

EDEN HOUSING, HAYWARD, CALIFORNIA

FOR PROFIT-NONPROFIT PARTNERSHIPS

Eden Housing, a 40-year-old nonprofit developer in Hayward, CA, is finding its partnerships with private developers of market-rate housing to be a cost-effective strategy for producing affordable housing. Eden Housing has partnered with several private developers in the San Francisco Bay Area to build and maintain affordable housing projects.

- ✓ For profit-nonprofit partnerships
- ✓ Inclusionary zoning

One important motivation for partnerships between for-profit and nonprofit developers is the inclusionary housing ordinances passed recently in many communities in Northern California.

Eden Housing had been collaborating with for-profit development companies long before Hayward passed its inclusionary housing ordinance. However, the new requirements have brought a new focus to this type of collaboration. As a non-profit developer, Eden Housing has access to a variety of financing sources that decrease the cost of building affordable housing, such as the federal Low-Income Housing Tax Credit program, Section 202 for seniors, and Section 811 for people with disabilities.

Two of Eden Housing's current projects illustrate the innovation and impact this type of development partnership can provide. In 2004, the City of Hayward passed an inclusionary ordinance requiring developers to set aside 15 percent of units in new developments of 20 units or more to the City's affordable housing stock.¹⁷¹ With plans to develop 179 units of market-rate, single-family homes, Hayward's inclusionary ordinance would have required the DeSilva Group to include 26 units of affordable housing on site.

Instead, the City allowed DeSilva to instead satisfy its inclusionary requirements by buying the site of an old pickle plant and selling it to Eden Housing for \$1 while providing demolition, environmental cleanup, and perimeter improvements. Eden Housing is now working with La Vista, LLC, an affiliate of the DeSilva Group, and

the City of Hayward to build 78 units of rental housing affordable to low- and very low-income families earning between \$14,000 and \$52,000. The project is the first new housing project subject to Hayward's inclusionary housing policy that includes a collaboration of this type.

The combination of Eden Housing's access to tax credits and tax credit financing for affordable housing; the use of lower-cost land; and the revenue DeSilva earned from selling extra affordability credits to other developers in Hayward allowed DeSilva to spend the same amount of money and make a much larger impact on the production of affordable housing in Hayward. Jim Summers, president of the DeSilva Group commented, "The real benefit for everybody is that the City ends up getting three times the number of affordable units and at a much lower affordability level."



In a second project, Eden Housing is partnering with Citation Homes of Santa Clara on the Cannery Place development. In 2005, Citation Homes won initial approval by the Hayward City Council to develop 628 new condominiums. To fulfill local inclusionary housing laws for the new development, Citation will include 57 moderately priced units on site that will be sold to families earning 110 percent of AMI.

In addition, Citation is tearing down a nearby abandoned Hunt-Wesson potato cannery in downtown Hayward and selling the three-acre site to Eden Housing for \$1. Eden will build 60 units of rental housing for very-low-income seniors and new office space for Eden Housing on the ground floor.¹⁷² The project will provide the first new housing development in Hayward specifically designed for low-income seniors since the 1980s.

Because the Eden Housing development allowed Citation to exceed the inclusionary requirements for the first development by 23 units at deeper affordability levels, the City allowed Citation to use that surplus as a credit toward future development. Citation now has a long-term option to build an additional 170 townhomes on another piece of land, with requirements to include 16 moderately priced units on site.

Linda Mandolini, executive director of Eden Housing, estimates that their collaborations with market-rate developers have produced about 1,100 affordable units. Between the two projects described above, the City of Hayward has met 78 percent of its Housing Element requirement. Mandolini explains, “The bang for the buck for cities to do this is huge. Cities don’t have to put in a dollar.”

Developers have also welcomed the partnership as a more cost-effective way to meet affordability requirements. Mandolini explains, “With building costs at well over \$300,000 on top of high land acquisition costs, getting the subsidy to sell housing to very low-income households is just not possible.”

“The bang for the buck for cities to do this is huge.”

-Linda Mandolini

According to Summers’ calculations, “The sale price for the ordinance-required moderate income homes would have been in the mid \$300,000’s. But the market cost would be in the \$800,000-plus range. That’s \$13 million for 26 units of moderately affordable housing. We were able to take that same money and leverage it into 78 units of very low- and low-income affordable housing.”

All three of the players in the Hayward collaborations – Eden Housing, the market-rate developers, and the City – have faced their own challenges. Mandolini found that a successful collaboration with for-profit developers required first gaining their trust. “Even though we have a good reputation, they didn’t know how we worked. They were quite surprised. We have very sophisticated staff and rocket science financing. They’re now figuring out that we can deliver and we can help them.”

Now, after working on more than 20 projects in Hayward, Mandolini thinks Eden’s local reputation has become an asset to developers politically as they try to get their projects through the City Council approvals process.

Summers notes that for developers, a key challenge to a successful collaboration is finding a piece of property at a price that makes the numbers work. In Northern California, where land prices are soaring, he believes developers will not always be able to find that.

Finally, all developers have had to convince the City to allow inclusionary affordable housing off site. “It’s a tradeoff between getting [an affordable] development site and breaking down economic barriers,” Mandolini says. However, the City has agreed to provide Council approval if developers can clearly demonstrate the affordability benefits of off-site development.

Looking back, Mandolini’s advice to communities considering policies that encourage collaboration between market-rate and affordable housing developers is to have a flexible inclusionary housing ordinance. “In looking at policies, think about how a policy can realize a greater benefit. We were very fortunate that the City Manager in Hayward and the City Council understood how much benefit they were getting,” said Mandolini.

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