



UNITED WAY OF GREATER LOS ANGELES



# Affordable Housing Initiative

## INVESTOR REPORT 2023



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Dear Friends,

The lack of affordable housing across L.A. County has far-reaching consequences, including undermining the stability of our families and kids, fostering poor health, and reducing our economic vitality – just to name a few. With this in mind, we are taking action to address this challenge through our Affordable Housing Initiative (AHI).

AHI is an impact investment fund that utilizes private capital to develop small-scale, rent-restricted housing for low-income L.A. County residents. By streamlining financing and offering flexible, below-market capital, AHI creates solutions for affordable housing development while directly contributing to the health, welfare, and quality of life of the residents in L.A. County. AHI reflects lessons learned from other housing efforts, and is in line with our strategic approach to testing new ideas with private capital and working to scale those ideas with public capital.

By partnering with development firms owned or led entirely by women, people of color, and LGBTQ+ individuals, AHI ensures that we are expanding the capacity of the housing development community and increasing access to affordable capital, all with the ultimate goal of making it easier for low-income residents to find safe, stable homes in their communities of choice.

Over the next three years, AHI's investment in affordable housing solutions will invest in rent-restricted developments, providing housing for more than 2,000 low-income L.A. County residents. AHI's commitment to mixed-income developments also helps to avoid the concentration of poverty within a specific geography and building. Over half of AHI's buildings will provide access to social services for tenants to build stakeholder capacity and promote UWGLA's mission to promote economic mobility throughout the community.

We hope this first annual report for the fund makes clear that we can both address the critical need for affordable housing and also address some of the longstanding challenges that developers of color have in securing financing.

Thank you to our early supporters and investors,

*Elise Buik* *Jason Riffe*



**ELISE BUIK**  
PRESIDENT & CEO

**JASON RIFFE**  
DIRECTOR, COMMUNITY CAPITAL



Launched by United Way of Greater Los Angeles in 2021, The Affordable Housing Initiative is a family of social impact funds that provide below-market capital for the construction and preservation of affordable housing in California.

AHI actualizes United Way of Greater Los Angeles' (UWGLA) mission by providing new solutions to long-standing challenges. By streamlining financing, offering flexible, below-market capital, and investing in creative designs, AHI cultivates shared prosperity in Los Angeles and helps neighbors in crisis.

In partnership with minority developer firms comprising 50% or greater of workers who identify as women, people of color, and LGBTQ+, AHI advances the production of affordable housing in neighborhoods across L.A., making it easier for low-income residents to find safe, stable homes in communities of their choice. Business leaders, non-profit leaders, philanthropists and individuals are working together to innovate and build at unprecedented speed and costs.

## HOUSING SOLUTIONS

### RENT-RESTRICTED DEVELOPMENTS





# AHI Leadership and Impact Analysis



## UNITED WAY OF GREATER LOS ANGELES

**ELISE BUIK**  
PRESIDENT & CEO

**CHRIS KO**  
VP | IMPACT & STRATEGY

**JASON RIFFE**  
DIRECTOR | COMMUNITY CAPITAL

**LINING REZENDEZ**  
VP | FINANCE

**DAVID TRAN**  
DIRECTOR | FINANCE

## INVESTMENT COMMITTEE

**NEDDA ISMAILI**  
SVP REAL ESTATE  
CITY NATIONAL BANK

**ALEX DAWSON**  
COMMUNITY DEVELOPMENT OFFICER  
LISC LA

**TOM DESIMONE**  
PRESIDENT & CEO  
GENESIS LA

**MARCUS MARTIN**  
MANAGING DIRECTOR & HEAD OF ESG  
U.S. BANK

**ROBERT LO**  
EVP, HEAD OF COMMERCIAL REAL ESTATE BANKING  
EAST WEST BANK



## IMPACT ANALYSIS



UWGLA's housing executives select eligible projects and developers that can achieve the highest social impacts while achieving the lowest project cost and time efficiencies to quickly bring units to the market. In addition to providing competitive financing to minority-led and owned developers, social benefits include increasing the number of affordable housing units and providing targeted tenants with access to social services programs to support socioeconomic advancement. AHI will report on these quantitative benefits through ongoing reporting.



AHI employs environmental and social risk mitigation processes to ensure desired impacts are achieved. As a condition of the loan closing process, prospective borrowers are required to submit environmental and site assessment reports. For social risk mitigation, AHI selects socially aligned developers with a track record of ensuring the health and safety of workers and those with a demonstrated ability to provide good tenant living conditions.



AHI loan agreements also include an affordability covenant to ensure that units remain affordable for targeted tenants for at least 20 years after project completion. The selected developers and their property managers are required to identify tenants with AMIs below 80% through referrals from Los Angeles County's coordinated entry system (CES).



