Community Economics, Inc.
FORTY YEARS OF TECHNICAL SAVVY
AND PROGRESSIVE VISION
FOR AFFORDABLE HOUSING
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The Mission

Community Economics, Inc.’s mission is to increase the supply of permanently affordable housing serving the lowest-income households. CEI will undertake this mission through (1) the provision of technical assistance in the development and financing of permanently affordable housing to nonprofit developers, public agencies, and tenant organizations, and (2) education, research, and policy development with housing advocates, public policymakers, and the lending and investment community.
Letter from the Board

THE HIDDEN CODE  While so many entities follow the mantra that growth is good, Community Economics has never believed in getting bigger for its own sake. If we think of a community as tight-knit and compact, and we think of economics in terms of efficiency and productivity, then over its 40-year history, Community Economics has always stayed true to its name. Yet this tiny organization — a mere five people, working out of a sunny office in Oakland — has had a major impact on the California and national affordable housing movements, helping create homes for tens of thousands of people who would otherwise struggle to afford a decent place to live.

Now, on the eve of Community Economics’ 40th anniversary, and with its longtime leader Joel Rubenzahl’s retirement, we can reflect on how this small but mighty organization has taken on an oversized role in addressing the enormous challenge of housing those on the wrong side of income inequality.

Community Economics is the hidden piece of software code in all of its projects. You don’t see them when the project is built. You see the developer, the architect, the lender, the government program, and, most importantly, the occupants. But you almost never hear from the consultant who helped piece the financing together, even against all odds.

Yet the role of that consultant is essential, particularly in a world of complex tax-credit financing and myriad government regulations. Any developer will tell you how vital it is to have people who understand the complexity of financing affordable housing projects and who can find creative solutions to meet the ever-changing challenges.

Community Economics is as relevant today as it was at its incorporation in 1976. Now, as then, getting affordable
housing built requires creative thinkers, talented number crunchers, and passionate believers in the mission. In fact, as housing prices have soared and the income inequality gap has widened, the need for more affordable housing and the skills Community Economics brings to the table has only increased over time.

A GIANT IN THE FIELD Those in the affordable housing arena know Community Economics as a giant in the field. Joel Rubenzahl has shaped that role, by tirelessly advocating for better living conditions for tenants and better economic results for nonprofit developers. Joel himself is recognized far and wide for his brilliance, his vision, and his relentless dedication to the mission.

Perhaps Joel’s greatest legacy, however, is that he’s made sure nothing is about him, but that it’s all about the work. He has kept himself and his organization largely in the background, letting others take the credit for producing so many housing units. In addition, Joel has built a team of superstars — creative, passionate people who dedicate themselves anew every day to ensuring that the very poorest individuals in our society have access to adequate housing. Kevin Knudtson, who has been at Community Economics for more than 27 years and who will succeed Joel as executive director, and Elissa Dennis, who is marking her 25th anniversary with Community Economics, are known throughout the state’s affordable housing community for both their forceful advocacy and their technical skills in bringing projects to fruition. Bookkeeper and office manager Linda Rivers brings more than two decades of experience with the organization and a steady hand to keeping day-to-day operations on track, and Diana Downton, who started at CEI in 2014, brings a stellar skill set to the organization through years of work at nonprofits and government agencies. It is a tribute to Joel that he leaves the organization in the hands of people who share his brilliance, vision, and dedication.
I see three key qualities that make Community Economics the outstanding organization it is today:

1. Creativity. On many occasions, a developer will hit a stumbling block on a project, thinking it’s the fatal blow that will prevent their housing from being built. But Community Economics’ clients say that the CEI team never gives up and can usually find some way past the hurdle. Community Economics plays a similar role in its advocacy, often persuading government agencies to take action or fund a program that had not even been considered.

2. Commitment. People working for Community Economics are passionately devoted, on a personal level, to providing affordable housing. It’s not just a job, it’s a mission. The entire team is thoroughly invested in their work, their community, and the movement.

3. Integrity. Community Economics has served its client base with great integrity, honesty, and a sense of fairness and transparency. As a nonprofit, the organization always puts the top priority on the client, the projects, and the people who will live in the units that get built or rehabilitated.
A TEAM FOR THE FUTURE  

Community Economics is at an exciting inflection point. We have conducted a strong internal dialogue about what the organization is going to be, how it’s going to be managed, and what changes are needed. That process has given us a clear picture that going forward, we will bring the best of Community Economics’ core dynamics — its commitment to really working through the hardest problems for all of its clients, as well as its commitment to the advocacy, the mission, the policy — and at the same time we will continue to meet the evolving needs of the nonprofits who build and run so much wonderful affordable housing.

The team of Kevin Knudtson, Elissa Dennis, Diana Downton, and Linda Rivers is capable and dedicated to continuing Community Economics’ legacy of integrity, creativity, and commitment, and we all look forward to working together with the affordable housing community to build many more high-quality, affordable homes for the people in the greatest need.

Here’s to the next 40 years.

*Dena Belzer*, Board President

Community Economics, Inc. Board of Directors:

*Karen Chapple*  
*Cathy Craig*  
*Lynette Lee*  
*Mike Rawson*  
*Roy Schweyer*
From Humble Beginnings

In following the story of Community Economics, Inc. back to the beginning, all roads lead to the hotbed of protest, radicalism, and social ferment that was Berkeley in the 1960s. The energy and ideas unleashed in the movements at that time and place — Free Speech, anti-war, women's rights, civil rights, tenants' rights, Earth Day, People's Park — shaped the lives and thinking of Community Economics' founder, Edward Kirshner, and its longtime leader, Joel Rubenzahl.

Kirshner had earned a degree in architecture from the University of California, Berkeley in 1966 and went to work for the Rouse Company, a nationally renowned firm known not only for urban revitalization projects like Boston's Faneuil Hall and Baltimore's Inner Harbor, but also for the groundbreaking planned community of Columbia, Maryland. Kirshner wanted to take the concept even further, into cooperative economics and collective ownership, and when the traditional capitalists at Rouse didn’t share his enthusiasm, he returned to Berkeley and earned a master’s in city and regional planning.

In researching his thesis, Kirshner delved into the works of Ebenezer Howard, whose 1898 book, Garden Cities of Tomorrow, inspired a new form of community planning in which people would live harmoniously with nature, and Henry George, a leading 19th-century progressive. Kirshner said he sought to build on their ideas. “I expanded into a new concept of new towns,” he said. “I was looking at not just housing, but the whole local economy.”

He began advocating for community ownership of utilities and ran some campaigns to try to take over the local distribution system owned by Pacific Gas and Electric. In 1969, as UC Berkeley tore down some houses and began to
make plans for a parcel of land near its campus, the community rose up and sought to take over the site, declaring it “People’s Park.” As police and protesters clashed, a new movement was born, one that was hospitable to Kirshner’s ideas of collectivism.

"THE KEY FIGURE"  In the book The Progressive City: Planning and Participation, 1969–1984, Pierre Clavel wrote that “in Berkeley, Edward Kirshner may be the key figure, the person whose activities before and after People’s Park revealed the most about the ideas that developed, the person who played the focal role, who allowed a number of people to push their schemes relatively far in the direction of collective control over property, in contrast to the more individualistic doctrines held by most people.”

Clavel wrote that Kirshner wasn’t particularly an activist and would have been happy to pursue his ideas in academia. The People’s Park demonstrations, however, not only aroused his passions, but also showed that people were excited about the idea of collective ownership.

Kirshner joined forces with the Berkeley Tenants’ Union,
spearheading a rent strike. In 1971, he spent a year working at the Center for Community Economic Development in Cambridge, Mass., writing a paper that espoused his far-reaching plans to transform cities into new enlightened political entities, with communal ownership providing excellent services while ensuring affordable housing for residents.

Kirshner said he was looking to move away from the traditional model of a local government taxing properties and then providing services. “My concept, even as a wet-behind-the-ears kid, was that taxes were not the way to go,” he said. “You want to own things. You want community ownership. Say you’ve got a rental property. Do you tax the profit a landlord makes, or do you own the property? I thought it should be community ownership. It could be a nonprofit or municipal ownership. There are all different forms.”

He returned to Berkeley in 1972, and with a couple of grants, established COOP — the Community Ownership Organizing Project, the forerunner to Community Economics.

JOEL RUBENZAHL’S ARRIVAL During that same time, a young physicist arrived in Berkeley from the Catskills, ready to pursue a doctorate in biophysics. Joel Rubenzahl was the son of a chicken farmer in Neversink, N.Y., and had earned a degree in physics at Union College in Schenectady, N.Y. “California was about as far away as I could get,” Rubenzahl said.

In addition, he recalled, “I came to Berkeley partly because I was interested in what was going on here — the Free Speech Movement, the war protests.” He arrived in June 1968 and within a year had dropped out of school. He had been beaten by police and arrested at a People’s Park demonstration, and he participated in anti-war activities and the Third World Liberation Front strike — demonstrations that led UC Berkeley to establish programs focusing on the understudied histories of African Americans, Asian Americans, Chicanos, and Native Americans.

In the spring of 1969, Mike Delacour, who had started the People’s Park protests, helped formed the Berkeley Tenants’
Union, and Rubenzahl got involved right away. This group sought to negotiate with landlords on behalf of tenants; when it met resistance, about 500 tenants withheld rents. The rent strike laid the groundwork for Berkeley’s eventual adoption of rent control.

“That’s where I met Ed,” Rubenzahl said. “He was the intellectual backup for why we were doing this.” The rationale, Rubenzahl said, was: “Why were we organizing tenants? Because landlords were sucking money out of the community. Tenants are poor, landlords are rich, and we should have community ownership.”

Rubenzahl was organizing tenants and growing increasingly active in Berkeley politics as part of the April Coalition, which helped elect radicals and progressives to the city council. He was living in a commune on Carleton Street, between Shattuck and Milvia — an independently wealthy couple shared their spacious home with Rubenzahl and others for several years, so he didn’t need to work — and could devote his energy to local activism.

FROM COOP TO COMMUNITY ECONOMICS In its early years, COOP took on a variety of projects, as befit Kirshner’s broad interests. Much of the early work consisted of writing policy papers about community economic development. He wanted to see trusts developed, much like the more modern Alaska Trust or Presidio Trust, where public assets are managed for the public’s benefit. In Kirshner’s view, many things, from natural resources to patents and copyrights, should belong to the public. “The government should get something back” for the monetization of those resources, he said. “The only way they can do that now is taxes, and it doesn’t happen. There should be an ownership interest that accrues to the community from the patent and copyright system.”

COOP published a slender book in 1976, The Cities’ Wealth, describing how the “radical political activity in Berkeley dating from the late 1960s” offered a powerful lesson and concrete examples for other communities to follow. The book called for a “redistribution of city resources
The Battle of Savo Island

While Joel Rubenzahl was living in a commune on Carleton Street in the early 1970s, some Berkeley activists dropped a leaflet at the house, alerting the neighborhood to a prospective development a few blocks away with the unlikely moniker Savo Island. It became Rubenzahl’s first project — a 57-unit limited-equity co-op that remains thriving to this day.

The Navy housing at Stuart and Milvia streets was named for a site in World War II’s Battle of Guadalcanal. By the late 1960s, Rubenzahl said, “It became an eyesore. The Navy wanted some land in Alameda, so they traded it to a private owner.”

The City of Berkeley bought it and sought to redevelop it. Planners envisioned high-rise apartments adjacent to the relatively new BART tracks, which could shuttle commuters to San Francisco. The city applied for a federal Department of Housing and Urban Development grant.

HUD required the city to establish a “Project Area Committee” of community members. Hardly anyone lived in the neighborhood, as most of the surrounding land was vacant. The first committee members were pleased just to see something getting built. “But they had no context,” Rubenzahl said. “It was just people from eight random units in the middle of nowhere. What political wherewithal did these people have? What were their visions? They didn’t have any.”

That’s when some activists in Berkeley leafleted the surrounding community, including Rubenzahl. He went to a meeting.

“There was this conflict right from the beginning,” he said. People already on the committee accused Rubenzahl and others of being outsiders. “Within a few weeks, though, they realized we had the same goals: It should be a good project, done well, and we should watch over the redevelopment agency and make sure they don’t screw us,” he said.

“They elected a board of directors, and I eventually became the president of the little neighborhood association. And that group took over the project and became the developer, and we built a 57-unit affordable housing project that is resident-owned through a limited-equity cooperative that’s still there.

“That was how I got my feet wet.”

Even though Rubenzahl moved out of the neighborhood before construction began in 1978, he stuck with the project. He stayed on the board until his term expired, and he eventually moved on.

EAH Housing, a Community Economics client, now provides property management services to Savo Island Community Homes.

The project still has a HUD mortgage, and HUD is requiring two outside board members. Bringing things full circle 35 years after it was built, Rubenzahl accepted an invitation to join the board again.
from the wealthy who traditionally benefit from city policy to those members of the community who have received little from city government in the past.” It was written by COOP: Kirshner, Eve Bach, Thomas Brom, Julia Estrella, and Lenny Goldberg.

Meanwhile, Rubenzahl returned to UC Berkeley for graduate school in 1974, this time in city and regional planning. He earned his master’s degree two years later and went to work for Kirshner, who saw him as a protégé.

In 1976, COOP changed its name to Community Economics, and the organization was incorporated as a non-profit in 1977. A “prospectus” from 1980 shows the wide range of projects in those early years, including:

- Analyses of pension funds for churches and unions, including efforts to move pension investments from corporate stocks to more socially responsible instruments, including affordable housing;
- An effort to seek enforcement of the 1902 Reclamation Act to effect redistribution of corporate landholdings to family farms throughout the West;
- An East Oakland Cash Flow Study aimed at boosting income to the struggling neighborhood; and
• A study investigating the economic feasibility of taro or watercress production as an income source for tenants on the Hawaiian island of Kauai.

But the bread and butter of Community Economics, then as now, was affordable housing. It had also established the model that lives today, of an organization doing both advocacy and consulting work. By 1980, contract work already accounted for half of Community Economics’ budget.

In just a few years, Community Economics had helped community groups and government agencies develop nearly 1,500 units of affordable housing, from cities throughout the Bay Area to Sacramento, Chico, and Eugene, Ore. It had also consulted on housing strategies in several states, including Alabama, Massachusetts, Michigan, Minnesota, Montana, and New York.

MOVING ON In 1979, it was Kirshner’s turn to go back to Cal, this time to pursue a doctorate in city and regional planning. Before he could finish his Ph.D., however, he was offered a job as head of housing for a new cooperative bank in Washington, D.C., and he moved to the East Coast. That job lasted two years, and while he did not return to Community Economics, he did move back to the East Bay, where he said that in the past several decades he has worked on “at least 100 major projects,” mostly in California.

When Kirshner left, Community Economics had to decide whether to keep going. It had an annual budget of $130,000; employees were paid $5 an hour. “He left,” Rubenzahl said, “but there wasn’t anything to leave. There was nothing there. There were no resources. We had a lease. Ed’s father was the landlord, and there was no money. And so Ed basically closed the organization, but said to me, ‘If you want to make a go of it, be my guest.’”

Rubenzahl decided to keep the organization going, and over the next few years he surrounded himself with a capable staff, including Janet Falk, Julia Estrella, Christine Webb-Curtis, Lawrence Hynson, and Laura Date, followed by Lawrence Litvak and Howard Robinson.
No Suits in Chico

As the longtime executive director of MidPen Housing south of San Francisco, Fran Wagstaff had a fruitful relationship with Joel Rubenzahl and Community Economics, working together to build more than 5,000 units over 26 years. But the relationship had its roots even earlier, in Wagstaff’s first job with the Chico (now Community) Housing Improvement Program in the mid-1970s.

“We were doing primarily low-income housing for seniors, whose houses had been falling apart for years but who didn’t have any money,” Wagstaff said. “At some point, we decided there were people who didn’t have any housing at all, and wouldn’t it be a good idea to do some multifamily housing?”

CHIP received a $5,000 grant for a feasibility study from Catholic Charities, and Wagstaff “had never done anything like it and didn’t know a thing about it.” She hired COOP. “Ed Kirshner came to Chico once and I think decided it was way too far,” she said. “The second time, Joel showed up. Joel was brand new at being a consultant, and I’m sure Ed told him to wear a suit. He showed up in a suit, with Birkenstocks on. I thought, ‘I like this guy!’ Nobody wore a suit in Chico!

“He said, ‘Do you want a feasibility study, or do you want a project?’ I said, ‘Oh, we want a project.’ He said, ‘So let’s use the money to get a project going.’”

CHIP found some land owned by a wealthy San Franciscan, and Rubenzahl helped convince the owner to donate 10 acres to CHIP, if CHIP bought three acres at market price. “I had no idea what a bargain sale was, much less how to negotiate with a guy like this, but Joel was the guy who did it,” Wagstaff said.

With some loans from HUD, the U.S. Department of Agriculture, and the California Housing Finance Agency, CHIP was able to build 94 units in a rental housing development and a limited-equity cooperative, and there was even enough land left over for a baseball field.

“That was the beginning of getting into that business,” Wagstaff said. “There weren’t many nonprofits building affordable housing. There were a few churches that had built some senior housing using consultants to do all the work, but that was about it.

“I came to appreciate what a creative guy Joel was, and what a good guy to work with,” Wagstaff said. “He was really a mentor to me.”
Falk had just joined the organization in Kirshner’s waning days and proved to become a major fixture over the next 19 years as Rubenzahl’s co-director. A graduate of Stanford, Falk had gotten her master’s at Cal a year before Rubenzahl and had been working as a city planner in Walnut Creek when a friend on the Community Economics board told her about an opening.

CEI moved its offices from Telegraph Avenue to 19th and Franklin streets in downtown Oakland, where they remained for 10 years. The organization has moved twice since, to 17th and Broadway for another decade, and to the redone Swan’s Marketplace at Ninth and Clay streets (in a building Community Economics consulted on for the East Bay Asian Local Development Corp., or EBALDC) in 2000.

The work continued through the early 1980s — some advocacy, some policy papers, some consulting. Community Economics received a HUD grant in 1980 to study gentrification in San Francisco, Falk recalled. “There were all these neighborhood groups in San Francisco who were working to do housing and were activists, and my job was to go around and meet them all and find out what they thought was going on,” she said.

Community Economics honed its expertise as the financial consultants to the emerging world of nonprofit developers of affordable housing. While other consultants helped hire architects and contractors and manage the building of a project, CEI focused instead on the complex financial tools needed to put a project together. “One of our strengths was that we understood how to work with combining all the

Looks like Paradise! The Community Housing Improvement Program (CHIP) built the first new affordable housing project in the town of Paradise, in the northwest foothills of California’s Central Valley, in more than 25 years, the 44-acre Paradise Community Village Apartments. Photo courtesy of CHIP and Thomas Del Brase Photography.

