

Impact investment can lead to more affordable housing

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A Sanford nonprofit is looking at a different way of funding construction of affordable homes in Lee County.

Instead of seeking grants, Brick Capital Community Development Corporation is pursuing impact investment through loans from banks, according to Executive Director Kerry Bashaw.

He and Patrick Brien, the CEO of the Wilmington-based Cape Fear Collective, introduced the concept to community leaders in government and business at a presentation Wednesday at McSwain Agricultural Center.

The Cape Fear Collective's method is to find investors, such as banks, who want to invest in projects to improve neighborhoods. The organization uses data to determine the need, Brien said.

"There's a couple of ways for nonprofits to fund our projects," Bashaw said. "Either we can get for building projects and it's hard to get grants."

The other option is obtaining a bank loan, he said.

"Impact investing is when banks or others who want to get a return of 2 to 4% would lend to Cape Fear and to us," he said.

The formula is "win-win," Bashaw said. Brick City has more flexibility that can be utilized in different areas. The interest rate on the loans is lower than the current rate of 5%.

"Investors can feel good that it's (loan) going for a good cause," Bashaw said. "Investors can get a return on the loan while a grant is a straight donation."

Brick Capital has secured a \$500,000 loan from Dogwood State Bank, which is based in Raleigh and has a branch in Sanford, Bashaw said.

"We're real excited about that," he said.

The money will be used for construction of affordable homes on two Brick City sites: a 16-acre tract on Washington Avenue, across from Horton Park and 10 acres in the Jackson Heights neighborhood, Bashaw said.

"We're still working on details as to how much of that needs to go directly toward (house construction) and infrastructure," he said.

The loan offers Brick Capital a lower interest rate and a five-year repayment term rather than one year, according to Bashaw.

"It would allow us to recycle funds," he said. "For example, \$500,000 would allow us to build four houses at a time and build four every six months.

"That means we can build eight houses every year. And if that fund is available for five years, and we can build eight a year, that's 40 houses over five years," Bashaw said.

If so, that will help with the lack of affordable housing in the area, he said.

On Wednesday, only five homes listed for sale in Lee County were priced below \$200,000, Bashaw said.

“All our houses would be brand new houses that would be under \$200,000,” Bashaw said.