center for community investment

Coachella Valley: Addressing Affordable Housing Through Collaboration

AN INTRODUCTION

A committed, diverse partnership led by community organization Lift to Rise and Riverside County has helped community residents change the game on affordable housing in California's Coachella Valley. Less than a decade ago, small developers, local agencies, and community groups scattered across the Valley's cities, towns, and deserts struggled on their own to find resources and overcome barriers to building homes. Today, they are working together toward a shared vision–and already seeing results in dramatic increases in funding and affordable housing construction.

Collaboration, flexibility, creativity, hard work, and the Capital Absorption Framework have been the engines of their success. And they are gearing up for more.

CONTEXT

The story of Coachella Valley is a tale of two valleys: one side occupied by the rich and famous, the other by predominantly Latinx families with very low incomes. The homes of numerous American presidents and billionaires–from Dwight Eisenhower and Richard Nixon to Oracle cofounder Larry Ellison–attest to the Valley's wealth. So do its 163 golf courses with perfectly manicured greens in the middle of a desert, the Indian Wells Tennis Tournament, the Coachella Valley Music Festival, and the dozens of spas and resort facilities that attract tourists from around the world. At the same time, Coachella Valley's housing need has been compared to Appalachia and Detroit, with high levels of poverty, especially among farm workers and service workers, in a mixed rural and urban environment.

Over half of the Valley's residents are rent-burdened (spending more than 30 percent of their monthly income on rent), and racial and economic segregation is high. But for a long time, the region was largely overlooked in the competition for state and federal affordable housing resources. Local developers (both for-profit and nonprofit) are generally small and don't have the requisite experience to put together the complex financing needed to pay for affordable housing. Meanwhile, national and statewide community development financial institutions (CDFIs) showed little interest in the area, and there was little in the way of philanthropy and private investment to support affordable housing and economic development.

Coachella Valley is also politically complex, comprising nine small cities–including Palm Springs, Rancho Mirage, Palm Desert, Indian Wells, Coachella, and Indio–along with unincorporated areas within the sprawling geography of Riverside County. Each city has its own mayor, agencies, and separate resources for housing development. Likewise, the county has its own political infrastructure and agencies, and Coachella Valley is only one segment of the county. As a result, resources have been fragmented, and numerous entities and voices must be coordinated to achieve a regional perspective and work at the scale needed to address large problems.

IMAGE ABOVE: Rendering of Vista Sunrise II Development, courtesy of Lift to Rise

Beginning in 2014, Lift to Rise, a collective impact organization in the Valley, initiated a community engagement process to better understand the needs and priorities of residents with low incomes. They quickly identified affordable housing as a top regional need and in 2017 established the Housing Collaborative Action Network (CAN). Today the CAN includes over 70 local stakeholders including resident groups, community-based organizations, private developers, nonprofit developers, local governments, political representatives, and funders. Together, the stakeholders developed a shared vision to address the lack of affordable housing in the region.

PREPARING A PIPELINE AND PLANNING A FUND

In 2018, as this vision was coalescing, a partnership from the Coachella Valley led by Lift to Rise and the Riverside County Housing Authority was selected to be one of six multisector place-based teams in Connect Capital, an initiative of the Center for Community Investment (CCI) at the Lincoln Institute of Land Policy. Over the course of three years (2018–2020), each team brought residents, nonprofits, government, and philanthropy together to strengthen collaborative networks, increase resources for community investment, initiate housing and climate-resilient investments, and contribute to potentially transformative changes in local policies and practices.

The first steps the partners took when they joined Connect Capital laid the groundwork for their future work. One thing they had to do was figure out how to work together. City and county staff members and local advocacy organizations had shared interests but different geographic priorities and ways of operating. CCI staff helped partners get to know each other, learn to work together, and deploy the adaptive leadership skills[1] they were learning in Connect Capital to build a strong collaboration.

One of the ways the team coalesced was around the critical step of defining their shared priority. This entailed turning their vision for improving affordable housing into a concrete result they sought to achieve. After looking at the number of people who needed housing and the current rate at which units were being built, they set a goal of reducing the number of rent-burdened households in the Coachella Valley by a third in 10 years through the production of 10,000 affordable homes. Their vision of producing 10,000 units in 10 years was especially bold in light of the fact that over the previous several years only a few hundred affordable housing units had been developed in the entire Valley, at an average of 38 units per year.