Following pages: The International Hotel became a cause célèbre for affordable housing in the 1970s. Protesters gather at the hotel, left; right, controversial Rev. Jim Jones chaired the San Francisco Housing Authority at the time and is shown at a protest at the I-Hotel. Far right, San Francisco Sheriff Richard Hongisto served time in county jail rather than evict tenants from the I-Hotel, but ultimately had to enforce the court order and took a sledgehammer to a door. All photos courtesy of Manilatown Heritage Foundation Archives. Top left, from the Chris Fujimoto Collection; Hongisto, from the Chris Huie Collection; Jones, from the Emil De Guzman Collection.
Joel, Jim Jones, and the I-Hotel

As housing prices began to take off in San Francisco in the 1970s and urban renewal swept through downtown, the battle over the International Hotel became “one of the most important chapters in the history of Asian American struggle and of housing conflicts,” according to *Roots of Justice*, by Larry R. Salomon.

Salomon set the scene:

In the late 1970s, the I-Hotel was just about all that was left of Manilatown, once a thriving community of mostly male Filipino immigrants that covered 10 blocks between San Francisco’s Chinatown and Financial districts. During the 1920s and 1930s, the I-Hotel (built the year after the devastating 1906 earthquake) became home to thousands of seasonal Asian laborers. Many young Filipino and Chinese men who worked as day laborers, dishwashers, messengers, and at any other profession that was deemed “appropriate for Orientals” lived there. So did old-timers, who settled in San Francisco following years of working in seasonal harvests, on merchant ships, in canneries in Alaska and Washington, and so on, up and down the Pacific Coast. Many of the old-timers, though not citizens, had served in both World Wars, but the U.S. government denied some of them promised benefits after the fighting stopped.

When the Financial District — the “Wall Street of the West” — sought to expand to the 800 block of Kearny Street, the I-Hotel found itself squarely in the sights of Big Money. Salomon quotes Justin Herman, executive director of the San Francisco Redevelopment Agency in 1970, saying, “This land is too valuable to
permit poor people to park on it.” Even though
the mostly elderly Filipinos in the building
had no political clout, the proposal outraged
younger activists, who not only began protest-
ing, but also looking for solutions.

That search led the protesters to Community
Economics, Rubenzahl said, which helped
explore “the idea that the residents could be-
come the owners.”

Kirshner consulted with the San Francisco
Housing Authority, which investigated using
eminent domain to take over the property.
We’d demonstrate, there would be a meeting,
we were trying to be involved,” Rubenzahl
said. “I remember there would be a bunch of
young, progressive people, marching, and then
these buses would show up with a few hun-
dred people and double or triple the size of
the demonstration.”

The buses were from Jim Jones’ notorious
People’s Temple. At the time, the politically
connected Jones was chairman of the Housing
Authority Commission. At one point, when
evictions were ordered, 5,000 people sur-
rrounded the building — 2,000 of them from
the People’s Temple.

Rubenzahl distinctly recalls one meeting
where Jones sought to drum up interest in the
eminent domain idea. The housing authority
offices were packed. Jones and Mayor George
Moscone were there. And just before the meet-
ing, in a small room off the main hall, “one of
the lawyers keeled over with a heart attack,”
Rubenzahl said. “All of us said, ‘My God, this
is terrible.’ None of us knew what to do, and
Mayor Moscone took charge. An ambulance
came for the man.”

Eventually order prevailed, the meeting be-
gan, and then “one of the commissioners, an
elderly gentleman, said, ‘I’m not feeling well.
I think I’d better go home.’ Jim Jones said,
‘Yeah, you’d better, before you drop dead like
the other guy.’

“That was my introduction to Jim Jones,”
Rubenzahl said. “I couldn’t believe he treated
the other commissioners so badly.”

The commissioners did not approve Jones’
plan for eminent domain, and the building
was razed in 1981 (well after Jones and more
than 900 of his followers perished in their in-
famous mass suicide in 1978). Ultimately, the
Roman Catholic Archdiocese of San Francisco
acquired the site, and in 2003, the Chinatown
Community Development Center began con-
struction on a $28.8 million project, including
15 floors of housing for low-income seniors.
And Community Economics was there again,
as Kevin Knudtson consulted on the project.
tools that were necessary,” Falk said.

CEI would assemble syndicates of wealthy private investors who were looking for tax deductions, and, in addition to California, it worked on projects in Denver and St. Louis.

In those years, projects could be built primarily with HUD financing. But Ronald Reagan took office in 1981, and he had other ideas.

A BRIEF HISTORY OF HOUSING  

To understand how Reagan transformed the economics of affordable housing, it helps to understand the government’s evolving role.

Historically, the U.S. government tried to address problems of substandard housing for the poor through the enforcement of building codes, notably in places like the tenements of New York in the late 19th century. It wasn’t until the Great Depression took hold that the government got into the business of creating housing for the neediest Americans.

Some of the earliest efforts of President Franklin D. Roosevelt’s New Deal established housing construction in 1933, as part of the Works Progress Administration. In Roosevelt’s second inaugural, in 1937, he famously declared, “I see one-third of a nation ill-housed, ill-clad, ill-nourished,” and later that year, Congress passed the Wagner-Steagall Housing Act, creating a U.S. Housing Authority that rapidly began building housing projects.

In his 1944 State of the Union address, Roosevelt declared a “second Bill of Rights” that included “the right of every family to a decent home.” Public housing emerged in the 1940s as a jobs program and to provide housing for returning World War II veterans.

Yet through much of the ensuing decades, the housing financed by the federal government was actually built by private developers and ultimately reverted to private hands. As Rubenzahl tells the history, “There’s the lobby from the builders, the private owners, the management companies, the landlord, the land developers, and they always told the government, ‘We’re doing this for you, but we need to have the ability to make money, so we’re only going to do it for

The 132 family units at Victoria Green in Hercules were recognized in 2005 with a Merit Award from Builder magazine and the National Association of Local Housing Finance Agencies Award. Photos courtesy of Eden Housing.
a limited period of time and then we’ll see what happens.’ And so the government said, ‘Well, if you provide affordable housing for 20 years, we’ll pay for the housing. At the end of 20 years, it’s yours.’ And landlords, owners, and developers made billions of dollars off low-income people, and, at the end of 20 years, the housing is still good housing, and now they can rent to market-rate people.”

At times, fearing the impact of the loss of this low-income housing, the federal government paid the property owner to keep the buildings affordable, which Rubenzahl called “just another way for the government to pay again for what they already paid for once.”

In addition, HUD built apartment buildings in the 1960s, as part of President Lyndon Johnson’s Great Society and War on Poverty, but instead of eradicating slums, they only concentrated poverty in high-rises that quickly became notorious for crime and poor living conditions — giving affordable housing a bad name that has taken years to overcome.

Not only that, but much public housing was stigmatized by racial segregation as well. CEI’s Elissa Dennis cites Campbell Village and Peralta Village, Oakland Housing Authority properties built in the 1940s, which encompassed several blocks of housing with a road down the middle — one side for white people, the other side for blacks.

Yet also in the 1960s and 1970s, Rubenzahl said, the seeds were planted for a more effective model of building affordable housing.

THE IMPORTANCE OF COMMUNITY In the 1960s, the government made money available for community development corporations, or CDCs, which were nonprofit, community-based groups looking to stimulate economic activity. By the time Community Economics started in 1976, Rubenzahl said, “Some nonprofits were doing affordable housing, but a relatively small number, and they tended to be unions or church-affiliated groups that often did one project. There were some that grew and, you know, became real developers, but often they were just doing one-offs.”

At Edgewater Place in Larkspur, EAH Housing built 26 garden-style apartment buildings adjacent to a marsh restoration area and near bicycle and walking paths. Photos courtesy of EAH Housing and Jay Graham.
The CDC model continued to evolve, and CDCs looked to build housing as a vital service for their communities. Organizations like EAH Housing, Eden Housing, and Mid-Pen Housing formed in this era. Their initial aims were to put an end to segregated housing, but they eventually grew to serve all low-income people. “The timing was right for us,” Rubenzahl said. “There were groups looking to create a presence in affordable housing, and there we were, knowing something about how to do it.”

Community Economics consciously decided not to get into the development business. Rubenzahl remembers that a similar consulting group in Boston branched out and became co-developers. “We decided, early on, that we didn’t want to do that because we felt like we would have a conflict of interest with our clients if we also had something at stake,” he said. “We wanted to be able to say to folks — and we often did say — ‘Don’t do this, it’s a bad deal, you’re getting ripped off.’ We didn’t want to be in a situation where our advice was compromised.”

By the early 1980s, as these growing nonprofit developers proved they could build better-quality affordable housing, the conservatives sweeping into government saw an opportunity to let the private sector handle this vital societal role.

*The Tax Credit: A Whole New World*

Both the affordable housing movement and the government agreed that the system that was in place was imperfect, but they came at the problem from different angles.

Advocates for affordable housing would liked to have seen the government step in and build more units and abolish the old system in which developers would build affordable housing and get a tax deduction, and then eventually the projects would revert to market-rate housing. Maintaining housing as affordable for only 20 years does little as a long-term solution to a problem that only gets worse with time.

But the free marketers in the Reagan Administration sought to slash HUD’s budget. They saw a system in which
Enter Natalie Gubb

Over the years, attorney Natalie Gubb has become perhaps the foremost attorney working on the low-income housing tax credit and a key partner of Community Economics. [See “A Deep Bench of Expertise,” page 46.] She started her own firm with Scott Barshay, in 1993, specializing in affordable housing projects using the tax credit program. But Gubb was still new to affordable housing in 1986 when she started working at Goldfarb and Lipman, a real estate law firm.

When Congress adopted the low-income housing tax credit that year, Gubb recalled, “The folks at Goldfarb and Lipman said, ‘We need to do a presentation of the act and what it means.’ After that presentation, a group of us went to lunch. Included was Joel Rubenzahl, who I hadn’t met and didn’t much know. While everybody was talking, Joel was sitting there with his HP calculator, pushing numbers in, and he made an announcement: ‘This is going to be an insufficient subsidy for California. We’re going to need something more. We’re going to need to piggyback on that here in California.’

“Someone said to me, ‘Can you write up legislation for California?’” Gubb said. “That’s when I really got thrown into it. I had never written legislation, and I didn’t know affordable housing from anything in 1986.

“Joel and I spent many evenings on the phone together, back and forth. How should we change this? Does this work? I did the writing. He certainly had lots of input into what we liked and didn’t like on the federal credit and kept mirroring it and changing it.

“When there were legislative hearings on the credit, we went to Sacramento. Lo and behold, we got the credit. It was implemented in 1987. Along the way, we’ve tweaked it a few times.”

Not only that, but they made the state credit more restrictive, to the advantage of affordable housing advocates. While the federal law told investors they needed to commit to keeping a project affordable for 15 years in order to get the credit, the state law called for a 30-year commitment. “People said investors would never go along,” Rubenzahl said. “People were really opposed, but we stood our ground.”

Over time, Rubenzahl was vindicated. Not only did investors participate with a 30-year commitment, but the commitment has grown to 55 years.

“That was a very significant combined effort of Joel and me,” Gubb said. “Thus began my relationship with Community Economics. They did the first tax credit deal. We became instant experts. Nobody else had done any. It just all took off from there.”
developers, including housing authorities, built cheap, low-quality housing projects that had created more social ills than they solved.

As the two sides worked on a compromise, the solution came in the major tax code overhaul of 1986. The Tax Reform Act brought sweeping changes, simplifying the tax code and eliminating scores of deductions. Led by national advocates like Barry Zigas of the National Low Income Housing Coalition, Buzz Roberts of the Local Initiatives Support Corporation, and Frederick “Bart” Harvey of Enterprise Community Partners, Congress included in the law a low-income housing tax credit that radically changed the landscape.

Even though the new system was not the major government direct funding construction initiative that most housing advocates would have preferred, it represented a major improvement, Rubenzahl said. Under the old entitlement system, owners could deduct the depreciation of their real estate investments, essentially a fictitious cost, while the new system brought much greater accountability. It also opened the door for nonprofit developers of affordable housing to thrive, which helped ensure that the housing would remain affordable, rather than becoming market rate.

“It changed the whole financing picture for affordable housing throughout the country,” Falk said. It also created a new set of challenges: “We had to figure it out. We had done a bunch of partnerships under the old tax code. It was passed in 1986, but it was not until the fall of 1987 that the IRS issued regulations about how it was supposed to work.

“In the meantime, we were trying to figure out how it worked,” she said. “We had to do these big spreadsheets, 15 years of projections, losses, tax implications. Joel and I sat with pads and pencils and calculators and put it all together by hand. We were the first ones around here to do that.

“We figured it out first, so people came to us to help them with their projects.”

Working on 25 projects a year or more — and taking on only projects being developed by nonprofits and public
agencies — tax attorney Natalie Gubb and Community Economics developed expertise that proved invaluable to project developers, who might work on only one or two such projects in a year.

SETTING UP THE SYSTEM  A big part of the emerging tax credit system was the allocations. The federal government told the states how many credits they were allowed, and the states invited developers to apply for the credits. It was a competitive marketplace, and the counsel of Community Economics proved invaluable to many nonprofits as they sought to get their applications approved.

California also passed its own tax credit in 1987, bolstering the new system. Between its creation in 1987 and 2015, almost $1.8 billion in California state credits were awarded, leading to the construction of 910 projects, creating more than 59,000 units of affordable housing, according to Catalina Martinez at the Office of the State Treasurer. The federal government has awarded nearly $29 billion in credits to affordable housing in California, Martinez said.

The way the system was designed, a developer would put a project plan together — secure a site and entitlements from the local government, get an architect’s design, and secure financing from local and/or state sources. After winning a competition for tax credits, the proposed affordable housing development would have to be matched with an investor. Community Economics quickly established good relationships with an array of investors, in some key cases corporations that wanted to reduce their tax liability. Rubenzahl and Falk would facilitate the pairing of an investor with a project, and as the nonprofit development community matured, investors felt confident the projects would succeed.

BRINGING IN BUSINESS  Two of the biggest early investors were Chevron and Southern California Edison — sometimes making for strange bedfellows for an old Berkeley radical like Rubenzahl.

It was pragmatism in its purest form. The investors had no inherent interest in the plight of poor people. Rubenzahl and Falk would facilitate the pairing of an investor with a project, and as the nonprofit development community matured, investors felt confident the projects would succeed.

Learning by Doing  Matt Steinle, vice president for real estate development at EAH Housing, was the housing development director at the Housing Authority of the County of Santa Clara and was wrestling with a 124-unit senior housing project in Mountain View in the mid-1980s.

He was trying to get various nonprofits involved, looking for funding, and even exploring the possibility of a limited-equity cooperative. “Then the low-income housing tax credit program came on the scene, and we were trying to understand what it meant,” he said.

“No one had any experience in how this stuff was supposed to work,” he said. But Steinle started working with Community Economics, and Joel Rubenzahl brought in some real estate heavy hitters as investors.

Los Angeles developer Kaufman and Broad had taxable income it was looking to shelter, Steinle said, and became the upper tier investor, and Enterprise Community Partners — a nonprofit formed by developer Jim Rouse out of Maryland — was the lower tier investor. “They got a 44 percent rate of return because there were no other investors out there at the time,” Steinle said, and the project was built.
zahl, only a decade earlier, had written an essay critical of “corporate liberals” who “support the capitalist economic system and themselves benefit from the maldistribution of wealth basic to the system.” He called for the municipalization of utilities — hardly a position that Edison would ever agree with.

In taking their money to build affordable housing, Rubenzahl was in some sense redistributing the wealth. But basically, he was just being practical.

“That’s how you get it done,” Rubenzahl said.

The system took off as people in the affordable housing community shared information. Community Economics was at the center because it worked with so many nonprofits. “Chevron was the first corporate investor, but we didn’t contact Chevron,” Rubenzahl said. Don Terner, president of BRIDGE Housing, a nonprofit developer of affordable
housing based in San Francisco, had someone from Chevron serving on his board of directors. Terner connected Rubenzahl with Chevron. “When the time came to do a tax credit deal, we talked to Chevron, and Chevron said ‘Sure,’” Rubenzahl said. “We became knowledgeable, and then we brought them other deals.”

“That was pretty typical,” Rubenzahl continued. “We didn’t go out and beat the bushes. We did a deal with Intel because somebody at MidPen Housing had a neighbor who was an important person at Intel.”

INVESTORS: AN INTEGRAL ROLE

Corporations liked the credit because they were facing huge tax bills, and the credit let them shelter their profits. Chevron wasn’t looking to boast about investing in its communities. “It was purely financial,” Rubenzahl said.

“We weren’t the first to contact them, but we were probably the ones who brought them the most business at the beginning,” Rubenzahl added. “As soon as we found somebody who found out that somebody was willing to do it, we’d pick up the phone and say, ‘We’ve got clients who have deals and we’re looking for investors. We’d be happy to work with you.’” And the business took off from there.

When the deals were flowing, Rubenzahl would call Bob White at Chevron and say, “Bob, we’ve got a deal for you.”

“He’d say, ‘Send over the numbers,’” Rubenzahl said. “If the numbers worked, he’d do it. He didn’t do every deal, but he did a bunch of them. And Chevron’s so big that the numbers were a drop in the bucket for them.”

Rubenzahl found he could call White and say, “Okay, Bob, I need $10 million.” And White would say, “Okay, whatever.”

Rubenzahl got a glimpse into the scale of his business partner one day when he was in White’s office. “I remember Bob saying to me once, ‘Oh, I have to take this call.’ And he says into the phone, ‘Oh, yeah, two billion, we’re doing two billion, that’s it.’

“And then he hung up and he said, ‘Well, we just bought this oil field in Saudi Arabia for $2 billion.’"
“THEY’VE GOT DEALS” An early breakthrough came around 1989, when attorney Natalie Gubb was working on a deal that Community Economics was not a part of. “It was a very unusual set of circumstances,” Gubb said. She was working on a project for the Palo Alto Housing Corp. and went to Los Angeles with investment bankers from Wedbush Securities, who introduced her to Jong Limb. Limb had just joined Edison Capital, the financial subsidiary of Edison International, which also owned Southern California Edison, and he was looking to do several low-income housing projects as a trial run to see how the tax credit worked.

