuing affordable for-sale projects.

Most recently, Wakeland secured a loan from CCRC for a 74-unit project in downtown's East Village that will be for low-income families.

"It's a real key component for groups like Wakeland that can't go to banks for a big line of credit," said Sauder. "The question becomes how much for-sale moderate-income housing can you build. You'll need a large subsidy from a local jurisdiction to make that happen and how much money do local jurisdictions have that they're willing to put into for-sale housing?"

The fund's first venture is 102-unit Fuller Lofts, a $37 million project planned for a site just north of downtown Los Angeles along a light-rail transit line. Livable Places, a Los Angeles nonprofit, will be getting $4.8 million from the fund to help finance 45 affordably priced lofts that will be reserved for moderate-income households.

The lower priced units will sell for roughly $375,000 for a four-member family, with comparable market-rate units expected to sell for $500,000, said Ryan Lehman, executive director of Livable Places. There will be no restrictions for resale of the units.

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