



## HOUSE OF REPRESENTATIVES

February 21, 2020

Dear Joint Ways and Means Tri-Chairs Representative Rayfield, Senator Johnson, and Senator Steiner Hayward,

We respectfully request **\$960,000 to fund the Equity First Affordable Small Homes (EFASH) pilot** to help low and moderate income homeowners build ADU's as affordable rentals, to be conducted by Hacienda CDC, DEV NW, Habitat for Humanity Bend/Redmond, and several other coalition partners.

EFASH coalition partners are comprised of highly experienced Community Development Corporations and community collaborators who strengthen families by providing affordable housing, homeownership support, economic advancement and educational opportunities. As a partner in the state's effort to address the affordable housing crisis, Hacienda CDC, EFASH'S primary member, owns and operates 9 properties with over 380 units of affordable housing available to low and moderate-income families around the Portland area. **Together these organizations are working to create a new low cost affordable housing model that delivers multiple benefits for low and moderate income people and communities of color.**

The EFASH demonstration project, which received funding for planning and feasibility analysis by Meyer Memorial Trust in early 2019, will create a scalable, replicable model for building an accessory dwelling unit (ADU) on the property of a low or moderate income homeowner as a 10 year guaranteed affordable rental for a household earning <60% MFI, which is \$42,240 for 2 persons in Multnomah County.

The EFASH model is built on the replicable foundation of:

- Affordable financing based on increased property value and rental revenue from the ADU
- Controlling the cost of the ADU through cost and energy efficient design
- Investment of a per unit subsidy, securing the affordability of the rental for 10 years
- Homeowner services to finance, build, and manage the rental home

In addition to creating a 10 year affordable rental for a fraction of the cost of new multifamily construction, low and moderate income homeowners benefit by leveraging and increasing the value of their asset via a modest monthly income and full ownership of the ADU at the end of the affordability period. The homeowner may choose to continue renting it long term at the affordable rate, rent it at market rates, or use it for extended family.

### Timeline

Spring: Feasibility analysis and project modeling are underway with finance and design partners.

Summer 2019: Outreach & engagement with community and potential homeowners for program introduction, vetting of designs and finance options. Interest by Cully and Lents, and N/NE Portland residents have been expressed through PCRI's Pathway 1000 homeownership information sessions and







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Enhabit's mailing list of 1000's who expressed interest in housing the Multnomah County pilot homes for formerly homeless families. We will cross check those lists to target homeowners.

Fall 2019: Homeowners and building sites identified.

Winter, 2020: Predevelopment. (**Current Phase**)

Spring - Fall 2020: Construction of ten demonstration units in the displacement risk neighborhoods of Cully, Lents, N/NE Portland, Bend and Redmond; starts in early spring, completion in the Fall.

January 2021: Provide proof to the Legislature, municipalities, and private funders of the feasibility of the model.

Once proven in Oregon, this model can be utilized in communities, both rural and urban, across the state looking for innovative and cost efficient ways to meet the growing need for affordable rental housing, and grow assets for low and modest income homeowners.

Phase 2 will be to partner with areas to expand the model, Columbia/Clatsop County CAP's who are doing housing development have expressed strong support for this idea and potential expansion.

### **Financing**

Support for this project will come from public and private sources.

Debt financing for construction assumes 5% interest based on assumptions generated by Craft 3 underwriting, Consolidated Community Credit Union (CCCU) current products, and a broader survey of the ADU finance market. Alternative financing/lease arrangement relies on the nonprofit developer securing construction financing that would be paid by the rent revenue; both Craft 3 and CCCU have already committed funds toward this work.

Meyer Memorial Trust has already granted \$125,000 for pre-development and feasibility studies. Their commitment to non-competitive development financing in 2020 is from a \$1.2 million pool they have to divide among 4 projects; for the ten ADU's in the Portland pilot, we can count on \$340,000.

Oregon Housing and Community Services recognizes the need for this project and may want to expand the model in the future, but prefers that the funding go directly to Equity First Affordable Small Homes.

**We respectfully request \$960,000 to advance the Equity First Affordable Small Homes demonstration project** to build an innovative model that will benefit low and moderate income homeowners as well as low income renters across Oregon.





Sincerely,

HOUSE OF REPRESENTATIVES

Handwritten signature of Akasha Lawrence Spence in black ink.

Representative Akasha Lawrence Spence

Handwritten signature of Alissa Keny-Guyer in black ink.

Representative Alissa Keny-Guyer

Handwritten signature of Mark Meek in blue ink.

Representative Mark Meek

Handwritten signature of Tiffany Mitchell in blue ink.

Representative Tiffany Mitchell

Handwritten signature of Tawna Sanchez in black ink.

Representative Tawna Sanchez

Handwritten signature of Anna Williams in black ink.

Representative Anna Williams

Handwritten signature of Janelle Bynum in black ink.

Representative Janelle Bynum

Handwritten signature of John Lively in black ink.

Representative John Lively

Handwritten signature of Diego Hernandez in black ink.

Representative Diego Hernandez

Handwritten signature of Teresa Alonso Leon in black ink.

Representative Teresa Alonso Leon

Handwritten signature of Jack Zika in black ink.

Representative Jack Zika

Handwritten signature of Michael Dembrow in black ink.

Senator Michael Dembrow

Handwritten signature of Lew Frederick in blue ink.

Senator Lew Frederick

Handwritten signature of Shemia Fagan in blue ink.

Senator Shemia Fagan

Handwritten signature of James I. Manning Jr. in blue ink.

Senator James I. Manning Jr.

Handwritten signature of Robert A. Wagner in black ink.

Senator Robert Wagner