AHI's framework contributes to five of the United Nations' Sustainable Development Goals.



By reforming the model for affordable housing development, AHI reduces the average total development cost from over \$650,000 to under \$300,000 per unit and the average construction timeline by over one year.



## Shorter time in development

Publicly financed developments use 6-11 financing sources and take 5-7 years to begin operation. AHI's use of private dollars shrinks the development timeline to less than four years and reduces the number of funding sources needed by each developer, leading to lower costs and more efficient project timelines.

	PUBLIC FINANCING	PRIVATE FINANCING
<b>FUNDING SOURCES</b>	<ul style="list-style-type: none"> <li>Projects generally use 6-11 funding sources, each with a separate competitive application process</li> </ul>	<ul style="list-style-type: none"> <li>One equity source</li> <li>One senior debt source</li> <li>One junior debt source (as needed)</li> </ul>
<b>AVERAGE TIMELINE</b>	<ul style="list-style-type: none"> <li>36-48 months pre-development</li> <li>24-36 months construction</li> </ul>	<ul style="list-style-type: none"> <li>12-18 months pre-development</li> <li>18-30 months construction</li> </ul>
<b>COST SAVINGS</b>	<ul style="list-style-type: none"> <li>30% added to soft costs from financing requirements and compliance</li> </ul>	<ul style="list-style-type: none"> <li>Costs saved on shortened property holding period, consultants, legal and accounting fees</li> </ul>
<b>AVERAGE COST PER UNIT</b>	<ul style="list-style-type: none"> <li>\$650,000-\$900,000</li> </ul>	<ul style="list-style-type: none"> <li>\$180,000-\$300,000</li> </ul>

By utilizing low-interest private capital and simplifying the capital stack, AHI is able to maintain the impact of traditional publicly financed affordable housing developments while creating them for a fraction of the cost and time.



Founded in 2016, Treehouse is a BIPOC-run developer that creates co-living developments across Los Angeles. Treehouse facilities are designed around the idea of building a diverse community.

With on-site cafés, music studios, libraries, and lounges, Treehouse facilities provide a place for residents to create, live, and work under one roof. Like other AHI developers, Treehouse is a for-profit corporation that voluntarily restricts rent to provide housing for low-income residents.

In 2020, Treehouse planned to create a 58-bedroom intergenerational, co-living apartment building in the Koreatown neighborhood of Los Angeles. Treehouse sought to provide units for low-income residents, but traditional lenders would not provide the needed capital if rents were restricted. To remedy this issue, **AHI stepped in** with its impact investment capital. By contributing \$5.8 million to the project, it guaranteed that 50% of bedrooms would be reserved for low-income residents and rented out at **\$1,000 or less**.

AHI's investment strategy uniquely combines social impact with financial innovation. By utilizing private capital, which is much nimbler than public dollars, AHI-financed properties have reduced construction timelines and significantly lowered total development costs compared to traditional affordable housing developments.

For example, just one mile from Treehouse Koreatown is Gramercy Place Apartments, a traditional affordable housing development that utilized 9% Low-Income Housing Tax Credits (LIHTC) and an HHH fund loan. While providing much-needed support for Gramercy Place Apartments, HHH and LIHTC funds only partially covered the project's expenses, and the pre-development process to secure financing took more than three years. In total, nine financing sources were needed to fill the financing gaps in the project, ballooning the total development cost to \$499,747 per bedroom and lengthening the total development process to eight years. In contrast to Gramercy Place Apartments, AHI financing allowed Treehouse Koreatown to keep funding to only three sources. Total development cost is at a competitive \$229,845 per bedroom, and it took under two years for the project to begin operations after the AHI financing process commenced.







## AHI Phase I was launched in March 2021 as part of UWGLA's strategy to house the region's most vulnerable residents.

Structured as a social impact fund, Phase I set out to source the lowest cost, most flexible capital to finance affordable housing developments being built by local minority developers.

One of the main strategic innovations of AHI was to utilize private capital exclusively. This served as a decisive step in creating a sustainable financing mechanism to reduce the extended timeline and inflated budget often associated with traditional tax-credit financing.

In June 2022, Phase I closed at approximately \$62 million, comprising unsecured, low-interest loans from philanthropic groups, contributions from private donors, and proceeds from a Social Bond offering.

From the outset, Phase I endeavored to holistically maximize its social impact, not merely through outcomes of individuals housed but also through its investment strategy. AHI invests only in mission-aligned, minority-led, and owned developers to build stakeholder capacity by unlocking low-cost capital generally reserved for for-profit institutional developers.