Gubb put Limb in touch with Rubenzahl, and the next thing, a few deals were in place. When they went well, many more deals followed — 107 by Rubenzahl’s count.

“We really liked the way the program worked, and we liked the return, so we decided to ramp up our involvement in the transactions,” Limb said. “A major reason in the ramping up was due to Joel. His clients were the best. They were doing projects for the right reasons, and they were structured in the right way. They had all the right elements.”

Rubenzahl said word quickly spread in the investor community: “These folks at Community Economics know what they’re doing and they’ve got deals.”

NEW HIRES FOR A GROWING WORKLOAD As the deal flow began to grow, so too did Community Economics. In 1987, Falk and Rubenzahl hired Kevin Knudtson, a promising young housing activist who had just earned his master’s degree from the University of Oregon in urban and regional planning.

“At that time, many of the nonprofits we worked with relied on us for a broader range of services,” Knudtson said. “We spent more time helping sponsors pick architects or negotiate with contractors, things they don’t need help with any more. I did a lot of that. I was on the phone with them, in their offices, helping them figure out how to get their
A Bright Idea from Edison

Rubenzahl and Limb developed an excellent rapport over the years.

“Once we got the system and negotiated the deals and the basic documents, we would just say, ‘Hey, Jong, I’ve got five deals this time,’ and he’d say, ‘Okay,’ and then we’d negotiate some price for the whole thing, subject, of course, to the client accepting the terms being offered,” Rubenzahl said.

Rubenzahl would sometimes package his clients’ deals, telling Limb that if he wanted some of the high-end deals, he would have to invest in some of the tougher projects as well, which might involve housing homeless or mentally ill people who require a lot of services. But because of the way Community Economics structured the deals, Limb knew they were fair.

“We could honestly tell our clients, ‘You’re not going to get as good a deal from somebody else, because we can package a group of deals together,’” Rubenzahl said.

Limb agreed with that assessment.

“He was a tough negotiator,” Limb said. “He got more out of us than probably anybody else. From my standpoint, it was worth it, because he made the process easier. I knew he was going to structure the deals the right way. He saved me a lot of time. We knew what we were getting. There was a lot of trust there.”

What made the partnership unusual were the competing goals of the two men. Rubenzahl was purely mission driven, dedicated entirely to providing quality housing to people who couldn’t afford it. Limb was a capitalist, pure and simple.

“It was a business to make money,” he said. “The yields were pretty attractive. We did all right.”

“I work with a lot of nonprofit consultants out there,” Limb said. “Some don’t understand the business as well, and they rub you the wrong way. They put too much emphasis on the do-gooder side instead of seeing the overall picture. They want you to give everything away because they’re on a mission. Joel doesn’t do that. He gets the last penny out of you, but he’s as straight as you can get.”
Knudtson also worked on a handful of limited-equity co-ops which, he said, “were certainly interesting, but very difficult to do, because they involved a lot of difficult group decision-making.”

He particularly enjoyed the 45th Street Artists Co-op in Emeryville. “A group of artists bought two buildings they had been renting for many years,” he said, and set up low- and moderate-income live-work spaces as a limited-equity co-op. “It was brilliant in retrospect, because at the time this area of Emeryville was largely industrial, and the property was pretty cheap. These warehouse buildings came up for sale and they convinced the city to help them finance the acquisition in exchange for the artists agreeing to help teach art in the public schools in Emeryville.”

“Who knows what they’d be worth today? Probably many times what they paid for them!”

In 1989, Linda Rivers joined the organization, initially as the receptionist, but gradually taking on running the day-to-day business as the office manager and bookkeeper.

The next year, another promising young activist joined the fold. Elissa Dennis had earned a master’s in urban planning at UCLA and moved to the Bay Area, taking short-term internships at the City of Oakland and at Resources for Community Development, a nonprofit housing developer based in Berkeley, while she learned the local housing scene. In both of those jobs, she interacted with Knudtson, and when a job opened at Community Economics, he notified her; she started work in 1990.

Dennis remembers she was still fairly new on the job that spring when she heard Rubenzahl address the Housing California conference in Sacramento. Even though she knew the tax credit program was helping build many new affordable housing units, Dennis was still reluctant to embrace it. It was not the progressive, federally financed model of other countries, where housing was seen as a basic human right that the government provides for its poorest people; instead, it was a Reagan-era “public-private partnership,
a very Republican conservative corporate model.

“Joel got up there and said, ‘This is a really messed-up way to develop affordable housing, by having to bring in these investors who get profits, instead of having a government-funded program.’ I remember thinking, ‘Okay, I’m in the right place — a place that has a healthy criticism of the model that we’re stuck with using to get affordable housing built.’

For the next decade, that was the team: Rubenzahl, Falk, Knudtson, Rivers, and Dennis. Those three “new” hires have all marked their 25th anniversary with Community Economics in recent years, leaving the organization with stability and experience as Rubenzahl retires.

NEW OPPORTUNITIES “Some of the most interesting projects,” Elissa Dennis said, “are those at the intersection of advocacy and development.”

A classic example came at the start of her career, just after the 1989 earthquake. Many residential single room occupancy hotels, or SROs, in Oakland were red-tagged for demolition, rendering 1,000 units of low-cost housing uninhabitable. People who depended on these hotels for a place to sleep were left homeless and without resources.

“This group of people were left out in the cold, literally,” Dennis said. Making matters worse, the Federal Emergency Management Agency would give financial assistance only to tenants who could show they had at least 30 days of residency in a building; many of the SRO occupants had their rooms on a weekly basis and spent much time on the streets.

In Oakland, San Francisco, and Santa Cruz, Legal Aid sued FEMA on behalf of this class of people, settling for $23 million as compensation.

Some communities used their share of the money for emergency shelters, which went away when the funds ran out. Oakland wanted a more long-lasting impact. In Oakland, the nonprofit community came together through Oakland Housing Organizations, or OHO, the predecessor to EBHO, and worked with the city to pull in other resources
“Altruistic to Their Core”

Amie Fishman, now the executive director of the Non-Profit Housing Association of Northern California, was executive director of the East Bay Housing Organizations for nearly a decade. Community Economics gives EBHO rent-free office space to help support the umbrella organization, so Fishman knows perhaps better than anyone the culture that makes CEI so successful.

“What a remarkable group of people,” Fishman said. “One of the things that stands out about the organization and the individuals is that they are altruistic to their core. They bring very strong principles and values. While they are all incredibly opinionated in the best sense of the word, they’re not driven by ego, but by mission.”

Not only are they passionate about the cause, but they know what they’re doing. “They are often seen as the smartest people in the room,” Fishman said. “The kind of expertise they bring is incredible.”

Fishman said Community Economics serves as the “invisible backbone of our whole network of affordable housing advocacy membership-based organizations.

“The way that they’re structured to do technical assistance for nonprofit developers and providers around the state, to build the capacity of the industry, and to strengthen and support all the advocacy efforts that happen around the state, they see directly the importance of collective advocacy and organizing.”

Community Economics plays all of these roles, Fishman said.

“They sit on boards. They contribute their networks and their expertise. They put in endless time. They have a business model that allows them to really go deep on the advocacy and provide policy support and expertise.”

She credits Community Economics’ effectiveness to several factors:

- An understanding of the needs of a broad range of nonprofit developers;
- A primary focus on serving the lowest-income, highest-need populations;
- A commitment to community-based nonprofits; and
- Generosity in making donations to mission-driven and advocacy organizations.

And yet you’ll rarely see Community Economics toot its own horn. It has no public relations person. “They’ve been such unsung heroes,” Fishman said. “Everybody recognizes how pivotal they are to the affordable housing industry and movement, and, at the same time, they are so understated in all of their different ways of contributing.”
and, in Dennis’ words, “built permanent, service-enriched, nicely designed affordable housing. We rehabbed these properties that were red-tagged into permanent housing for the city’s most vulnerable residents.

“It was exciting to take part in that,” Dennis said.

COMING TOGETHER OHO coordinated a contractor selection process and monitored a loan fund so that rather than tangling over buildings and money, the nonprofits divided up the various properties and worked collaboratively.

Dennis worked primarily on the San Pablo Hotel. Developers Eden Housing and EBALDC, the East Bay Asian Local Development Corp., brought in Stuart Stuller, an award-winning architect devoted to affordable housing. Like so many SROs, the San Pablo had been a decent hotel in its heyday — the former Hotel Arcade, built in 1907, was one of the nicest hotels that gave rooms to African Americans in those segregated times — but it had fallen into disrepair. The rooms were tiny, and the only light and air that came into a lot of these interior rooms was from a narrow light well in the center. “It was really dark and creepy and dreary and scary,” Dennis said.

The architect opened up one side of the light well, creating a south-facing V-shaped opening into a courtyard. They acquired another parcel next door, expanded the courtyard, and turned the building into senior housing, adding a clinic, Center for Elders’ Independence.

Dennis still marvels at the turnaround. “They took this building that had been a really skuzzy, unpleasant, dreary, unhealthy, unsafe place to live, that had been marginally occupied prior to the earthquake, and took advantage of this collaboration to open this really nice, service-enriched building.”

In addition, she said, “It’s important, in the whole revitalization and gentrification of downtown, that these buildings that were serving the most vulnerable people are still there.” As downtown Oakland improves, some people will inevitably be priced out of the market. But affordable housing that’s built and owned by nonprofits is assured of staying af-
fordable, keeping a diversity of people in the neighborhood. “That’s your gentrification mitigator,” Dennis said.

**GOING UPTOWN** In 1999, Jerry Brown, the once and future governor, became mayor of Oakland and signaled a new fight over affordable housing — at first at those very SROs that had taken such effort to rehab and reopen.

Soon after he was elected, Brown walked around downtown looking for possible development sites as he fantasized about bringing in more high-rent buildings to Oakland. Noticing some of the SROs that had just been rehabbed after the quake, he asked city staff to analyze how much it would cost to tear down those affordable housing properties to build market-rate housing. Staff had to present documentation to the mayor that paying off all the other lenders and tax credit investors and demolishing the buildings would cost a fortune — “not to mention you would have all these homeless people on your streets!” Dennis said. “But that was Jerry Brown.”

He didn’t stop there. For years, Oakland had hoped to restore the vibrancy seen in old photos from the 1940s, with department stores anchoring a bustling downtown. Every time one store moved in, another closed, and Broadway felt deserted. For decades, city officials had tried to get a cluster
Can you fight City Hall? You bet.
“It was this great coalition. We had this organizing side that would go to meetings and go to City Council, and then we also had the technical experts who could put together proposals.”

of big department stores downtown to boost the tax base. But Brown said the answer lay in housing.

“Brown came in and said, ‘Forget these retail plans. We’re going to bring in 10,000 residents. That’s how we’re going to revitalize downtown,’” Dennis recalled. He called it his 10K Project. “He said, ‘The way to do this is, you start with the people.’”

Dennis was president of the board of East Bay Housing Organizations, which “embraced the mayor’s vision,” she said. “We agreed it made much more sense to build housing downtown, build a critical mass, and then you can generate retail, restaurants, and hotels. But if you’re going to make it work, the people who are going to be the backbone of that downtown revitalization need a place to live too. These are the people who are going to clean the rooms in the hotels and wash the dishes in the restaurants. The people who are going to drive the buses and be the clerks in the retail. We need to incorporate them.”

“Our position was, 25 percent of this 10K Plan should be affordable to lower-income people. So we formed the Coalition for Workforce Housing with labor, faith-based, and community organizations.”

Brown’s response: “Absolutely not.”

GENTRIFICATION OR SLUMIFICATION? Forest City — a major national developer — came in with a plan to build 2,000 new units in the Uptown neighborhood, with half rentals and half for homeowners. “They said, ‘We understand, we’ve done plenty of these urban areas with cities that have requirements, so 20 percent of our rental housing is going to be affordable,’” Dennis said. “And Brown said, ‘No. Not here. That’s not what we want.’”

City staff held a public meeting about the 10K Plan at a new Jack London Square condo development where Brown was living. The coalition had organized for the event and people were protesting the plan’s potential for gentrifica-
An Ugly Duckling Becomes Swan’s Market

In one instance, Community Economics consulted on a project that became its own home. By the 1990s, the old Swan’s Market, a complex including a 1917 historic main building and several smaller structures in Old Oakland, had been shuttered. The city was looking for someone to renovate it and breathe new life into the neighborhood.

Along came EBALDC, the East Bay Asian Local Development Corp., a community nonprofit with big dreams. Led by EBALDC development director Joshua Simon (now the organization’s executive director), Swan’s was reborn, with affordable housing, cohousing, a retail marketplace, offices, and parking. Tucked into the second floor since 2000: Community Economics.

“Swan’s Market was a really fascinating project, partly because it had so many components,” said Janet Falk, who worked on it for CEI. Each of the elements “were separate parcels within the same complex, and there were different owners for each one of them, so it was very complicated.”

Further adding to the mix, EBALDC had 15 different funding sources, according to Lynette Lee, EBALDC’s executive director at the time and currently a Community Economics board member.

Initially, the pioneering small businesses that moved into the building struggled, as the neighborhood had not yet turned around, Lee said, and they lacked a population base to serve as their clientele. But gradually downtown Oakland saw a new influx of people, including those who moved into the 38 units at Swan’s, and the newest wave of businesses in the complex has thrived.

“Living there is really important,” she said. “Oftentimes, cities want revenue from commercial offices, but having people living downtown is vital for keeping the downtown lively at all times of the day.”
tion. Brown came out of his back room and stood up to ad-
dress the crowd. People said, ‘Mr. Mayor, what about the
gentrification of Oakland?’ He furrowed his brow, pointed
to people in the audience, and said, ‘If you don’t want the
gentrification of Oakland, then you want the slumification
of Oakland.’”

Can you fight City Hall? You bet.

The broad coalition organized people to attend city meet-
ings and used technical expertise to put architectural and
financing proposals together to show how affordable hous-
ing could be included in the Uptown plan. “We were able
to say, ‘Here’s what you could do if you carve out this site.
Here’s the design. It’s going to fit in. And here’s what it will
cost. Here’s how you can leverage other sources.” With the
city spending $60 million to assemble the land, do environ-
mental cleanup, and support the Forest City project, we had
a good case for including affordable housing.”

As was often the case, Community Economics wasn’t put-
ting its name on this work, even though Dennis was one of
the driving forces.

AFFORDABILITY WINS After several years of the city’s
changing plans, Forest City sought permission to build 770
rental units. Under pressure from the coalition, the city
agreed to carve out one of Forest City’s parcels in back of
the Fox Theater and request proposals for the development
of at least 70 units of affordable housing. The city required
half of the units to have at least three or four bedrooms, and
at least 12 units needed to be studio apartments for people
at extremely low income levels, to replace the units of an
SRO of that size that had been torn down to make room for
the Uptown project.

Not only that, but 20 percent of Forest City’s remaining
units were also set aside at affordable rents. “We ended up
with 27 percent of the overall Uptown development in af-
fordable housing,” Dennis said.

Resources for Community Development, in Berkeley,
wound up building the Fox Court affordable project — and
Community Economics consulted on it. Mike Pyatok, an

With Fox Courts in Oakland’s thriving
Uptown District, Resources for Com-
munity Development built affordable
housing that blends in perfectly with the
neighborhood and even brightens the
scene with artwork like the mural shown
in detail, above. Photo courtesy of RCD.
architect in Oakland whom Dennis called “one of the superstars of affordable housing in the West,” designed the building. It’s got a child care center on the first floor. It’s indistinguishable from the high-end apartments built nearby. “It blends right in,” Dennis said.

It was a good thing the project was built when they had the chance, Dennis said. “Now that Uptown has been booming, you could never get a site.” Property values have skyrocketed, but affordable housing has a permanent toehold.

“At the outset of a new area being developed or getting rehabilitated, it’s so important to get the affordable housing in,” Dennis said. “Then there are no NIMBYs there. It just becomes part of the community.”

A MARKET CRASH — AND A BIKE CRASH  

Falk left Community Economics in 1999, initially to work for the Local Initiatives Support Corporation, which helps low-income communities, then the California Housing Partnership Corp., and then Mercy Housing. Alice Talcott came over from the Mayor’s Office of Housing in San Francisco to replace her and stayed with CEI for 15 years. Even after a decade on the job, Talcott recalled, “I was the least tenured employee there.” (In 2014, she moved to MidPen Housing, where she became housing finance director.)

The tax credit program continued to grow in the new century. While it was initially adopted as a three-year program, Congress renewed it and ultimately made it permanent, thanks to an outstanding track record as well as the lobbying efforts of housing advocates like Community Economics.

The housing market continued to heat up as well. No one was sure when the bubble was going to burst, but in 2008, disaster loomed.

While signs of trouble mounted throughout the year, it all came crashing down in a fateful September, as a subprime mortgage crisis threatened to consume Wall Street and the U.S. economy. Lehman Brothers collapsed, Merrill Lynch was taken over, the American International Group, or AIG, needed an $85 billion bailout, and — in the worst develop-
ment for people concerned about housing — Fannie Mae and Freddie Mac (the government-sponsored entities more formally known as the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation) went into federal conservatorship.

Community Economics had noticed the problems that spring and summer. “We learned about projects that were stalled because investors were walking away from deals they had committed to, but we didn’t have those problems until the height of the crisis,” Rubenzahl said. “They had literally agreed to a deal, and then two weeks away from closing, they were walking away.”

Rubenzahl had taken a couple of months off that summer as a sabbatical, “and when I came back in the fall, things were getting really bad,” he said. “The economy just started collapsing and investor pricing was falling.”

In one situation, PG&E had even put money into a deal and then abandoned it. “We were able to find another investor to come in and save the day,” Rubenzahl said. “Ultimately, we had a small number of deals that got stalled, but in the end, every deal got done.”

As soon as Barack Obama was elected president that November, the talk turned to a federal stimulus plan.

Less than a week later, disaster of another sort struck: On the Sunday after the election, Rubenzahl, long an avid cyclist, suffered a terrible crash coming down Berkeley’s Tunnel Road at 25 miles per hour when his front tire blew out. He was laid up for 17 days with a broken hip and collarbone.

THE $5.6 BILLION IDEA With nothing to do but lie in bed and recuperate, Rubenzahl began calling people, talking about how to stimulate interest in a fix for the credit program. Someone mentioned an idea from Barbara Sard, director of housing policy at the Center on Budget and Policy Priorities in Washington, who had suggested selling the credits to the U.S. Treasury Department. After all, the thinking went, Treasury had already budgeted the money as tax credits — why not turn them into cash?