CCI's Capital Absorption Framework introduced the team to the idea of developing a regional pipeline for affordable housing development. This was a game changer, practically and inspirationally. Practically, it allowed the team to incorporate different types of housing needs across the region into a single effort that enabled them to work concurrently on, for instance, Polanco Parks (mobile homes) that served rural farmworkers and multifamily developments near public transit in denser areas. President and CEO of Lift to Rise Heather Vaikona described how the pipeline inspired the community. "Through a pipeline, you can hold a vision of the future that you want to get to, and you can bring people on that pathway to walk with you to get there," she said. "That's the most transformative thing about the last few years. We have changed the way people conceive what is possible about achieving the future that we want."

The process of creating a single pipeline for all the affordable housing deals and projects across the region was a new concept for local developers.

[1] "Survival Guide for Leaders," Ronald Heifetz and Marty Linsky. Harvard Business Review, June 2002. https://hbr.org/2002/06/a-survival-guide-for-leaders

Revealing their plans to peers went against the conventional community development business model in which developers hold their own portfolios and compete for the same limited funding opportunities. CCI staff supported the partners both with the technical work of inventorying deals and identifying financial needs and with the equally important adaptive work of building relationships with and among the local developers and the CAN.

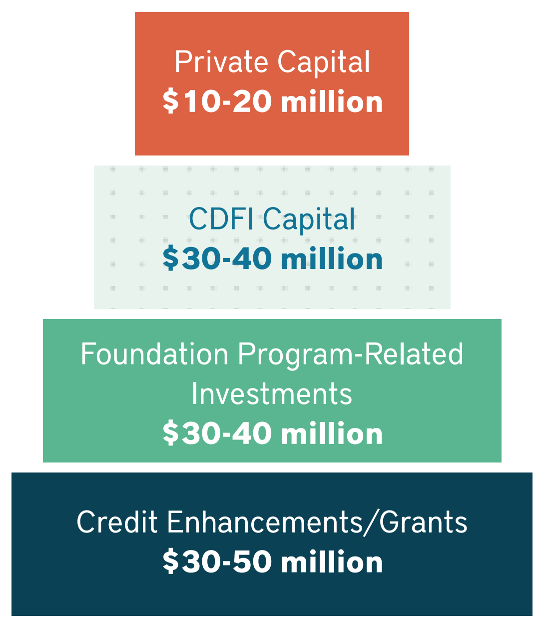
One turning point occurred when developers shared the obstacles their current projects were facing, and city and council staff not only listened but met their needs. As Deputy Director for Riverside County's Department of Housing and Workforce Solutions Mike Walsh noted, "Basically, the work we did was reaching out to the development communities, bringing them in, telling them nothing is really changing. The pipeline that's being developed is not affecting your competition for statewide resources, but it is showing us how we can regionally pull down resources you wouldn't normally get. That level of work could only have been done through time and people seeing and developing trust and rapport."

Once it was clear that the CAN would focus on financing projects ready for investment and would not raise grants for capital subsidy–and thus would be a collaborator rather than a competitor–tensions dissipated, and the group began to align around a shared view of the pipeline. The CAN leaders also agreed to anonymize the projects submitted to the pipeline, which helped assuage developer concerns.

When the pipeline came together in 2019, the CAN developer partners had 31 projects containing over 2,000 planned units, with $800 million in total development costs and an estimated $250 million in capital gaps. At this point, the partnership engaged an external expert to "scrub" the pipeline to determine the type of financing needed, the readiness of the projects, and the likely timing of capital need. Once scrubbed, the initial pipeline was estimated at 1,000 units, with a capital gap of $100 million over the next five years. Based on the scrubbed data, it was possible to estimate that:

- Average loan size would be $2–3 million.
- 15 percent of demand was for acquisition and predevelopment loans.
- 70 percent was for mini-permanent loans.
- There would be $35 million in demand over the next 24 months.

