

Barriers to Affordable Housing Finance

Oregon Senate Committee on Housing
and Development

January 27, 2025

Trell Anderson, Executive Director at Northwest Housing Alternatives (NHA)

NHA is non-for-profit acting in public interests emphasizing housing stability, environmental sustainability, and welcoming all people.

Mission-oriented and community-based

2,300 affordable housing units in portfolio in 52 properties

Families, Seniors, Veterans, People with Disabilities

Recent new projects in Florence, Warrenton, Ontario, Tigard,
Portland – working statewide

In 2025, new projects in Sisters and Portland (120 units);
preservation of 2 communities in Portland (190 units)

Barriers to financing affordable housing:

1. Predevelopment: \$1MM to \$4MM carrying costs before funding is secured.

2. High/volatile/fluctuation of interest rates create finance gaps, requiring deeper per unit public investment in real-time.

Barriers to financing affordable housing continued:

3. Risk mitigation that occurs in financing:

- High insurance rates/increases
- New liquidity requirements \$2MM to \$4MM cash-on-hand
- New second-step underwriting to convert from construction loan to permanent finance
- Volatility in the market of construction costs (materials and labor)
- Limited duration of project-based Rent Assistance
- Outdated underwriting assumptions

Outdated underwriting assumptions:

- 2% annual rent escalation – underestimates cashflow over 30-yr loan guarantee
- 3% annual cost escalation – does not reflect market realities (insurance, security, utilities, labor, materials and supplies)
- 5% vacancy rate – does not account for “economic vacancy” and misalignment w/ rent structure to actual income and wage trends.

Recommendations:

- * Assess existing portfolio (46,400 units) for financial solvency; re-invest in current affordable housing properties.
- * Change underwriting assumptions from 2%, 3%, 5% to ones reflected in current market conditions, and that will better allow operations to adjust in real-time.
- * Create regulatory flexibility to support real-time adjustments.
- * Create an operations relief pool to bridge to new underwriting, new financing, and stronger financials.
- * Update existing tools like Oregon Affordable Housing Tax Credits and GO Bonds for use in preservation.
- * Regulate property insurance or create state-backed insurance pool for affordable housing.
- * Engage partners in the banking sector; gain national perspectives.
- * Lift a few levels up to consider how public investment can move beyond gap finance, technical assistance, and capacity building.

Convene timely discussions:

- **Set a new standard for affordable housing that is financially viable, operated in the public's interests, community- and resident-owned, mixed-income, affordable in perpetuity.**
- **These discussion are underway in CA, WA, and Vancouver B.C.**
- **Let's join the efforts and keep pace.**

Resources:

[Soaring Property Insurance Rates Threaten Affordable Housing Development — Shelterforce](#)
[Shelterforce](#)

https://policylink.widen.net/s/wlphxh7qmf/social_housing_toolkit_jan2025

[A New Vision for Social Housing in America - Center for American Progress](#)

<https://www.nrdc.org/bio/sarah-elkotbeid/social-housing-angeless-chance-fight-housing-crisis>

<https://www.shapeyourcity.ca/social-housing>

<https://council.seattle.gov/2023/04/28/meet-the-13-people-appointed-to-bring-social-housing-to-seattle/>

On behalf of the families, seniors, Veterans,
and people with disabilities who make their
homes among NHA's affordable housing
portfolio,
thank you for your time and consideration.

Northwest Housing Alternatives
www.nwhousing.org

