



Senate Transportation and Housing Committee hearing

Innovative Solutions to Build Affordable Housing

Presentation Remarks by Kevin Zwick, CEO, Housing Trust Silicon Valley

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Thank you, Chairperson Jim Beall, for inviting me to speak on this panel and to the committee for holding this important hearing focusing on solutions to affordable housing. I'm honored to be here on behalf of Housing Trust Silicon Valley, and to talk about the role we and other Local Housing Trust Funds play, with the state's assistance, in addressing the affordable housing crisis.

### **Our background**

The Housing Trust was created in 2000 with an innovative mission – to serve as a catalyst for new affordable housing by raising new funds from the private and public sectors. A true public/private partnership, the Housing Trust started when the Santa Clara County Board of Supervisors, of which Chairperson Beall was a member at the time, approved a \$1,000,000 challenge grant, and asked the private sector to match it. Led by the efforts of the Silicon Valley Leadership Group, our business community met this goal and then set a higher one. By 2003, the Housing Trust had raised \$20,000,000, including \$1,000,000 grants from Adobe, HP, Sun, Cisco and Applied Materials, in addition to all 16 local jurisdictions.

Today, the Housing Trust continues with this model. Since 2000 we have raised over \$100 million for our community, creating or preserving over 13,500 affordable homes, and assisting more than 24,000 people find a home in one of the least affordable regions in the world.

There are two unique aspects of the Housing Trust – how our programs impact the community, and how we raise new funds to meet that mission.

### **Our Impact**

We have three program areas – affordable rental housing, homeownership, and homelessness. With affordable rental housing, the Housing Trust focuses on the early stage of affordable housing development – that challenging time when affordable housing developers need to access capital to

compete in a hot real estate market and acquire key development sites, or buildings that need preserving. We make loans to developers to acquire land or buildings, and then when they start construction they pay us back, and we're able to revolve the funds to make new loans to other developers. Since our inception, we've lent more than \$55 million to help create or preserve more than 5000 affordable rental homes in Silicon Valley and the region.

To promote homeownership, the Housing Trust makes loans for downpayment assistance. In most other parts of the country, an individual or a couple with good paying jobs can rent for a few years and then have their downpayment saved up for when they want to buy a home. Not in Silicon Valley. With rents over \$3000 for a two bedroom apartment and \$4000 and up in cities like Mountain View and Palo Alto, people with good jobs, good credit, and ready to put down roots, need help to compete for a home. That's where we come in – with a loan to cover up to 20% of the purchase price to cover their downpayment – those individuals and families are who we want to invest in our community. Since our inception, we've made nearly 2400 loans to first time homebuyers, with teachers and educators making up the largest employee type.

Finally, to address homelessness, the Housing Trust makes grants to pay for security deposits to homeless people moving into safe, stable, and affordable homes. We work in partnership with homeless service agencies who are on the front lines of this crisis. Once a caseworker is able to locate an apartment, and a willing landlord, and they ensure that the homeless person or family they're helping can afford the rent and access services, we come in and fund up to \$2500 to cover their security deposit or move-in costs. Because what person who has been homeless for any period of time will have the money lying around or in the bank to pay for that. Through our homeless programs, we've assisted nearly 6000 people move out or stay out of homelessness.

### **Our innovative funding model**

Just as innovative is how we raise our money, and this highlights the important role that we and other local housing trust funds play in the affordable housing landscape. All local housing trust funds have one thing in common – we exist to bring in new resources to our respective communities that aren't already there, to create more affordable housing. According to the Center for Community Change, there are 34 local housing trust funds throughout California. Each housing trust operates locally to best serve its community's needs, through both supporting the housing development process and assisting first-time homebuyers and homelessness in projects where needed most.

Some LHTFs are nonprofit loan funds, some are JPAs, some are programs of local city or county governments. At least three of us, ourselves, the HTF of San Luis Obispo, and the HTF of Santa Barbara County, are also Community Development Finance Institutions, certified by the US Department of Treasury and the CA Department of Insurance. LHTFs also tend to be located in higher cost areas where moderate income housing is a challenge.

For the Housing Trust, we've always seen our unique role in a job-rich and high cost region like Silicon Valley, to help bridge the gap and find constructive ways for the private sector, who have traditionally not been investors into affordable housing, to help impact the issue. For example, to help fund affordable rental housing loans, the Housing Trust creates loan pools of investors, who provide lending capital to us, which we use to make loans, and then when we get paid back by affordable housing

developers, we pay back our community investors their capital with a small return. Initially, high tech employers supported us through philanthropic grants and donations, nowadays, we are working with companies like Cisco and Technology Credit Union as investors and participants in our loan pools.

For the Housing Trust, one important tool we have to help us bridge the gap between the traditional affordable housing world and the world of corporate and individual investors, is our S&P rating. Last spring, the Housing Trust became the first nonprofit CDFI in the country to get a rating, which was AA-, from a major national rating agency. With this, we've been able to demonstrate to potential investors who are not familiar with affordable housing programs, how this is a double-bottom line investment - one that is fiscally prudent, while at the same time creating an important social impact. With this credit rating we also have the opportunity to greatly scale our programs to meet more of the need in our community.

### **Important State Programs**

For us, and other nonprofit local housing trust funds, three state programs directly impact and assist our work, and we urge the legislature to fully fund these programs at every opportunity.

#### **Matching LHTF**

The first is the Matching Local Housing Trust Fund program. Originally funded with \$25 million from Prop 46 in 2002, this program made grants available to local housing trust funds on a matching basis. In 2006, with the passage of Prop 1C, another \$32,000,000 was set aside for this program, with half for existing LHTFs and half to incentivize new HTFs to form. In 2013, Assemblyman Rich Gordon's AB 532 allowed these funds to get allocated in one last round of funding for both new and existing Housing Trust Funds. In total just under 40 awards were made to local housing trust funds throughout the state, all of which were leveraged between 100-200% with other private or new local funding sources. This program does not currently have funding, and we'd urge the Legislature to look at ways to find new or reallocate existing unspent funds for this very competitive program.

#### **CalHOME**

The second state program is the CalHOME program. By using CalHOME, we are able to make downpayment assistance loans to low income buyers, families earning up to 80% of the area median income, who otherwise would have no opportunity to be a homeowner. CalHome represents the last source of funding available entirely for low income buyers, but has not had a new round of funding since 2014 and is among a variety of programs that need additional funds at HCD.

#### **COIN Program**

The third program is the California Organized Insurance Network or COIN tax credit administered by the state Department of Insurance. The COIN Tax Credit provides a 20% tax credit to California taxpayers, particularly Insurance companies, who make zero-percent interest loans to CDFIs to help us make loans in low and moderate income communities. The Housing Trust has received two allocations of COIN tax credits in the past which has helped us address the foreclosure crisis and to create new multifamily rental homes. From 1997 to 2015 \$57,000,000 of COIN tax credits have been awarded to CDFIs

throughout the state which have supported \$285,000,000 in direct private investments for community development, including affordable housing.

### **Conclusion**

In conclusion, local housing trust funds play a critical and innovative role in the affordable housing financing landscape by addressing both rental housing and homeownership; and serving a variety of incomes including very low, low and moderate income households. Housing Trust Funds, like Housing Trust Silicon Valley, also can help address the often referred to 'missing middle' – to create innovative programs to assist people who make too much for traditional affordable housing programs but not enough to afford the high cost of housing. Housing Trust Funds meet local needs, particularly in high cost areas, and serve as an important bridge and vehicle for private companies, employers, and non-traditional sources of capital to invest in our state's toughest affordable housing challenges.