

2020

New Beginnings Affordable Housing Fund

INITIATED BY THE WESTMINSTER PRESBYTERIAN CHURCH
/CHESTER COUNTY COMMUNITY FOUNDATION



? What is the Problem?

Locally in Chester County

- 27% of our households (51,200 households) struggle to meet basic needs and live on a survival budget:
 - \$78,700 for 2 adults, an infant, and a preschooler
 - \$26,000 for a single adult



Available housing is unaffordable for many in our workforce:

- Average employee wage = \$51k
- Median House value in Chester County is \$337k
- A middle school teacher with a part time accountant partner and 2 school aged children could afford only 13% of the single family homes sold in 2017 in Chester County
- Average Chester County police officer making \$70,000 could only afford 23% of homes sold
- Average truck driver making \$49,000 could only afford 8% of homes sold

Date Sourced from-



Renters have problems too:

- Need to make between \$22-25/hour to afford rent for average apartment in Coatesville (\$1,200/month)
- Single parent earning less than the above struggles to afford these apartments
- In the Kennett Consolidated School District 47% of the renters (1,235 households) pay more than 30% of their income in rent

? What is the Problem? (Cont.)

Locally(cont.)

Inadequate supply of safe, affordable, available housing units.

- Affordable housing = no more than 30% of your income is for housing; 27% of Chester County households pay more than that
- Need a place for everyone
- Most development focused on high-end market, but safe affordable housing needed for workforce
- Land available for development becoming more scarce

Many different types of funding are required for affordable housing

- Loans - size limited
- Housing Tax Credits - federal and local
- Grants/Subsidies - federal, foundation, housing trusts
- Promised federal rental assistance
- Multiple sources required, all with different timing and requirements-becomes complex



Statistics obtained by:



MISSION STATEMENT

The New Beginnings Affordable Housing Fund raises capital and then deploys it, using grants and loans, for property development and rehabilitation projects that provide safe, affordable housing for the people of Chester County, Pennsylvania

NEW BEGINNINGS FUND



Concept

Fund established to help encourage more affordable Chester County housing projects, including property rehabs and new construction

- Fund will not develop or manage properties
- Lower project cost/mortgage obligation allows more affordable rental rates or more affordable rental units
- Could be used by several organizations in Chester County currently developing or providing affordable housing projects
 - e.g. Church Housing Corp/Good Samaritan/Women's Outreach of Phoenixville

Set up fund through the Chester County Community Foundation (CCCF)

- CCCF administers/invests/provides marketing advantages
- Invested based on CCCF guidelines/process
- Broader audience, increasing number of potential donors
- Brings a private funding component to what are currently only governmental incentives





Proposed Initial Fund Parameters

Physical

- Chester County only
- New construction or re-development/rehab of existing properties
- Projects in line with the Chester County Planning Commissions A+ Housing Program: Attractive, Adaptable, Affordably-priced, Aging-friendly, Accessible

Funding Recipients

- Development companies or other organizations creating affordable housing projects
- Applicants will have 501c3 designation
- Fund shall not act as developer, administrator or lessor for any properties

Specific Populations – Guiding principle: attainable housing for everyone

- Residents who qualify for Housing Choice Vouchers (income below 50% of Average Median Income).
- The “Missing Middle” (those making 80-120% of AMI), including essential workers, young professionals, first time homeowners
- Seniors, veterans, Intellectually or Developmentally Delayed (IDD) Group Housing



Proposed Initial Fund Parameters (Cont.)

Grant/Loan Amounts

- Up to 20% of fund balance can be granted in any year; may be more if making loans
- Fund could be utilized for grants and/or revolving loans
 - For example, loans for property purchases/infrastructure work
 - Interest rate and repayment terms set by Board of Advisors based on the project
 - Loan option would differentiate this fund from most others available
 - Application process and scoring to be developed by a Board subcommittee comprised of subject matter experts

Fund Advisory Board - 7 members

- Westminster and community members
- Fund distribution approved by this Board
- Sub-committees for development/marketing and grant/loan process



Project Examples

Small Project – House Conversion to Apartments

Details

- NPO purchases a home in the community that has been converted into five apartment units
- Purchase price is \$900,000
- Minor rehab needed \$15,000
- Non-profit has \$200,000 gap in required financing and loan capacity

Barrier

- Debt too high to keep units affordable

Gap

- Need \$200,000 to reduce mortgage.

