



# STRATEGIC PLAN

FOR JULY 1, 2023 TO JUNE 30, 2026

June 15, 2023





# I. INTRODUCTION

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**HOUSING TRUST SILICON VALLEY** (Housing Trust) believes that safe, stable, affordable housing opens the door to a better life for everyone. Housing Trust is certified by the U.S. Treasury Department as a Community Development Financial Institution (CDFI), and they seek to provide innovative financial solutions to create a strong affordable housing market in the fourteen counties of the greater Bay Area.

As Housing Trust embarked on its strategic planning process at the beginning of its FY23 fiscal year, it was clear that the pace of affordable housing development had slowed. This was due to several factors, including rising construction costs and interest rates, competitiveness and unpredictable timing or availability of local, state, and federal public sector subsidies including low-income housing tax credits, and slower processing time by approving agencies. In particular, Santa Clara County's Measure A, which was a catalyst for a large percentage of Housing Trust's lending over the former three years, was down to 10% of its original amount. The need for all types of affordable housing continued to grow in the Bay Area, and the income levels needing support to live in affordable, safe, and stable housing continued to increase in many areas. At that time, the country was still recovering from the COVID-19 pandemic, and the Bay Area was grappling with layoffs at some of the prominent tech companies, including a number of Housing Trust's partners and investors. The potential for a recession in the next year was also a topic of discussion and consideration.

In addition to the changes in the external environment, Housing Trust continued to adapt internally. Noni Ramos was still a relatively new CEO having joined in January 2021. In late 2021 and into 2022 there were many changes in the staff, including a reorganization of the senior team. Due to these changes and the unknowns of COVID-19 recovery, Housing Trust decided to extend its existing three-year strategic plan into a fourth year and to start its new strategic planning effort in fiscal year FY23, which would take effect July 1, 2023. In order to extend the existing plan, the full Board met in person on April 28, 2022, to review the accomplishments and challenges to the goals and objectives in the 2020 to 2022 strategic plan and to give direction to the staff about extending them for a final, fourth year.

Housing Trust quickly pivoted its operations in response to the COVID-19 pandemic and successfully navigated the associated challenges while maintaining strong lending production and capital relationships.

Housing Trust met or exceeded most of the goals it set out to accomplish in 2020, including:

- Developing and implementing successful lending programs with Apple and Google, which brought new capital into the effort to increase the supply of affordable housing.
- Redesigning the Empower program to help first-time homebuyers achieve their goals.
- Building out the credit risk management function in support of organizational sustainability and innovation goals.
- Increasing organizational capacity through strengthening organizational culture and infrastructure embedded in and reflective of DEI values.

This new strategic plan for fiscal years 2024 through 2026 is based on the best thinking and analysis by the Housing Trust Board and senior staff of the opportunities and challenges to increase the supply of affordable housing in the greater Bay Area. It includes building on existing organizational strengths, leveraging opportunities, addressing internal challenges, and a number of innovative initiatives. Finally, it includes direction if certain best case subsidy scenarios come to fruition.

## II. MISSION AND GOALS

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**THE HOUSING TRUST SILICON VALLEY BOARD OF DIRECTORS** approved the following mission and goals on June 15, 2023.

### Mission Statement

We use transformative housing finance and public and private partnerships to create more equitable and affordable communities.

### Strategic Goals: July 1, 2023 to June 30, 2026

**GOAL 1 – *Impact:*** Housing Trust’s financing, applicant support, and other activities will lead to a variety of positive impacts on the housing ecosystem and creation/preservation of housing opportunities in the greater Bay Area.

**GOAL 2 – *Innovation:*** Housing Trust will continue to innovate to create an affordable housing system in the greater Bay Area that is more equitable, focuses on a greater range of income levels, and addresses the housing component of the climate crisis.

**GOAL 3 – *Lending:*** Housing Trust will continue and expand its lending activities to benefit households and communities in the greater Bay Area.

**GOAL 4 – *Brand, Partnership and Thought Leadership:*** Grow the strength of the brand among key stakeholders, in particular outside of Santa Clara County.

**GOAL 5 – *Organizational Development:*** Further strengthen Housing Trust’s infrastructure via staff, Board, and systems to enable it to rapidly respond to new opportunities.





