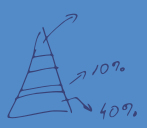


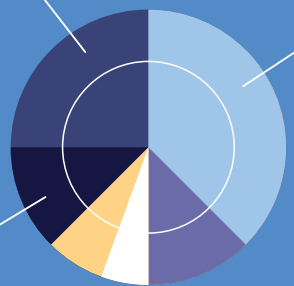


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# Private Capital from Tech Industry Titans Seeks to Close Affordability Gap

TARA RIAL, MANAGER, NOVOGRADAC, AND NICK DECICCO, SENIOR WRITER, NOVOGRADAC

During the past decade, tech industry giants such as Amazon, Apple, Microsoft, Alphabet (Google's parent company) and Meta (which owns Facebook, Instagram and WhatsApp) have directed some of their considerable financial might toward addressing the nation's affordable housing crisis.

Frequently, this takes the form of loans and grants, serving as an additive to a capital stack. The funds can be an accelerant, as was the case for Dominion Square West in Fairfax County, Virginia, where the Amazon Housing Equity Fund delivered a \$55 million loan. The Amazon financing allowed for the full scope of the development—a two-building, 500-apartment

property serving those earning between 30% and 60% of the area median income (AMI) with a community center—to progress immediately rather than in multiple phases. The original proposal called for a 175-apartment first stage with the rest to be completed later.

Catherine Buell, director of the Amazon Housing Equity Fund, which has committed more than \$2

*Image: Courtesy of Arlington Partnership for Affordable Housing*  
An artist's rendering depicts the future Dominion Square West in Tysons, Virginia. The development's capital stack includes a \$55 million loan from the Amazon Housing Equity Fund.

billion in below-market loans and grants to build or preserve upward of 20,000 homes, said the fund's resources can provide scale and speed to help mission-driven developers "move at the speed of the market," as it did for Dominion Square West. "Between tax credits, Amazon funding and contributions by the county, we were able to make the deal pencil out," Buell said.

"Making the deal pencil out is what matters most," said Tom Fleetwood, director of the Fairfax County Department of Housing and Community Development and the Fairfax County Redevelopment and Housing Authority (FCRHA). Fleetwood said the confluence of private capital, the nonprofit and mission-driven expertise and the ability of government agencies to bring together options adds much-needed flexibility.

"I believe in what works and I am not dogmatic about how we put our capital stack together," Fleetwood said. "Each one of these projects tends to be very different. So many of the capital stacks are custom-built from common elements. For me, each one really is an exercise in creativity to figure out what works best for a particular instance."



Image: Courtesy of Arlington Partnership for Affordable Housing  
Dominion Square West will include a community center.

## In California

Seeking affordable housing solutions on the opposite coast, Apple has partnered with Bay Area community development financial institution lender Housing Trust Silicon Valley to dispatch a \$150 million slice

of a \$2.5 billion pie committed to bolster housing in California. Apple's financial efforts are spread across multiple housing fronts, including a partnership with the state, a first-time homebuyer mortgage assistance fund and an endeavor to diminish homelessness in Silicon Valley.

In the Bay Area city of Pittsburg, California, Apple's Affordable Housing Fund and Housing Trust Silicon Valley teamed to deliver financing for Veterans Square, a newly constructed 30-apartment development serving veterans who have experienced homelessness and earn between 30% and 50% of the AMI.

Noni Ramos, chief executive officer of Housing Trust Silicon Valley, echoed the sentiments of Buell and Fleetwood, saying Apple's funds help speed developments along.

"I would describe it as additive to the system and to the financing models that we already have in affordable housing," Ramos said. "It's being able to work with companies that, first of all, are prioritizing adding more units, which is making the system more efficient. The process can be accelerated because it takes so much time to take projects from the first shovel into ground and then to go vertical. Apple has allowed a faster pace, more efficiently."

Ramos said she has been impressed by the way Apple and other private companies moving into affordable housing have committed to learning about the issues faced in affordable housing rather than dictating solutions from the top down. "It's a real commitment," Ramos said. "It's a commitment of capital, but also of time and of human capital. It might even be more meaningful than the actual dollars."

Ramos praised partnerships such as the one Housing Trust has with a private company such as Apple. "We believe that with investment from private companies, Housing Trust will have more capital and can deploy more innovative financing to qualified developers in the affordable housing space," Ramos said. "Ideally,

this in turn helps accelerate affordable housing construction across the Bay Area.”



*Image: Courtesy of Arlington Partnership for Affordable Housing*  
**Dominion Square West is being developed by the Arlington Partnership for Affordable Housing.**

## In Virginia

The Amazon Housing Equity Fund, which was launched in 2019, is part of a more than \$2 billion plus commitment in the Seattle, Nashville and Washington, D.C., areas. The seed of the company’s efforts began with a 200-bed homeless shelter in Seattle named Mary’s Place and bloomed from there. The tech giant has created or preserved more than 8,000 homes and apartments, more than one-third of its goal of 20,000.