This information allowed the partnership to understand local needs and assemble capital accordingly. When community investment practitioners begin by creating a fund, they often struggle to deploy the money they raise because they have not taken the time to understand exactly what capital is needed and where. Starting with understanding their pipeline allowed the CAN to accurately plan and size a capital fund for affordable housing, We Lift: The Coachella Valley's Housing Catalyst Fund, and determine its duration, identify which capital products it needed, and develop its capital structure. The design of the capital stack used grant dollars for credit enhancement rather than subsidy, enabling this valuable resource to go further and support more projects:



Capital Stack

The pipeline became a rallying point to attract regional stakeholders to support affordable housing development in the Valley. The clearer the pipeline and its needs, the easier it was for Lift to Rise to approach donors and local governments for support. The county agreed to provide operating support in the form of $75 million in housing vouchers, making more affordable housing projects possible. Several small cities offered capital grants for housing projects, using funds remaining from California's old Redevelopment Agency program. These funds provide grants that cover a portion of the total development costs of a project. The local Desert Health Care District offered to provide support from the profits of a hospital sale.

As the pipeline came into sharper focus and financing requirements became clearer, the CAN was also able to step back and analyze the pipeline for enabling environment challenges that were keeping projects from moving forward. They noticed that many projects faced the same obstacles in the development process, including slow regulatory approvals and prohibitive density requirements. In response, they created a model for development approval, adopted by several local cities, that prioritized affordable housing in the permitting process. They also developed a public-facing online pipeline mapping tool. These efforts advanced regional alignment and transparency, which further supported good working relationships and trust while also making deals easier.

Though energy and funding for affordable housing were building, there was still no CDFI based in the region and nobody else had the capacity to manage the fund. In the beginning of 2020, Lift to Rise began conversations with the Low Income Investment Fund (LIIF) and the Rural Community Assistance Corporation (RCAC) about playing a role in the fund. The Housing Catalyst Fund seemed to be on the fast track.

CRISIS AND OPPORTUNITY IN THE PANDEMIC

In March 2020, the COVID-19 pandemic slammed into the Coachella Valley. The region's Latinx residents and residents with low incomes were deeply affected by both the virus and the economic shutdown. Local organizations and agencies immediately rallied to help keep them housed and fed, with CAN members playing a lead role. The relationships and credibility that had been established over the previous years played a critical role in how quickly they were able to mobilize to meet new needs.

Over the next two years, in partnership with Riverside County and Inland SoCal United Way, Lift to Rise aggregated and distributed more than $300 million of housing assistance, helping more than 35,000 households keep up with rent and utility bills. Once again, collaboration was the watchword. Working closely with local governments, businesses, and residents across the region helped the partnership continue to build and solidify relationships that have become crucial to advancing their goals.

Even as the partners devoted massive amounts of time, energy, and resources to the pandemic response, they continued to work toward their long-term affordable housing goals.

Photograph: Desert Hot Springs, CA, by Noé Montes courtesy of Lift to Rise

Efforts to secure funding for the Housing Catalyst Fund not only persisted but expanded, as pandemic recovery funds became part of their strategy. Vaikona pointed out that helping people stay in their homes in a crisis situation and creating more homes were inextricable: “You have to care about what’s happening to people right now and you have to believe that a different future is possible, and you have to tether responding to what’s happening to people right now and insisting that you’re going to get to that different future.” Walsh put it in more concrete terms: “The rental assistance work really focused how important it is to have long-term affordable housing opportunities for folks.”

A collective, multipronged lobbying effort was the key that opened the door to that future. Locally, the team’s efforts to raise the bar for affordable housing development helped persuade the Riverside County Board of Supervisors to allocate $50 million of American Rescue Plan Act (ARPA) of 2021 funds for affordable housing, $2 million of which went to the Housing Catalyst Fund. At the state level, four years of pressure resulted, in 2022, in a $15 million allocation from the California state budget to the fund for credit enhancement.

An inside/outside strategy was key to these wins. The partners worked closely with the elected officials and government agencies who were part of the decision-making process. Locally, Riverside County Assembly Member Eduardo Garcia played a crucial role in moving the request forward and helping get the attention of state government leaders. At the state level, the leaders of the CAN built a relationship with Director of the California Department of Housing and Community Development Gustavo Velasquez that culminated in a visit to Lift to Rise that left him deeply impressed. In Sacramento, they met with Speaker of the California House Anthony Rendon and Treasurer Fiona Ma, who were equally impressed. Meanwhile, more than 1,000 community residents sent letters in English and Spanish supporting the request.

While this careful attention to nurturing relationships and building political clout was key to securing the allocation, this important win was also a result of the groundwork the team had laid over the previous several years.

