



OWNERS' GROUP / PDC DISCUSSION

January 30, 2008



Meeting Agenda:

Timeline: 11:00 – 11:45 AM

- 1. Introductions**
- 2. Owners' Group Presentation**
- 3. Discussion**
- 4. Next steps**
 - **policy direction to staff committee;**
 - **technical committee finalize guidelines changes;**
 - **presentation to Council.**

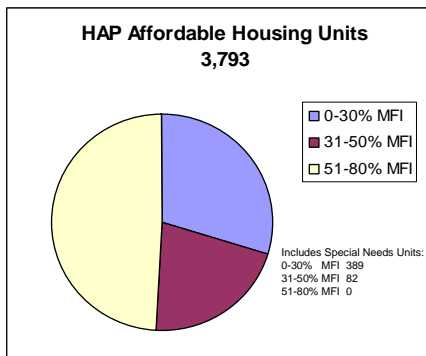
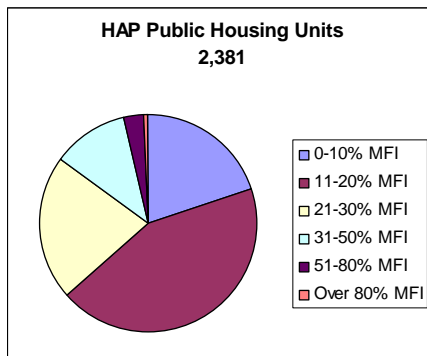
Who is the Owners' Group? Community Development Network

Organization	Units
Cascadia BHC	775
Catholic Charities – Caritas Housing Initiatives	277
Central City Concern	1,406
Community Partners for Affordable Housing	174
Downtown Community Housing Inc.	164
Hacienda CDC	325
Human Solutions, Inc.	539
Innovative Housing, Inc.	783
Northwest Housing Alternatives, Inc.	926
Portland Community Reinvestment Initiatives, Inc.	743
REACH Community Development, Inc.	1,138
ROSE CDC	255
Sabin CDC	128
CDN Member Totals:	7,633*

* As of 2006, CDN Survey

Housing Authority Portland (HAP)

HAP's Public and Affordable Housing Portfolio (6,174 Units Combined)



* November, 2007 HAP Website



Owners' Group Statement of Purpose:

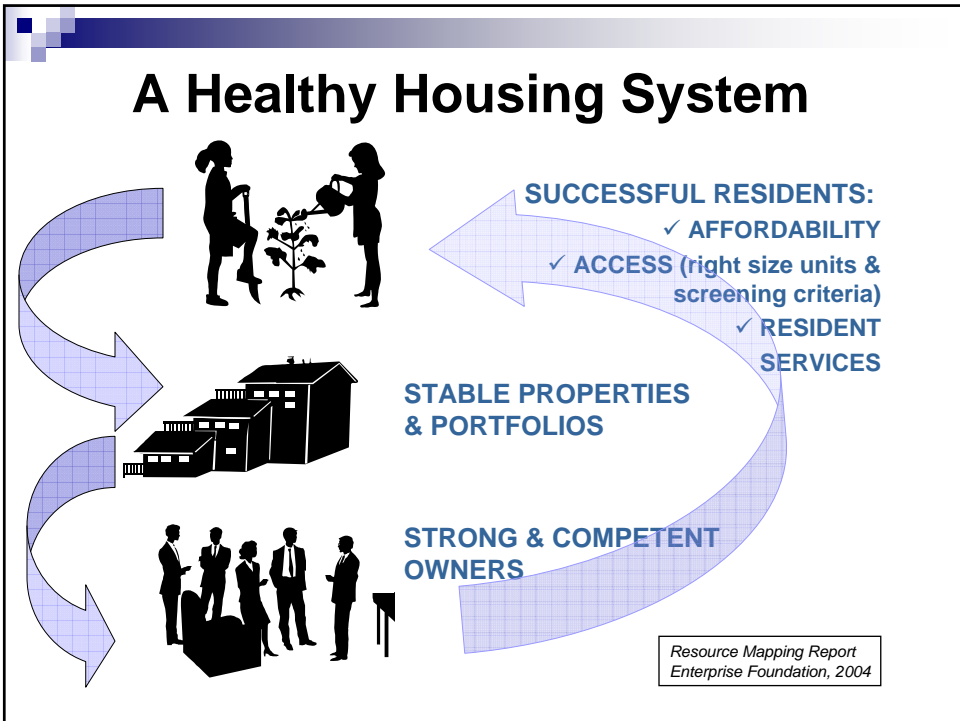
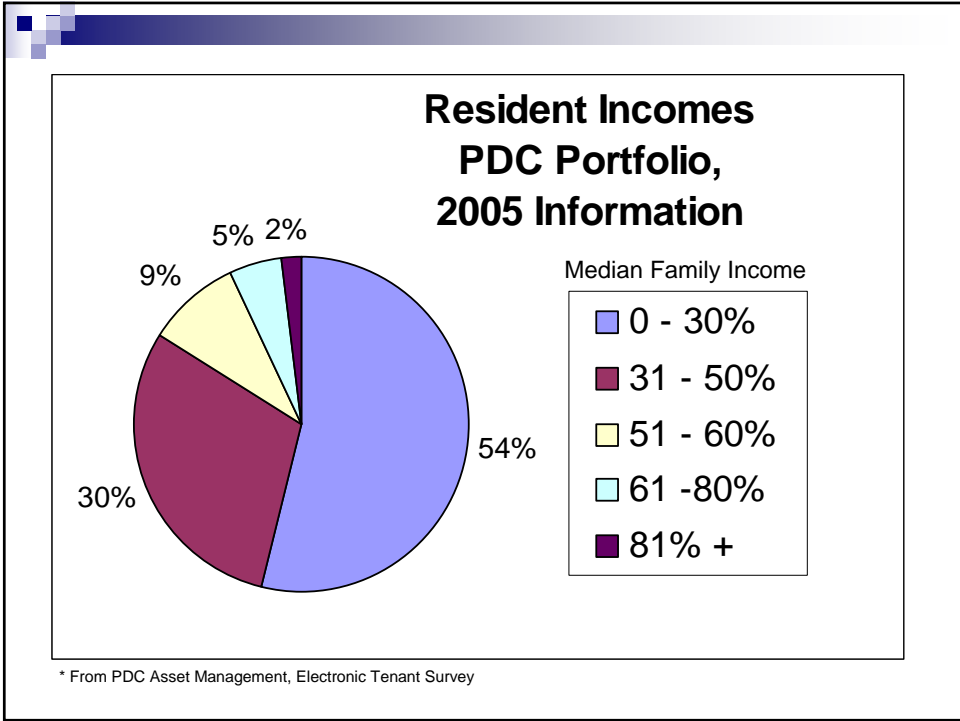
The Owners' Group joined together to address common needs. We share a commitment to address business issues that are critical to the long term viability of social housing.

