

Financing and Development of Multifamily Housing

*Senate Finance and Revenue Committee
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MULTIFAMILY NW
The Association Promoting Quality Rental Housing

Who are we?

Multifamily NW is the largest association of housing providers and rental housing service professionals across the state of Oregon, representing approximately **275,000 units** of rental housing.

We provide our members:

- ✓ Educational courses on latest regulations
- ✓ Consistently updated comprehensive rental forms for tenant and provider
- ✓ Advocacy on their behalf to local and state governments



FAIR Housing Fair, 2019



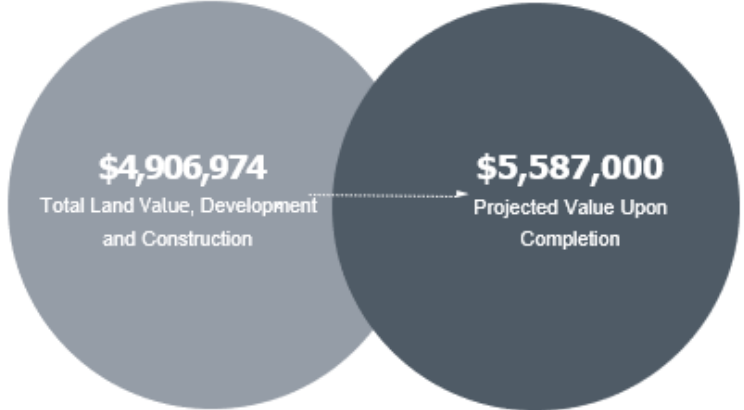
Why are we here?

Gov. Kotek's Housing Production Advisory Committee is reviewing recommendations that focus on the Oregon Housing Needs Analysis outlined within HB 2001.

- Five HPAC recommended topic areas
 - **Affordable and Market Rate Development**
 - Affordable Housing Development
 - Building Codes and Inspections
 - Labor Supply and Workforce
 - Land Use and Zoning

An aerial architectural rendering of a modern multi-story apartment complex. The building features a mix of light beige and dark brown siding, large windows, and balconies with dark railings. It is situated on a landscaped lot with green grass, trees, and a row of yellow shrubs along the street. In the background, there are other residential buildings, a swimming pool, and a parking lot. A prominent yellow banner with black text is overlaid across the center of the image.

Model Market Rate Development



Summary of Investment Performance

Project Costs	4,906,974
Source of Funds	
Debt	3,680,000
Equity	1,226,974
Stabilized Value	5,587,000
LTV	66%
LTC	75%
Debt Yield	7.6%

Investment Offering Analysis

Price	\$5,587,000		Current
Down Payment	\$1,955,450	Net Operating Income:	\$279,363
New First	\$3,631,550	*Less Debt Service:	\$189,657
Interest Rate	3.25% Annual	Pre Tax Cash Flow:	\$89,706
Amortization	30 Years	Cash on Cash Return:	4.59%
Loan Term	10 Years		

