



February 3, 2020

The Honorable Alissa Keny-Guyer
Chair, Committee on Human Services and Housing
Oregon State Legislature
Salem, Oregon

Dear Chair Keny-Guyer,

Craft3 supports a General Fund budget proviso in the 2020 legislative session that allocates Hacienda Community Development Corporation (Hacienda) the capital it needs to fully launch the Small Homes Northwest (SHNW) demonstration project. Support for programs like that which Hacienda is proposing will help communities evaluate how-best to provide low- and moderate-income families with the resources they need to develop an Accessory Dwelling Unit (ADU).

Why We Care

In 2018, Craft3 launched a new five-year strategic plan that was designed to deepen our impact in addressing the challenges of the people, communities, and businesses with which we work. We've committed to using our core competency of lending and risk management to expand access to capital and deploy over \$350 million by the end of 2022. We'll continue to offer loans to business entrepreneurs and nonprofits that are challenged in accessing conventional financing – but also expand to better-fill market-gaps in new, emerging areas where capital is lacking.

One place where we've observed this deficiency of affordable, accessible capital is in the consumer lending space and, specifically, for financing to address our region's housing crisis. To that end, for the past two years, we have worked closely with community organizations, governments, and developers in Seattle and Portland to find a way to use capital to rehabilitate or build new housing units, whether with our own lending services or by supporting initiatives by mission-aligned partners. The Small Homes Northwest demonstration project is one-such project that we believe is an excellent opportunity to help to deliver ADUs in an equitable and community-driven way, and, by doing so, build the necessary local knowledge and capacity that is a predecessor to scale.

Why Accessory Dwelling Units

ADUs offer the opportunity to use modest residential in-fill development through local community members to reduce displacement and create new affordable housing units. ADU's complement the work of traditional housing and affordable housing development with another tool to address the housing crisis. We have been evaluating this need for more than two years, and recently launched our own ADU Loan¹ to help homeowners in our pilot territory of Portland finance construction costs. We leveraged our deep experience lending to low- and moderate- income households to create a loan product that can serve households overlooked by traditional lenders.

¹ <https://www.craft3.org/Borrow/adu-loans>

What we found during our evaluation is that simplifying the ADU development process and driving down construction costs are necessary steps to make new housing opportunities available to low- and moderate-income households. Currently, the cost to construct an ADU is significant, and conventional finance is often not well-suited to lend to the very people who need responsible and affordable lending services the most. Rent may be enough to cover loan payments and operating costs, but is still, in our modeling, insufficient to providing meaningful supplemental income to the homeowner (stabilization) or enable the homeowner to rent to very low-income tenants (affordable housing creation). The Small Homes Northwest project overcomes these challenges by simplifying the process, driving down costs, incorporating property management, and providing wrap-around services to support the homeowner and tenant.

We support Hacienda's efforts because it will address the challenges and opportunities in delivering units to the households that could most benefit from them. And, if needed, we will work to support their efforts with our own financing products – whether consumer, nonprofit, or business. The project:

- Supports family stability – homeowners retain homes and build assets.
- Advances goals of reducing the racial wealth gap by prioritizing communities of color and low-income communities.
- Supports aging-in-place and intergenerational living for our communities.
- Creates new affordable rental housing opportunities in our community.
- Generates economic activity through construction and entrepreneurship.

Addressing our regional housing crisis will require the work of traditional housing and affordable housing development, as well as new approaches like those that leverage Accessory Dwelling Units to accelerate the ability of everyday citizens, including those with lower incomes or challenges obtaining financing, to create housing in their own backyards. Because it works towards that goal, we appreciate Hacienda for proposing the Small Homes Northwest project and are pleased to support its request for a budget proviso in the 2020 legislative session.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Seip', with a stylized, flowing script.

Carl Seip
VP, Marketing & External Affairs Director

CC: Ernesto Fonseca, Hacienda Community Development Corporation