

Northern California Community Loan Fund

Working Together, Building Communities

Developing a Successful Local Housing Trust Fund

June 3, 2009

Main Office

870 Market Street Suite 677, San Francisco, CA 94102

Central Valley Regional Office

3602 North Blackstone Avenue Suite G131, Fresno, CA 93726

Introduction to NCCLF

Mission Statement

NCCLF promotes economic justice and alleviates poverty by increasing the financial resilience and sustainability of community-based nonprofits and enterprises.

Through flexible financial products and sound advice, we create opportunities to make socially responsible investments that revitalize Northern California communities.

NCCLF: Geographic Area Served

46 Counties of Northern California

- Bay Area
- Sacramento/Yolo area
- North and Central Coast
- Central Valley
- Foothills and Northern Counties



Redding Affordable Housing Fund *History*

- **The story begins.... with a \$1 million Lowe's mitigation fee**
 - Paid in 2006 in exchange for zoning change
 - Revolving loan fund concept introduced (not a Housing Trust Fund)
 - The challenge: use the funds to create new affordable housing and leverage new resources

Redding Affordable Housing Fund *History*

- **Ad hoc committee formed mid-2007**
 - Housing developers, community advocates, Shasta Regional Community Foundation
 - Leadership from Catholic Health Care West
- **City selects Committee response to RFP**
 - October 2007
 - Challenge: design a loan fund and implementation plan by October 2008; submit to City Council
- **City retains Lowe's funds until plan approved**
 - Portion of interest used to fund planning activities

Redding Affordable Housing Fund *Goals*

Goals for Fund:

Leverage to create larger pool of financing for affordable housing

Provide developers with low-cost financing to stimulate the creation of new affordable housing

Provide financing with flexible terms for various stages of development, from predevelopment through mini-permanent

Create opportunity for banks and other community institutions to invest in affordable housing development

Build in ability to convert fund structure to expand to entire county and/or gain access to state HTF appropriation in future if permanent funding source is identified

Redding Affordable Housing Fund

NCCLF Role

Committee seeks technical assistance:

- Shasta Regional Community Foundation and NCCLF had prior working relationship (TA)
- Catholic Healthcare West and NCCLF also had an existing relationship (co-lending)
- Committee had significant experience in development, advocacy and local politics, but needed financial and lending expertise to help fully flesh out loan fund plans

Redding Affordable Housing Fund

NCCLF Role

And the story continues....next steps

- RAHF Committee hires NCCLF in 2008 to help evaluate potential structures and complete initial design of proposed fund.
- NCCLF examined several potential structures, including housing trust funds and other loan fund models, and recommended a collaborative loan fund structure

Redding Affordable Housing Fund

Proposed Structure

Collaborative Loan Fund Model:

- Creates a partnership between many different investors— both public and private.
- Lending decisions made by a loan committee of representatives of all of the funding partners
- Allows for a blended interest rate based on the returns required by each investor
- Does not require dedicated funding source (unlike traditional HTF)
- Leverages Lowes fee by using a portion of it as a loan loss reserve, lowering risk for participants

Redding Affordable Housing Fund

NCCLF Role

NCCLF and RAHF Committee work together to develop the Fund:

- NCCLF develops financial models and drafts proposed lending parameters.
- NCCLF and Committee create a grant and investment template to approach potential lenders and funders.
- NCCLF and Committee approach potential participants— local banks, foundations.
- Two local banks, Catholic Healthcare West, and NCCLF commit to participate.
- Proposed structure, plan, committed partners were approved by Redding City Council in October 2008

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NCCLF Role

Now the hard part begins...

- Working with counsel to set up legal structure for Fund
- Finalizing loan terms and lending parameters that are acceptable to all participating parties
- Developing lending systems and documents

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Current Challenges

Adapting to new realities

- Economic conditions have made all lenders more wary regarding risk
- Legal review by participating lenders is more time-consuming than initially anticipated
- Downturn in housing market has led some potential Fund participants to question the need for an affordable housing loan fund

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Accomplishments

Positive results of efforts to date:

- Raised community awareness of need for affordable housing and funding sources
- Tripled city's investment with commitments from additional lending partners
- Strengthened local and regional partnerships – private, public, foundation

Stay tuned for the rest of the story...