Phase I attributes its successes to UWGLA's will to support innovation and its financial and programmatic partners, who represent diverse backgrounds and are aligned in their commitment to impact. From the \$62 million raised, Phase I has closed three loans to date: Treehouse's Koreatown, FlyAway and Holos' Anaheim Apartments, and Venice Community Housing and Social Justice Learning Institute's Edward Vincent Jr. Park Housing. AHI's financing will guarantee 184 units and 372 bedrooms between the three properties.

Phase I has three additional projects in the pipeline: CRCD's Student Housing, Little Tokyo Service Center's Chinatown Housing, and RNLA and Fideicomiso Comunitario Libre's Linda Vista Apartments. Together, the three additional projects will generate an additional 235 units and 288 affordable bedrooms.



**\$62M RAISED**

**MINORITY-LED**

**DEVELOPMENT FIRMS**



### PHASE I OVERVIEW

Inception	March 2021
Closing	June 2022
Fund Size	\$62 Million
Properties	6
Units	419





## PIPELINE

Developer	Holos & Flyaway	Coalition for Responsible Community Development	Venice Community Housing & Social Justice Learning Institute
Address	828 N. Anaheim St.	2301 S. Hill St.	400 Centinela Ave.
Council District	4th District	2nd District	2nd District
AHI Commitment	\$2,800,000	\$12,000,000	\$5,100,000
Bedrooms Created	50	200	121

Developer	Fideicomiso Comunitario Libre & RN-LA	Little Tokyo Service Center	RN-LA & Holos	Treehouse
Address	628 - 634 S. Chicago St.	821 Cleveland St.	1408 W. 62nd St.	920 S. Gramercy St.
Council District	1st District	1st District	2nd District	5th District
AHI Commitment	\$10,500,000	\$6,000,000	\$7,000,000	\$5,065,000
Bedrooms Created	35	53	27	58

## SPECIAL THANKS

Phase I and Phase II were made possible due to the generosity of the following partners:

**\$25M**

U.S. BANK

**\$9M**

ANONYMOUS

**\$5M**

CONRAD N. HILTON FOUNDATION

**\$5M**

KAISER PERMANENTE

**\$4.5M**

ANONYMOUS

**\$1M**

JORDAN CORNGOLD & SUSANNAH BLINKOFF

**\$10M**

DIGNITY HEALTH

**\$97.7M**

PNC BANK

**\$2M**

CALIFORNIA WELLNESS FOUNDATION



With the completion of Phase I, the AHI team gained valuable insight into the power that private capital can bring to the affordable housing space. For Phase II, AHI expanded its horizon to demonstrate how the financing model is the key to scalable, affordable housing production across L.A. and beyond.

To achieve this goal, AHI issued Social Bonds and utilized the proceeds to finance Phase II projects. While grant and PRI funding were crucial for making Phase I possible, the use of a Variable Rate Demand Note (VRDN) allows AHI to repeatedly raise low-cost, private capital and realize UWGLA's vision for a sustainable and affordable housing market in L.A. by maintaining a robust, affordable project pipeline and creating an unrestricted revenue stream for the organization. By utilizing a VRDN, AHI can ensure that even in high-rate environments like today, the fund can still raise the lowest cost capital for affordable housing investment.

Phase II Projects Include Housing Diversity Corporation's Grand Avenue, Hawthorn Ave, Flower Street Projects, and Innovative Housing Opportunities' development at 87th and Western Avenue.

### PHASE II OVERVIEW

Inception	May 2022
Closing	August 2023
Fund Size	\$112,252,881
Properties	4
Units Created	592



### PIPELINE

Developer	Housing Diversity	Housing Diversity	Housing Diversity	Innovative Housing Opportunities
Address	1411 S Flower St.	6766 Hawthorn Ave.	1317 S Grand St.	87th & Western Ave.
Council District	14th District	13th District	14th District	8th District
AHI Commitment	\$34,804,146	\$10,115,228	\$22,545,098	\$31,208,682
Units Created	227	58	147	160



## AHI Sustainable Development Goals Met

UN SDG 17 GOALS	ELIGIBLE CATEGORY	SDG TARGETS
Goal 10: Reduced Inequality	Affordable Housing	1.4: Ensure all have equal rights to economic resources, access to basic services, property ownership and finance
Goal 3: Good Health and Well-being	Socioeconomic Advancement and Empowerment	3.5: Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol
Goal 8: Decent Work and Economic Growth	Socioeconomic Advancement and Empowerment	8.5: Achieve full, productive employment and decent work for all women and men, and equal pay for work of equal value
Goal 1: No Poverty	Socioeconomic Advancement and Empowerment	10.3: Ensure equal opportunity and reduce inequalities, including by promoting legislation, policies and action
Goal 11: Sustainable Cities and Communities	Affordable Housing	11.1: Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums







