

PARTNERSHIPS

There are several areas where a partner might be brought in to assist with fulfilling a project's inclusionary housing requirements. Many individuals and organizations have extensive experience in the affordable housing arena and calling on their expertise may prove beneficial to the timely completion of a project. Experienced affordable housing developers can help put together a viable financing plan for the inclusionary units. Land use attorneys and consultants can assist with navigating the entitlement process and securing project approval. Homebuyer assistance groups can help with the timely sale of the inclusionary units. Below is further discussion on the benefits partners can bring to a development project. At the end of the section is a list of some potential partners in the Sacramento region.

Partnering Opportunities

Affordable Housing Developers

Many for-profit and non-profit developers specializing in the development of both affordable rental and for-sale housing are active throughout the Sacramento region. These groups are well versed in the financing, design, and building methods of affordable units that can help deliver a development both on time and within budget. Non-profit developers, in particular, exist solely to produce housing affordable to lower-income people, often focusing on those at the lowest end of the income spectrum. Several such experienced organizations that have the skills and financial ability to undertake even large scale inclusionary requirements operate in the region.

With their expertise, affordable housing developers are logical partners to assist with fulfilling a project's inclusionary obligations. Their involvement may vary depending on the size of the project, the level of targeting, and whether the project is constructed on-site or through an alternative method. Regardless, a range of opportunities exists for them to assist with either a portion of the affordable requirement or the entire project.

Funding Opportunities. Partnering with a non-profit developer may improve or open up a project's access to public funding opportunities. Because non-profit developers apply for public funding for all their projects, they are well versed on the intricate requirements and evaluation criteria of these sources. With fierce competition for these limited funds, it is important to have a group with this know-how involved in the upfront development of the project and completing the funding application. These organizations also bring experience in developing affordable housing to the table, which is often a requirement of many funding sources such as Low-Income Housing Tax Credits. In addition, some funding programs, such as the CalHOME Program and the California Self-Help Housing Program, are available only to non-profit organizations. Partnering with a non-profit group opens up these additional opportunities. Similarly, non-profit developers also have access to certain tax benefits that for-profit groups do not. For example, non-profit groups are eligible for a property tax exemption for deed restricted affordable rental housing.

Entitlement Process. Non-profit developers often have established relationships with neighborhood groups, public agency staff and elected officials. Residential projects that have an affordable housing component often face some degree of public opposition. A non-profit developer can assist during the project approval process, and help assuage community fears. Housing and land use attorneys and consultants, mentioned later in this section, are also a good resource to assist with navigating the entitlement process.

Design and Construction. An affordable housing developer may be experienced in doing a different type of housing than the market-rate developer customarily builds. For instance, a developer that only produces single-family homes may want to satisfy the deeper targeted inclusionary requirements of their project with apartments. In this case, it may be more efficient to hand off the inclusionary piece to an affordable developer who is experienced in multi-family development. Or a single-family developer may want to do their inclusionary units as single-family units, but needs an alternative construction method to help make the units affordable to the deeper targeted households. In this instance, they may work with a non-profit developer who is experienced in self-help projects, which can significantly decrease the cost of construction and is exempt from prevailing wage requirements.

Marketing and Filling Units. An affordable housing developer can also assist with marketing the inclusionary units and qualifying potential homebuyers. Affordable housing developers are well versed on the income eligibility requirements associated with the inclusionary and funding programs and on establishing affordable sales prices.

In addition, they are experienced with lower-income households and the financial situations they bring to the table. Because non-profits work exclusively with lower-income families, they are often familiar with unique resources available to these families within the community. They will often work directly with the families in applying for and leveraging these opportunities. Homebuyer assistance groups, who also have experience in counseling lower-income homebuyers and layering financing opportunities, are also a potential partner in this area. These groups, who are discussed in more detail later in this section, often receive specific government contracts or grants enabling them to spend the time necessary to recruit and qualify families that a for-profit entity could not feasibly spend.

Property Management. Affordable housing developers offer unique property management capabilities that help ensure the inclusionary units are well-managed and properly maintained over the long term. They often have either their own property management arm or work exclusively with a management firm. These property management groups are familiar with the specific use requirements often placed on a development when it utilizes public subsidies. In addition, most jurisdictions and lenders providing subsidies monitor multi-family projects on an annual basis to ensure the inclusionary units continue to be leased only to income eligible households and that they are charged appropriately affordable rents. Affordable housing developers are experienced with the reporting requirements and methods. They have

Selecting a Development Partner

Below are questions a developer may want to ask when considering partnering with an affordable housing developer to ensure the developer has the experience necessary to deliver a successful product.

