

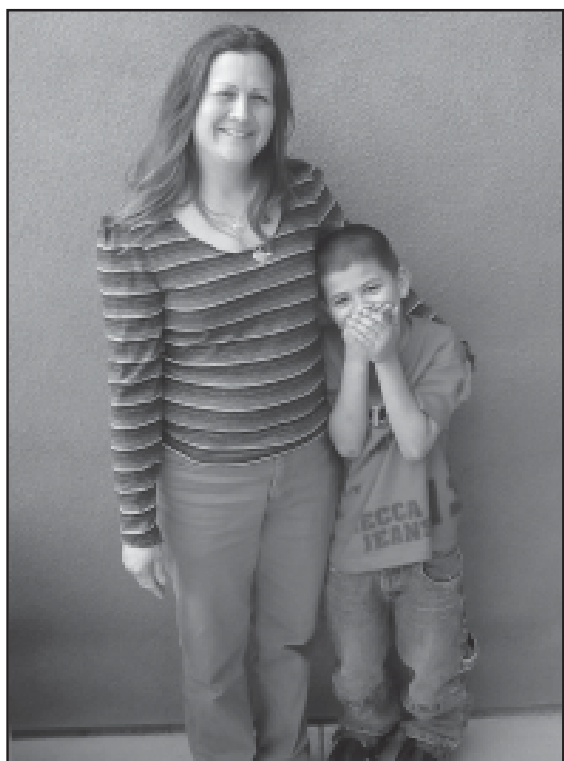
# MERRITT

*m e s s e n g e r*

## Lorenzo Creek Apartments *From Shelter to Permanent Housing*

**“I**t’s been seven years since I’ve had my own bedroom,” says Micki Vargas, as she tears up. “I was living in a two-bedroom house with my three kids for nine and a half years until it was condemned and we had to move.” At Lorenzo Creek in Castro Valley, Vargas has her own private room, and she lives in a three-bedroom apartment that is affordable and “brand new.” Vargas and her children, C.J., 17, Monica 14, and Angelo 7, have been given a new start in a place that provides extensive support services and hope. “We are building a future here, my kids’ future. My daughter does independent study and has to do a lot of online searching which she couldn’t do without the computers in the community room. There is an elementary school bus pick-up in front of the building for Angelo. I can’t tell you how glad we are to be living here. It’s quiet and safe. Lorenzo Creek is like its own little city, a real

**MICKI VARGAS AND HER SON ANGELO POSE IN ONE OF LORENZO CREEK’S MANY COMMUNITY SPACES.**



home for my family.”

“This is the best thing that has ever happened in my life” says Christina Banks, another Lorenzo Creek resident. “The support staff prepared me to take my GED test and helped me find a job as a lending associate for a mortgage broker. Anytime I ask for anything they help me find what I’m looking for. They really understand. I like having someone

to talk to and they really provide a great support system here.” Banks lives with her five-month-old daughter Ashlee in a two-bedroom apartment at Lorenzo Creek. Before she moved in this past February she was living “house to house.” “When I was pregnant I looked at lots of apartments. I found out about Lorenzo Creek from a listing at the Berkeley Drop-In Center. Unlike most of the other places, the people at Lorenzo Creek called me back quickly.” Banks was also impressed by the size of the rooms, the outside appearance and that everything was ready when she moved in.

Laurissa Edwards is Lorenzo Creek’s Resident Service Coordinator. “I provide full-time on-site case management. Many of our residents have come from homeless shelters and they need more intense social services, more emotional support in order to make the transition to permanent housing. All of our residents are eager to be here. They want to improve their lives. This is now their home, their com-