## III. RATIONALE FOR HOUSING TRUST SILICON VALLEY'S STRATEGIC GOALS

**AT THE OUTSET OF STRATEGIC PLANNING,** Housing Trust held certain hypotheses about housing needs in the greater Bay Area, which they explored further to discern potential opportunities. Above all, Housing Trust sought to pursue a strategy that is additive and helpful to the crowded CDFI affordable housing eco-system. Housing Trust's hypotheses and questions included:

- Housing production in the past few decades was insufficient for all income levels in the Bay Area, contributing to high prices and lack of affordable units. Is there a role for Housing Trust in financing multi-family workforce housing?
- Black, Indigenous, People of Color (BIPOC) developers are not able to grow in the same way as their White counterparts due to lack of capital. What are the promising practices for CDFIs working with BIPOC developers?
- In the greater Bay Area, local and state subsidies are key to developing housing up to 120% Area Median Income (AMI). What are the likely new or renewed subsidy sources, what will they likely fund, and how can Housing Trust be additive?
- Where should Housing Trust focus its homeownership efforts?
- How can Housing Trust and the affordable housing ecosystem be part of addressing the climate crisis?
- How can Housing Trust best navigate the unknown future of local and state level affordable housing subsidies?

## The Housing Market in the greater Bay Area: Opportunities and Challenges

**THE FOLLOWING RESEARCH** helped the Board and senior staff to navigate these issues and informed the design of Goals 1, 2, and 3 and their related objectives.

**BIPOC Developers:** Housing Trust has a stated commitment to BIPOC developers and seeks to identify strategies to grow its lending to such developers. In order to make this commitment concrete and actionable, Housing Trust will develop an agreed upon framework and related underwriting guidelines and dedicate resources to craft and implement a strategy for execution. Housing Trust’s intent is to address the historical and systemic barriers to access to capital. It is critical to recognize that within this group, there are for-profit and nonprofit developers and there are experienced and emerging developers, and to work with them accordingly.

Housing Trust could do more to reach BIPOC developers, both for-profit and nonprofit alike. Recent research has shown that very few of the large for-profit developers are BIPOC owned. In a March 3, 2023 [article](#) in the *New York Times*, they reported that only approximately 1,000 of the 112,000 developers in the United States are owned by BIPOC people. The BIPOC developers experience “excuse after excuse” for not being able to raise the capital they need. Supporting these developers can both be an approach to community based development and also a wealth building strategy for individuals who continue to lack access to capital, keeping them out of this capital intensive business.

Some of the other approaches in this memo plan may also open opportunities for lending to these developers, such as small site development and preservation and workforce housing. The Housing Trust senior staff has been reaching out to groups such as the ULI BIPOC cohort and the Black Developers Forum and learning about the different approaches to underwriting by CDFIs targeting this segment of developers in other places.

**Traditional Multi-Family Affordable Housing Financing:** For the past several years, Housing Trust has focused on providing financing to these projects, working deeply in Santa Clara County to support Measure A funded projects. As these funds are depleted, Housing Trust needs to expand its approaches as well as continue to serve traditional affordable housing development, typically financed via public sector subsidies and low income tax credits, at scale and inclusive of permanent supportive housing. In addition to financing new construction, it should also seek to finance existing projects that require loans for repair, light rehab, or buying out the limited partner, in the case of low income housing tax credit projects.

This is a crowded and competitive market. Many of the other eight CDFIs that provide financing for affordable housing in the Bay Area are focused on these deals. These CDFIs offer similar products for pre-development, acquisition, and construction lending, and mostly compete on rate and how flexible they are on underwriting terms. However, Housing Trust has developed unique products such as gap, construction-to-permanent loans, and an execution approach that leverages its capital relationships with regional corporations, primarily in the tech industry.

While it is impossible to predict what subsidies will come to fruition, Housing Trust should stay abreast of all significant new subsidies made available by state, county, and/ or local public sector entities. In particular, there is significant planning in the works by the Bay Area Housing Finance Authority

(BAHFA), a nine county regional housing finance authority established to serve as a regional coordinating entity for housing. BAHFA was created with the authority to issue a multi-billion dollar bond for housing subsidies, with the potential of raising \$10 - \$20 billion for the region. The state of California and a number of local jurisdictions are also considering housing related bonds to generate more resources for affordable housing development. A key strategy for Housing Trust will be to continue to build and strengthen relationships to position Housing Trust as a preferred partner at the state, regional, and local levels.