1. What is your organization's level of experience? (How many years have you been in operation? How many projects and units have you developed?)
2. What type of projects does your organization typically develop? Single-family? Multi-family?
3. What jurisdictions has your organization worked in?
4. What experience do you have with securing public funding?
5. Have you worked with other developers on inclusionary projects?
6. Can we see some of your projects that were developed 5 years ago? 10 years ago?
7. What type of property management arrangement do you have?
8. Can you provide three references from compliance monitoring agencies on your existing developments?

received training tailored to the various funding programs and have specialized property management software to track compliance with regulations.

In addition, non-profit management companies often work directly with the tenants on a deeper level than a typical property management team would to support the tenant's success. These groups are aware of the issues lower-income families may face and try to provide additional resources beyond housing. Often they have professional staff dedicated to increasing the economic self-sufficiency of residents, commonly providing services such as job training programs, after school programs for kids, and on-site day care facilities. Through these services the non-profit group reduces tenant turnover, collection losses, and other problems on the property.

Homebuyer Assistance Groups

Homeownership has long been the American Dream, as is evidenced by the fact that over 66 percent of all households across the nation own their own home. In response to the difficulties lower-income families can face in purchasing a home, much effort has gone into increasing their opportunities to pursue homeownership. Many public and non-profit entities have created programs that increase lower-income households' access to credit and/or provide down payment and closing cost assistance. Other entities focus their efforts on educating lower-income households on both the home buying process and the long-term responsibilities of ownership.

Single-family residential developments often have an on-site sales team that follows a standard sales and lending process geared for market-rate buyers. These same techniques, however, may not match the needs and abilities of lower-income buyers. For example, the sales person will encourage the buyer to purchase additional up-grades to the home, thus increasing its cost, or the lender will require a certain percentage downpayment that low-income families are not capable of making. Overall, the two groups just may not know how to talk to each other. Homebuyer assistance groups can help bridge the gap between the market-rate developer and the low-income buyer, easing the sales process for both sides and helping get the inclusionary unit sold in a timely manner.

Marketing and Qualifying Buyers. Homebuyer education groups offer instant access to a large number of income-eligible households. Most importantly, they offer access to informed households who have been through a detailed education program, increasing their prospects of being a successful long-term homeowner. For example, the Home Loan Counseling Center of Sacramento offers a three part series of classes focusing on the home buying process, credit and money management, and home maintenance and being a good neighbor. In addition, they also follow families post-purchase, guiding them should they

find themselves in any rough spots that may affect their mortgage payment abilities.

Responsibility for verifying household eligibility varies across jurisdictions— some screen applicants themselves and refer qualified households to the developer, while most leave the responsibility to the developer or their designated representative. In areas where the responsibility rests with the developer, they may be on their own to develop a screening process. Homebuyer education groups can assist in this area. They are familiar with the income guidelines used for low-income buyers, which are slightly different than those used under traditional mortgage calculation methods. For example, affordable housing programs base income on the income earned by all members of the household, whereas traditional mortgage guidelines base income only on the primary wage earners.

Inclusionary Ownership Success

KB Homes partnered with The Home Loan Counseling Center of Sacramento (HLCC) to assist with filling the 400 units in their development at Mather Field which were reserved for families at 80% AMI. HLCC assisted KB with marketing the homes and referring potential low-income buyers. HLCC also worked in tandem with KB's mortgage division to certify buyer income. Finally, HLCC conducted an exclusive version of their three-prong education program on-site exclusively for the KB homebuyers.

Homebuyer assistance groups can also assist with developing real estate disclosure statements that detail the restrictions on the resale of an inclusionary unit. In addition to the written statement, they may also be able to assist with ensuring the family is aware of and understands all the applicable restrictions on the inclusionary unit.

Buyer Financial Assistance. Homebuyer assistance groups are also well versed in the various financial assistance opportunities available to lower-income families. This knowledge can prove helpful in many ways. If a developer has their own mortgage division or works with a specific lender, they can provide education on the various programs that are available and how the funding programs can work together to optimize the lending conditions for the lower-income family. If a developer has only a sales staff, they can work with that staff to refer buyers to lenders who are knowledgeable of the financial assistance programs available to lower-income households. Working with a lender who is familiar with these programs increases the chances that a lower-income household will be able to qualify for a mortgage and that they won't get caught in any sort of inappropriate lending situation that may jeopardize their future payment abilities. Working with knowledgeable lenders may also decrease the chances that the closing process will encounter delays.

In 2002, 575 families who went through the Home Loan Counseling Center's education program purchased their own home. Reported purchases translated to over \$75 million in sales volume and \$73 million in loan production. The majority of these families earned 80% of the area median family income.

Housing and Land Use Attorneys and Consultants

Housing and land use attorneys and consultants can assist the developer with guiding a project through the entitlement process and securing the necessary approvals. To the developer coming into a new area who is unfamiliar with the jurisdiction's policy, they can be especially helpful. Attorneys and consultants will be familiar with the policy requirements and what types of proposals have or have not been accepted by the local approving bodies. They will know many of the local players and have specific knowledge of both the formal and informal processes. These consultants can provide examples of successful inclusionary housing developments and focus the developer quickly on the most important issues.