**LORENZO CREEK PROVIDES 28 PERMANENTLY AFFORDABLE UNITS OF HOUSING TO VERY LOW INCOME HOUSEHOLDS THAT ARE LINKED TO AN INTEGRATED NETWORK OF ON- AND OFF-SITE SERVICES.**

munity and they want to make it a better place for everyone.” Part of her job is listening to residents and another part is connecting them with services and assistance to help with education, employment, benefits advocacy, health care and crisis intervention. On Thursdays Linda Soboleski is at Lorenzo Creek coordinating a Children’s Program. “We have time for homework, organized activities, and a little fun. It’s important to celebrate birthdays, holidays and incorporate self esteem issues and teamwork through puzzles, games, arts and crafts,” she says. Both Edwards and Soboleski work for Tri-City Homeless Coalition. It provides support services at Lorenzo Creek 24 hours a day and serves a total of 600 homeless individuals each year.

According to Carolyn Bookhart of Resources for Community Development, Lorenzo Creek was envisioned as a place that would provide permanent supportive housing to the chronically homeless as well as homeless individuals with chronic disabilities throughout

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# Allied Housing, Inc.

**A**

llied Housing, Inc. is one of the two nonprofit

housing developers who collaborated on the predevelopment, acquisition, design and construction of Lorenzo Creek Apartments in Castro Valley. Its mission is provide affordable housing linked to job training, employment opportunities, and supportive services for low income families and individuals so that they can achieve stability and self-sufficiency. This is accomplished by developing affordable housing, securing affordable rents, and providing housing-related services such as master leasing, property management, and case management, linked with collaborative networks of agencies in the fields of job training, employment and supportive services.

Allied Housing has two major goals. The first is to raise the socioeconomic, educational and employability levels of the residents of Alameda County. The second is to expand opportunities to individuals and families to obtain adequate affordable housing by constructing, rehabilitating, and providing decent, safe and sanitary housing for low and moderate income persons.

Allied Housing manages the Housing Scholarship Program (HSP) in the Tri-Valley region of Alameda County. It provides housing support to low income individuals and families that are enrolled in job training programs designed to secure employment at the end of that training. HSP works with a community advisory board that reviews the viability of an applicant's plan leading to self-sufficiency. Supporting documents such as transcripts, budget information and credit history challenges, childcare and transportation plans, are taken into consideration prior to the approval of a rent subsidy. Allied Housing's Housing Scholarship Program has achieved an 80 percent success rate throughout the Tri-Valley region, meaning that program graduates have maintained stable housing and employment.

Allied Housing manages Alameda County's Housing/Job Linkages Program. This program provides rent subsidy, case management and employment services to individuals coming out of homeless shelters.



The Linkages Program obtains transitional housing for homeless families through the leasing of up to 50 units per year from private sector landlords.

This activity includes working with the five area housing authorities to access public and Section 8 housing, working with area nonprofit housing developers to access units for clients in exchange for support services, working with private sector units of affordable housing through Eden Housing's Information and Referral computerized rental housing database, creating shared and co-housing opportunities, and working with landlord associations and the real estate industry. In 1999, the Linkages program was honored by a National Best Practices Nomination by the Department of Housing and Urban Development.

Allied Housing also provides development-consulting services for organizations that may see the need for affordable housing in their service area, but who lack the development expertise or capacity to actually develop housing themselves. This consulting service can provide assistance with the overall development of a project or with particular pieces of a development, such as budget and finance development, zoning and entitlements, and/or construction management.

Currently, Allied Housing is serving as a Development Consultant to Tri-City Homeless Coalition to create 18 units of new construction housing units in the City of Fremont. This development will provide affordable, transitional and permanent housing for formerly homeless households. Some of these units will also be specifically targeted to serve special needs groups, such as disabled persons and youth aging out of foster care.

Allied Housing is also assisting Tri-Valley Haven, a homeless shelter and service organization in the City of Livermore, to acquire and rehabilitate a property to become an emergency shelter for homeless individuals and families in the Tri-Valley.

Allied Housing, Inc. was incorporated in 1994 and it is a Community Housing Development Organization (CHDO).