Rubenzahl began networking and writing and rewriting
papers with the proposal, “arguing the case.” If someone raised an objection, Rubenzahl went back to the drawing board and addressed it. Matt Schwartz, at the California Housing Partnership Corp. in San Francisco, served as Rubenzahl’s sounding board and was politically well connected enough to put Rubenzahl in touch with Scott Olson, a key aide to Rep. Barney Frank, D-Mass., chairman of the House Financial Services Committee and co-author of the Dodd-Frank bill that put the clamps on some of the financial industry practices that had led to the crash. The paper found its way to advocates around the country.

“Through the grapevine, I heard that there was going to be a meeting in Boston of Frank’s constituency,” Rubenzahl said. He heard that one of the attendees would be Aaron Gornstein, executive director of the Citizens’ Housing and Planning Association (CHAPA), a group that encompassed many Massachusetts advocates of affordable housing. “I didn’t know him, and he didn’t know me, but I called him up,” Rubenzahl said.

Gornstein told him, “I’ve got your paper. I’m taking it to the meeting. I think it’s the right thing to do.” Rubenzahl was amazed. “And he took it to the meeting with Barney Frank. And Frank adopted it, and it got into the law.”

That one law led to more than $5.6 billion in federal money going into affordable housing. More than 89,000 housing units were built or rehabilitated. “It’s hard to know if it would have happened without the bike accident,” Rubenzahl said. “I was really able to think, without a lot of distractions.”

Before its ultimate adoption, Rubenzahl — ever a master negotiator — engaged in one more bit of gamesmanship. Remember, the way the system worked, for every dollar of tax credit an investor received, that’s one dollar that the government does not get in taxes. Plus, investors get to take losses like depreciation on the properties, which Rubenzahl said typically runs to 20 percent, or $1.20 net loss to the government. Frank’s aide Olson called Rubenzahl. “He said, ‘Here’s what we’re going to do. Your idea is going in the stimulus
bill. We’re going to pay 80 cents for each dollar of credit,’” Rubenzahl recalled. “I said, ‘No, that’s not enough money. You’re saving $1, and with the loss that goes with it, $1.20.’ He said, ‘How about 85 cents?’”

They agreed. After all, Rubenzahl didn’t want to be so greedy that it might endanger the legislation. He also understood that if the market recovered, investors would still be able to step in and offer a better deal. He took the 85 cents.

That extra nickel meant 6 percent more money — another $330 million.

“It was funny. When Joel formulated that idea, he did not get a lot of support initially, but Joel really advocated for it, and it was enacted by Congress,” said Bill Pavão, the former executive director of the California Tax Credit Allocation Committee. “It really saved the day nationally by keeping the affordable housing pipeline going during that financial crisis and recession. What a crucial role Joel and Community Economics played in that period.”

To Rubenzahl, the story demonstrates the success of his philosophy of the transactional work informing the advocacy.

“It goes back to the whole notion of credibility,” Rubenzahl said. “We knew what we were doing, and we understood the system,” and the lawmakers appreciated the insight and passed the appropriate measures.

THINKING AHEAD As the years went by, expiring tax credits have led nonprofit developers to buy out their investors. In addition, the developers have shown an increasing need to re-syndicate their projects in order to facilitate repairs and capital improvements. Community Economics has stepped up to help them in both cases.

“We were a little bit ahead of the curve,” Rubenzahl said. “We started talking about the possibility of buyouts — how it would work and when it would happen — the day we started talking about the credits.”

“Nobody knew, completely, how it would work,” he said. “But we knew it was going to happen, and we planned for
What Community Economics understood right from the start was that the nonprofits needed to control the properties for as long as possible because their primary goal was to keep the housing affordable, while the investors were only looking for a financial return. CEI structured deals on the front end to facilitate a buyout on the back end.

The way the deals worked, a partnership was established between the nonprofit and the investor. The investor owned 99 percent of the partnership, so it could claim the tax credit, and the nonprofit owned 1 percent. The investor usually leaves the partnership after 15 years. (The tax credit lasts for 10 years, but investors usually stick with their deal for 15 years because the IRS can recapture credit for noncompliance for that extra five-year period. The investors tend to stay in the deal to make sure there’s no noncompliance through the whole time they’re on the hook.)

“The important thing was, we were thinking about it early,” Rubenzahl said. “We tried as best we could to set up the deals while keeping in mind what would happen at the end. Our goal was for the nonprofit to end up owning the project without an investor, hopefully at little or no cost.”

They accomplished this by giving the nonprofit an option to buy the property. With this option in place, the partnership couldn’t sell the property to somebody else. In addition, the affordable rent restrictions usually ensured the project wouldn’t have any significant market value.

Stan Keasling, the executive director of Rural Community Assistance Corp., and before that the Rural California Housing Corp., said whenever those terms would be a sticking point in negotiations with investors, he would be ready to cave in, but Rubenzahl would encourage him to hold his ground. “I’d say, ‘I don’t care, I’m not going to be here in 15 years anyway,’ and Joel would say, ‘Yes, you are!’” Keasling said.

Typically, by the end of the term, the nonprofits have been able to assume ownership with very little money changing it. We did our first buyouts in the late 1990s — they were unusually early exits, done after the credit period expired.”
hands. The nonprofit usually just assumes the outstanding debt.

The arrangement is usually easy enough to negotiate at the beginning because the investors see that while they’re putting in millions of dollars to build the project, they will be able to take that entire amount off their tax bills and claim losses at the same time, so they’ll get back more than they put in. “At the beginning, they say they are happy to walk away from it,” Rubenzahl said, “but at the end, they say, ‘Wait, there’s value here, I want it.’ But if the documents are set up properly, and if the economics of the deal are set up properly, usually there’s no value.”

“That’s our experience with the deals that we did,” he said. “More than 90 percent of the time, things worked out the way we expected.”

The first buyout was for Visalia Garden Villa, for the Tulare County Housing Authority, Rubenzahl said. Since then, Community Economics has helped nonprofits buy out investors on more than 200 projects, totaling more than 10,000 units of affordable housing.

BACK FOR ANOTHER ROUND Once a project hits a certain age, it often needs a new roof, modern appliances, and a fresh coat of paint — some TLC to offset the years of weather and wear.

But who will pay for that? Community Economics helps its clients find a new investor to foot the bill. Since the deals to build projects are known as syndications, when investors pay money to join into partnerships to get tax credit benefits, this newer notion is called re-syndication. In re-syndication, the original investor has been bought out of a deal that was syndicated 15 or 20 or even 25 years before using the tax credit, but the property now needs work, and there’s not enough rental income to pay for it.

“The amounts of money involved tend to be less than the first time around,” Rubenzahl said, because the repairs are not as pricey as new construction. “Often a deal that was a reasonable size 25 years ago is now too small to re-syndicate on its own. The innovative part of it has been that we’ve
worked on mechanisms for combining deals to get more size and more efficiency."

The nonprofits have grown enough that they have multiple projects that will need updating, so Community Economics will package those into one deal that will attract an investor. The investor can get the same tax credits, and the entire process repeats over the ensuing decades.

“'It’s an opportunity to tune up everything,' said Mary Murtagh, the president and CEO of EAH Housing, one of the major Bay Area nonprofit developers of affordable housing. "Our goal is to keep everything affordable permanently. I suppose at some point, 80 years from now, the structures may be obsolete, but the goal is to design something that is always going to be a livable place and a credit to the area, and maintain the heck out of it so it never falls apart.”

Community Economics has also encouraged clients, as long as they’re rehabilitating a property, to include energy-efficient upgrades, such as solar panels. “The cost of a solar energy system is not big enough to do a re-syndication on its own, but if you’re doing a rehab anyway, you could add it as well,” Rubenzahl said. “In the long run, it’s better for the property.”
As a nonprofit itself, Community Economics works only with other nonprofits and public agencies. It philosophically sees nonprofit developers of affordable housing as the organizations best qualified to address the problem over the long term.

For-profit developers might not be as committed to the needs of the low-income people who would be living in the properties. “Nonprofits’ agenda is affordable housing, and they’re not looking to cut corners or increase rents,” said CEI staffer Elissa Dennis. “They are dedicated to keeping rents as low as possible.”

Executive Director Joel Rubenzahl saw nonprofits as a “third way,” instead of government-owned and managed public housing or private for-profit housing that became market rate over time. “Nonprofits are community-based, and they care about the tenants,” Rubenzahl said. “We think that third way is the best.”

Toward that end, Community Economics also mentors and trains nonprofits so that they can grow and take on more and bigger projects. “We spend, intentionally, a lot of time with junior-, middle-, and even upper-level development staff, teaching them as we go,” Rubenzahl said. “Partly because it’s the right thing to do, and partly because it’ll be easier for us to do the next project with them if they learn more on the first project.”

CEI also frequently leads training sessions and conducts workshops at industry conferences, sharing information and making sure the entire affordable housing community is informed about rules, policies, and programs.

Community Economics also gives back to many nonprofits through donations. Because Community Economics operates on a fee-for-service basis and is not reliant on grants,
as many nonprofits are, it is able to donate a good chunk of
that income back to its partner organizations and to advoca-
cy groups.

The policy goes back 25 years, and the amount has grown
substantially over the years. “We give money to every one of
our clients,” Rubenzahl said.

CEI board member Lynette Lee, the former longtime ex-
ecutive director of EBALDC, the East Bay Asian Local De-
velopment Corp., is impressed that Community Economics
is not dependent on grants or outside support. “For the
modest fees they charge, they are able to support their staff,
as well as have an enviable reserve and also give out money
every year to other nonprofits,” she said. “It’s a considera-
able amount that they give out each year.”

Lee is a member of one such organization that has ben-
efited from Community Economics’ largesse, Renewed
Hope Housing Advocates in Alameda. “We’re advocating
for affordable housing and tenants’ protection,” she said.
“It’s a beautiful city, and rents are rising rapidly and people
are being pushed out. Community Economics has support-
ed Renewed Hope for the last few years with a small grant
that helps us to take care of costs like printing and postage.”

TIRELESS ON BEHALF OF CLIENTS Community Econom-
ics’ consultants also take on some of the most complex as-
pacts of an affordable housing deal, and then work tirelessly
to see it through, doing whatever it takes.

“A project might have four, five, or six sources of financ-
ing,” Janet Falk said. “I did one with only eight units that
had nine sources of financing! And they all had to work to-
gether. Each agency wanted something different. We were
sometimes the people who could explain why it had to be
this way instead of that way, to one agency versus another.
It helped them come to a common ground of what kind
of restrictions they would put on a project or what kind of
terms they would put in their documents.”

The Leading Edge

Lydia Tan, formerly executive vice
president for BRIDGE Housing,
found Community Economics an in-
valuable resource.

“One of the big value-adds of work-
ing with Community Economics over
the years was that they represented
so many different projects in so
many different geographies. It was
one place you could get a handle on
what was going on in the market,”
she said. “They were the leading
edge on what was happening with
pricing and deal structure.

“To be able to help nonprofits, you
have to be creative,” she said. “You
are always dealing with fewer dollars
than you really need. We’re a really
creative industry. Community Eco-
nomics represents a way to share
best practices across the industry in
an informal way.

“They are very mission oriented,”
she added. “Anything that will
create more value in the affordable
housing industry, which will create
more units, is important to them.”
The work consisted of a lot more than just crunching numbers on spreadsheets.

“I went to countless city council meetings for clients, as did everybody else at Community Economics,” Falk said. “We would meet with bankers. We were negotiating with investors. We were structuring the deals.”

Margaret Schrand was a banker working to finance affordable housing projects at Wells Fargo, and she saw firsthand the work Community Economics did. “Community Economics was critical to the growth of other organizations. Their ability to help organizations structure projects and succeed really helped that industry grow.”

A GRATEFUL CLIENTELE Mary Murtagh, the president and CEO of EAH Housing, a large Bay Area nonprofit, appreciates that Community Economics understands nonprofits’ situation so well.

“They just totally get it about nonprofits,” Murtagh said. “At one point, they did a survey showing how much lower rent levels are in nonprofit-owned properties than they are in for-profit owned properties. The nonprofits are really doing the heavy lifting. It’s a mission. Joel is a primary exponent of that and really has dedicated his life to supporting the nonprofits.”

Mercy Housing Northwest, an arm of Mercy Housing, which is one of the country’s largest developers of affordable housing, credits Community Economics with playing a huge role in many projects. Bill Rumpf, president of the organization, can tick off a list of nearly a dozen projects encompassing more than 700 apartments.

“I estimate that the tax credit equity CEI helped us raise was more than $65 million,” Rumpf said, and that’s just on Mercy Housing Northwest’s projects; the figure would be exponentially larger if it included what CEI has done for all of Mercy Housing. “Think of all the seniors and families that have great-quality housing thanks to their contributions.”

Stan Keasling, at the Rural Community Assistance Corp., said many of his projects would hit a seemingly insur-
Hired Gun

Olson Lee, director of the San Francisco Mayor’s Office of Housing and Community Development, has seen the impact of Community Economics on the nonprofit developers who help revitalize parts of the city. Lee has been in the business long enough to see the paradigm flip.

“It used to be that the nonprofit developers would get 40 cents on the dollar, while the investors would get a huge rate of return,” Lee said. “It’s through the growth of the industry that yields to investors have fallen tremendously, while the benefit to the developer has risen tremendously.

“That shows the importance of nonprofits having a good hired gun,” he said, referring to Community Economics. “They’re as good as the bankers and the investors. That is so important. For a small nonprofit that goes into the market only once in a while, they can’t do that on their own.”

Community Economics’ skill — with the numbers, with the negotiations, with the art of the deal — has helped “level the playing field,” Lee said. “That is the role they play in the industry overall.”
mountable stumbling block. “Often, we would be thinking, ‘Okay, how are we going to do this?’” Keasling said. “We would come down to the fact that we weren’t quite meeting financial feasibility and our project would have a gap of half a million dollars or so. Invariably Janet or Joel would help us think through how we might modify things just a little bit to fill that gap, which, frankly, was the difference between our having a project and not being able to do it.”

Not only that, said Murtagh at EAH, but Community Economics has served as a clearinghouse, making sure all of the nonprofit developers know “the latest changes in what has been a fast-changing industry.”

“They’ve been a tent pole for the industry,” Murtagh said. “There’s been a huge value for the whole affordable housing industry to have a highly competent organization that is a central repository of information. It’s a very competitive industry, and a lot of times, people are somewhat leery of sharing their latest strategies with each other. The people at Community Economics have been able to raise all of our levels of information without violating any confidences. They educate all of us collectively.

“They’ve been a trustworthy and fair source of communicating all the latest twists and turns, all the tricks the investors are pulling, with everybody in the field,” Murtagh said. “That’s been huge.”

A DEEP BENCH OF EXPERTISE One of the keys that Community Economics offered its nonprofit clients was a fabulous Rolodex of expertise. Early on, Community Economics would even help developers find architects and contractors, but as the nonprofits have matured, that role has become superfluous.

When clients needed legal advice, Community Economics often referred them to Natalie Gubb, one of the sharpest thinkers in the affordable housing movement. [See “Enter Natalie Gubb,” page 19.] Gubb essentially came of age with the organization, with one of her first assignments when she took a new job in 1986 being to work with Joel Rubenzahl on writing a proposed (and eventually adopted) Califor-
nia low-income housing tax credit.

“Natalie was and still is one of the pre-eminent low-income housing tax credit attorneys in the state, even back then,” said Jong Limb, president of the Newport Division of Alliant Capital. When Limb was at Edison Capital, he, Gubb, and Rubenzahl worked on scores of tax credit deals, building thousands of units of affordable housing.

Rubenzahl concurred: “Natalie did understand the system better than anybody else,” he said.

After nearly 30 years of working on tax credit deals, Gubb takes some pride in seeing projects she’s worked on. “It is very rewarding to see them,” she said. “As I drive around Oakland or San Francisco or the Bay Area, I’ll stop and say, ‘Oh, there’s my project!’ Even when my kids were young, they could recognize them. They’re unique. They’re unusual and they look pretty.”

When Gubb started out in the business, she did not think much about affordable housing, but through her work, she’s become as devoted to the mission as anyone at Community Economics. “All this legislation I work on is all on my own time,” she said. “I’m lucky. I love what I do. And I feel good about what I do. And most lawyers don’t.”
For all the advocacy, and all the trips to Sacramento and Washington, and all the time spent haggling with investors and regulators and poring over spreadsheets, only one thing truly matters to Community Economics: getting projects built. Providing homes for people who need them. Putting people into clean, safe housing they would not otherwise be able to afford.

Community Economics has consulted on upward of 1,000 projects, worth somewhere in the billions of dollars, which have provided housing for roughly 100,000 people. Its advocacy efforts have helped house even more people by getting local, state, and federal governments to spend billions more on affordable housing. This chapter gives examples of some of the many projects Community Economics has helped make possible over the years.

**Housing in the Desert**

Elissa Dennis knows she shouldn’t pick favorites among her clients, but she can’t help but love the Coachella Valley Housing Coalition in Indio, just east of Palm Springs. CVHC has been working on affordable housing since 1982.

“They do really amazing stuff in this super-low-income farmworker community,” Dennis said. “I love going down there. Once or twice a year, I like to spend a day or two, go to Mecca, get date shakes, and see what they’re up to.”

It’s a radically different scene from Oakland. “It’s amazing to go to a place like Mecca,” she said. “It’s pretty ramshackle housing. There’s a trailer in back of somebody else’s shack which is behind somebody else’s trailer, but then all of a sudden, you see this beautiful multifamily apartment building with a health clinic and playgrounds and sports stuff and child care.”
That's what CVHC builds.

For the last few years, Dennis and CVHC have been working on building something new, Villa Hermosa, on the site of the old Fred Young Farm Labor Camp in Indio. That complex was a collection of small cinder block boxes constructed in the 1960s to replace 30-year-old shacks, which were originally built as temporary farm labor housing. By this decade, the 250 apartments with no heat or air conditioning had fallen into severe disrepair.

As ramshackle and decrepit as it was, it still meant something to the people who lived there, underscoring the importance of housing in people’s lives. “It was the touchstone of the community,” Dennis said. “Everybody in Indio today has a cousin or a grandfather or an auntie or some relative who lived in Fred Young.

“Some of these people had been living there for 40 years,” Dennis said. “They had raised their kids there. It’s this incredible change, and people were really nervous about it. When they said to people, ‘We’re going to build this new housing,’ people said, ‘Oh my God, you’re going to build a skyscraper! What are you going to do? Where are we going to hang our clothes?’”
SEEING THE IMPROVEMENT  Dennis said, “Farm workers are some of the most vulnerable people, but some of the most critical to society. If you want to eat your strawberries every day, think about the work that these people do, whether it’s strawberries or dates or citrus or lettuce, whatever they’re picking. It was wonderful to be able to provide them with such a transformative experience of a new place to live, which they deserve so much — after years of people essentially telling them that all they deserve are these concrete shells, with no heat and no air conditioning.”

