

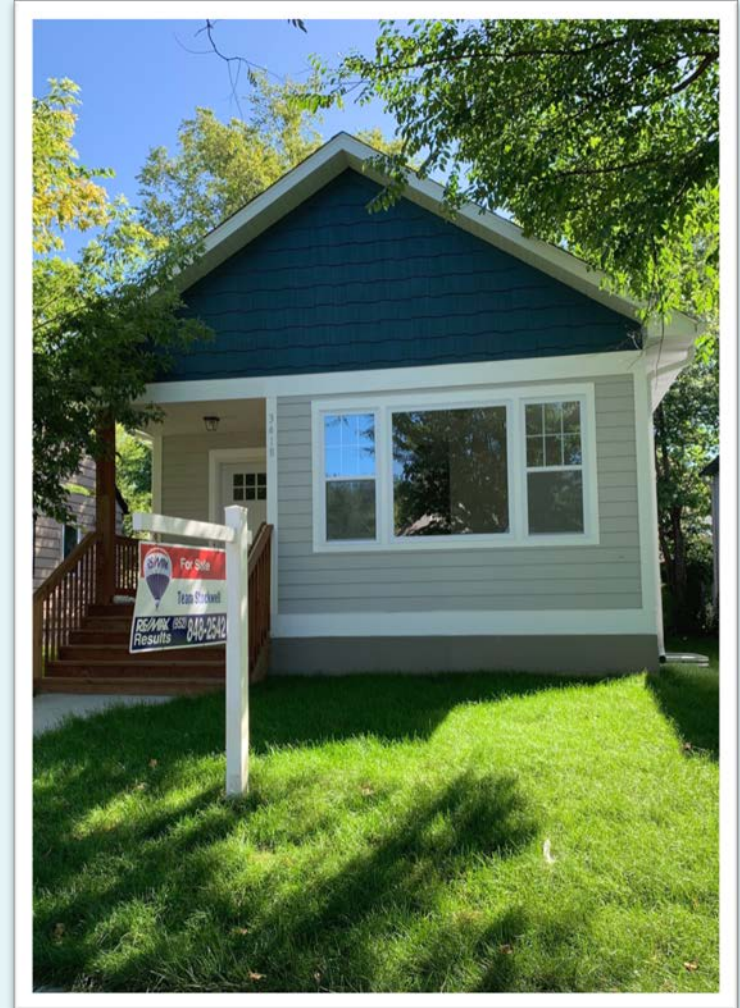
STRATEGIES FOR SCALING SINGLE FAMILY DEVELOPMENT

Cindy Holler and Katie Rodriguez

STRENGTHMATTERS FINANCIAL MANAGEMENT CONFERENCE
9/18/19

AGENDA AND SESSION OBJECTIVES

- **Introductions**
- **Why scale?**
 - *Explore business challenges observed by lenders*
 - *Explore current challenges of session attendees that could be addressed with greater scale*
- **Strategies for scaling existing SF business lines**
 - Integrating technology into operations
 - More efficient ways to raise capital (more \$\$/more flexibility)
 - Creating more predictable/consistent streams of revenue
- **How can we work together?**



INTRODUCTIONS



- Est. 2000
- \$720M direct loan originations
- \$2.3B in affordable housing development for 18,000 homes
- National certified CDFI lender targeting 200+ NeighborWorks® Organizations in every state, largely in communities of color who have well-developed SF business lines

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- Est. 1992
- Deployed \$70MM in NMTCs for SF development
- \$150MM in loan originations to HPN members
- Award-winning business collaborative of 100 leading affordable housing & community development NP's
- Facilitates peer-to-peer learning and promote policy and practice based on proven experience of the nation's most successful non-profits