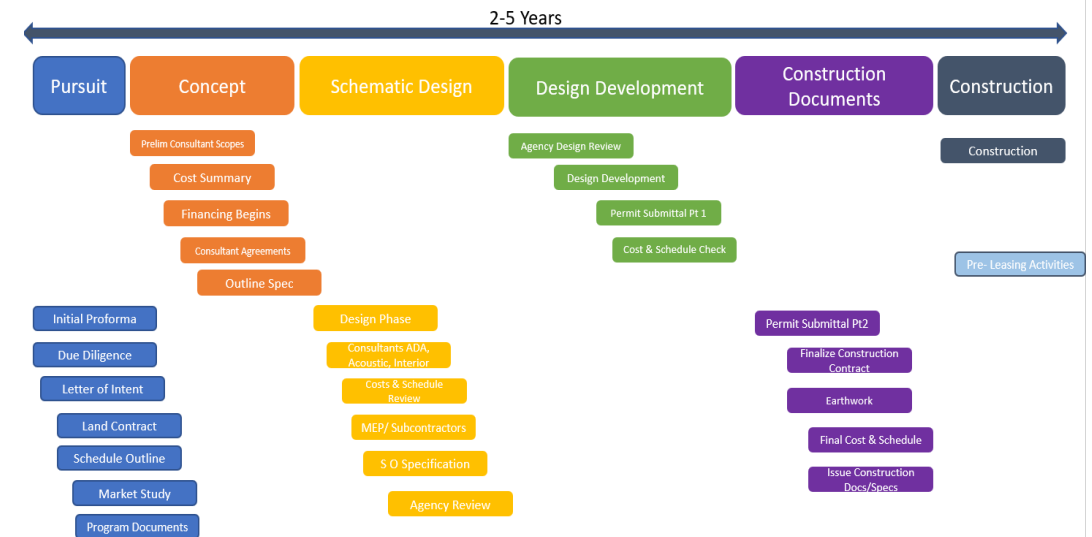
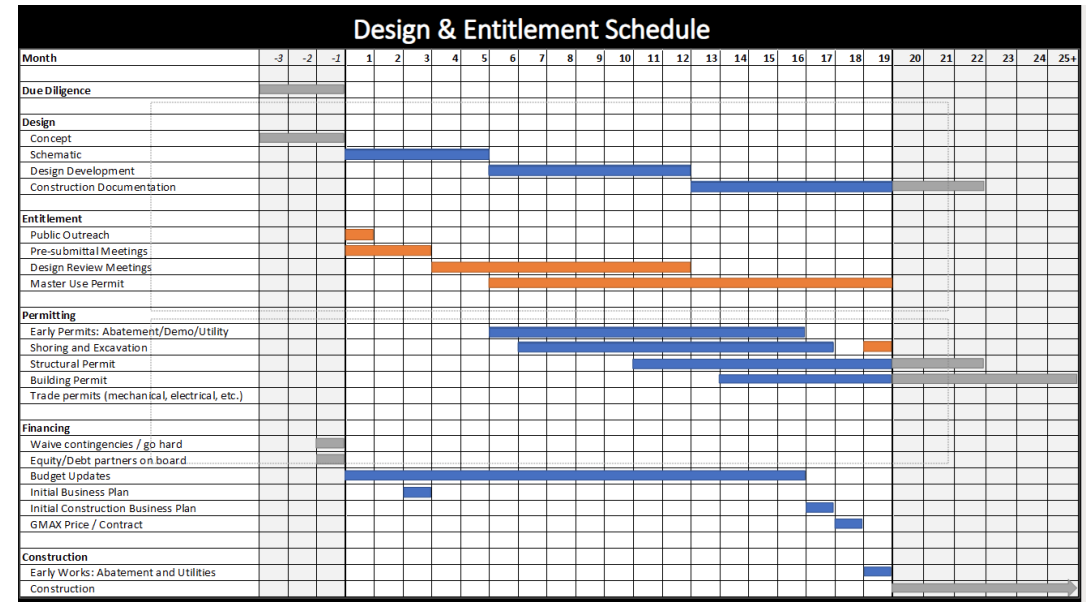
Scheduled Gross Income

Units	Type	Average Sq. Ft.	Current Rent/Mo.	Current Monthly Total	Rent per ft
4	1X1	600	1,050	\$4,200	\$1.75
6	1X1	750	\$1,450	\$8,700	\$1.93
11	2X2	900	\$1,750	\$19,250	\$1.94
21		800	1531	\$27,950	\$1.91