**T**

ri-City Homeless Coalition (TCHC) began in 1988 as a winter relief

program, relying on church facilities for sleeping sites and the St. Vincent de Paul site for a day program and dinner service. Members of local faith communities collaborated with city staff to address the growing problem of homeless single men, women, and families in southern Alameda County.

Today TCHC is a nonprofit agency that provides not just shelter but a full spectrum of support services to combat the underlying causes of homelessness. Its pace-setting shelter, Sunrise Village, has been providing 24-hour shelter and support services since December 1989. The BridgeWay Apartments provides Supportive Housing to very low income households. Project Independence provides youth emancipating from foster care with housing subsidies and case management. The Winter Relief Program provides emergency shelter during the winter months for families waiting to get into Sunrise Village. People living on the streets receive mobile services through the HOPE Project.

With a full time professional staff, part-time staff members, and a phalanx of volunteers, TCHC focuses its programs and activities on allowing homeless and displaced persons an opportunity to return to healthy standards of living. The mission of Tri-City Homeless Coalition is "to return homeless people to stable housing and positive community interdependence by providing shelter and stability and opportunities to improve life skills and self-reliance, and to advocate and take action to remove the causes of homelessness in southern Alameda County."



# President's Message

by Bernard T. Deasy

**S**everal years ago, the accounting firm of Ernst & Young realized that there was a great need among tax credit investors for uniform and comprehensive data on the Low Income Housing Tax Credit Program. Until that time, there had not been a detailed, nationwide look at the program. Many corporations had invested in the program across the nation, but there was not a single place that a national investor could go to get an accurate overview of the performance of the program. The general assumptions were that the program was doing well, but most of the data was anecdotal and based on the reported experience of a few national investors. However, there was a consensus that a comprehensive, objective and nationwide look at the program was in order. At the direction of Fred Copeman of Ernst & Young, a group of leading syndicators and investors was assembled and the outline of the data needed to complete the study was prepared, as well as a cost sharing methodology. With the cooperation and timely response from a wide range of program participants, from national for-profit and nonprofit investors to several moderate sized NASLEF funds, the data for the initial study



underwriting and asset management practices adopted by the National Council of State Housing Agencies, NASLEF and most tax credit syndicators.

This past December, Ernst & Young released their third study of the Low Income Housing Tax Credit program, "Understanding the Dynamics III." This latest review of the program looked at several new underwriting and operating factors and included input from 31 different investor entities, including the nonprofit sector represented by ten NASLEF Funds and the National Equity Fund. For the first time, a section of the report compared

an example, the average annual foreclosure rate among LIHTC properties was reported at 0.02%, while the rate for 1-4 unit family housing was 0.30% and the rate for office buildings was 1.33%. The report demonstrated equally strong results in all other categories of real estate analysis. We thank Ernst & Young for their comprehensive and professional analysis of the LIHTC program and look forward to volume IV.

In light of the demonstrated high level of performance by the Low Income Housing Tax Credit Program, it is hard to justify the legislation currently under consideration in the US Senate to severely limit or totally eliminate the participation of both Fannie Mae and Freddie Mac as investors in the LIHTC program. While we have all read with interest the press coverage of the accounting issues facing both Fannie Mae and Freddie Mac, it is difficult to explain the linkage to affordable housing investments by these two major investors. Given the current stock prices of both of these listed giants, Wall Street has basically discounted the impact of their management and accounting problems, and has moved on. While the stock prices are off of historic levels, there has been no meltdown, a la Enron. The financial markets have spoken. Fannie Mae and Freddie Mac were both given a "time out" but they are basically sound and will continue as key elements in our housing finance structure. While Congress should revise and update oversight requirements to meet the current situation, there is no need to cripple the capacity of Fannie and Freddie to play their historic roles in housing finance and certainly no need to limit their participation in affordable housing investment through the tax credit program. In fact, the House version of the GSE legislation includes the creation of an Affordable Housing Fund, which is a very positive step toward the recognition of the critical role played by both Fannie Mae and Freddie Mac in our affordable housing system.