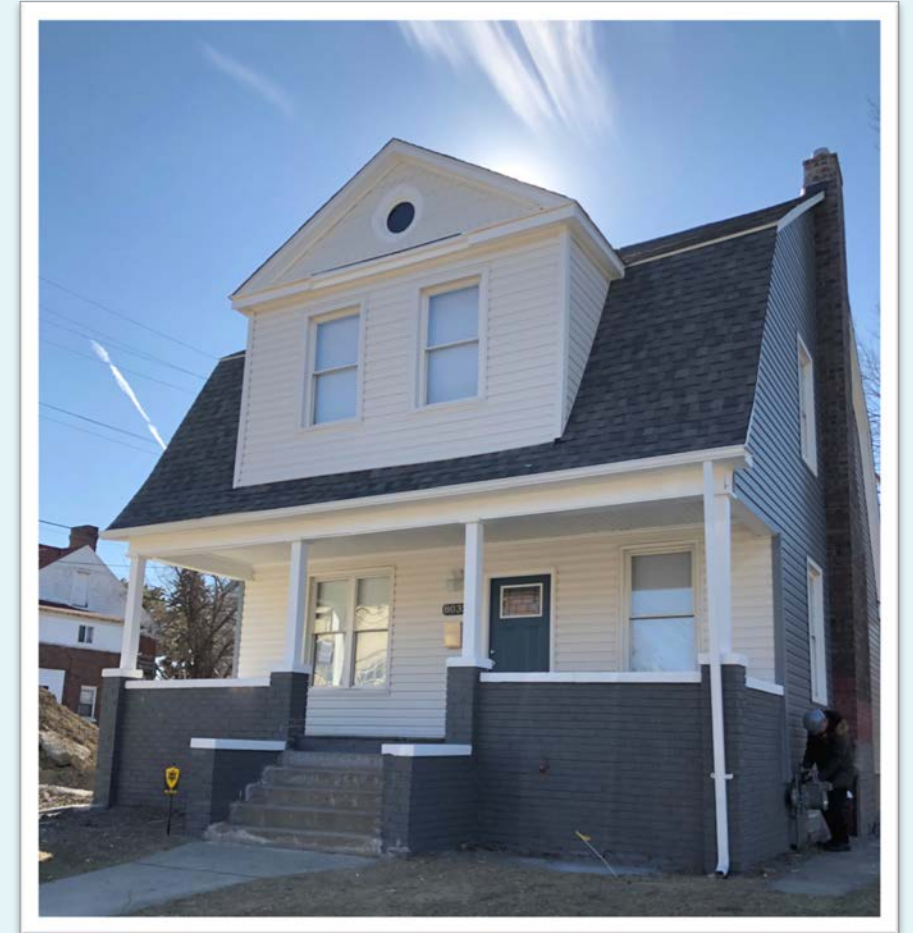
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WHY SCALE? WHAT WE KNOW:

Providing affordable homeownership and rental opportunities for LMI populations and neighborhoods can achieve the following outcomes:

- ✓ Create neighborhood stability
- ✓ Reduce prevalence of substandard and unhealthy conditions in older homes
- ✓ Disrupt racial and economic inequality
- ✓ Sustain upward mobility for families
- ✓ Invest in and grow the nonprofit sector



Why Now?

Observation

Fact

Paramount goal for cities and urban areas: protecting the supply of affordable housing from corporate investors (rental and owned)

An est. 5.4 million single family homes moved from owner occupied to investor owned rentals during the Great Recession. Zillow -- (Gordon Julia. 'The Dark Side of Single-Family Rental' Shelter Force | 30 July 2018)

Dramatic decline of government support and less availability to non-profit affordable housing/community developers

President Trump's initial budget proposed cutting HUD funding by \$8.8 billion (18.3% compared to previous year) (2018 National Low Income Housing Coalition | 12 February 2019)

Foreclosures and abandonment of homes continue to plague certain communities and regions

According to a Washington Post article in May of 2016, 68% of the communities which lost value after the foreclosure crisis (2004 to 2015) were zip codes of color with 41% of those being African-American.