New Beginnings Fund could consider a grant or low/no interest loan to fund \$200,000 to close the development

Impact

- Reduction in mortgage allows offer of affordable rent. in this example rent could be reduced from \$1000/month to \$700/month



Project Examples(cont)

• Large Project – New Construction—36 Units

Details

- NPO developer takes lead on new construction (36+ units)
- Ten million dollar development (tax credit development)
- Affordable units from 1 to 3 bedrooms

Barriers

- Contaminated ground (\$60,000 needed for clean-up)
- Financing need \$800,000 (secured \$600,000 from the county)

Gap

- \$260,000 in required financing and loan capacity

New Beginnings Fund could fund the gap of \$260,000 needed to complete deal

Impact

- Fund provides a grant of \$ 260,000 or a low or below market rate loan
- Would allow rental prices to be 20-25% below market.
- If tenant turnover every 6 years on average –could help 180+ families over 30 years w/affordable rent



Project Examples(cont)

• Supporting Home Ownership

Details

- NPO developer takes lead on sourcing single family homes
- Performs needed rehab work for rent to buy property
- Finds tenants capable of transitioning to ownership
- Property mgt./aligned coaching, financial literacy programs

Barriers

- Fee to support coaching/financial literacy programs
- Potential \$\$ for rehab work
- Financing need at closing table for new owner-say \$30,000

Gap

- Owner to buy property after period of leasing –\$100+ thousand
- Needs mortgage buydown of \$30,000

New Beginnings Fund could provide grant to help with the purchase

Impact

- Fund provides \$\$ support for coaching fee during/after rental period
- Fund provides a grant of \$ 30,000-subject to sustaining ownership
- Promotes home ownership in critical geographies



Why donate -

The availability of a dedicated *affordable housing* fund for Chester County, managed by the Chester County Community Foundation, creates strong impact for donors through pooling resources and a streamlined efficient process for projects seeking funding. A one stop shop.

Affordable housing improves an employer's ability to attract and retain employees and remain competitive.

Everyone in the *affordable housing* equation benefits from its creation and preservation...from those looking for homes they can afford, the local businesses that serve them, and the development teams that provide the housing that helps keep a community vibrant and prosperous.

Contributing to the *affordable housing* fund is a testament to improving quality of life and livelihood for all Chester County residents.

Affordable housing leads to stabilization of housing values, new tax revenues, along with other economic investments in a neighborhood.

Access to decent, *affordable housing* provides stability for vulnerable families and helps prevent homelessness and strain on social services.



Benefits of donating-

- Charitable contribution – the New Beginnings Affordable Housing Fund is a fund of the Chester County Community Foundation, a public tax exempt charity
- Ability to combine financial resources with like minded donors to have a larger financial impact for a vetted affordable housing project
- Donations can be designated to be deployed for affordable housing projects within specific geographic areas of Chester County
- For Banking institutions, grants may qualify for CRA investments and available tax credit programs
- For business entities, the issue of affordable housing is key to the ability to attract and retain workforces.
- Recognition will be given to all donors and the result of your donation is concrete and demonstrable.

Potential Funding Sources



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- Individual Donors
- Corporations
- Municipal Affordable Housing Initiatives
- Matching Grant Initiatives
- Grant Making Organizations
- Banks
 - Leverage their required community responsibility
- Faith Communities

Other Similar Funds



NEW BEGINNINGS FUND

Denver revolving loan fund

- \$10MM to support multi-family rental units for people earning less than 60% of area median income
<https://www.denverpost.com/2015/02/06/10m-revolving-loan-fund-launched-to-boost-denver-affordable-housing/>

Santa Barbara, CA

- \$6.5MM supporting projects where 25% of the units are set aside as affordable
- Their partners include banks, other lending institutions, CDFIs, municipalities, and foundations
<https://www.sbhousingtrust.org/community-partners>

Charlotte Housing Opportunity Investment Fund

- \$5MM investment from the Foundation of the Carolinas kick-started this affordable housing program, triggering over \$70MM in land donation and \$20MM pledged by Wells Fargo and \$40MM more from other banks
<https://www.fftcc.org/CHOIF>

NEW BEGINNINGS FUND



Reaching Our Goal

Initial Goal to grow fund to \$5 million
Would allow for up to \$1 million in grants
We need your help!