The new complex is stunning — earth-toned one- and two-story townhome-style villas around a courtyard and playground, community gardens, and a common room. The units all have Energy Star appliances and, yes, air conditioning — which comes in handy on those 125-degree August afternoons.

It’s Fun to Stay at the YMCA

Take a historic building in the heart of San Francisco and try converting it to a site to house and help homeless people — in the middle of a historic downturn, in which private investors cling tightly to their wallets. It’s no small task.

The Tenderloin Neighborhood Development Corp.’s effort to rehabilitate the historic YMCA at 220 Golden Gate Avenue, built in 1910, “was one of the most complicated projects I’ve worked on,” said Community Economics’ Kevin Knudtson.

The project, named for former TNDC Executive Director Kelly Cullen, not only needed to meet historic preservation requirements, and not only needed extra funds for the broad array of services required to stabilize the lives of its new tenants — making it, at $95 million, one of the biggest projects in Community Economics’ portfolio — but it had to find a way to do so in the midst of the financial meltdown of 2008.

“Right when the YMCA–Kelly Cullen project came up, the market for low-income housing tax credits virtually dis-
appeared,” Knudtson said. “There was no interest. Investors love working with TNDC, they loved the work TNDC was doing in and around the Tenderloin — but no investors would do it at that time. Nobody. We did manage to find an investor for the historic tax credits, but that still left a huge funding gap.”

Enter Joel Rubenzahl and his ambitious scheme to have the U.S. Treasury step in and convert the tax credits to cash. [See “The $5.6 Billion Idea,” page 36.] When Congress made the plan part of the federal stimulus package (the American Recovery and Reinvestment Act, or ARRA), the YMCA project, now known as Kelly Cullen Community, received an influx of nearly $40 million.

“Kelly Cullen was certainly the biggest user in California of those funds, and maybe in the country,” Knudtson said. “Without it, that project would not have gone forward. Not a chance. But it succeeded.”

Olson Lee, director of the San Francisco Mayor’s Office of Housing and Community Development, was amazed at the complexity — “It was so huge, it used ARRA funds, historic preservation, building reuse, all the services. Things like that, though, don’t faze Community Economics.

“They figure out the financing and negotiate hard to get top dollar — and they usually do, because of their reputation,” Lee said.

Even while preserving historic features, the building incorporated state-of-the-art green technology. From the solar energy to the healthy materials, Kelly Cullen Community earned LEED Gold certification.

The project opened in 2012, with 172 units for homeless and formerly homeless people, an on-site health clinic, and a gymnasium. San Francisco city government, like many other cities around the country, has realized “that it’s cheaper to bring homeless folks inside and pay for all of their housing costs and their supportive services costs, rather than paying for emergency room visits, psychiatric pickups,” and other costs, Knudtson said. “They’re saving a bundle of money, even though it’s a very expensive project.
EAH Housing’s gorgeous $41 million Cathedral Gardens opened in Oakland’s hip Uptown District in 2014 on the site of the former Saint Francis de Sales Cathedral, which had been built in 1893 and torn down a century later after suffering irreparable damage in the Loma Prieta earthquake. Photos by Alain McLaughlin/EAH Housing.
A Tenant’s Story: EAH Housing, Cathedral Gardens

The stack of applications tells one story of need: When EAH Housing was ready to select tenants for its dazzling new $41 million Cathedral Gardens complex in Oakland, nearly 5,000 people applied for 100 units.

Kiros Gebregzabher was one of the lucky ones who got to move in when the complex opened in November 2014.

“From my application to move-in, everyone was so nice and happy,” Gebregzabher said. Before moving into the community, Gebregzabher had a difficult time dealing with the rising cost of housing at her previous apartment in Richmond, where more than half her income went to rent and utilities.

“The rent was too expensive,” she said. “I couldn’t afford to live there.”

Gebregzabher also had a difficult time with traffic and commuting to work at a retail store located in Oakland. Often she would wake up at 4 a.m. to make it to work on time. Moving closer to work would save her time, reduce her transportation costs, lessen her stress level, and enable her to save more of her earned income for the future.

It so happened that Community Economics had joined forces with other advocates to fight to make sure affordable housing was built in downtown Oakland, specifically for people like Gebregzabher. “That’s exactly what we were talking about in the Uptown organizing,” said Elissa Dennis. “We wanted to help people who work in the revitalized downtown and deserve to live nearby.” [See “Going Uptown,” page 31.]

Through a friend, Gebregzabher heard about Cathedral Gardens and decided to apply. During the application process, whenever Gebregzabher had a question, the Cathedral Gardens team always had an answer, making the process seem easy.

Now she enjoys having access to the community room, recreational gym, and the friendliness of the entire Cathedral Gardens community.

“This is a God gift for me,” Gebregzabher said. “We have everything here.”
“Community Economics helped us think through the whole structure for the financing that did make the project financially feasible. They helped us negotiate with the owner to be able to buy it and helped us negotiate with the tax credit investor.”

It’s a very smart integration of health care and affordable housing.”

Knudtson believes it can become a model for similar projects.

“We’ve advocated for having at least a piece of the state tax credit program offer a refundable tax credit, which could work exactly like that,” Knudtson said — bringing cash to the project, rather than relying on a private sector investor.

“Some projects just don’t work well as tax credit projects for various reasons. For example, some projects rely heavily on year-to-year rent subsidies, or they’re in neighborhoods investors aren’t yet comfortable with. That’s a tough position the tax credit program puts us in.

“For most of our projects, we’re able to say, ‘Oh, it’s a pretty good neighborhood, and the restricted rents are high enough to assure long-term feasibility, and the upside’s pretty good,’ but it isn’t always the case. A small group of our projects can be tough to market that way. If cash were available for some properties rather than tax credits, it could be a better fit.”

**Housing Rises in Wheatland**

As Stan Keasling remembers it, the Wheatland duplexes, owned by a local slumlord, were a mess. Originally built as off-base housing for people stationed at nearby Beale Air Force Base, 45 miles northeast of Sacramento, they had become run-down. Beale told enlisted folks they couldn’t live in those apartments any more.

Keasling, the executive director of the Rural Community Assistance Corp., and before that the Rural California Housing Corp., had a friend who was a California Rural Legal Assistance attorney.

“This friend convinced me that the housing was really important and needed somebody to take it over and do a major rehab,” Keasling said. “It was hard to tell that attorney no, but it was not an easy deal to figure out the financing for.
Community Economics helped us think through the whole structure for the financing of the project that did make it financially feasible. They helped us negotiate with the owner to be able to buy it and helped us negotiate with the tax credit investor.

“It was a really hard project,” Keasling said. “It was 88 units of two- and three-bedroom apartments. Wheatland had only about 1,500 people at the time, so it was a really big rental housing development for such a small community.”

Yet the finished product was so attractive and affordable that everything rented immediately, he said. “We developed a really nice child care center and ended up buying some property adjacent to it, where we built single-family housing for ownership. Some of the families from the apartments were able to buy their own homes and move in.”

The Rural California Housing Corp., which developed the project in the 1990s, was later folded into Mercy Housing, which is now in the process of refinancing the project to give it an update, Keasling said.
A Movement or an Industry?

From the outset, Community Economics was established with a few basic principles in mind. For one, although it seems obvious now, it was set up as a nonprofit. Many people have remarked that a for-profit consultant with Community Economics’ expertise could easily be a money-making machine, but that has never been the goal. The organization has always been driven by a mission to help build housing for low-income people.

In another key decision, the organization has taken on a dual mission, which Joel Rubenzahl describes as a split between “technical work” and “advocacy.” The technical work is the consulting — digging into spreadsheets, analyzing numbers, matching up investors with projects. That’s what pays the bills.

Yet many see affordable housing as not merely an industry, but a movement, and you can count Community Economics among them.

A lot of the older nonprofit development organizations grew out of community action programs, and staff came from community organizing backgrounds, Elissa Dennis noted. As the nonprofits have developed large portfolios of properties, they have had to become much more sophisticated financially to ensure compliance with regulatory agreements and accountability to lenders and investors. To help foster that growing sophistication, she said, people coming into the field now graduate from business schools with MBAs, as opposed to coming out of community organizing work. “Although the field is necessarily evolving, it’s critical to remain grounded in the energy and vision of the movement,” Dennis said.

While the financial work is necessary and is a big part of what Community Economics does, it’s all in service to
It’s all in service to the mission of the movement to make sure that the neediest people in our society have a decent place to call home.

the mission of the movement to make sure that the neediest people in our society have a decent place to call home. Often, the business of building affordable housing is not enough; meeting that goal also requires advocacy and political action.

MAKING AN IMPACT ON POLICY CEI staffers serve on the boards of many affordable housing advocacy organizations. Kevin Knudtson has served as a board member of the Non-Profit Housing Association of Northern California since 2008, where Alice Talcott, Rubenzahl, and Falk had also served, and of the California Coalition for Rural Housing since 2006. Community Economics has long had a staffer serve on the board of Housing California, the statewide advocacy group; Joel Rubenzahl and Janet Falk had held that post, and Elissa Dennis held it from 2007 to 2009, and again since 2011. Falk also served on the boards of the California Coalition for Rural Housing and the California Housing Consortium, and Dennis served on the board of East Bay Housing Organizations from 1995 to 2000.

Community Economics plays a vital role in lobbying for legislation and regulations, often educating lawmakers on what works and what doesn’t.

In a way, the two missions are the yin and yang of Community Economics, the parts that make up a virtuous circle. Janet Falk, who served for many years as CEI’s co-director, said the advocacy was critical to getting the money to build the housing. “If we didn’t have the money and tools, we couldn’t do the work we needed to do, and our clients wouldn’t be able to build their projects,” Falk said. “We had to constantly advocate for the regulatory and monetary tools to make that possible.”

Yet it was the role as advisors to the developers of low-income housing that helped make Community Economics such effective advocates. “If we weren’t grounded in the work, nobody would listen to us. We’d be just another voice in the wilderness,” Rubenzahl said. “But if we could say that
As Mission Bay evolves into San Francisco’s newest neighborhood, affordable housing has risen along with biotech buildings. Mercy Housing California built the 139-unit Mission Creek Senior Community. Photo courtesy of Mercy Housing.

this is what will make it work, and we know and we have experience, then our credibility would be much higher.”

“My view is, if you’re grounded in the work, then you’re more effective as an advocate, because you’re not a lobbyist, you’re coming from a position of knowledge and experience.”

Bill Pavão, the executive director of the California Tax Credit Allocation Committee for nearly a decade, said he often relied on Community Economics to help him tweak regulations, because CEI was rooted in the work. “Because they worked with a number of developers and saw so many projects each year, they would detect patterns,” Pavão said. “If they saw a dynamic that was of concern, they would alert us to it and suggest public policy responses to it. That was another real value that they added to the process statewide.”
Just before the housing bubble burst in 2008, for example, the real estate market grew “super heated,” Pavão said. “Home prices were going through the roof and developers couldn’t develop housing fast enough because the demand was really ramped up. As a result, contractors, because they were so busy developing housing, would come in with higher and higher bids. Community Economics alerted us in advance: ‘Whoa, we’re starting to see materials prices are going up and contractors’ bid prices are going up. You might want to raise some of your limits in terms of what you make available to projects.’

“That was an example of how they alerted us to a trend and had some suggestions as to how we might respond. It was very, very helpful.”

SUPPORTING IDEAS WITH DOLLARS One of the benefits of Community Economics’ hybrid advocacy-consulting model has been the ability to give money to organizations that advocate for affordable housing and low-income households.

Community Economics has generously supported Housing California, the Non-Profit Housing Association of Northern California, the California Coalition for Rural Housing, East Bay Housing Organizations, the Southern California Association of Non-Profit Housing, and others.

If there’s a cause that might help affordable housing, Community Economics is helping out, often anonymously.

Trying to reform the tax-limiting Prop. 13 has long been
seen as the “third rail” of California politics — no one wanted to touch it because voters were seen as being so attached to it. Rubenzahl thinks the pendulum may be ready to swing back. The latest effort is aiming at commercial non-housing uses, often corporate owners whose properties haven’t been reassessed for years, even if they change hands.

“A few years ago, we kick-started an effort to change Prop. 13, which is a huge problem for California,” Rubenzahl said. “We did it very quietly.”

CEI gave the California Tax Reform Association (on whose board Rubenzahl serves) money to hire staff and do research on commercial property tax inequities.

Community Economics also gave money so that Housing California could hire staff to engage the affordable housing community in organizing for Prop. 13 reform. The money enabled the statewide advocacy organization to join forces with the California State University, East Bay to conduct a poll on the issue and to join a labor-community coalition for legislative and voter referendum efforts.

In a similar instance, Community Economics gave an interest-free loan to the Public Interest Law Project to help fund a new attorney to work in the Bay Area on enforcing California’s housing element law, according to Mike Rawson, director of the project and a longtime Community Economics board member. Through its California Affordable Housing Law Project, PILP has helped bring about many judgments and settlements that have compelled counties
Shinsei Gardens Apartments in Alameda, Calif., a project of Resources for Community Development at the old Alameda Naval Air Station, features a variety of green elements and resident services. Photo by Treve Johnson Photography, courtesy of RCD.

and cities to zone for, initiate, and finance the development of affordable housing.

GETTING ORGANIZED Amie Fishman, executive director of the Non-Profit Housing Association of Northern California (NPH), has seen up close how Community Economics can jump-start a movement. When Fishman was executive director of East Bay Housing Organizations, CEI seeded EBHO's Resident and Community Organizing program with money and ideas. “They were the behind-the-scenes, invisible partner,” she said. “It has since taken off. It’s been
so successful.” The initiative has spread statewide, morphing into RUN, the Residents United Network.

RUN had its origins in several campaigns EBHO was conducting, trying to get elected officials to support affordable housing. “For years, EBHO members and staff had seen that the city council could ignore us professionals constantly being the ones advocating,” Elissa Dennis said. “We knew that the hundreds of residents living in affordable housing in Oakland would be much more effective advocates, and that was a tremendous resource we had at our disposal.

“We wanted residents to come out and speak because it changes the dynamic of the conversation,” Fishman said. “When residents tell about their own experience in their own words, it’s incredibly powerful.”

Community Economics gave a preliminary grant in 2008. “In January 2009, we brought on our first director of resident organizing,” Fishman said, “and the program has just exploded from there.”

CEI’s seed money enabled EBHO to raise more funds from the nonprofits involved and then from foundations and other funders. EBHO hired a second organizer in 2012, and the program has been so successful, it’s hiring a third this year. In Oakland, in 2013, EBHO won back some of the funds for affordable housing that had been lost in the dissolution of redevelopment, which Fishman said “would not have happened without the residents.”

When the state government proposed slashing redevelopment dollars to cities, eliminating redevelopment agencies, housing advocates lobbied and staged rallies in Sacramento. Organizers helped pack buses with 500 residents on short notice, Fishman said, which really upped the ante. “We lost the fight with redevelopment, but it set the stage for subsequent fights. It’s not a quick fix. And it’s getting us back to the core of what we do, which is not just funding affordable housing, but building strong communities.”

INTO THE 21ST CENTURY Like many state agencies, California’s Department of Housing and Community Development (HCD) operates a range of programs created over
Mr. Rubenzahl Goes to Washington

One story not only shows how Community Economics would take its quest for affordable housing to the corridors of power, but as Bill Pavão, the former executive director of the California Tax Credit Allocation Committee, tells it, it also “encapsulates everything that’s wonderful about Joel Rubenzahl.”

In 2009, Rubenzahl and others had succeeded in getting Congress to agree to pay cash instead of offering tax credits, since the market for investors had dried up. The U.S. Treasury was administering the program, and “there was a set of five or six things they were doing administratively that were contrary to what we were trying to accomplish,” Pavão said.

The National Council for State Housing Agencies “pulled all the levers they could,” Pavão said, and managed to arrange a meeting with Fiscal Assistant Secretary Dick Gregg, a high-ranking Treasury official. “They told us, ‘We don’t get many meetings with this Dick Gregg fellow. Please be cautious. Don’t damage our relationship with Treasury and this fellow.’”

Pavão asked if he could bring Rubenzahl, because of his depth of knowledge about the program, and the NCSHA agreed. “Joel met me in Washington, D.C., and we went to this meeting,” Pavão said. “We had to go through all kinds of security in advance — drivers’ license numbers, Social Security numbers.”

The Treasury Department is in a grand building right next to the White House. Rubenzahl and Pavão were delayed crossing Pennsylvania Avenue on their way there, as the street was closed to allow President Obama to travel to the Capitol for his State of the Union speech. (Rubenzahl tried to assert the importance of crossing the street, but the Secret Service wouldn’t budge, and he and Pavão had to wait.)

“It was quite an event,” Pavão said. “Joel and I sat down with about a dozen Treasury officials, almost all attorneys, and a contingent of housing advocates. When Dick Gregg finally walked into the room, you could tell a powerhouse had entered. Everyone was very deferential, even all these attorneys.

“The meeting began. We described one problem. And Dick Gregg said, ‘Okay, what’s your next issue?’ We began to describe it, and Joel said, ‘Excuse me.’ Everyone turned. He said, ‘Bill and I traveled a long way for this meeting, and I think you owe it to us, as we go through, to give us some sense of what Treasury can do to address these concerns.’

“The entire table went silent. The officials from Massachusetts looked mortified. The attorneys looked mortified. People pushed back in their chairs. They seemed to notice Joel for the first time.

“They thought, ‘Wow, this person has some teeth.’ They were thinking this meeting was with a bunch of lambs, and this lamb has teeth!”
“Dick Gregg was looking like Mt. Rushmore. He was frozen in time for a minute. Finally he said, ‘Fair enough. On the first matter, we can help.’ Thereafter, that meeting was so much more productive. He would either say, ‘Yes, we can help,’ or he would propose an alternative, or he’d say, ‘We can’t help you on that, that’s statutory.’”

“Joel’s presence added value. That meeting was so much more productive because of him. And he was a much better negotiator than any of those officials. I was so thankful he was at that meeting.

“He took full advantage of being there,” Pavão said. “I think Dick Gregg admired his nerve.”

