<u>How do they do it?   Financing Jamboree Housing Corporation</u>

Interview with Jose L. Sanchez, Vice-President of Asset Management, Jamboree Housing Corporation

by Christine Moore

At the League's March homeless panel, Jamboree Housing described its model of permanent housing for the homeless with an array of services. Since Jamboree serves some of the poorest people with rents as low as $300. a month, it's valuable to understand the financial structure that makes this possible.

Jamboree develops, rehabilitates and builds housing properties that include resident services delivered directly and through partnerships with hospitals, school districts, mental health service providers and others. Jamboree properties are managed by third-party property managers, who are vetted, hired and monitored by Jamboree. These companies must have a solid track record of experience in the affordable housing arena, and meet the criteria of the public agencies that audit the properties. This is a highly regulated business. The ongoing performance of the third-party property management companies is central to Jamboree's long-term stewardship and to the success of its business.

The properties' ownership structures are set up as stand-alone partnerships that include a **Limited Partner**, which is the tax credit investor that supplies the equity or cash investment. The tax credit investors are usually institutional investors or large tax credit syndicators. Jamboree is the **Managing General Partner** in all these ownership structures. Sanchez explained that setting up the capital to fund affordable housing requires a complex financing structure where many different pieces come together: federal, state, local and private. Private equity is provided by the tax credit investor who purchases the 4% or 9% Low Income Housing Tax Credit (LIHTC) and by conventional bank loans that provide the bulk of financing. In addition, there is usually a financing gap which is filled with grants and loans from cities, counties and private funds. In exchange for these loans and grants, restrictions in the form of affordability covenants are placed on the deed of trust. The LIHTC gives investors a reduction in their federal tax liability in exchange for providing financing.

Properties developed by Jamboree serve individuals with incomes between

30% to 60% of the Area Median Income (AMI) and serve the following populations:

- Chronically Homeless
- Working Families
- Seniors
- Special Needs
- Veterans

In summary, once Jamboree secures a tax credit reservation, it must leverage the financial resources for the development. Under a typical LIHTC transaction, Jamboree secures a conventional loan from a private mortgage lender or public agency and gap financing from a public or private source. Jamboree properties are maintained as affordable communities for at least 55 years. Even if a Jamboree property transfers hands, the affordability requirements for that property are maintained for the remaining term of the affordability covenant attached to the deed of trust. In some cases, prior to the expiration of a 55-year term, Jamboree will extend affordability covenants

Jamboree's current portfolio consists of 84 properties and over 7,500 units. It is a non-profit company that re-invests its money in developing more affordable housing. Its mission is to deliver high quality affordable housing and services that transform lives and strengthen communities.

In conclusion, Jamboree is just one of several similar non-profit developers producing housing for the homeless in California—in fact, the fifth largest in the state. The financial model described applies to all of these and is based on California and U.S. laws which provide the tax credits. Together, these non-profits may well provide the ultimate solution to the homeless problem which is permanent, rather than temporary, housing. *

* This summer, a new "for profit" venture using private funds, began its first development of housing for the homeless. It is a straight-up investment that gives a 5% return a year, using no tax money–done by Steaven Jones Development Company.