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Satellite Housing and Affordable Housing Associates, two Berkeley-based affordable housing development firms, plan to merge as their industry faces major funding challenges.

The two firms will combine their operations into a new entity called Satellite Affordable Housing Associates by the start of next year.

The combined organization will have a portfolio of 2,700 units in 56 properties with a development pipeline of 18 projects and a total of 170 employees.

?Merging the organizations will create a more impactful, sustainable nonprofit best suited to

thrive in the future," said Susan Friedland, executive director of Affordable Housing Associates, who will eventually lead the joint entity.

During the last few years, affordable housing developers have seen funding sources shrink or go away, including local funds from redevelopment agencies, government grants and low-income tax credit revenues.

Combining the organizations will create an entity with greater revenue from property management fees, reduce competition for local funding sources and bring together staff and resources, said Dori Kojima, acting executive director of Satellite Housing.

"This will increase capacity in the resident services to provide high quality programs and resources," Kojima said.

Satellite, for example, is strong in attracting federal funds for projects, while AHA has a successful track record with securing low-income tax credits.

Benefits of merging include "increasing revenue from property management fees as well as having an economy of scale in the property management function," Friedland said. "The larger the portfolio an organization has, the more consistent and reliable the revenue is from that portfolio."

The decision to join the two firms came after Satellite's former executive director Ryan Chao left the organization to work for the Anne E. Casey Foundation.

An executive search for a replacement turned up Friedland as a top candidate. Instead of considering the job, Friedland stoked the idea of bringing the two organizations together "an idea that the groups had entertained in the past.

"The merger option seemed most attractive in achieving the goals of the organization in the next three to five years," Kojima said.

Many Bay Area affordable development firms now assess how to move forward and secure funding.

"We are trying to be forward-thinking and strategic," Friedland said. "We're being proactive about the changing environment."

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