Model Market Rate Development

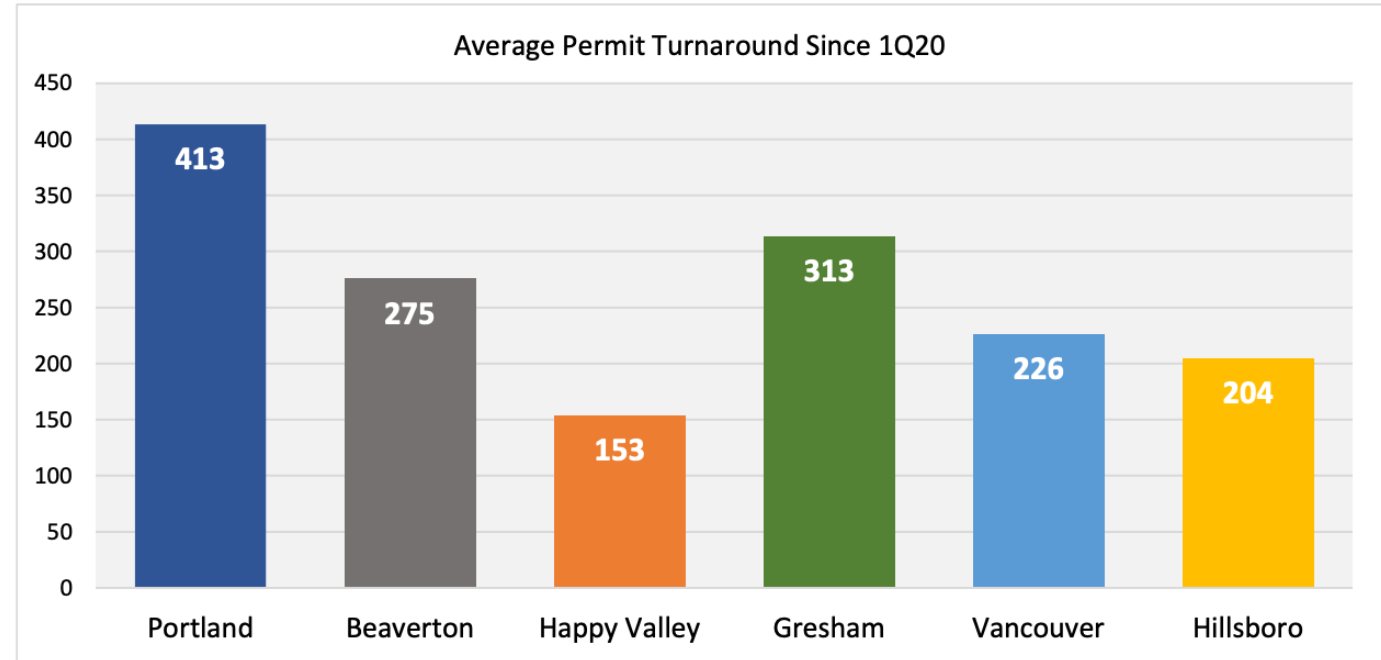
Concept to Construction Timeline



Housing Project Road Map

Model Market Rate Development

Permitting Discrepancies



Source: Individual cities building & permitting divisions, JOHNSON ECONOMICS

An aerial photograph of a residential development, showing several multi-story apartment buildings with grey roofs and light-colored facades. The buildings are arranged in a grid-like pattern with parking spaces and greenery interspersed. A large yellow text box is overlaid on the left side of the image.

Model Market Rate Development

Commercial Real Estate Investment

WHO INVESTS IN HOUSING? *Scale and Sources of Funding:*

DEVELOPMENT

200-unit apartment building x
\$500,000 per unit cost =
\$100,000,000 Total Project Cost

Equity (40%): \$40,000,000

Sponsor (10%): \$4,000,000

Partner (90%): \$36,000,000

Partners: Private Equity Funds
(institutional Pension Funds
investors) Life Insurance Cos

PURCHASE OF STABILIZED ASSETS

\$120,000,000 Sale at Stabilization

Equity (50%): \$60,000,000 check



Model Market Rate Development

Commercial Real Estate Investment

For these investors, this is an issue of :

- Investment Math
- Confidence

Apartment buildings are expensive, and they are relatively low return because they are viewed by investors as safe, stable, and **long-term generators of predictable revenue.**

The Investment Math is important to get right, and your “assumptions” are critical. Without confidence in your assumptions, things fall apart.

Investors’ primary responsibility is as fiduciaries to their stakeholders. If investors view Oregon as unpredictable, **they will lose confidence and invest elsewhere.**

- Investors weigh a large capital investment today in Oregon against a 20-50 year stream of rental income.
- Proformas may truncate at 10 years for simplicity using a sales price, but that sales price is supported by future rents.
- Anything that limits rents after 15 years (rent control) diminishes the investment potential and either **forces higher rents** in the early years **or investment outside the state of Oregon**.



**Why invest in
Oregon?**



There is a disconnect

Average cost to build
market rate apartment

\$275,000

Average cost to build
affordable apartment

\$450,000

Affordable housing development is critical, but the private market is far more efficient.

Government should:

- Prioritize robust rental assistance
- Explore additional opportunities to buy existing units
- Streamline development process to address affordability

A woman with dark hair tied back, wearing a light-colored top, is shown in profile with her hand covering her eyes, suggesting distress or frustration. The background is a soft, out-of-focus office setting with a computer monitor and keyboard visible. A bright yellow rectangular box is overlaid on the lower-left portion of the image, containing bold black and brown text.

**Several barriers to
development have
led us to this crisis.**

System development charges
average \$27,000 per unit

Inclusionary zoning has
disincentivized large projects

Rent control has
disincentivized new
development

Permitting times in Portland-
metro are 400+ days

No incentive to build
workforce housing

Waive SDC fees temporarily, and provide grants to local municipalities in the interim

Make Inclusionary Zoning voluntary as they do in Vancouver, WA

Establish a 120-day expedited permitting process for approved design builds

Layer in federal monies for construction projects for transportation to lower costs of development

Utilize PACE liens to improve proforma and for new construction and energy retrofit

Introduce property tax abatement for workforce housing projects



There are solutions.



**We want to work with you to
accelerate housing production.**

Contact Us to Learn More

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