## Projected Investment Overview\*

### FUND SIZE

Debt	\$210,159,150.95
Equity	\$0
<b>Total Capital</b>	<b>\$210,159,150.95</b>

### AHI DEBT SERVICE TERMS

Debt Service Terms	IO with balance due at maturity
Index	SIFMA Cap + 135 BP
Debt Service Reserve Fund	Yes
Return On Reserve	4.75%
SIFMA Rate	3.73%
AHI Cap	2.68%
AHI Interest	4.03%
Fund Commencement Date	1/1/24
Total Life (Months)	180
Fund Exit Date	1/1/39

### AHI LENDING TERMS

Base Rate To Developers	AHI COC +162 BP
Payments Per Year	12
Developer Borrowing Rate	5.65%
Borrowing Floor	N/A
Debt Products	Construction & Permanent
Tax Rate	0%

### FEES TO AHI

Origination Fee (At Closing)	1.00%
Asset Management Fee (Annual)	1.00%
Exit Fee (At Maturity)	0.5%

\*Projected Investment Overview Is Subject To Change.  
AHI Has Not Made A Commitment To The Investments Listed

### PORTFOLIO PERFORMANCE METRICS

Investments	\$210,159,150.95
Gross Interests	\$29,943,281.07
Net Interest Revenue	\$8,183,763.73
Total Fee Revenue	\$3,992,809.46
Gross Cash Inflows	\$244,095,241.48
Gross Outflows	-\$231,918,668.29
Net Cashflows	\$12,176,573.19
<b>Portfolio IRR</b>	<b>2.3%</b>



## METRICS

- # of affordable housing units supported
- \$'s invested
- # net new units
- # units preserved
- \$'s leveraged
- # days from underwriting to issuance

## PRIMARY OUTCOME

Development of cost-effective, small-scale, rent-restricted housing for low-income L.A. County residents, including those experiencing or at risk of homelessness.

## FINANCING

\$300+ million investment in multi-family development that cost less than \$300,000 per unit.

**\$300M INVESTMENT**

## INFRASTRUCTURE

Investment in 60+ rent-restricted buildings and 2,000+ units of affordable housing over the next three years.

## SOCIAL

Promote sustainable housing and empower minority-led and minority owned development firms.

## INTERVENTION

- Provide loans of up to 75% Loan to Value (LTV) to simplify project capital stack.
- Leverage private capital by investing in the construction and permanent phases of the affordable housing development process at a below-market rate.

## INTERVENTION

- Invest in like-minded for-profit, and non-profit partners to expand affordable housing stock past traditional typologies.
- Build a coalition of community banking, private investment, and development stakeholders to create an ecosystem centered around best practices for affordable housing development.

## INTERVENTION

- Ensure 25%+ of the properties are environmentally friendly, utilizing LEED certified building standards, energy efficient appliances, etc.
- Commit 70% of AHI loans to Minority-led and minority-owned development firms.

**MINORITY-LED**

## EVALUATION

- Track the number of affordable housing units available and the number of households served from AHI.
- Monitor the financing and construction costs of affordable housing developments.
- Conduct surveys and focus groups with developers to gather feedback on the effectiveness of the interventions.
- Measure total development time for participating projects to ensure time saving.


**2023**
**Q4**

- Fund II closes at \$112.25 million allocates to 4 projects with a total of 592 units
- Fund I's first project comes online (29 units)
- Hire one additional staff

**2024**
**Q1**

- Open Fund III at \$210 million
- Identify Fund IV projects (up to 665 units)

**Q2**

- Secure \$250 million to finance Fund IV projects
- AHI broadens pool of investors by utilizing blockchain investment platform
- 49 AHI units come online

**Q3**

- Fund IV closes at \$250 million to finance up to 665 units
  - Target regions: Portland, Dallas, Miami, Chicago, Seattle

**Q4**

- 235 AHI units come online
- Identify Fund V projects (up to 835 units)
- Secure \$300 million to finance Fund V projects

**2025**
**Q1**

- Fund V closes at \$300 million to finance up to 835 units
  - Target regions: TBD

**Q2**

- Issue Fund VI RFP to finance affordable housing across the country
- 285 AHI units come online

**Q3**

- Identify Fund VI projects (up to 1,000 units) \$300 million secured to finance Fund VI projects
- 44 AHI units come online

**Q4**

- Fund VI closes at \$300 million







# INVESTOR REPORT 2023

## About UWGLA

United Way of Greater Los Angeles is one of LA's most trusted nonprofits, mobilizing neighbors and investments to support each other in a crisis and build a future where everyone shares in our region's wealth and prosperity.