801 Alma Family Apartments, developed by Eden Housing and the Community Working Group in partnership with the City of Palo Alto, features 50 affordable units, a landscaped courtyard, and a computer learning center. Photo by Vantagepointphoto.com – Jeff Peters, courtesy of Eden Housing.
several decades, all with different rules and processes that are a product of the best thinking at the time of their creation. One might think trying to change that would be akin to tilting at windmills. But Knudtson and a group of large Bay Area nonprofit developers saw some laws and regulations that needed modernizing, and they decided to do something about it.

“HCD has been making loans for many years to affordable housing projects,” Knudtson said. “Now a lot of those properties are 20 or 30 years old. We’re trying to raise money to recapitalize those properties, to modernize units, add energy-efficient technology, and fund new reserves. To do that, these properties need to access 21st-century funding mechanisms.

“But the state programs were so varied and rigid that they were all extremely difficult to work with using the resources of today. The task of standardizing all of those older programs and making them compatible with 21st-century funding mechanisms was huge and had been put off for years.”

Those older programs and regulations also served an important purpose: protecting the lowest-income people. The state didn’t want to make any changes that would mean less protection for that sensitive population — and the housing advocates agreed.

Because Community Economics, working with a core group of nonprofits — including MidPen Housing, BRIDGE Housing, Mercy Housing, and Eden Housing — also wanted to serve the lowest-income populations, the state was willing to listen.

“A group of us approached the state about combining these programs into one new program, which really meant that they would have to let go of some sacred cows they had had for many years,” Knudtson said.

**SHARED GOALS**

“We started a long, complicated negotiation around shared goals,” Knudtson said. “It was really a negotiation about under what circumstances do they let go of key pieces of these older programs, which they really
didn’t want to do.”

This working group found a core of consensus issues and managed to come to agreement.

“We valued their issues,” Knudtson said. “We wanted rents to stay as low as they possibly could. But we argued if the programs’ restrictions stayed the way they were, we’d be unable to make many of them work with the tax credit program and they’d lose many of them altogether.

“We met with staff from the state for a year and a half to negotiate the details, and then we sponsored legislation that overhauled all of those programs. That bill, AB 1699, which passed and was signed by the governor in 2012, represented an important agreement between the state and affordable housing developers to preserve many projects throughout the state.”

Julie Snyder, the former policy director at Housing California, said only someone like Knudtson could have pulled off a successful mission like that.

“It was the sort of thing that, frankly, even if somebody had been working in finance for 15 years, was so technical, that without Kevin really leading the way in identifying the
A sense of playfulness pervades Station Center, a previously underutilized 105-acre site across from the Union City, Calif., BART station that has been redeveloped into a vibrant, mixed-use, transit-oriented city center, including 157 affordable multifamily units from MidPen Housing. Photos courtesy of MidPen Housing and Bruce Damonte.
problem and thinking through how to address it, and being in discussions with the department over how to fix it, it wouldn't have happened,” Snyder said.

Snyder said it was classic Community Economics.

“I always valued the way they could take their real-world experience from working with nonprofit developers and bring that into the policy arena to help inform key financial and housing finance legislation,” she said. “I really relied on their experience and their analytic skills and ability to think about how a program change would impact their clients statewide.

“I was with Housing California for 14 years, and they have had a voice in helping to craft every piece of legislation that had to do with financing.” Snyder said. “They’ve been incredibly valuable.”
Man on a Mission

In looking back at Joel Rubenzahl’s career, the central question of whether building affordable housing is a movement or industry becomes quite easy to settle. For all the high finance and complex regulations, for all the math and money, it’s a movement. A mission. A cause.

Rubenzahl has tirelessly devoted his professional career to making sure that people on the margins of America’s capitalist society will get the clean, safe, affordable housing they deserve.

“He could have built himself a valuable concession for his own bank account, and sold the firm for a lot of money, but he chose not to,” said Mary Murtagh, the president and CEO of EAH Housing. “It’s a real public service what he’s done.

“Joel is a star, a recognized star by everybody,” Murtagh continued. Noting Rubenzahl’s physics background and his financial acumen, she said, “Joel has the talent to make millions as a Wall Street quant, but given his commitment to social justice, he’s dedicated his life to building affordable housing. What a great thing to do.”

Jong Limb, president of the Newport Division of Alliant Capital, has a long history of investing in projects using the low-income housing tax credit, thanks to Rubenzahl. “In the early years,” Limb said, when he was at Edison Capital, the investment arm of Southern California Edison, “I actually wanted to hire him. I would have paid him a whole lot more money than what he was making. But that’s not what he does. He is very mission driven.”

Rubenzahl said Limb was not the only one to offer him a job like that. “I would never do that,” he said. “One of the really nice things about my job is, I get to do something
that’s really beneficial to society. It would sicken me if I only made money. I’ve never had a private sector job.”

FROM THE CATSKILLS TO CALIFORNIA Rubenzahl was born in 1946 in Neversink, N.Y., an unincorporated community whose name, it turned out, packed some irony: In the 1940s, the Neversink River was dammed to create a reservoir for New York City’s drinking water, submerging the town of Old Neversink.

His grandparents’ farm, complete with cows and goats, was above the town and passed to Rubenzahl’s father and his two siblings, who ran a chicken farm and later a hatchery, selling baby chicks to other farmers.

In 1968, Rubenzahl earned a degree in physics from Union College in Schenectady, N.Y., and headed west to pursue graduate studies in biophysics at UC Berkeley. He was quickly caught up in the protests that were ubiquitous at that time, inspired in part by an older brother who had told him of the evils of the Vietnam War and the draft. Having already been arrested at People’s Park (and beaten by the California Highway Patrol), Rubenzahl had a lawyer. He told his lawyer that he was being drafted to fight in Vietnam, which he would never agree to do. So when he was called by the draft board to appear at the Army Induction Center on Clay Street in Oakland — only a few blocks from where Community Economics’ office is today — Rubenzahl’s attorney wrote to U.S. Sen. Alan Cranston, saying, “This guy’s getting drafted. He was just arrested for inciting to riot. You don’t want this guy. He would not make a good soldier.”

Cranston contacted the Army and expressed interest in Rubenzahl’s case. When Rubenzahl arrived for his physical, he saw large block letters on his file: CONGRESSIONAL INQUIRY. And the people conducting the exam asked, “Mr. Rubenzahl, would you like to fail your eyesight test? Would you like to fail your inspection for this? For that?”

“It was obvious I was getting out,” Rubenzahl said. “It was because of Cranston.”
“HONESTY AND INTEGRITY”  Margaret Schrand was working at HUD on the financing for Savo Island when she first encountered Rubenzahl, years before their frequent collaborations when he was leading Community Economics and she was a banker for First Interstate and then Wells Fargo.

“He was perceived as being radical,” Schrand said. “His hair was long. He carried this image into meetings. A lot of people might have dismissed him or been annoyed at him because of the radical look that he had, but part and parcel of that was a keen intelligence.”

Through his activism in Berkeley in the late 1960s and early ’70s, Rubenzahl met Ed Kirshner, the founder of the Community Ownership Organizing Project, or COOP — Community Economics’ predecessor. There, he joined forces with Tom Brom, a journalist who wrote most of COOP’s and Community Economics’ early material, and Eve Bach, who had a major influence on Rubenzahl.

“Eve was Ed’s alter ego in a way,” Rubenzahl said. “Ed was the inspiration, but Eve knew way better how to deal with people and how to get things done. She was much more of an organizer and a person that people could relate to. She taught me one very important lesson, which was honesty and integrity. She taught me that integrity was incredibly important. I’ve relied on that for my whole career.

“If you say that’s the deal, then people expect that to be the deal,” he said. “People will trust you.”

Bach’s activism led her to become Berkeley’s assistant city manager for community development and then to a job with Arc/Ecology — the Arms Control Research Center — as its economist/planner, a position she held until her death in 2010. In that job, she worked with disadvantaged communities on the reuse of military bases, always trying to get more affordable housing built.

THE ART OF NEGOTIATION  Shortly after Linda Rivers started working at Community Economics in 1989, the phone began ringing regularly — with calls from car dealers. “Joel was going to purchase his first new car and, over the course of a week, there had to be 25 dealers calling,” Rivers said. “I
And then she realized: He was negotiating. “He is one of the best negotiators I’ve ever met,” Rivers said. “He enjoys the art of negotiation.”

Tales of Rubenzahl’s negotiating prowess are legion.

Bill Pavão, the former executive director of the California Tax Credit Allocation Committee, said Rubenzahl taught him a few negotiating tricks as well. Pavão notes how his agency oversaw tax credit deals that applied to both mission-driven nonprofit developers of affordable housing, whose primary interest is serving low-income people, as well as deals for private, for-profit developers, who built affordable housing as a way to make money.

“That profit-oriented end of the spectrum is often pushing public agencies for minimum requirements,” Pavão said. “They often tell us, ‘Just give us the money, let us build the housing, and get out of the way.’

“When those developers became aggressive like that, I would call Joel and worry,” Pavão said. “He told me his theory, that the best defense is a good offense. He said to push in the opposite direction. If they want fewer restrictions, tell them you will push for more.

“That’s exactly what we did, and it would knock those developers back on their heels a little. They would have to respond to our initiative. We would get more aggressive on those objectives. The net result would be a strengthened policy or retaining what we had in place.”

Fran Wagstaff, the executive director of MidPen Housing, appreciated Rubenzahl’s stance with investors and lenders. “We had numerous lenders on all of these projects,” she said. “As the borrower, we would be in the middle of all these hassles. People wanted seniority for their debt, or terms other lenders wouldn’t agree to, and it often looked like a deal would fall apart. Joel would step in, working with attorney Natalie Gubb, and would negotiate solutions that would get us over the hurdle.

“He taught me, these projects don’t get killed. They get done. People throw a lot of hurdles your way. You have to overcome them.”
A Scholar and an Athlete

If there’s any question about Rubenzahl’s tenacity, consider his passion for cycling. Although he biked as a boy, he had set it aside in favor of volleyball. In his one year on the Cal volleyball team, he was one of the better players on the junior varsity team, but all the jumping wreaked havoc on his knees and he had to give it up. That’s when he rediscovered cycling.

As is typical for Rubenzahl, he didn’t get into it halfway. “I’ve done three double centenaries — the Davis Double, 204 miles in one day — in 1991, ’92, and ’93,” he said. “I biked a lot with my son on a tandem. And I go out on my own road bike.”

Through cycling, he met Olson Lee, director of the Mayor’s Office of Housing and Community Development in San Francisco, and a strong cyclist himself. Lee sometimes sees him on Tunnel Road — the scene of Rubenzahl’s most infamous wipeout in 2008 — and once, when Lee was nursing a hand injury, he rode on the back of Rubenzahl’s tandem. “Oh my God!” Lee said. “We were wobbling along! We eventually got synchronized and had a nice ride together.”

Their cycling may give Lee a little edge in his dealings with Rubenzahl, since he’s seen another side of him. “For all those young project managers out there, would Joel Rubenzahl be as threatening to you if he was sitting there in full spandex?”
The toughest was getting funding for projects that served those at the margins of society — the homeless or mentally ill. Investors always wanted the sure thing, projects in a good neighborhood, perhaps senior housing, with minimal risk. In those, Wagstaff said, “Nothing happens. You fill them up and they operate in the black. With projects for homeless or mentally ill people, and even for farmworkers, Joel was able to bundle these. He told investors, ‘If you want the cream puff projects, you have to take the project that will help these other people.’ He made sure everybody got the money they needed.”

BABY COMES FIRST  Rubenzahl’s office is filled with photos of his family. Considering Rubenzahl’s intense drive, he naturally felt some overlap in his career between work and family.

About 16 years ago, when Rubenzahl’s daughter was still a baby, Lynette Lee of the East Bay Asian Local Development Corp. and her development director at the time, Joshua Simon, who is now the EBALDC executive director, were on the phone with Rubenzahl, negotiating the terms of a deal. “Joel was on one side with a crying baby on his knee,” Lee said, “and Joshua and I were on the other end of the phone. He was trying to calm his crying baby at the same time he was negotiating with us. Even with that, he got the better end of the deal.”

A generation later, Rubenzahl was at it again, according to Alisa Luber, senior real estate developer at Mercy Housing Northwest. Her project, Family Tree Lincoln Way, was closing in December 2013 and was particularly complicated. Luber was “trying to wrangle seven attorneys and stay on the path to close the week before Christmas in order to maintain the pricing on the tax-exempt bonds and hold to the construction and relocation schedules at two project sites. It’s the night before the closing and the settlement statement is a wreck — ins and outs, deposits and holdbacks, seller financing and sub-debt adjustments that are incorrectly scattered throughout. No way we are closing with the sources and uses in this condition.
“Not to worry — at 10 p.m., after Joel wraps up babysitting for his grandson, we get on a call and begin a surgical analysis and revision. Every invoice from every vendor is parsed. Every source is reviewed, confirmed, and correctly allocated. In the wee hours of the morning, we have a spot-on settlement statement and can proceed to closing.”

“A CRAZY FORCE OF NATURE” Rubenzahl brought many other qualities to the job, including intelligence, tenacity, and generosity.

Lydia Tan, formerly executive vice president for BRIDGE Housing, was always impressed with Rubenzahl’s physics degree.

“Joel is a crazy force of nature,” Tan said. “He’s super smart. He’s intellectually curious. One reason that Community Economics succeeded the way it did is, they are always trying to solve problems in creative ways. I called him a lot with theoretical/hypothetical issues, and he was willing to engage with whatever crazy idea I had. More often than not, he was able to figure something out.”

Rubenzahl’s longtime colleague Janet Falk, who helped run Community Economics in the 1980s and ’90s, valued working with him.

“We had a great relationship,” Falk said. “We had very different styles and often different opinions. We didn’t hesitate to argue with each other, but it was never personal.”

Falk also saw something almost super-human about Rubenzahl, even in an era before people talked about multitasking.

“Joel is the only person I’ve ever known who could work on the computer, talk on the phone, and have a conversation with somebody in his office at the same time, and keep it all going,” Falk said. “I used to walk into his office, and he’d be on the phone, and on something else on the computer, and instead of saying, ‘I’m busy,’ he’d talk to me too. He’s just very quick.”

Bill Rumpf, president of Mercy Housing Northwest, also goes way back with Rubenzahl, through several jobs. “I have respected and appreciated him in my various roles...
— as a public funder at the San Francisco Redevelopment Agency and the Seattle Office of Housing, as a friendly competitor at the California Housing Partnership Corporation, and most recently as a client at Mercy Housing Northwest,” Rumpf said.

Rumpf offered up a compliment, disguised as a jab at the mostly unreconstructed ’60s radical. “I would like to congratulate Joel for his contributions to corporate America by helping it avoid millions of dollars in federal income tax payments,” Rumpf said, in reference to the big companies that profited by investing in affordable housing and taking a low-income tax credit. “John Koskinen, the commissioner of the IRS, is probably celebrating at the news of Joel’s retirement, since during his career, Joel probably generated tax savings of many billions.”

SPEAKING OUT Not everyone saw the kinder, gentler Rubenzahl. “Sometimes you might find people who think he was kind of abrasive, but it was a tough business!” said Fran Wagstaff from MidPen Housing, who has known Rubenzahl since the 1970s.

“Joel is a personality unto himself,” said Olson Lee, director of the Mayor’s Office of Housing and Community Development in San Francisco. “People would always look forward to hearing what Joel would have to say, although he was not always so politic sometimes. When he thought the policy was stupid, he would tell people that. He could be less gracious with some of the for-profit developers he felt were gaming the system.”

As a banker at Wells Fargo, Margaret Schrand saw Rubenzahl in many negotiations. “There are lots of times where you’re challenging government officials or even bankers on policies,” Schrand said. “Sometimes, that’s not always a pleasant situation. Joel, in a very polite way, was always willing to commit to the truth as he understood it and wouldn’t shrink from an unacceptable idea.”

Mike Rawson, director of the Public Interest Law Project
and a longtime Community Economics board member, said Rubenzahl often distills a situation down to its essence — and can then give a blunt summary, without any sugar-coating.

“I remember years ago, at a conference, someone asked the question, ‘What are we going to do about the affordable housing situation? What can local government do?’ At that time, and even now, about the only thing that was politically possible was for local government to plan, acquire sites, and create a housing trust fund.

‘Joel said something like, ‘If you really want to get real, local governments can all adopt rent control.’ That was politically impossible. He said, ‘You can have your trust funds, and sites, and that’s good. But to make enough housing stock affordable, hands down, you need rent control.’

‘That’s not what folks at the conference were there to hear. But he was right. And he was willing to say it. And people were willing to listen to him because they knew that he knew what he was talking about.”

As San Francisco’s Mid-Market neighborhood undergoes a renaissance, advocates are making sure the longtime denizens are not left out in the cold. Mercy Housing California developed 243 units at Tenth & Mission Family Housing, including 70 units set aside for homeless families and seniors. Photo courtesy of MHC.
A COLLABORATIVE CULTURE  In this modern era, many high-tech startups talk about the importance of a strong company culture setting the tone for everything they do. Even though it’s neither high-tech nor a startup, Community Economics has a strong culture of its own, which has contributed to its success over the years.

The qualities that define a Community Economics staff person are a commitment to the movement, a skill with spreadsheets, knowledge of the needs of lenders and nonprofits — and creativity, independence, self-motivation, and an ability to work well with others. It’s always particularly important in a small organization that everybody gets along — especially in an organization with so little turnover.

From 1980 to 1999, Rubenzahl and Janet Falk shared the reins as director, setting the tone for a collaborative culture. “She had a big role to play,” Rubenzahl said. “As the years went on, we basically had what I would call a double green light arrangement,” he said. “If we both agreed to do something, we did it. If we disagreed, nothing happened.”

After Falk left, a similarly collaborative environment took hold. All employees run the business jointly, coming together to reach consensus on the decisions that affect everyone, including benefits, personnel policies, office location, and hiring. Such a system leaves the organization uniquely well suited to the transition it has undergone with Rubenzahl’s retirement.

BRIGHT, COMMITTED, POLITICALLY ACTIVE  Similarly, Rubenzahl said he never looked to hire housing transaction superstars (even though his hires have all become just that). “Generally, my philosophy was to hire people who were very bright, committed, politically active, but not necessarily able
to do the work on day one,” he said. “They had to be interested in housing. I was interested in how smart they were and what their abilities could turn out to be.”

Community Economics’ clients appreciate those skills. “Joel has gathered around him a top team over the years,” said Matt Steinle, vice president for real estate development at EAH Housing. “Everyone is top flight.”