**For the first time, a section of the report compared operating performance between projects developed by nonprofit sponsors with those developed by for-profit sponsors. The results were very favorable for both types, with the nonprofit sector making a strong showing in every analytical category.**

was compiled, analyzed and summarized in a very positive report.

The initial report, published in May 2002, described a program that was outperforming typical real estate investments by a wide margin, with high occupancy and extremely low default and foreclosure rates. However, the report also included a few red flags. In many cases, projects were not meeting standard debt service coverage ratios and some were in a negative cash flow position. The report underscored the support the program enjoys from its sponsors and from the limited partner investors in the Low Income Housing Tax Credit program. The report also provided a rationale for sound

operating performance between projects developed by nonprofit sponsors with those developed by for-profit sponsors. The results were very favorable for both types, with the nonprofit sector making a strong showing in every analytical category.

The report demonstrated once again the basic strength of the Low Income Housing Tax Credit Program as the most successful and productive Public-Private partnership. It underscored the wisdom of the basic assumptions that states and local governments as well and local developers, both nonprofit and for-profit, can successfully develop and manage a wide range of affordable housing solutions. As



BARNEY DEASY, FAR LEFT, AT THE GRAND OPENING OF LORENZO CREEK APARTMENTS.

## MERRITT MESSENGER

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## Board MEMBER Profile

**I**t's often a small world in the affordable housing industry. Stephanie McFadden's career path intersected with those of other Merritt board and staff members over the past decade. In the mid-1990s she worked at regional investment bank, Rauscher Pierce Refsnes, along with Merritt's board chair John Sheldon and Barney Deasy, Merritt's President. McFadden also worked for Bank of America as a Vice President when Deasy was a Vice President providing investment management services to municipal and nonprofit organizations. So it was only natural for Merritt to tap MacFadden to serve on its board of directors to take advantage of her 14 years of real estate and investment banking experience.

McFadden moved from New York to the Bay Area to attend the University of California-Berkeley. She graduated with a Masters in City Planning in 1992. "My first job was a Senior Real Estate Consultant at Arthur Andersen in San Francisco," she explains. "I underwrote investment-grade properties and conducted market studies and financial and feasibility analyses. I also assisted with property valuation, cash flow analysis, real estate management practices consulting and site selection. It was great training, but I wanted to become involved in public sector financing."

A chance to do just that came along at Rauscher Pierce Refsnes in early 1994. As an Associate Investment Banker McFadden was responsible for financial modeling, credit analysis and long range financial planning. "I also coordinated the bond structuring and issuing process."

Soon after McFadden decided she wanted to work more directly in affordable housing. In 1996 she secured a position as Vice President in affordable housing lending at Bank of America. "I was actually a dual officer working with the bank's Public Finance Group and its Community Development Bank." While there she established Bank of America's bond purchase program making the bank one of the



**STEPHANIE J. MCFADDEN**

first to price and document bonds inside a bank without selling them to the public. "It was a very educational process. I conducted training for loan officers and clients—many of whom had never done a bond deal—and coordinated the mechanics of issuing a bond."

In 1996 McFadden was promoted to Senior Vice President in Bank of America's Real Estate Debt Product Development Department. "I was responsible for developing new products and product support for 65 lenders nationwide and creating an online pipeline management system for nearly \$2 billion in annual loan production." She also negotiated the creation of the bank's Special Affordable Housing Lender agreement to originate Fannie Mae loans.

Her work with Fannie Mae has continued in her current position as Vice President at ARCS Commercial Mortgage. As a loan production officer in ARCS Affordable Housing Division, McFadden is responsible for building a new portfolio of affordable business for Fannie Mae throughout California and the Northwest. "I also originate loans for entities ranging from Housing Authorities to nonprofit and for-profit developers using tax exempt bonds and conventional financing."

McFadden is one of the Merritt's newest board members, appointed in May 2006. She will serve on the board's Project Investment Review Committee which reviews and recommends affordable housing project investments to Merritt's full board of directors.

