

COMMENTARY

Building Needs to Be More Affordable

By **KEN LOMBARD**

A few months ago, leaders gathered in Long Beach to celebrate the opening of a new 88-unit affordable housing community – a gleaming building for low-income families and homeless seniors that checks all the boxes needed to address the housing crisis in Southern California and along the entire West Coast.

For BRIDGE Housing, the community's nonprofit developer, creating those 88 units on a long-vacant lot took eight years and required a small army of nonprofit, financial and government partners. At the ribbon-cutting ceremony, the celebration of perseverance and partnership shared by speakers – including me – also served, however, as a sobering reminder of the complexities that hold back affordable housing development at the scale that is necessary.

Greater Los Angeles alone needs hundreds of thousands of new homes for low- and moderate-income residents. There are many projects in the pipeline, but unless we change the way affordable housing is financed and administered, few may ever reach a grand opening ceremony.

The truth is that the current system for navigating entitlements, securing permits, financing construction and building communities takes too long and drives up costs. Even modest government-subsidized projects typically require several funding sources, whose separate approval processes add significant costs and delays. For larger, more complex projects, the timeline can easily be extended by years. Here in Los Angeles, BRIDGE is currently developing landmark affordable housing communities as part of the Vermont project at Vermont-Manchester and as part of the historic \$1 billion redevelopment of Jordan Downs in Watts. These are extraordinary projects that have required an equally extraordinary amount of patience, flexibility and tenacity.

Challenges go beyond building

The challenges extend beyond permitting and construction. When building the financial plan for a community, it is essential to identify long-term funding sources for future renovations. Unfortunately, state regulations place restrictions on how loan proceeds can be used; in most cases, renovations are prohibited.

These obstacles impact more than just affordable housing. They also stifle the accompanying resident services that can have a meaningful impact on the health, safety and education of tenants. In Long Beach, the Wellspring community also features a state-of-the-art health and wellness center that's open to the broader community. And at Jordan Downs, 18 young residents just completed a skilled trades training program in partnership with Harbor Freight Tools for Schools that could set them on a path toward stable middle-class careers.

There are encouraging signs. Long Beach Mayor Rex Richardson describes the moment as an "aperture for equity," with government officials at all levels aligned on the urgency of increasing access to housing. Los Angeles Mayor Karen Bass is working to broaden policies to streamline the entitlement process and incentivize the development of affordable and workforce housing. We need more public officials to follow their lead.

Government is and will continue to be a critical partner, as federal and state tax credits

facilitate the bulk of funding for low-income housing. Government agencies can help in other ways. Certifying affordable housing applicants in a timely manner will fill thousands of subsidized apartments that are unoccupied despite crushing demand. Housing authorities have significant support from stakeholders like BRIDGE to advocate on Capitol Hill for an increase in the percentage of project-based vouchers (PBVs). This is a valuable tool that will assist with building affordable housing. New state laws also provide promise for streamlined or by-right approvals for low-income housing projects.

Housing providers also must do our part to deepen collaboration across the private, public and nonprofit sectors. As an entrepreneur who has devoted my career to investing in underserved urban communities, I appreciate the need to keep innovating in order to deliver high volumes of affordable housing.

At BRIDGE, that means leveraging our 40-year track record of success to cultivate new funding partners and strategies. We were the first nonprofit affordable housing provider to receive a credit rating from S&P Global Ratings and the first to tap capital markets by issuing taxable bonds, thus creating a new asset class for the nonprofit affordable housing industry.

Major banks and financial institutions have long participated in affordable housing by providing loans and purchasing tax credits. We are moving to greatly expand their role – as true equity investors. We are also preparing to launch a \$350 million equity fund to support our efforts. This fund is an important new strategy to advance BRIDGE's mission.

We also are accelerating acquisitions of market-rate housing and converting those units to meet affordable income standards and working with housing agencies and cities to purchase and preserve existing affordable housing properties. Private capital – with \$250 million set-aside for project financing from Morgan Stanley and the National Equity Fund – jumpstarted this initiative, and we estimate the commitment will leverage up to \$1 billion in additional capital.

It is also inspiring to see philanthropies stepping up to support affordable housing with new capital. Last year, BRIDGE was extremely appreciative to receive an \$8 million grant from MacKenzie Scott's organization, Yield Giving. Having other philanthropic sources make these kinds of capital commitments would enable the right kind of affordable housing to get built in communities with the greatest need.

Increasingly, we are also pursuing collaborations with market-rate housing and commercial real estate developers on mixed-income and mixed-use projects. As new incentives draw traditional developers into affordable housing, BRIDGE can offer expertise.

Success is more than building apartments and attracting tenants. Wellspring filled up quickly, but our real work is just beginning. We are at a moment when we cannot afford not to build and operate low-income housing. Yet the current system makes it extremely challenging to afford to do so. Together, we have an imperative to work collaboratively to create an environment that is conducive to building thriving affordable housing communities which, done right, are a steppingstone for advancement and a better life for residents.

L.A.-based Ken Lombard is the president and chief executive of BRIDGE Housing.