**Workforce Housing:** The Bay Area has not produced sufficient housing for the demand created by new households across the income spectrum. In 2021, research showed that the Bay Area failed to produce 700,000 units of needed housing over the past twenty years. There are at least three mission backed reasons to support lending for multi-family housing where some or all of the residents will be 60 to 120% AMI: 1) this income range also struggles mightily to find housing that is affordable, safe, and reasonably close to work, 2) there is a racial inequality aspect of this challenge, and 3) supporting the supply of housing in various income levels will make units available for lower income households. With few options for better housing, most people stay in their rentals even when they are able to pay more, causing all income levels to have fewer opportunities to live in safe and affordable housing.

A just released study by SPUR titled [“Losing Ground: What the Bay Area’s housing crisis means for middle income households and racial inequality”](#) includes the following findings:

- Rising income levels in the Bay Area resulted in many formerly middle income occupations becoming relatively low income occupations, resulting in more households in the 60 to 80% AMI range.
- Despite income increases, median incomes for Black and Latinx households remain well below median incomes for White and Asian households, and they are disproportionately burdened by high housing costs.
- The Bay Area’s chronic housing shortage makes it hard for low- and middle-income households to compete with high-income households for housing.
- To afford housing in the Bay Area, some households are squeezing many people into their residences resulting in overcrowding, spending an increasingly greater share of their income on rent, and/or commuting farther and farther.

A [Turner Institute Study](#) published in 2022 affirms and adds to these findings, emphasizing that a key driver to declining affordability is the overall lack of supply.

A few CDFIs are active in the workforce housing market, but only at significant volume in the City/ County of San Francisco. The opportunity and challenge in financing these projects is that there is little or no subsidy for this income range, resulting in quicker and less expensive projects, but also making them more difficult to attain positive cash flow. Housing Trust plans to leverage its existing staff expertise and acknowledges the need to dedicate resources to expand its lending activities in this area including to mixed income projects, preservation of existing properties, and infill small unit projects.



Two other challenges to lending to this AMI range are: 1) finding permanent financing and 2) the fact that they do not qualify as CDFI Fund eligible loans. There are Government-Sponsored Enterprise (GSE) products for these long-term loans, and there are California based and national permanent lenders that Housing Trust could collaborate with to offer our development partners a continuum of financing products. Options to solve the CDFI Fund qualifying loan problem are to keep these loans under the 40% level permitted by the CDFI Fund and/or to create an off-balance sheet fund for these loans.

**Address the Climate Crisis:** Housing Trust recognizes that supporting the development of thoughtfully sited and energy efficient housing can play a critical role in addressing the climate crisis. This could include infill housing, housing in the urban cores that are close to public transportation, housing preservation, and a variety of missing middle forms of housing. Building and preserving housing with the right materials and including energy efficiencies can be one powerful element. A new federal source of funds, the Greenhouse Gas Reduction Fund, could be one way to capitalize efforts to increase use of solar power in housing, Transit Oriented Development (TOD), energy retrofits, and other means. Two other solutions that can help address the climate crisis are:

- **Preservation:** Our research found that multi-family preservation, both the large tax credit and smaller unit projects, is underserved.
- **Small Site Projects:** This could be new construction or preservation; it could include up to 120% AMI and/or energy saving components. This includes starter homes, small unit multi-family, townhomes, and other design types. A recent [study](#) by the Turner Institute explains their considerable cost and environmental advantages and the local regulatory challenges.

**Homeownership:** The staff has developed a thoughtful, data-based plan to expand the organization's homeownership programs to areas where it is most likely to work based on the AMI levels and home prices. The proposed locations are Alameda, Contra Costa, San Benito, Santa Clara, and Solano Counties. The expanded effort would include:

- the use of \$4.5 million of recycled CalHome funds for downpayment assistance loans to support households at or below 80% AMI to become first-time homeowners.



- extending the contract with Santa Clara County for an additional three-year term to administer the Empower program.
- geographic expansion of Housing Trust’s HELP program to reach even more potential first-time homebuyers.

Housing Trust is unique among area CDFIs in offering homeownership financing. The organization has the staff and systems in place to offer this type of financing, although it may need to add staff if the programs are expanded. While Housing Trust receives income to operate the various homeownership programs, the costs sometimes outpace the revenue sources which may require targeted fundraising efforts for further expansion.

Homeownership is one of (the premier) ways that households in this country build wealth. Extending this opportunity to BIPOC households is a key strategy for reducing the racial wealth gap. Housing Trust has a proven track record of reaching out to BIPOC communities via media, producing multilingual materials, and offering information sessions in multiple languages.

