

RURAL USE CASE & BENEFITS OF SRLF

Challenges for Rural Housing

Rural markets share many similar characteristics that discourage new home starts:

- Socioeconomic distress with lower household incomes
- Stagnant or declining populations
- Aging populations
- Older housing stock
- Chronic and sustained housing underproduction
- Lack of available builders, labor (GCs and specialties) and equipment

Comparator Burns, OR

The average home in Burns based on 24 months of comparative sales data (16 sales):

Residential Comps	Features
Beds	3
Baths	2
Age	43
Yr Built	1980
Sale Price	\$361,656
Size (SF)	2,168
Price/SF	\$167
Days on Market	116
AMI Index (4 PPH)	159%

*\$55,000 above
120% AMI* 

Miller Springs Housing Development¹ 6 Without SRLF 6 With SRLF

Sale price is **\$324,353** per unit (**142% AMI**); levered internal rate of return of **5.66%**; equity multiple of **1.08x**; profit of **\$8,636** per home.

Result: The project is NPV positive, but just barely. The **returns are meager and do not justify the investment.**

Levered Return Metrics	
Levered IRR	5.66%
Levered Equity Multiple	1.08x
Levered Profit	\$51,820

1. The Miller Springs Development has 249 new dwelling units permitted on 118 lots, an average density of 3.8 units per acre, typical for rural markets. Their target Loan-to-Cost (LTC) ratio is 65% on a commercial real-estate loan issued at 8.8%. They plan to borrow \$1.135M and need \$611,573 as equity, of which 41% is the value of the land.

City borrows \$357,773 to equity fund project (grant to developer). Developer lowers sale price of each home to **\$269,144** per unit (**120% AMI**). Levered IRR is **28.28%**, the levered equity multiple is **1.36x**, the levered profit is **\$27,873** per home.

First Result: **Six (6) new homes.**

Levered Return Metrics	
Levered IRR	28.28%
Levered Equity Multiple	1.36x
Levered Profit	\$167,239

Second Result: **\$27,000** a year in new tax receipts; **\$7,200** a year in new water and sewer revenues; **\$45,000** in SDC receipts; plus the **indirect benefits** of new home construction for the local economy.

Third Result: Negotiating room and policy choices