Community Economics’ staffers tended to stick around. In addition to the current staff, and not counting some employees who were either hourly or didn’t stay very long, the organization has had only two other staff people since 1980, Falk and Alice Talcott, who worked there 19 and 15 years, respectively. Falk came to Community Economics from the City of Walnut Creek, where she was a planner, and wound up a co-director. She left in 1999 to work for the Local Initiatives Support Corporation, which helps low-income communities, and then spent three years as the executive director of the California Housing Partnership Corp., finishing her career at Mercy Housing as the vice president of real estate development, where she oversaw the creation of 3,500 units of affordable housing. “I was a Community Economics client,” she said. “That was an interesting juxtaposition.”

She retired in 2011 and received the Catherine A. Bauer Lifetime Achievement Award from the Non-Profit Housing Association of Northern California (NPH).

Talcott had a background of working in affordable housing at the Mayor’s Office of Housing in San Francisco. “She was familiar with a lot of housing issues, but not with the kind of detail that we work on in our transactions,” Rubenzahl said. “She was smart, politically astute, and committed.”

She wasn’t initially a “movement” person. She earned a bachelor’s degree in political science at Washington University in St. Louis and then a master’s in city planning from UC Berkeley. She saw the fundamental role housing played in people’s lives, and she was hooked. At Community Economics, she saw “how the folks there have not only stayed so long, but really kept their enthusiasm and their passion alive.”
To build Sara Conner Court in Hayward, Eden Housing cleaned up a “brownfield” site previously occupied by a beverage processing plant, a gas station, and a dry cleaner. Now one of Alameda County’s first GreenPoint Rated multifamily developments, Sara Conner Court offers 57 environmentally friendly units surrounding a landscaped courtyard. Photo courtesy of Eden Housing and Vantagepointphoto.com – Jeff Peters.
“I couldn’t have worked with a group of people who were more competent, smarter, or more committed,” Talcott said. “For me, that was one of the biggest attractions of working there.” Talcott also loved the variety and the challenge. It took 10 years to complete one particularly complex project to house homeless people in Sacramento, for Mutual Housing California. She also had several projects in Hawaii, including a long-running endeavor for EAH Housing that involved multiphased family housing.

She served on the NPH board for six years, with a particular interest in advocating for how California tax credits were allocated. She especially enjoyed Community Economics’ role in mentoring project managers, many of whom have gone on to become executive directors and other high-ranking officials at development firms. “The sophistication of the developers has really been improved by the guidance and mentoring of Community Economics,” she said.

She left in 2014 to become director of housing finance at MidPen Housing, another Community Economics client.

THE LUNCH BUNCH The work at Community Economics tends to be solitary in nature, so the organization came up with ways to foster communication and collaboration as well as kinship. “We would spend all day cooped up in our
offices, hunched over spreadsheets or on the phone,” Falk said. So a system evolved where for years the staff all had lunch together. Usually they would take turns going out to pick up the meal.

“Joel was never good at organizing staff meetings, so we did it by being informal,” Falk said. “That’s how I’d find out what he was doing, and he’d find out what I was doing, and we’d learn about what Kevin and Elissa were up to.”

“It was a way of getting to know each other, do some training informally, and talk about issues that were coming up and how best to solve problems,” Rubenzahl said.

“It was really nice to have that,” Falk said. Back then, “there was hardly anything to eat in downtown Oakland, and there was no place to spend lunchtime. It was much nicer to sit with each other. It was a very valuable aspect of our working together.”

In recent years, as downtown Oakland has become a happening scene, the staff lunch still happens, especially as the first floor of Swan’s Market — downstairs from Community Economics, in a project built by CEI client EBALDC — has developed into a flourishing hall of gourmet options, including Mexican, Caribbean, seafood, and sausages.
Kevin Knudtson, executive director, earns wide praise for his strategic thinking and his easy-going manner.

Kevin Knudtson: “A Terrific Leader”

Kevin Knudtson not only draws praise for his technical expertise and his active advocacy on housing issues, but also for just being a really nice guy.

“Kevin is a terrific leader, a good listener, a thoughtful speaker, and he’s a seasoned and experienced consultant for affordable housing development,” said Dena Belzer, president of the Community Economics board of directors. “He knows what he’s doing and has a very good track record of success. He’s a consensus builder.”

Yet don’t be fooled for a moment into thinking Knudtson is a pushover. “Kevin gets what he wants without being confrontational,” said Don Falk, executive director of the Tenderloin Neighborhood Development Corp. (TNDC) in San Francisco, who has worked on 20 projects with Knudtson. “Part of what makes him so good at strategizing is that he is so skilled interpersonally. He has a gift. He knows how to talk to people.

“He knows how to negotiate,” Falk added. “He doesn’t pound the table. Instead, he comes up with solutions that work for all sides.”

In one key instance, Falk recalled, Knudtson saved TNDC’s 179-unit Dalt Hotel project when it hit some rough sledding before its renovation in 2004. “Tax credits are very sensitive to timing, and we were going to lose a fair amount of money related to a delay,” Falk said. “With Kevin’s help, we went back to the investor trying to figure out a way to make up for the loss, but in such a way so that the investor didn’t lose money. That was not an easy thing to figure out. They had to suspend their typical rules. It ended up saving TNDC $300,000 of our fee that we otherwise would have had to lose, if not for his ability to figure out a solution and persuade the investor to go along with it.”

Julie Snyder, the former policy director at Housing California, said Knudtson led the charge for a sweeping fix of a technical and arcane series of regulations that made financing affordable housing very difficult. Not only did he have a deep understanding of the complex rules and econom-
“Kevin gets what he wants without being confrontational. He has a gift. He knows how to talk to people.”

ics underlying the law, but he also assembled a coalition of advocates that persuaded the state Department of Housing and Community Development (HCD) to back the changes. [See “Into the 21st Century,” page 63.]

LEARNING IN LIBERAL BASTIONS Knudtson earned degrees in economics and community studies at the University of California, Santa Cruz, in 1981. The dual major planted his feet in two worlds — the economics department was “a fairly right-wing program,” he said, while community studies taught “organizing for social change.” That proved excellent training for someone who would wind up with one foot in the affordable housing industry and the other foot in the movement.

Although he had grown up in Seattle and in Redlands, in southern California’s Inland Empire, Knudtson immersed himself in the fight for rent control and against Proposition 13, then known as the Jarvis-Gann Initiative, in Santa Cruz in the late 1970s. “Housing costs were skyrocketing,” he said. “I saw how housing affected people’s lives. It was really powerful.”

Community studies mandated that students spend two terms in the field, studying organizations. Knudtson landed with the Neighborhood Economic Development Corp., which was trying to revitalize a low-income neighborhood in Eugene, Ore. Rubenzahl and Community Economics were helping the group buy dilapidated homes and redevelop them as cooperatives with Section 8.

“I thought, ‘These are really smart people, really committed people, and they have technical skills in real estate and finance working for social change,’” Knudtson said. “People like that usually go into the private sector.”

He remembers his UCSC critique with a laugh: “I said it was a fantastic group, but they weren’t left enough.”

Upon graduation, he returned to Eugene, knocking around with “my friends, living in a co-op, having a blast.” He returned to the Bay Area in 1982, “a very dark period for affordable housing.” and went to work for Midpenin-
sula Citizens for Fair Housing in Palo Alto, investigating claims of housing discrimination. “It felt like it was an old issue, but it was astonishing,” he said. “We would send white and black or Latino or unmarried people to try to rent apartments, and catch and sue landlords — some very big apartment owners — red-handed.”

The next summer, he worked for nonprofit developer MidPen Housing, again crossing paths with Community Economics, and then returned to Eugene once more, this time to earn his master’s in urban and regional planning at the University of Oregon. He graduated in 1986, which proved to be fortuitous timing, as that year’s federal tax reform bill established the low-income housing tax credit. Community Economics was starting to get busy, and Knudtson joined Rubenzahl and Janet Falk in 1987.

**MOVEMENT AND INDUSTRY** While Rubenzahl and Falk figured out the tax credit, Knudtson inherited much of the other work, helping nonprofits finance and develop Hud and HCD projects. By 1992, however, the tax credit was starting to dominate Community Economics’ work.

Over the years, Knudtson has branched out to work on different types of projects, including rural family and farm-worker projects and urban supportive housing. An example of his supportive housing work helped revamp San Francisco’s historic YMCA into TNDC’s Kelly Cullen Community service-enriched housing for formerly homeless people. [See “It’s Fun to Stay at the YMCA,” page 50.] He also remains an active advocate, not only getting legislation passed in California, but also serving on the boards of NPH and the California Coalition for Rural Housing.

Doug Pingel, the former program director for multi-family housing at Self-Help Enterprises in Visalia, which serves farmworkers and their families, said SHE used CEI — usually Knudtson — on every one of SHE’s projects over a quarter-century. “I can’t think of anybody better,” he said. “On every project, he was creative in getting the financing, in selling the tax credits, and he was responsive all the way through.”
Knudtson loves the rural work as well as the urban work. It’s all to the same end.

“My heart is on the movement side,” Knudtson said. “I work hard to be on the industry side, because that’s how we build the housing. It’s no good being in the movement if you’re not getting anything done. I am completely committed to the tenants of these projects, more than anything.”

Elissa Dennis: Brilliant, Passionate, Relentless

Oakland has become a way of life for Elissa Dennis. Not only does she live and work in the city, but she is also politically active in, and fiercely protective of, her adopted hometown. She supports local businesses, helped to start a community credit union in a low-income neighborhood, and advocates for better affordable housing policies and resources.

And as she roams about town, she can take special pride in seeing those buildings that she helped develop which are now providing quality housing for people who could not otherwise have afforded it.

“I really like the Oakland projects,” she said. “I get to see them all the time, and they’re part of my community.”

Dennis’ love of Oakland has paid dividends for Community Economics. “She knows a lot about what goes on in Oakland and is very involved in making Oakland’s affordable housing program worthwhile,” Rubenzahl said. “She is responsible for Oakland putting as much money into affordable housing as they have.”
Amie Fishman, now the executive director of NPH, got to know Dennis when she was executive director of East Bay Housing Organizations, and Dennis was not only an active EBHO member, but working in the adjacent office. Dennis, a former EBHO board member, initiated CEI’s provision of free office space to EBHO and has even served as “gap staffing” at times when EBHO lacked funds, Fishman said. And of EBHO’s original guidebook, which has turned into an annual must-have for the housing community, Fishman said, “Elissa was the mastermind.”

Her impact extended much further than that. “Every major development in Oakland, Elissa has had something to do with it,” Fishman said. “She provided the vision and muscle that helped get it done. She makes things happen — no holds barred. She has a fearless combination of being brilliant and stubborn and knowing what needs to happen.”

“She always does the hard work to make it happen,” Fishman continued. “Anytime there’s something important to do, she’s willing to roll up her sleeves and do it.”

INCREDIBLY HELPFUL Dennis in particular loves the projects in which the affordable housing industry meets the affordable housing movement. In Oakland, that’s meant advocating for funds to rehabilitate single room occupancy buildings slated for demolition after the 1989 Loma Prieta earthquake — and then, when the funds came through, working to make sure those projects were economically viable. [See “New Opportunities,” page 28.] It also meant a fierce advocacy when then-Mayor Jerry Brown wanted to build 10,000 housing units close to downtown — without setting aside any for low- or moderate-income people. [See “Going Uptown,” page 31.] Dennis led a coalition that defeated that aspect of Brown’s plans and helped Resources for Community Development (RCD) put together the beautiful Fox Courts project that houses dozens of families in what is now one of the city’s hottest neighborhoods, Uptown.

RCD presented Dennis with its “Sparking Connections” award in 2008 for her advocacy. “We were blown away by all
she’s done for Oakland,” said Dan Sawislak, executive director of RCD. “She’s an incredible advocate who works on not only affordable housing issues, but also a variety of community and poverty issues in Oakland. It’s extraordinary what she does and has done and continues to do.

“The other thing about Elissa that has always very much impressed me is, she is not afraid to go to a meeting with a politician and hold them accountable for what they’re doing,” Sawislak added. “She’s forthright, she can be blunt, and she speaks up in a way a lot of people don’t necessarily do. She’s incredibly helpful.

“And she brings a lot of knowledge of affordable housing. Her day job is doing deal structuring. She understands the importance of the policies and how they translate into real opportunities for more housing to be built.”

Dennis’ work is not limited to Oakland. John Aguilar, deputy director of housing for Riverside County’s Economic Development Agency, worked with Dennis on a dozen projects when he was at the Coachella Valley Housing Coalition, ranging from helping clients with mental disabilities to family projects to farmworker housing. [See “Housing in the Desert,” page 48.]

“One of the things that I always appreciated about Elissa was that she always helped our organization stretch beyond what we felt we were capable of doing,” Aguilar said. “Non-profits by their culture are conservative. Elissa was and continues to be somebody who is willing to ask the more difficult questions about taking on a challenge that you might not otherwise consider.

“At first glance, these projects can seem imposing and challenging,” Aguilar said. “That’s what Community Economics is really good at — unwinding the layers of the very complex underwriting on these deals and making them seem much more doable financially.”

CONNECTING WITH COMMUNITIES  

Dennis grew up in the Boston area and earned a bachelor’s degree from Cornell University in 1982. She immediately went to work as a community organizer for ACORN, running the office in
Austin, Texas, and running campaigns to help low-income neighborhoods in Boston. She conducted interviews on social science topics for a university-backed project, the Center for Survey Research, and was a reporter for a community newspaper in Cambridge, Mass., but ultimately she went to UCLA and earned a master’s degree in urban planning in 1989.

Upon graduation, she moved to Oakland, where her long-time partner, Eileen Barrett, an English professor at what’s now the California State University, East Bay was living. (Oakland Mayor Jean Quan officiated at Dennis and Barrett’s wedding in 2013 — on the birthday of Dennis’ 98-year-old mother Naomi — and in typical fashion for the couple, instead of a registry, they wanted their wedding gifts to be donations to a scholarship fund benefitting CSUEB students who are graduates of Oakland’s public high schools. They then matched the gifts, raising more than $17,000.)

Dennis immediately landed a couple of internships, one with the City of Oakland and one with RCD, and crossed paths with Knudtson in both capacities. Within months, Community Economics knew it needed another employee; Dennis got the job.

Dennis has served on the board of Housing California since 2007, except for a one-year sabbatical in South America in 2010. She helped the Oakland Housing Organizations incorporate as EBHO in 1995, serving as its first board president. She was also a founding board member of People’s Community Partnership Federal Credit Union in Oakland, which provides financial services and education to an underserved neighborhood of West Oakland, helping grow the credit union to 3,000 members and $4 million in assets and negotiating its 2008 merger with Self-Help Federal Credit Union.

Even during her sabbatical, the high-energy Dennis did not just play sightseer. Her Spanish improved to fluency, and she worked with a microlending organization in Ecuador and wrote articles about environmental, labor, and economic struggles in Ecuador, Bolivia, and Argentina.
**Diana Downton: Committed and Experienced**

Diana Downton had what it takes to become the first new Community Economics staff member in 15 years: a commitment to the affordable housing movement, experience in the industry, and a reputation for a keen intelligence and hard work.

“Diana comes out of a similar background as the rest of us, studying social change in college and working in and around nonprofit housing developers before arriving here,” said Kevin Knudtson. “Her interests and skills really fit with CEI’s mission and work.”

Downton already knew Knudtson from when she worked at the Tenderloin Neighborhood Development Corp. (TNDC) in San Francisco, and she knew Dennis through her work with East Bay Housing Organizations, and everything has been smooth sailing for her first year. “Everyone has been really supportive,” she said.

Dennis said Downton has been “a great addition to our group. She has learned quickly and adapted to the frenetic pace of our workplace. In just one year here, she has taken on her own projects and developed good relationships with clients.”

Having fresh blood has been a boost for the organization. “She has her own way of approaching projects and people, and she provides some great new energy for Community Economics,” Knudtson said.

**WORKING FOR HOUSING**

Downton grew up in Colorado and graduated with honors from the University of California, Santa Cruz, in 1995, with a degree in community studies (much like Knudtson). As part of her community studies program, she completed a six-month internship with Global Exchange, the San Francisco international human rights organization founded by Medea Benjamin. After graduating, she got her first job in affordable housing, working as the staff assistant at NPH, where she learned about the inspiring network of housing organizations in the Bay Area.
When her partner entered a doctoral program in upstate New York, Downton went to work for the Neighborhood Preservation Coalition of New York State, a statewide coalition of nonprofit affordable housing organizations. Then it was her turn to go back to school to earn a master’s in city and regional planning at Rutgers University. Her studies focused on housing and included research on brownfields redevelopment — the reuse of properties that had been contaminated by toxic substances.

Upon graduation, she returned to California, finding work as a project manager with TNDC, one of San Francisco’s largest and most important developers of affordable housing, in one of the city’s most diverse, lowest-income neighborhoods. She worked on the rehabilitation of single room occupancy properties, gaining experience with complex tax credit projects of the sort that Community Economics works on. During her time at TNDC, she worked with Knudtson and recalls being coached by him on the finer points of tax credit pro formas, those all-important financial documents necessary for getting a deal done.

Don Falk hired Downton at TNDC and remembered her as a “really bright, energetic person with really good progressive values.” He recalled that soon after she started, “she was champing at the bit, looking for more responsibility.” TNDC was uncertain whether to pursue one project, and Falk asked his staff if anyone wanted to take it on. Downton enthusiastically jumped on it, he said, and it became Arendt House at 850 Broderick Street, “a big project for us.”

Three years later, she became a housing development coordinator for the city of Oakland, where she closed loans and was the lead staff member for the city’s annual affordable housing notice of funding availability. She frequently worked with Dennis and other CEI staff on the financing plans and loan closings of Oakland development projects, as well as through EBHO’s Oakland advocacy work. She held that job for nine years until the Community Economics position opened.
Linda Rivers: Making the System Work

Linda Rivers wasn’t looking for a career in affordable housing. She had even gone to fashion school in London for two years and was a bookkeeper working two part-time jobs, including at a reverse mortgage company. But at age 22, a single mother with a young baby, Rivers needed a job, and Community Economics had one.

“She started as a secretary, answering phones, opening the mail,” Rubenzahl said. “She has stayed with us, matured, and taken on more and more responsibility. She is an important part of what makes the system work.”

Community Economics’ staffers don’t know what they’d do without her. “Linda is the glue that holds it all together,” Dennis said. “Each of the rest of us have taken sabbaticals or several weeks off, and there has been no problem with the others filling in. But with Linda’s work as bookkeeper and office manager, none of us could just pick it up and take over. We benefit tremendously from her expertise and professionalism.”

Rivers has developed her own expertise in affordable housing.