McFadden lives with her husband Ray and sons Daniel 6, and Max 4, in Oakland.

## Board Chair's Report

by John Sheldon

**T**here is always a

flurry of activity before a housing bond is put on the ballot or the legislature passes a bill that provides funding for affordable housing. It isn't always easy to see the results of those efforts. To some it must seem that as soon as one passes, another affordable housing bond or initiative is on the immediate horizon.

When California voters approved Proposition 46 they knew they were saying yes to \$2.1 billion in bonds to finance affordable housing. Prop 46 funding runs out this year and while efforts to fund a mechanism to permanently fund the California Housing Trust Fund have stalled, it is helpful to see what was actually accomplished with Prop 46 money.

Almost 13,000 units of affordable housing were created throughout the region by Prop 46 funds. More than \$1.27 billion paid for affordable apartments, condominiums, starter homes, housing for farmworkers and shelter beds around the state. According to a report from the Non-Profit Housing Association of Northern California, San Francisco received \$78 million for affordable housing and Los Angeles received \$100 million. Alameda County received \$126 million which paid for 2,824 housing units; Santa Clara received \$91 million which paid for 2,776 units; and Sonoma County received \$57 million which paid for 1,717 housing units. Specific examples of San Francisco projects funded with Prop 46 money are The Senator Residence, an 89-unit apartment complex in the Tenderloin; Broadway Family Apartments in Chinatown; and the Mission Creek Senior Community in the Mission Bay neighborhood.

On May 17, Governor Schwarzenegger signed SB 1689, a \$2.85 billion strategic growth plan housing bond measure to build emergency shelter, affordable homes and housing-related infrastructure throughout California. This measure will go before California voters in November as Proposition 1C. If passed the "Emergency Shelter Trust Fund Act" will provide funding for multifamily housing, emergency housing assistance, supportive housing program, farmworker housing grant program, Cal-HOME program, California Homebuyer Downpayment Assistance Program, and programs to provide infrastructure vital to home development. So while it is not a permanent solution like the California Housing Trust Fund, it is a great opportunity to support affordable housing in the near term. There will be a lot of talk about bond initiatives in the November election. Make sure you are aware of Proposition 1C and how important it is to creating affordable housing opportunities for a wide variety of low and moderate income Californians.





# From Shelter to Permanent Housing

CONTINUED FROM PAGE 1



**CHRISTINA BANKS LIVES WITH HER DAUGHTER ASHLEE IN A TWO-BEDROOM APARTMENT AT LORENZO CREEK IN CASTRO VALLEY.**

the Southern Alameda County region. “In 1999 representatives from several homeless shelters began meeting as a collaborative to help develop permanent supportive housing,” she explains. “The concept of supportive housing was unique back then and we looked at developing this type of housing to meet a regional need,” says Bookhart. Because of this collaboration grants and loans for the project were secured not only from Alameda County but also from the cities of Castro Valley, Fremont, Hayward, San Leandro, and Pleasanton.

The Lorenzo Creek site was found by Allied Housing, Inc. Allied was the original development sponsor and carried the project up through the predevelopment stage according to Bookhart. “In order to secure tax credits and Multifamily Housing Program funding Allied needed an experienced partner with a history of solid operation and asset management capacity. For that reason they teamed up with Resources for Community Development.”

The site itself was made up of two adjacent lots, the first of which was vacant and dilapidated, the second which was owner occupied. “Our efforts to secure the lots were challenging and the property almost fell out of contract,” says Bookhart. “That’s when the Corporation for Supportive Housing stepped in to help us by providing a bridge loan to buy the properties as a package,” she adds.

Even though this project was a true collaboration from the start and several cities provided funding, putting the whole financing package together was a challenge, says Bookhart.

“Everything was expensive. The construction costs were expensive, the site had lots of slopes and there is not a lot of economy of scale when you are only building 28 units of housing. Because the project targets homeless or formerly homeless who are very low income and is intended as a supportive housing development, we needed to provide lots of community space, put a lot of money into reserves and

provide extensive support services.”