Preservation, nontraditional public-private partnerships and minority development are the key focus areas for the fund, said Buell, who underscored the latter of those. “We work not only with people in developing residences but are mindful of the need to support organizations led by people of color,” Buell said.

Buell emphasized Amazon’s speed, flexibility and the ability to be innovative in addition to traditional government incentives such as the low-income housing tax credits (LIHTCs) due to the yearlong and sometimes yearslong process it can take to secure LIHTCs. Some developers would “give their right arm to get an additional point” when applying for LIHTCs, Buell said.

In the case of Dominion Square West, Fleetwood said financing is a mix of multiple sources, including local

housing funds, FCHRA funds, the Tysons Housing Trust Fund, Amazon’s funds, American Rescue Plan Act funds, and 40 project-based vouchers delivered through the flexibility of the FCRHA’s Moving to Work authority for the development. Fleetwood emphasized the county’s investment of funding to include a much-needed community center was an important net benefit for local residents.

“The delivery of the community center in concert with this project on the same piece of property is putting us in position to provide a community asset faster and in a geographic location that is able to serve a lot of the surrounding community, inclusive of families living on-site,” Fleetwood said.

Fleetwood resisted the notion that Amazon is “just” one part of the capital stack. “With Amazon’s role, I would never use the qualifier ‘just’ when it comes to their investment,” Fleetwood said. “They’re providing unique experience and capital to allow the project to move forward all at once. Their investment of \$55 million is making it possible as an all-4% [LIHTC] deal, all at once. It’s an accelerant that is making all of this possible.”

Amazon is able to jump the line and help developers on a shorter timeline. Buell characterized it as “quick-strike funding.”

Buell said the biggest challenges facing the fund are a balancing act between awareness the fund exists along with filtering through the volume of requests it does receive. The scope of the affordable housing shortage is “bigger than what Amazon can take on,” she said.

“There’s a huge need,” Buell said. “We’ve had a lot of success. But the need is much, much bigger than even our \$2 billion fund can fill.”

Fleetwood said Amazon has put people such as Buell, who have years of experience in affordable housing and understand the industry’s needs, in strategic positions.



“Our partners at Amazon are absolutely leading the way in terms of setting a corporate example in affordable housing,” Fleetwood said. “It is my hope that that example is going to be a catalyst for further investment from our corporate citizens in this issue that is critically important to our economy.”

Mitchell Crispell, director of real estate investment for the Arlington Partnership for Affordable Housing (APAH), which developed Dominion Square West, hoped that private capital does exactly that because its impact can be incalculable.

“The whole housing market is interconnected,” Crispell said. “It’s directly in the interest of these companies to have a stable supply of affordable housing. ... I can’t overstate the point that it’s impossible to do a large-scale project like this and to do it this fast without the scale of their investment.”

The impact can be measured in several ways. One is the design of the buildings themselves. The influx of capital from Amazon allowed the entire 500-apartment plan of Dominion Square West to proceed at once, instead of over a multiphase, multiyear timeline. The difference meant that two buildings of equivalent height will go up together instead of a tall one with a shorter neighbor. “Design is improved by doing everything as a comprehensive plan,” Crispell said.

Another impact is the ripple through Fairfax County. The community center will bring resources online to help residents. Crispell said the overall project’s benefits—affordable homes and a community center—help attract workers, which can increase the bottom line not just for Amazon, but for other area businesses as well.

APAH is no stranger to complex deals, having previously pioneered transactions that combine 9% and 4% tax credits during the 2010s. As no stranger to complex financial transactions, APAH was able to expedite Dominion Square West thanks to Amazon’s inclusion. That also allowed them to forego a pursuit

of 9% LIHTCs for Dominion Square West because of the assurance of Amazon’s capital, another impact whose tendrils stretch throughout the state of Virginia.

“We’re freeing up those resources by not even competing for those 9% credits,” Crispell said. “The multiplier from this investment is enormous. Another housing project elsewhere in the state is going to get funded because we didn’t compete.”

Crispell praised all of the parties involved for the vital roles they played and the expertise they brought in their respective areas of the development.

“No county has \$100 million to give to one project, which is really the scale that you would need,” to do the whole development at once, Crispell said. “I think that’s the real benefit of groups like Amazon. It’s a whole new source of capital that we haven’t been able to use before.”



Image: Courtesy of Arlington Partnership for Affordable Housing  
Dominion Square West is due to begin construction in 2023.

## Building Optimism

Despite being roughly a decade into such partnerships between the affordable housing industry and private companies, Ramos said she’s hopeful for the opportunities it presents.

“Being able to make the pool bigger and invite more folks in to be part of this work is critical and something that can be replicated,” Ramos said. “Being able to look at the needs of the local region and having the local stakeholders be part of the solution. I think it could be game changing for our field.” ❖

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