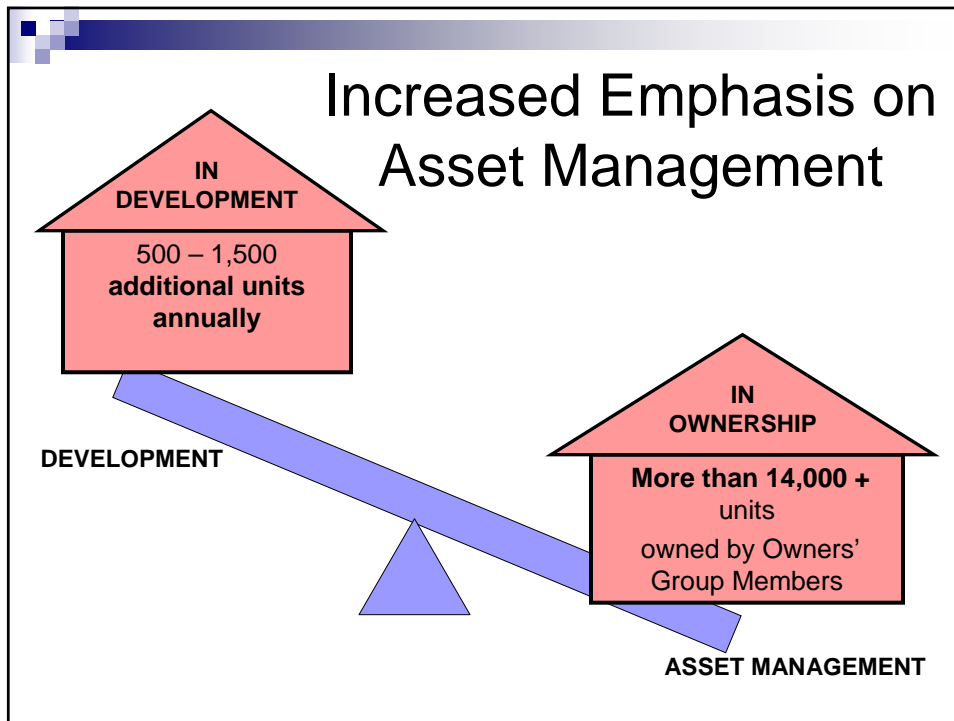


What is Social Housing ?

- Affordable Housing refers to a relationship between the income of the household and their housing costs.