The pipeline, which continued to grow, was one critical piece. “For an area like Coachella Valley, the fund would never have succeeded with a $15 million ask unless it had inventoried all the potential deals,” said Walsh. “That’s what got the size and scale of the investment.” Another was the inclusion of residents in all aspects of the work, not just the lobbying. When Velasquez asked Vaikona about the governance structure of the Housing Catalyst Fund, she was able to tell him that community residents participated in the board and a community advisory committee reviewed all the deals.

Meanwhile, discussions with LIIF and RCAC about managing the Housing Catalyst Fund continued, and deals began to be executed. While LIIF agreed to handle underwriting, the CAN wanted a voice in determining which projects would get funded, which is not how CDFIs conventionally operate. However, Lift to Rise was willing to use grant funds to provide credit enhancement to make difficult deals possible as well as to pay LIIF’s operating costs for expanding into the Coachella Valley, including the salary of a staff member who would be housed in their office. In 2021, the parties came to an agreement that included all these terms, and LIIF officially took on management of the fund. RCAC, which had more rural experience, was retained to work on rural projects, including Polanco Parks.

Like the CAN and the CDFI relationship, new forms of collaboration and cooperation characterized the work across the board. Riverside County's creation of a Department of Housing and Workforce Solutions in early 2020 also had a profound impact on the partnership's effectiveness. Spearheaded by Assistant Director for the Riverside County Economic Development Agency Carrie Harmon, a member of the Connect Capital team, this reorganization brought together under one roof a set of departments working on different aspects of affordable housing–the Housing Authority, Community and Housing Development, Workforce Development, the Community Action Partnership, and the Continuum of Care–which significantly increased their capacity to move housing efforts forward. As Walsh put it, "By bringing everyone into one space, the agencies are all regularly talking, and there's the common level of mission from the top down, like, hey, you're all going to work together and we're going to achieve this top-level goal. That enabling environment change is really powerful. Everyone's rolling in the same direction."

LOOKING AHEAD

As we write this in May 2023, the Coachella Valley partners have achieved impressive results. In early 2022, LIIF staff member Kenny Rodgers became the manager of the Housing Catalyst Fund, working, as planned, in Lift to Rise's office, where he is embedded with their team and an integral member of the CAN. The current regional pipeline, maintained by Walsh's team, has 9,649 units of affordable housing: 2,713 of those units are funded and in process, with 1,575 under construction and the rest expected to commence construction within six months.

The Housing Catalyst Fund has provided predevelopment, acquisition, and const-ruction loans to projects serving diverse populations across the region, including in Coachella, Palm Springs, Palm Desert, Indio, and the unincorporated community of Thermal. Palm Villas will provide 176 affordable homes for families. Aloe Palm Canyon will house seniors with low incomes, including some with special needs. Vista Sunrise II will provide homes for people with chronic illness who are unhoused. Las Casas I and II will offer housing for farmworkers with low incomes and their families.

Maria Raquel and her son, Cathedral City, CA. Photograph by Noé Montes, courtesy of Lift to Rise

The list of projects goes on, but this is only the beginning. The partnership aims to have 5,000 affordable housing units completed or under construction by 2024, with early childhood education centers and health plans incorporated into 40 percent of them to further improve quality of life. The pipeline also continues to evolve, as the partners seek to ensure regional equity, decrease segregation, and provide homeownership opportunities as well as rental units. Extending their efforts into the areas of Riverside County that are not part of the Coachella Valley is also a priority.

As the partnership's work expands and evolves, one thing is clear: collaboration and alignment will continue to be central to their efforts and success. As Walsh described it, "With Lift to Rise and in the partnership, what we've never wavered from was being aligned on what we wanted to achieve. We all agreed that we wanted to reduce the number of folks in Coachella Valley and the county that are rent-burdened. That's never wavered." Vaikona echoed his assessment: "We're working forward together."

Maria Pozar and Family, North Shore, CA. Photograph by Noé Montes, courtesy of Lift to Rise

About the Center for Community Investment

The Center for Community Investment at the Lincoln Institute of Land Policy works to ensure that all communities, especially those that have suffered from structural racism and policies that have left them economically and socially isolated, can unlock the capital they need to thrive. Our work is supported by the Robert Wood Johnson Foundation, the Kresge Foundation, and JPMorgan Chase & Co, and The California Endowment.

For more resources, visit centerforcommunityinvestment.org/resources.

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