Non-profit builders struggle with strategically investing capital to replicate and scale their work

NeighborWorks organizations and HPN organizations are building, or acquiring and rehabbing single-family homes, without a vehicle for capital aggregation or asset management

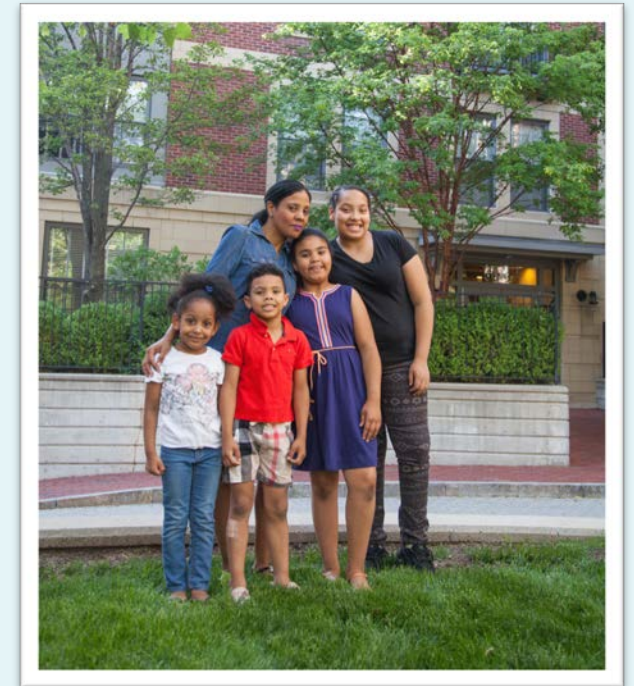
Socially-motivated capital and subsidy providers need partnerships to deploy patient, robust capital and development strategies into the single-family asset class

The post-foreclosure crisis era saw stimulus dollars, foundation dollars, and related infrastructure recede, without a replacement to restore the aftermath of homes and vacant lots that remain.

SOCIAL OUTCOMES

Scaling single family development efforts can increase mission-driven benefits for residents:

- ✓ Improved resident health and well-being
- ✓ Increased education opportunity
- ✓ Improved standard of living
- ✓ Increased economic opportunity
- ✓ Decreased government spending
- ✓ Opportunity for intergenerational wealth building
- ✓ Increased environmental sustainability



HOW: STRATEGIES TO SCALE



- Technology: can be used in almost all areas of your business to create process efficiencies
- Utilize multiple acquisition channels for more a robust acquisition pipeline with the goal to attract larger capital resources
- Work to develop more predictable/consistent streams of revenue (have a few development strategies that each work with different levels of subsidies and varying market conditions)

ROAD MAP FOR AN EFFICIENT SF BUSINESS PLATFORM

High Leverage Capital

Fast and easy to access

Acquisition and Asset Management Strategy

Well-defined and Accessible

IT Infrastructure and Interface

Connecting Developers, Lenders, Fund, Vendors, Lawyers, Title, Etc.

Property Management System

Multiple Geographies and Locations, Tied to Local Vendors

End-financing Commitments

For-sale, LTP, Rental Mortgages

CAPITAL

CDFI TOOLS TO SUPPORT SF DEVELOPMENT

- ✓ Lines of Credit
- ✓ Enterprise Loan Capital
- ✓ New Market Tax Credits
- ✓ Collaborative Capital Vehicles



HPN'S USE OF NEW MARKET TAX CREDITS FOR HOMEBUILDING

Program provides flexible, flexible, low-cost capital to support homeownership development efforts.



- \$70MM in allocation awarded and deployed
- \$11M in direct “net benefit” or subsidy to 9 HPN members to develop/rehab ~500 for sale homes across 9 states (~\$22k in subsidy/home)

GROUP DISCUSSION

Open up discussion to hear the most pressing challenges to your current business model and/or market conditions

- How have you succeeded in scaling your single family business?
- What tools have worked best?
- From our discussion today, what speaks most to the challenges you face in scaling your SF production?

MOVING FORWARD- WORKING TOGETHER

How can we work together to create efficiencies in our work and increase our overall impact and scale?

How can CDFIs support this work?

What support can networks like NeighborWorks and HPN provide?