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## Community and Economic Development in North Carolina and Beyond Blog: Freddie Mac's New Workforce Housing Pilot Program

By CED Program Interns & Students

Article: <https://ced.sog.unc.edu/freddie-macs-new-workforce-housing-pilot-program/>

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A recent Community and Economic Development blog post

outlined the concept of Workforce Housing – housing affordable to households earning 60 – 120% of the Area Median Income (AMI) – including the roots of workforce housing initiatives, and how macroeconomic trends have challenged the supply of housing affordable to middle-income workers across the nation. In response to this diminishing supply of workforce housing, Freddie Mac has recently launched a new pilot program to help preserve workforce housing amidst trends of rising rents, by facilitating the use of private capital.

Freddie Mac will offer below-market-rate loans to borrowers who reduce (or maintain) rents of at least 50% of a multifamily residential property's rental units to rates affordable for households earning 80% AMI or below over the full life of the loan — typically between 7 and 10 years. This targeted income level typically includes nurses, teachers, and first responders.

In its first partnership within the program, Freddie Mac is working with Salt Lake City-based firm Bridge Multifamily Fund Manager, which is currently the owner of approximately 30,000 multifamily residential units across the country. Freddie Mac will purchase and aggregate up to \$500 million in Capital Markets Execution program loans over the next year, originated by partners Wells Fargo Multifamily Capital and KeyBank Real Estate Capital. The loans will be bundled into one securitization at the end of the year-long term, and Bridge Capital will be required to purchase the subordinate bonds. With these funds, Bridge will acquire, rehabilitate and preserve workforce housing in multiple projects throughout the country. Rents will be reviewed each year by Freddie Mac to ensure that they comply with the affordability requirements of the program.

Bridge Capital's first acquisition under the program is a 352-unit multifamily community in the Tampa Bay, Florida metro region. Though still relatively affordable, Tampa Bay has seen rents rising despite being one of the poorest major metros in the country, according to REIS data. Currently, 82% of the units in the building are affordable to tenants earning at or below 80% of the AMI. Funds from the pilot program will go towards improving units, common areas and community amenities, and towards keeping the majority of rents affordable to those earning under 80% of the AMI.

The program marks another effort by Freddie Mac, a Government Sponsored Enterprise (GSE) under the oversight of the Federal Housing Finance Agency, to use incentives to draw private capital towards affordable housing projects. This effort comes alongside Freddie Mac's recent entry into a demonstration program in financing for single-family rental units, and a recently-announced program to provide favorable subordinate, mezzanine loan financing in exchange for borrowers limiting growth in rents of workforce housing. With federal, state and local affordable housing programs stretched and unable to meet the growing need for affordable housing options, creative pilot programs offer additional sources of funding for workforce housing.

There remain some questions about how this pilot will impact the availability of workforce housing. For example, though this pilot initiative restricts rents, it does not place any restrictions on the income of the tenants who rent the workforce housing, though Bridge has agreed to monitor the income levels of the residents in their Tampa Bay property. Additionally,



there are no explicit geographic guidelines for what regions should be prioritized with the loan financing. As noted by Freddie Mac staff, the program will likely be fine-tuned going forward, based on results and lessons learned from the first transaction with Bridge Multifamily Fund Manager.

For prospective borrowers interested in the program, Freddie Mac reports that interested organizations must have a strategic business plan that creates or preserves affordable housing, and must be interested in a large-scale commitments. Freddie Mac is currently being selective with sponsors chosen until a broader offering is available.

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