## Marketing, Branding, and Thought Leadership

**IN THE PAST FEW YEARS** Housing Trust has been focused on serving the needs of the developers using the Measure A funding in Santa Clara County. As these funds are spent down, the staff has begun to reach out to a broader array of developers, both in groups and one-on-one. This is a critical step to grow and diversify the portfolio and will be even more important as the new multifamily directions outlined in the plan are implemented.

All CDFIs, and especially Housing Trust, have a role as an ambassador for affordable housing to support greater understanding of the need for and practical realities of affordable housing development and financing. Housing Trust has and will continue to be the voice of the trusted practitioner that interprets the complexities of the affordable housing issue to investors, public entities, and other stakeholders. Housing Trust’s long-standing relationships with large locally based corporations and public entities deepens the importance of this role.

Housing Trust has a successful track record in partnering with private and public entities as demonstrated through the work with local corporate employers and Santa Clara County. Housing Trust has also worked well with peer CDFIs by working collaboratively on initiatives and loan participations. The organization can leverage this experience to deepen existing relationships and develop opportunities for partnership with new stakeholders.



## IV. HOUSING TRUST SILICON VALLEY'S FY24 – FY26 STRATEGIC GOALS AND OBJECTIVES

**GOAL 1 – Impact:** Housing Trust's financing, applicant support, and other activities will lead to a variety of positive impacts on the housing ecosystem and creation/preservation of housing opportunities in the greater Bay Area.

### **Objectives:**

- a. Creation and/or preservation of 3,581 multifamily homes for households at or below 80% Area Median Income and 1,194 multifamily homes for households that earn between 81% and 120% Area Median Income.
- b. Creation and/or preservation of 545 multifamily homes for households at or below 30% Area Median Income.
- c. Expand the opportunity for 32 BIPOC developers to create housing and build wealth.
- d. Explore and determine various approaches by which the creation and preservation of housing can address the climate crisis, develop related metrics, and implement in the projects we finance.
- e. Expand the first time homebuyer activities to three additional counties and assist and finance 62 new homeowners to purchase their first home.

**GOAL 2 – Innovation:** Housing Trust will continue to innovate to create an affordable housing system in the greater Bay Area that is more equitable, focuses on a greater range of income levels, and addresses the housing component of the climate crisis.

**Objectives:**

- a. Proactively develop and implement the policies, systems, products, and outreach efforts required to lend to for profit owned and nonprofit led BIPOC developers. Over the course of three years make at least 9 loans to BIPOC developers.
- b. Design and implement a lending program to support workforce multi-family, mixed income, and preservation of affordable housing.
- c. Develop one new financing product and raise appropriate capital and/or credit enhancement to support developers in building projects adjacent to transit, in-fill housing and/or with energy efficient/green features to address the climate crisis.
- d. Lead one existing partner to the next step in their affordable housing finance plans or find a way to bring existing partners together, potentially with new ones to solve the next wave of issues brought on by inflation and bottlenecks in public sector subsidy system.

**GOAL 3 – Lending:** Housing Trust will continue and expand its lending activities to benefit households and communities in the greater Bay Area.

**Objectives:**

- a. Sustain and enhance traditional subsidized multi-family housing. Close \$189 million in on balance sheet lending and \$39 million in off balance sheet lending to these projects.
- b. Build and strengthen partnerships with local governmental entities, to position itself to be of value to the providers of state, regional and local subsidy.
- c. Close \$72 million in loans to non-traditional multi-family affordable housing projects, including lending to BIPOC developers and workforce housing projects.
- d. Close \$12.4 million in homeownership lending in at least four counties.
- e. On June 30, 2026 total assets under management will be \$485 million.

**GOAL 4 – Brand, Partnership and Thought Leadership:** Grow the strength of the brand among key stakeholders, in particular outside of Santa Clara County.

**Objectives:**

- a. Develop a strategy for raising Housing Trust’s profile and brand across all stakeholder groups in support of the organization’s impact, financing, and capitalization goals.
- b. In its role as a proven practitioner, serve as a trusted advisor to policy makers at the local and state level in furtherance of policies advocating and in support of the creation and

preservation of housing affordability. Raise Housing Trust's profile as a thought leader on housing affordability.

- c. Develop new and/or deepen existing partnerships across stakeholders including capital providers, funders, peers, public sector entities, philanthropy, and others.

