

Meeting: Build Small Coalition  
Date/time: September 23, 2021, 10:00 – 11:30 a.m.  
Place: Zoom virtual meeting

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### **Attendees**

Susan Brown, Ryan Makinster, Roseann Johnson, Tim McCormick, Kol Peterson, Elizabeth Decker, Eli Spevak, Jill Cropp, Kay Elmore, Dirk Knudsen, Walter Poz, Alexis Biddle, Lisa Vermillion, Lina Minard, Doug McLeod, Sean Heyworth, Dylan Lamar, Wendy Anderson, Laura Klement, Mike Mitchoff, Stephanie Luciano, Ethan Stuckmayer

### **Metro staff**

Rebecca Small, Ted Reid, Laura Dawson-Bodner, Megan Gibb, Andrea Pastor

## **I. Introductions**

Rebecca welcomed those present and invited them to share brief updates. Rebecca shared information on upcoming events:

- Let's Build It: Incentives for Middle Housing Construction hosted by HBA and Metro, Wednesday, September 29, 10 – 11:30 a.m. Free and open to the public. [Register](#)
- Sustainable Building Week, taking place October 11 – 16. Many events are free and open to the public. <https://sustainablebuildingweek.com/>
- RailVolution, October 19 – 21 <https://railvolution.org/the-conference/conference-information/>

## **II. Developing missing middle affordable home ownership: the C Street Co-op Pilot Project**

Rebecca welcomed Dylan Lamar, of Cultivate, Inc. Dylan said he is an architect, developer and passive house consultant.

Dylan gave some background, saying that homeownership has been in decline for the past three generations and is half as likely for low-income and black households. Thanks to HB2001, there is a seed for middle housing, however pathways to ownership favor the wealthy landowner. How to create four ownership opportunities as an alternative to one owner with four rental opportunities? Without middle housing, there are major implications for the middle class and an increase in social inequities.

Condominiums are cost prohibitive for many people. Co-ops are a model for affordable home ownership that goes back many decades. There are examples of limited equity co-ops in Eugene, Davis, CA and New York City. Middle housing co-ops are a pathway to ownership for all.

C-Street Co-op in Springfield, Oregon is on a double lot that has been partitioned. There is a house with four one-bedroom suites, each with bathroom and kitchenette, and one ADU with two one-bedroom suites. Construction is net-zero ready and the project pencils out at \$183/SF.

The limited equity co-op offers each owner 1/6 interest. There is a limit on appreciation value (3-5%) to ensure permanent affordability. SquareOne Villages is a non-profit community land trust that owns the land. They are similar to the Proud Ground land trust in Portland. SquareOne's involvement is long term to help provide financial oversight and administrative assistance.

Cultivate Inc., the developer, located five social investors and accessed a commercial loan, and then sold to SquareOne, who sold the units. The total project cost is around \$600,000, \$103,000 per suite. The landowner gave a good deal on the land - \$60,000 - which facilitated a much lower project cost than typical affordable housing.

Summit Bank is the guarantor and Tony Waller completed the legal documents. The developer fee was below market and the project finished ahead of schedule and under budget. There are FHA loan programs for coop housing programs but they only pencil out for projects of 60 units or more.

There are no shared spaces other than a mail area and laundry facilities. The kitchenettes have induction cook-tops. Share purchase price is \$10,000 per owner which is a bit high for those living at 60% AMI. Monthly costs are \$600 which includes funds for the maintenance reserve, insurance and taxes. Dylan said he would like to get the purchase price down to \$6,000 per unit. For more information, contact Dylan at [dylan@cultivateplace.com](mailto:dylan@cultivateplace.com)

### **III. New avenues for financing middle housing projects**

Rebecca invited Susan Brown to present on Financing Strategies for Middle Housing. Susan said her background includes 42 years in banking. She is now consulting, looking at financing alternatives for middle housing developments. She gave some background on financing, saying that until 2008, FDIC, credit unions, local banks and state regulated banks were the primary source of financing and provided about 80% of all financing. Following 2008, there were five years of almost no construction because banks stopped financing projects.

Financing for ADUs currently relies on conventional sources such as banks and credit unions. Other sources include cash, family loans, home equity lines of credit and specifically designated construction loans. The limit is one ADU per property because that is what financing guidelines will tolerate. Multiple ADUS may be allowed by zoning, but there are few financing pathways to build them.

Sources to create new middle housing developments such as plexes, cottage clusters, etc. include speculative residential construction. Money is available, but not through conventional sources. Builders and developers now want to take advantage of these sources of capital: cash, borrowing from a relative, line of credit from an owned property, guidance line on subject, construction loan (temporary financing), private investors and social impact investors. These last two sources of

funds create much more flexibility for builders/developers/investors and have substantial funding available.

Susan said loan amounts from private equity funds vary from \$100,000 to \$2.5 million with 7%-14% interest rates and loan fees at 1% - 5% of loan amount. All factors depend on the experience level of who is taking the loan.

Connecting personally is key for working with private equity funds. People with money want to diversify their portfolios and the high need/demand for housing reduces the risk of investment. Documentation is simpler and an assessment is not necessarily used. There are multiple providers so there is competition to get investments out, leading to lowering rates in order to stay competitive. There are some who will take advantage so you have to be careful. Think of these sources as a bridge to get to a permanent loan.

Susan is willing to share information and can be contacted at [SusanGBrown@CoreSGB.com](mailto:SusanGBrown@CoreSGB.com)

#### **IV. Adjourn**

Rebecca adjourned the meeting at 11:30 a.m., inviting those who were interested in continuing discussion to stay until noon.