



ROOTEDHOMES
BUILDING SUSTAINABLE COMMUNITIES

150 NE HAWTHORNE AVE
SUITE 110
BEND, OREGON 97701

ROOTEDHOMES.ORG

8/22/2023

Dear Affordable Housing Advisory Committee,

RootedHomes is a permanently affordable homeownership provider in the City of Bend, with 10 units completed and 47 under construction. RootedHomes uses a 99 year renewable land lease or deed restriction to ensure homes will perpetually be resold to low-income households, without any additional subsidy needed. This model allows for the City of Bend to subsidize affordable housing once, but provide access to affordable housing for generations.

The City of Bend has invested in all of RootedHomes' projects with Community Development Block Grant (CDBG), supporting land acquisition, pre-development and site infrastructure. And while typically CDBG is provided as a grant, the City of Bend provides it as a loan with the following terms: 0% interest deferment of payment for 20 years with a 10-year repayment to begin in year 21. RootedHomes has shared the negative implication of this City policy on the development of affordable housing since 2021. **RootedHomes respectfully urges the City of Bend Affordable Housing Advisory Committee to revise this policy.**

Detering Affordable Homeownership Development

Throughout Oregon, a majority of jurisdictions distribute Community Development Block Grant (CDBG) as a grant. Affordable housing developers show CDBG as an asset on the balance sheet. This positioning is beneficial when other grantors and low-interest loan investors seeking to invest in an affordable housing project review the balance sheet. Unfortunately, with the City of Bend CDBG structured as a loan, it is shown as a liability on the balance sheet. This makes it difficult to leverage other investment for affordable housing projects. RootedHomes cannot build its communities on CDBG and AHF funds alone so it must seek additional funders. Some of these funders require certain leverage ratios and the CDBG loan balances have caused RootedHomes to lose additional funding. If RootedHomes cannot obtain these additional funding sources, it cannot build affordable housing communities in the City of Bend. **At this point, RootedHomes cannot take on any more City of Bend CDBG funds as loans and has concerns about building any more homes in the City of Bend due to overleveraging.**

Audit Burden

Due to the federal status of the CDBG funds, their structure as loans, and the continuing compliance requirements, RootedHomes is required to perform a federal Single Audit each year of the loan term regardless of whether it accepts any additional funding. This audit requirement places a significant financial and operational burden on the organization even though the homes built as part of the funding are under a 99 year ground lease which exceeds the loan term. **Each audit will cost in excess of \$25,000, will take significant staff resources to complete, and there are limited auditors available to complete this work in a timely manner.**



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Payback Burden

CDBG funds are used to purchase land and complete pre-development work for its affordable housing communities, which means the funds are “locked” in with the homes and the capital is inaccessible. RootedHomes is not using the funds to generate revenue or create an asset with a disposable value which forces the organization to source the money for payback from somewhere else. The ground lease fee earned is not nearly enough to cover the balance as it only consists of \$50/home/month which would only equate to \$12,000 per home over the loan period. RootedHomes has averaged closer to \$50,000 per home in CDBG funding which leaves a significant gap to fill.

If RootedHomes has an opportunity to repurchase a home during the loan period due to a homeowner wanting to sell, RootedHomes could attempt to repurchase and then reprice the home at a higher amount than it would have resold for as part of the ground lease. **This would require RootedHomes to stop building more affordable housing and save its funds to buy back its own homes. RootedHomes would be forced to make its homes less affordable at 80% AMI instead of more affordable over time, like 60% AMI, pricing out Bend residents.**

RootedHomes respectfully requests that the Affordable Housing Advisory Committee make the following CDBG loans forgivable, as well as any new CDBG loans awarded in the future. If the City cannot outright forgive the loans at current date, RootedHomes would recommend matching loan terms to Oregon Housing and Community Services’ Local Innovative Fast Tract which state that at loan maturity of 20 years, the loan can be repaid OR the borrower can choose to extend affordability for an additional 20 years for loan satisfaction. This forgivable loan structure would solve for the payback burden and future pipeline.

- City of Bend 2018 CDBG award to Korazon \$185,000
- City of Bend 2019 CDBG award to Crescita \$284,210
- City of Bend 2021 CDBG award to Poplar \$350,000
- City of Bend 2022 CDBG award to Simpson \$643,900

RootedHomes believes that discussions like these are the bedrock to a good partnership and will continue to bring policy suggestions to the City that supports more affordable housing development and preservation. For questions, please email jackie@rootedhomes.org

Thank you for your consideration,
Jackie Keogh, Executive Director