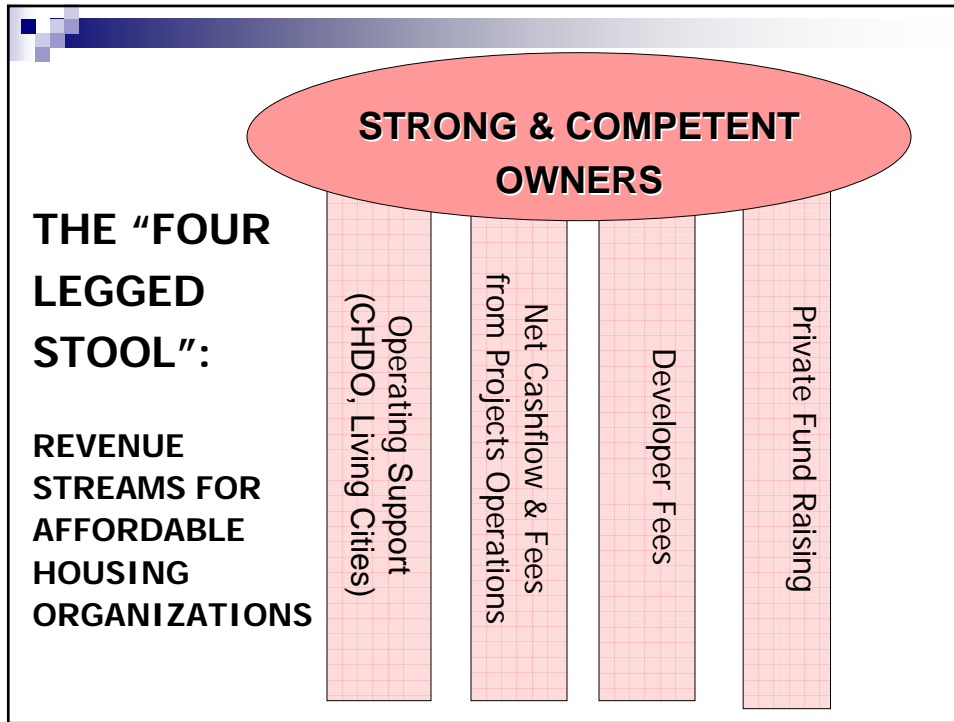
- Social Housing is a term used to indicate housing that serves a need not met by the market:
 - ✓ Those who cannot afford market rents
 - ✓ Those who cannot meet screening criteria
 - ✓ Those with special needs





What are the revenues streams that support social housing owners?

How are they different from market real estate?



WHAT HAS CHANGED?

- Operating Support – Enterprise’s Living Cities going away (\$800K per year)
- Development: more complex, more risk
- Cashflow:
 - A 50 unit project with rents at 60% MFI = \$31,850 per year in cashflow
 - A 50 unit project with rents at 35% MFI = \$2,200 per year in cashflow
- Private funders contributions lessening/ portfolios growing

Owners' Group Recommendations

- 1) **Support strategies to assure non-profits/ HAP have development opportunities & generate adequate developer fees to support sustainability and growth.**
- 2) **Underwrite projects to assure adequate cashflow to cover true costs.**
- 3) **Provide rent or operating subsidies for lowest income targeted units.**
- 4) **Adequately fund resident services.**
- 5) **Reduce increasing costs of public reporting and compliance.**
- 6) **Revise strategy to fund long term capital improvements**

PROCESS TO DATE:

- Roundtable Forum with 35+ Affordable Housing Leaders hosted by Enterprise (May 2007)
- Meetings with PDC, OHCS, BHCD staff and Owners' Group Members
- Identified some shorter term/ quick wins that PDC/ BHCD have the power to implement
- Social Housing Delivery System to address longer term issues

Quick Win Recommendation #1

Support strategies to assure that nonprofits/HAP are able to generate adequate developer fees to support their development expenses, contribute to the organizations sustainability, and ability to produce more affordable housing.

PROGRAM GUIDELINE CHANGES:

Increase PDC's maximum allowable (non-deferred) developer fees to match those of Oregon Housing and Community Services.

Quick Win Recommendation #2

Underwrite to assure adequate cashflow to cover full costs.

City's priority for "return on investment" from social housing loans should be stable portfolios, thriving organizations, and ultimately, successful residents, not ability to repay public loans.



Biltmore Hotel serves our lowest income singles.

QUICK WIN # 2 CONTINUED:

PDC Guideline Changes related to cashflow:

- 1) Increase net cashflow calculations at underwriting to right-size debt burden and assure long term viability:
 - A. Net cashflow per unit minimum of \$400 / unit in addition to asset & resident services fees;
 - B. Net cashflow adequate to cover variations in revenues or expenses to cover risks during operations;
 - C. Evaluate long term project viability (operating expense to revenue ratio).

- 2) Eliminate net cashflow splits for all projects with average rents below 60% MFI.

Longer Term Initiatives Under Way:

- Funders Committee: City, HAP & County leading committee to develop strategies to fund operating subsidy and service dollars needed to support Permanent Supportive Housing over the long term.
- Resident Services Best Practices Group: Support from BHCD to CDN workgroup to evaluate funding strategies, best practices and measurable outcomes.
- OHCS and HDC: co-sponsoring Compliance Streamlining Project to develop simplified reporting formats and inter-agency agreements to collaborate on compliance reviews and inspections.



DISCUSSION:



Affordable Housing Residents