As affordable housing projects often face opposition from neighborhood groups, housing and land use attorneys can also assist the developer with responding to both justifiable concerns and identifying objections that are not allowed under applicable laws. Appendix F is a fact sheet created by the California Housing Law Project which details several legal anti-NIMBY tools available to the affordable housing developer.

Potential Partners

While not all inclusive, the following is a listing of potential partners in the Sacramento region who are active in the affordable housing arena.

Affordable Housing Developers

Non-Profit Developers

Community Housing Opportunities Corp.
1490 Drew Avenue, Suite 160
Davis, CA 95616
(530) 757-4444
www.chochousing.org

Habitat for Humanity
426 N. 7th Street
Sacramento, CA 95814
(916) 440-1215
www.shfh.org

Mercy Housing
3120 Freeboard Drive, Suite 202
West Sacramento, CA 95691
(916) 414-4400
www.mercyhousing.org

Nehemiah Corporation of California
1851 Heritage Lane, Suite 201
Sacramento, CA 95815
(916) 231-1999
www.nehemiahprogram.org

For-Profit Developers

A.F. Evans Development
100 Bush Street, Suite 925
San Francisco, CA 94104-3931
(415) 393-5250

Pacific Housing
730 Alhambra Blvd., Suite 210
Sacramento, CA 95816
(916) 638-5200
www.pacifichousing.org

Sacramento Mutual Housing Association
3451 5th Avenue
Sacramento, CA 95817
(916) 453-8400
www.mutualhousing.com

West Sacramento Housing Development Corp.
2455 West Capital Ave., Suite 106
West Sacramento, CA 95691
(916) 372-4250

The Grupe Company
3255 W. March Lane, Suite 400
Stockton, CA 95219
(209) 473-6000
www.grupeco.com

For-Profit Developers cont.

Heller Pacific, Inc.
1211 Gold Country Blvd., Suite 106
Gold River, CA 95670
(916) 363-4100

Lambert Development LLC
11878 LaGrange Ave
Los Angeles, CA 92205
(212) 858-8827

Pacific American Properties, Inc.
3 Harbor Drive, Suite 301
Sausalito, CA 94965
(415) 332-8393

Petrovich Development Company
5046 Sunrise Blvd, Suite One
Fair Oaks, Ca 95628
(916) 966-4600
www.petrovichdevelopment.com

St. Anton Partners, L.L.C.
1801 I Street, Suite 202
Sacramento, CA 95814
(916) 448-9808

Simpson Housing Solutions, L.L.C.
320 Golden Shore, Suite 200
Long Beach, CA 90802
(562) 256-2000

SKK Developments
818 19th Street, Suite 200
Sacramento, CA 95814
(916) 449-8989

USA Properties Fund, Inc.
2440 Professional Dr., Suite 202
Roseville, CA 95661
(916) 773-6060
www.usapropfund.com

Homebuyer Assistance Groups

Acorn Housing Corporation
4921 San Francisco Blvd.
Sacramento, CA 95820
916-451-9659
www.acornhousing.org

Mercy Housing
3120 Freeboard Drive, Suite 202
West Sacramento, CA 95691
(916) 414-4400
www.mercyhousing.org

Sacramento Home Loan Counseling Center
2003 Howe Avenue, Suite 100
Sacramento, CA 95825
916-646-2005
www.hlcc.net

Sacramento Neighborhood Housing Services
3453 5th Avenue
Sacramento, CA 95817
916-452-5356
www.sacnhs.org

Housing/Land Use Attorneys and Consultants***Attorneys***

Diepenbrock Law Firm
400 Capitol Mall, Suite 1800
Sacramento, CA 95814
(916) 446-4469

McDonough Holland & Allen
555 Capitol Mall, 9th Floor
Sacramento, CA 95814
(916) 444-3900

Gregory D Thatch Law Offices
1730 I St # 220
Sacramento, CA 95814
(916) 443-6956

Remy, Thomas, Moose & Manley
455 Capitol Mall, Suite 210
Sacramento, CA
(916) 443-2745

Hefner Starks & Marois
2150 River Plaza Drive, Suite 450
Sacramento, CA 95833
(916) 925-6620

Sandburg & LoDuca
3300 Douglas Blvd., Suite 365
Roseville, CA 95661
(916) 774-1636

Law Offices of George E. Phillips
2306 Garfield Ave
Carmichael CA 95608
(916) 979-4800

Taylor & Wiley
2870 Gateway Oaks Dr.
Sacramento, CA 95833
(916) 929-5545

Consultants

The Hodgson Company
7700 College Town Dr., Suite 220
Sacramento, CA 95628
(916) 383-6091

Holloway, Rasmussen & Molodanof
2200 L Street
Sacramento, CA 95816
(916) 447-7419
www.hrmco.org