

EXCLUSIVE: New Debt Product Draws Affordable Housing Leader Steven Fayne Out Of Retirement

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Join BRIDGE Housing CEO Cynthia Parker, Palo Alto Housing Corp. CEO Candice Gonzalez and more as they discuss the Bay Area's affordability crisis at **NorCal Multifamily Nov. 1!**

Looking to use his affordable housing lending expertise on a unique product, Steven N. Fayne, a well-known leader in the **affordable housing** industry, has come out of retirement and joined San Francisco-based Align Finance Partners.

A 20-year veteran in the affordable housing finance industry, Fayne, 67, will serve as a principal at Align Finance, a company that specializes in providing developers and borrowers with alternative financing for affordable housing in the form of tax-exempt subordinate private activity bonds.



Fayne is the former managing director of **Citi Community Capital**, the affordable housing finance arm of **Citigroup**, where he spent seven years.

Prior to Citi, Fayne created and served as a managing director for GMAC Commercial Mortgage, ARCS Commercial Mortgage and founded and operated his own company, Eichler Fayne & Associates.

Fayne retired in 2014 and has since operated his own investment portfolio.

He told *Bisnow* he is coming out of retirement because he saw the need for financing affordable housing projects, especially as big markets in California and nationwide continue to grapple not just with a **housing crisis** but also a scarcity of affordable housing products for low- and middle-income residents and seniors.

Align Finance's alternative financing method could be the key to helping developers finance affordable housing projects, Fayne said.

“This is a niche that hasn’t been served,” he said. “I’m a junkie for niche products and things that are in the forefront. I think it’s very challenging and very creative and there is a need for it. It is not being addressed.”

Align Finance officials said the company provides up to 90% of financing for the acquisition, renovation and development of multifamily properties that have at least 20% of the units designated as affordable.

The financing is structured as a tax-exempt private activity housing bond, or 501(c)(3) bond, Align Financial principal **Dani Evanson** said.



Private activity bonds, better known as PABs, are financing tools used by a state's housing finance agency for the acquisition, construction and rehabilitation of multifamily housing for low-income renters. It is also a popular form of financing for infrastructure projects such as airports, high-speed rail, transportation and schools.

The housing finance agencies and other state and local governments sell PABs to investors.

The investors are usually willing to accept a lower rate of return for PABs because the interest on the bonds is exempt from federal income tax, Evanson said.

Align provides financing by buying the PAB in a private transaction, Evanson said. The municipality must approve the project to release the bond.

“Mezz financing is not new,” said Evanson, who is based in the company’s Los Angeles office. “Tax-exempt financing has been around for a long time. What hasn’t been around is a platform like [ours] dedicated to providing the combined tax-exempt mezzanine piece. We have created a new debt product to help finance the preservation and development of desperately needed affordable housing.”

Affordable housing developers received a scare last year when Congress initially planned to eliminate PABs as part of the tax reform bill. It was removed in the final version, **according to Bloomberg**.

Evanson said the company is encouraging developers to add at least 20% of affordable units to their projects to possibly qualify for the bonds.

She said with interest rates rising, as well as construction costs and land values, multifamily owners and developers are finding it harder to achieve the returns necessary to raise equity for their development projects.

This financing vehicle could fund the gap on some projects.

“By including at least 20% affordable units in a project, the borrower benefits from tax-exempt financing — including mezzanine financing,” she said. “Other benefits include reduced property taxes and the sale of **low-income housing tax credits**. These economic perks will make up or exceed those additional affordable units that have less rental income.”

Evanson said most importantly, this type of financing could be the vehicle to open more affordable housing units in the market.

Having Fayne on board, along with the rest of the team that includes principals Michael Costa and Michael Potter, will bolster the company's platform and leadership, she said.

“Steven brings decades of lending experience in affordable housing,” Evanson said. “Developers call us and want to know quickly if our mezz financing works for them, or not. Steven has seen every type of affordable housing project and worked with hundreds of borrowers and other lenders. You are getting a direct line to the guy who has structured billions of dollars.”

See Also: [San Francisco Makes \\$100M Commitment To Modular Affordable Housing](#)

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