“She keeps up with new laws and regulations and is al-
ways ready to learn something new to keep our accounting and office management systems functioning,” Dennis said. “She’s also the one who maintains our collective sanity. When the rest of us get crazy with work deadlines and pressures, Linda stays calm, keeps an upbeat attitude, and offers sage advice for whatever situation arises.”

“I feel like I grew up here,” Rivers said. “I was 22 when I started, and I came into adulthood. Being around really smart, energetic, busy people has been great. I learned a lot of my work habits from watching them operate.”

Rivers has also come to share the staff’s commitment to affordable housing.

“They have the passion first,” she said. “That makes it easier to get a lot done. It really feels good to be part of a group of people who are working toward something they truly believe in. I started as a single parent, so I can relate to people who have had to live in affordable housing.”

The staff appreciates her perspective and that she shares their commitment.

“Since all of us are nearly 100 percent focused on the consulting work, Linda is really the only one focused on the workings of Community Economics,” Knudtson said. “It could really be an isolating job, since there are no other administrative employees at CEI. I think what has kept Linda going at such a high level for so long is that she’s just as committed to our work and our mission as we are.”

Rivers knew she found a home when she started at Community Economics, and she has continued to grow in her years there. Within five years, the office manager left, and Rivers assumed the position. She also stepped into the bookkeeping role and has even taken on bookkeeping duties for the East Bay Housing Organizations, Community Economics’ office mate.

The Tenderloin Neighborhood Development Corp.’s Curran House opened on Taylor Street in San Francisco’s Tenderloin neighborhood in 2001, with 67 family-oriented apartments. Photo courtesy of TNDC.
Resources for Community Development built Clinton Commons, a green affordable housing complex in Oakland’s lower San Antonio neighborhood, in 2012, with 55 units and a courtyard where kids love to run around. Photo courtesy of RCD.
The Torch Is Passed

Many people wondered if it could actually happen. Joel Rubenzahl, retire? People with the energy and passion, the zeal, commitment, and keenly sharp intellect of Joel Rubenzahl don’t just retire and go fishing.

“Joel is not retiring,” said Linda Rivers, Community Economics’ office manager and bookkeeper. “He is not the retiring type. I think he is just moving into the next phase.”

“Oh, no, I’m retiring,” Rubenzahl said. Indeed, he cleaned out his office at the end of January and headed home. But the skeptics are at least partially right. You can’t deactivate an activist. Rubenzahl will work on a contract basis with Community Economics to keep his hand in some of the projects he’s been working on. Rubenzahl will keep a subset of projects related to nonprofits purchasing their properties from their investors after the 15-year tax credit term expires.

Stan Keasling at the Rural Community Assistance Corp. said Rubenzahl has been working with him on a project in Hawaii, and told him he would keep that one. That sounds like an excellent plan for semiretirement.

Bill Rumpf at Mercy Housing Northwest has a different theory about why Rubenzahl lasted so long at Community Economics. “Even though Joel seems very confident, it can now be revealed that his biggest secret fear has been rejection at a job interview,” Rumpf said. “Unlike those of us who have bounced around a little, Joel was so excited about the first job he got after leaving graduate school that he has stayed thirty-some years to make sure he mastered it before trying for another one.”

BIG CHALLENGES AHEAD For all of Rubenzahl’s accomplishments, much work remains to be done. According to the National Housing Trust Fund, there is a nationwide shortage of seven million rental homes that are affordable
and available to extremely low-income households, those with incomes at or below 30 percent of the area median. [See Appendix, page 102.]

“We are probably losing ground,” said Rubenzahl, ever the realist. Statistics back him up. According to the California Legislative Analyst’s Office, the average home price in California of $440,000 is more than double that of the rest of the country, $180,000. Rents in California are more than 50 percent higher, at $1,240 per month, compared to the national average of $800.

As the economy continues to recover, the cost of housing keeps going up, pricing more people out of the market. As the wealthiest Americans take a greater and greater share of the country’s wealth, income inequality rises, and more people are left needing some sort of help paying for their housing.

New arenas are emerging in which the battle for affordable housing will be fought, including potential sources of funding to be tapped. One is the effort to reform Prop. 13 to which Community Economics has contributed. If upcoming legislative and/or ballot efforts are successful, Prop. 13 reform could add billions of dollars to state coffers, and
Community Economics’ team for the future: Diana Downton, Linda Rivers, Elissa Dennis, and Kevin Knudtson.

Community Economics believes that affordable housing advocates need to be at the table to ensure some of that new revenue goes in their direction.

THE NEXT FRONTIER Community Economics has discussed expanding. “Can we increase our reach in Southern California?” Diana Downton asked. “Can we increase our reach in other states?”

It already does business in a few other Western states, including Washington, Oregon, and Hawaii. To go further, board member Mike Rawson said, “will take a concerted effort. The organization is a good size for what it does, the role it plays in California. We are still evaluating to see if we can take this model and push it out into other states and still retain the presence in the policy and legislative work we have in California and nationally. We may have to grow.”

THE NEXT GENERATION With Rubenzahl’s retirement, Kevin Knudtson has assumed the role of executive director, although he said he will continue to collaborate closely with his colleague Elissa Dennis. The two have worked side by side for so many years in a system that has encouraged collaboration, so it’s natural and easy for that
The Consultant’s Consultant

With Rubenzahl’s retirement looming, the consultants at Community Economics brought in their own consultant, Frank J. Omowale Satterwhite, PhD, who conducted its first-ever strategic planning process. Satterwhite, founder and president of nonprofit Leadership, Inc., spent six months with CEI in 2014.

Satterwhite said Community Economics stood out for “the unprecedented stability of the organization, financially, in terms of its services, its reputation, and its influence.”

He found several other significant qualities:

• “The historic role of Community Economics and its team in shaping the field of affordable housing development.”
• The willingness to self-evaluate. “Community Economics could have stayed the course because of its presence in the field and its stability, but with Joel’s transition, they took an in-depth look at who they are and had a candid conversation.”
• “Their commitment to racial and social equity. Of the broad range of organizations that I have worked with, Community Economics without question practices what it preaches. They invest time, talent, and money in promoting racial and social justice.”
• The board and staff work well together.

Kevin Knudtson said Satterwhite also identified several areas for the near future:

Communication: “We’re old-school. We do the work and leave it at that,” Knudtson said. “We could do a better job of interacting, communicating, and marketing.”

Training: Community Economics runs many training sessions, hosting workshops at conferences to teach nonprofit and government staff about tax credits and housing policy. That will increase. “It’s a core part of our mission to spread that around,” Knudtson said.

Widen horizons: Community Economics has worked both inside and outside of California and is looking to expand to other states.

Stay the course: “He said, ‘The stuff you’re doing is really terrific. Keep getting better at it,’” Knudtson said. “‘Keep pushing on a policy level for more money for affordable housing, and keep pressing public agencies to serve low-income tenants.’”

Satterwhite said Rubenzahl’s contributions have been enormous, and will be missed, but Community Economics will continue to thrive because of the remaining staff.

“It actually is the whole team that has enabled CEI to evolve,” Satterwhite said. “The new leadership is more than capable in terms of sustaining the organization. People who see the leaders’ strengths and capabilities will be energized about the possibilities for the future.”
At the same time, when a longtime executive director retires, an organization is bound to shift, said Amie Fishman, executive director of the Non-Profit Housing Association of Northern California (NPH). “I’m experiencing it,” Fishman said, noting she recently took over at NPH when the previous director left after 22 years. “It always happens, when you have a longtime executive director retire, that there’s a lot of work to put systems into place, update things, and reflect on where you’ve been and where you’re going.

“It’s going to be an exciting time for Community Economics and for Kevin,” she added. Knudtson was on the hiring committee for NPH, so he saw some of those issues from a different angle and has followed Fishman’s transition into the role. “It will be interesting to see how that impacts Community Economics in its leadership transition,” Fishman said.

“This is a really important generational shift, with Joel retiring,” Fishman continued. “I expect they will continue to do the deep work they’re doing, but they will also bring in
new people and continue to innovate.”

Agencies and investors won’t miss a beat, because they’ve always known more than just Rubenzahl. “Kevin and Elissa, they’re great. I’ve worked with them as well over the years,” said Jong Limb, president of the Newport Division of Alliant Capital.

Anyone familiar with Community Economics says the same thing. Board member Mike Rawson said Dennis and Knudtson are already renowned as housing policy experts throughout the state. Another board member, Lynette Lee, said such long-term staff members as Dennis, Knudtson, and Rivers “are very smart, will continue to work on affordable housing issues, and are cooperative with a lot of other nonprofits.”

“We’ll be fine,” Rivers said. “The new leadership has been here and has grown. I have no concerns. We work really well as a team here, and everyone respects each other’s strengths. Over the time I’ve been here, I have watched our finances grow. That is due to the leadership and the strong staff.”

Rubenzahl will surely be missed, according to Julie Snyder, the former policy director for Housing California, but “the fact that he has a longtime staff who have been with the organization for many years says something about the organization and the sense of purpose it gives to its employees. There will be a lot of continuity.

“The work they do is absolutely essential to getting affordable homes built in California,” Snyder continued. “I see no reason why Community Economics won’t keep going for another 40 years.”
The Need for Affordable Housing

Affordable housing is often considered the cornerstone of a healthy society. When people can afford decent homes, they’re more likely to enjoy good health, economic and educational success, and stable neighborhoods.

The federal government deems housing “affordable” if it costs no more than 30 percent of a household’s income, leaving enough for essentials like food, transportation, health care, and child care. Truly affordable housing can even allow people to save for emergencies or for higher education and home ownership.

Yet affordable housing remains out of many people’s reach, even with scores of new affordable housing units coming on the market every year. According to the National Low Income Housing Coalition’s “Out of Reach” report from 2014, nearly half of California households — 44 percent, or 5.5 million people — rent. Of those, an estimated 61 percent (3.4 million) cannot afford the average two-bedroom apartment.

According to the California Legislative Analyst’s Office (LAO), a lack of affordable housing has far-reaching implications. Because of high housing costs, people are four times more likely to live in crowded housing, 17 percent less likely to own their own home, spend 5 percent more of their income on housing, and are likely to have a commute 10 percent longer in the major metropolitan areas.

High housing costs have a negative impact on the economy as well, as fewer people can afford to live in California’s most productive cities and people are discouraged from moving to California, making it harder for businesses to find qualified employees.

The average home price in California of $440,000 is more than double that of the rest of the country, $180,000. Rents in California are more than 50 percent higher, at $1,240 per month, compared to the national average of $800.

The LAO reports that 120,000 units per year were built in California’s major metropolitan areas from 1980 to 2010, but that number would need to grow by 90,000 units per year to bring costs into line with the rest of the country. That’s not likely to happen, for several reasons:

• The metropolitan areas are mostly along the coast, where land is scarce and highly protected, limiting the amount of housing that can be built;
• Land costs in these areas are two to four times more than elsewhere; and
• The average home costs $50,000 to $75,000 more to build in California than in other states.

Current Funding Issues

Housing California reports that many challenges remain in providing adequate funding to meet the need for affordable housing.

In looking at federal, state, and local support for housing, more than $1.5 billion per year — money that used to be available to create affordable homes and apartments for Californians struggling to make ends meet — has been lost since 2007–08.
Federal: Community Development Block Grants are down 20 percent and HOME funds are down 46 percent.

State: Bond funds are running dry, falling 94 percent.

Local: Complete elimination of redevelopment and the 20 percent of redevelopment funding that was designated for affordable homes constitutes a loss of $1 billion per year, or a drop of 100 percent.

Housing California reports that, in 1985, California became one of the first states to create legislation establishing a housing trust fund, which was supposed to funnel revenue from offshore oil drilling to the production of affordable homes. This funding source was expected to generate $20 million each year for affordable housing. However, the fund has allocated only $2 million a year for affordable homes. So while California technically has had a housing trust fund since 1985, it has lacked a consistent ongoing source of funding. Instead, advocates have gone to the voters, who in 1988, 1990, and 2002 approved housing bonds.

The Government View

The California Department of Housing and Community Development (HCD) paints a bleak picture of the current state of affordable housing, outlining several trends and factors contributing to California’s continuing housing supply shortage and affordability problems:

- Affordability worsens, particularly impacting lower-income renters, as falling incomes lag behind spiking rents, and homeowners continue to face tight lending standards that impede access to housing financing.
- A housing supply shortage in growth areas persists, as new construction is sluggish and as a significant shift from ownership units to rentals continues to occur.
- Innovative partnering to preserve the affordable housing stock is critical, as tens of thousands of affordable rental units are at risk of converting to market rates within five years, squeezing out vulnerable renters.
- Aging baby boomers and young millennials are drivers of housing demand over the next decade, with a preference and/or need for a variety of housing types, tenure, and locations.
- Delayed effects of the housing bust become more evident, as more households face difficulties to rent or take jobs due to credit issues or inadequate access to education, jobs, health services, and economic opportunity.
How expensive is housing in California?

**HOME PRICES**
- California: $440,000
- United States: $180,000

**RENTS**
- California: $1,240/month
- United States: $800/month

**Why is housing so expensive in California?**
California has a housing shortage. Annual housing growth in California has slowed.
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Rohlffs Memorial Manor
Rubicon
Sacramento Cottage Housing, Inc.
Sacramento Housing and Redevelopment Agency
Sacramento Mutual Housing Association
San Diego County SER/Jobs for Progress
San Diego Interfaith Housing Foundation
San Francisco Housing Development Corp.
Santa Barbara Housing Authority
Santa Cruz Community Counseling Center
Santa Cruz Community Housing Corp.
Satellite Affordable Housing Associates (SAHA)
Self-Help Enterprises
Shelter, Inc.
South Berkeley Neighborhood Development Corp.
South County Housing
Southern California Presbyterian Homes
Southern Humboldt Senior Care
Tenderloin Neighborhood Development Corp. (TNDC)
Thousand Oaks Redevelopment Agency
TODCO Development Corp.
Treasure Island Homeless Development Initiative (TIHDI)
Tri-City Homeless Coalition
Tulare County Housing Authority
Vitality Center
West Sacramento Housing Development Corp.
Youth Education Health in Soulard
CEI Projects: Facts and Figures

Community Economics’ Web site lists nearly 90 nonprofits and government agencies it has worked with over the years. In addition to extensive work in California, CEI has also helped clients in Alaska, Arkansas, Colorado, Connecticut, Hawaii, Missouri, Nevada, Oregon, and Washington.

From 1987 to 2014, CEI had completed more than 700 tax credit syndication projects, totaling more than 50,000 units of affordable housing.

Before 1987, CEI had worked on 13 syndicated projects with 798 units.

It has worked on roughly 200 non–tax credit projects, totaling more than 5,000 units.

CEI has helped its clients repurchase roughly 200 projects after the tax credits expired, totaling more than 10,000 units.

CEI has also helped many clients work on special-needs housing, including for homeless people or people with AIDS, totaling more than 150 projects and roughly 3,000 units.

Staff Through the Years

While Community Economics has remained extraordinarily stable over the past two decades, many people have worked at the organization through the years, all of whom have played an important part in our story:

Eve Bach, Tom Brom, Laura Date, Julia Estrella, Janet Falk, Denise Gums, Laura Henze, Larry Hynson, Ed Kirshner, Larry Litvak, Sandy Martin, Portia Mathis, Howard Robinson, Bill Rogina, Danny Silver, Alice Talcott, Chris Webb-Curtis, and Naja Williams.

Board Members Through the Years

Carl Anthony, Peter Barnes, Dena Belzer, Mel Carriere, Karen Chapple, Roger Clay, Cathy Craig, Jerry Dodson, Callie Hutchinson, Dennis Keating, Ying Lee Kelley, Jack Kent, Steve Kodama, Lynette Lee, Eric Leenson, Sylvia Martinez, Florence McDonald, Larry Orman, Mike Rawson, Roy Schweyer, and Toni Vincent.
Community Economics would like to thank the many people and organizations who contributed time, photos, energy, and memories to this project and the many more who have made our organization so successful over the years. We wish we could have included everyone.

Writer: Dan Fost
Designer: Merel Kennedy
Proofreader: TypoFinders
Printer: WIGT Printers
Interviews:
John Aguilar, Don Falk, Janet Falk, Amie Fishman, Natalie Gubb, Stan Keasling, Ed Kirshner, Olson Lee, Jong Limb, Alisa Luber, Mary Murtagh, Bill Pavão, Doug Pingel, Bill Rumpf, Omowale Satterwhite, Dan Sawislak, Margaret Schrand, Julie Snyder, Matt Steinle, Alice Talcott, Lydia Tan, and Fran Wagstaff.
Charts:
East Bay Housing Organizations
Karen Naungayan, Housing California
Catalina Martinez, Office of State Treasurer
John Chiang

Photos:
Alain McLaughlin Photography, Beacon Development Group, Berkeley Historical Society, Chinatown Community Development Center, Christian Church Homes of Northern California, Coachella Valley Housing Coalition, Community Housing Improvement Program (CHIP), Community Housing Partnership, EAH Housing, East Bay Housing Organizations (EBHO), East Bay Asian Local Development Corp. (EBALDC), Eden Housing, Herman Coliver Locus (HCL) Architecture, Manilatown Heritage Foundation Archives, Mercy Housing, Mercy Housing California, Mercy Housing Northwest, Mid-Peninsula Housing Coalition, Mission Housing Development Corp., People’s Self-Help Housing Corp., Resources for Community Development (RCD), Satellite Affordable Housing Associates (SAHA), Self-Help Enterprises, South County Housing, and Tenderloin Neighborhood Development Corp. (TNDC).
“The work they do is absolutely essential to getting affordable homes built in California. I see no reason why Community Economics won’t keep going for another 40 years.”  JUlie SNYDER, FORMER POLICY DIRECTOR AT HOUSING CALIFORNIA

“One of the things that stands out about the organization and the individuals is that they are altruistic to their core. They bring very strong principles and values. While they are all incredibly opinionated in the best sense of the word, they’re not driven by ego, but by mission.”  AMIE FISHMAN, EXECUTIVE DIRECTOR OF THE NON PROFIT HOUSING ASSOCIATION OF NORTHERN CALIFORNIA

“Not only does Community Economics do a consistently excellent job in helping us with very sophisticated financial concepts, and not only are their services a lot less expensive than virtually anyone else’s, but they are a nonprofit, and that is important to me. It means that they use their funding to advocate for legislation and to make other community-oriented investments that are really important in affordable housing.”  DON FALK, EXECUTIVE DIRECTOR, TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORP. (TNDC)