**GOAL 5 – Organizational Development: Further strengthen Housing Trust's infrastructure via staff, Board, and systems to enable it to rapidly respond to new opportunities.**

**Objectives:**

- a. Housing Trust will actively recruit diverse and talented staff members needed to implement this plan and continue to develop the systems and processes to retain staff members.
- b. The Board of Directors will continue to evolve in ways that will support the organization and this plan, including seeking appropriate new members and adjusting the committee structure and the agenda to focus on accomplishing the goals of this plan.
- c. In order to be efficient and effective, Housing Trust will continue to build on the existing systems and technology that help it operate, including:
  - i. Developing appropriate Lending Standards and Guidelines for existing and new lending programs
  - ii. Build out and implement an Enterprise Risk Management System
  - iii. Create the process for developing and implementing new types of lending and/or expansion to new geographies
- d. Housing Trust will recruit the capital required to implement this plan, including possible new models.
- e. Housing Trust will maintain net asset ratio strength at the top level of peer CDFIs while balancing impact with financial ratios.





## V. BRIEF ORGANIZATIONAL HISTORY

**HOUSING TRUST BEGAN OPERATIONS** in 2000 when Santa Clara County and the Silicon Valley Leadership Group led a group of affordable housing activists, local businesses, and foundations in creating a nonprofit Housing Trust to find creative solutions to address unmet housing needs in the area. Santa Clara County provided \$2 million in seed funding, which was matched three-fold with \$1 million each in grants from the locally headquartered companies: Intel, Adobe, Applied Materials, Cisco Systems, KB Homes, and Solectron.

Housing Trust has expanded its geographic coverage over the years, from working exclusively in Santa Clara County in the early days to now serving the fourteen county greater Bay Area (see map in Appendix A). Since its inception, the organization's strategy has been to support both multifamily housing as well as homeownership. The approach in each of these areas has evolved and become more sustainable over the years.

The first phase of the Housing Trust was its **Initial Capitalization** from 2000 to 2008, where the majority of the private capital was raised as contributions from tech companies and local cities.

The second phase, from 2009 – 2015, was **Becoming A CDFI**. The Housing Trust moved from an informal loan fund to a CDFI, utilizing borrowed capital for its lending programs, and increasing its self-sufficiency through expanded lending programs.

The third phase, **Scaling for Impact**, 2016 – 2023 took advantage of the Housing Trust's financial health, fiscal strength, and flexible and innovative lending programs to meet more of the needs for affordable housing in the region and to move closer to a fully self-sufficient operating revenue model.

Housing Trust was certified as a Community Development Financial Institution by the U.S. Treasury in 2011. It was the first nonprofit CDFI to be rated by Standard and Poor's in 2015 and has been Aeriis rated since 2020.

In November 2016, Santa Clara voters approved Measure A, which was a \$950 million affordable housing bond. It is targeted to address the housing needs of the county's poorest and most vulnerable residents and has funded many supportive housing projects. Housing Trust has partnered with Santa Clara County by providing early-stage, short-term financing to get these projects off the ground efficiently as well as by deploying funds for homeownership down payment assistance.

## TECH FUND PARTNERS



In 2017 Housing Trust launched the Tech + Equity + Community + Housing (TECH) Fund, an affordable housing investment vehicle created to both encourage greater Bay Area employers and philanthropic organizations to invest in affordable housing and enable developers to compete for land on the open market. Through the TECH Fund, Housing Trust has raised \$117.8 million to support its multifamily lending work and revolved the funds multiple times.

Google made a \$50 million investment in the TECH Fund in 2019. This investment was followed in 2020, by a collaboration to create the Launch Initiative, an affordable housing fund aimed to accelerate the start-up and preservation of homes.

Also in 2020, Housing Trust and Apple, Inc. initiated a partnership to increase the supply of affordable housing in the greater Bay area via the \$150 million Apple Affordable Housing Fund.

Noni Ramos joined the organization as CEO in January 2021, after the prior long term CEO left the organization in June 2020. Noni brought twenty-five plus years of progressive leadership experience in the CDFI field.

Since its inception, Housing Trust has invested \$522.9 million in affordable housing in the greater Bay Area, financed almost 25,000 housing opportunities, helped 46,732 people, and leveraged \$7.6 billion via its partners.

## Appendix A: Housing Trust Silicon Valley Map of Counties Served



**The region is comprised of the following counties:**

- |                 |                  |                 |
|-----------------|------------------|-----------------|
| 1. Alameda      | 6. Sacramento    | 11. Santa Clara |
| 2. Contra Costa | 7. San Benito    | 12. Santa Cruz  |
| 3. Marin        | 8. San Francisco | 13. Solano      |
| 4. Monterey     | 9. San Joaquin   | 14. Sonoma      |
| 5. Napa         | 10. San Mateo    |                 |