The project is a four-story wood frame, garden styled apartment complex that provides nine one-bedroom, 13 two-bedroom and six three-bedroom units. The complex is wheelchair accessible so it has two elevators, adjustable kitchen cabinets, accessible width doors and wider covered walkways to provide access to units. Each unit has wall-to-wall carpeting and vinyl flooring in kitchen, a gas cook top, a gas wall oven, central gas heat, and a garbage disposal. Amenities include a laundry room, two community rooms, courtyards and open space. One community room will be used for group counseling and staff meetings and the other for educational and after-school programs.

Lorenzo Creek was financed with \$2.7 million in capital from Merritt’s Partnership Fund VIII. Investors in Fund VIII are Bank of America, Bank of the West, Fannie Mae, Freddie Mac, Union Bank of California, Washington Mutual and Wells Fargo Bank. Other financing was provided by Bank of America, California Housing Finance Agency bonds, Alameda County, the Cities of Fremont, Hayward, San Leandro and Pleasanton, and the California Housing & Community Development Multifamily Housing Program. For more information contact Carolyn Bookhart at (510) 841-4410.



**UNIVERSAL DESIGN WAS INCORPORATED IN THE UNIT PLANS, COMMON SPACES (LIKE THE COURTYARD PICTURED ABOVE) AND PARKING SO THAT THE ENTIRE DEVELOPMENT IS PHYSICALLY ACCESSIBLE AND ADAPTABLE TO PERSONS WITH A VARIETY OF DISABILITIES.**



## Resources for Community Development

RCD creates and preserves affordable housing for people with the fewest options to build community and enrich lives.

RCD is an 18 year-old regional nonprofit housing developer working throughout Alameda, Contra Costa, and Solano Counties. From its beginnings as a small organization focused on the creation of cooperative housing in Berkeley, RCD has grown into a highly professional, widely-regarded developer with over 900 housing units completed, with an additional 650 units in the planning and construction stages.

In keeping with its mission to serve residents with the fewest options, 56 percent of RCD’s units serve persons with special needs, such as frail elderly, formerly homeless adults, wheelchair users, and developmentally disabled adults and children. The remainder of RCD’s portfolio serves low and moderate income families, in both rental and homeownership settings.

RCD owns and operates the majority of its housing developments and contracts with local firms to provide day-to-day property management services. In its supportive housing developments, RCD works with one or more community-based service providers to provide residents the unique and specialized social services they require. RCD’s housing development activities include assessing community housing needs, performing community outreach, locating appropriate sites for development, packaging project financing, and overseeing new construction and rehabilitation work.

# Josephine Lum Lodge Revisited

**J**osephine Lum Lodge was built in 1973 and it was Eden Housing's first multifamily development. Located in Hayward, the 150-unit building for independent seniors is being refinanced and rehabilitated with equity from Merritt Community Capital Corporation's Fund IX. On January 17, 2006 officials used gold sledge hammers and crow bars to begin the demolition process in areas that need to be replaced. Over \$10 million in repairs and upgrades will be done. This, along with debt restructuring, results in a total project cost of \$24 million.. Unit repairs include new appliances, fixtures, exhaust fans, cabinets and flooring. Current tenants will remain in place and all are expected to qualify for continued residency after the rehabilitation.



ABOVE: BARNEY DEASY WITH EDEN'S JEFF BENNETT. RIGHT: BARNEY DEASY WITH SLEDGE HAMMER. BELOW LEFT: LINDA MANDOLINI. OTHER PICTURED OFFICIALS ARE WILLIAM VANDENBURGH, BELOW, SECOND FROM RIGHT AND JONATHAN KLEIN, CITIBANK.



HAYWARD MAYOR ROBERTA COOPER, HOLDING A CROWBAR ,BOTTOM, FAR RIGHT.



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