


## **USP Affordable Housing Finance – 496/596 – SYLLABUS – Spring 25**

Instructor:  Catherine Such - 503-780-2541, csuch@pdx.edu

***Welcome to USP 496/596 - Affordable Housing Finance. I am looking forward to working with you!*** - General Statement with embedded link:

This is a UNST Cluster course - this means the course will integrate the 4 program learning goals from University Studies: [Communication; Inquiry & Critical Thinking; Diversity, Equity & Social Justice, and Ethics Agency & Community](#).

This course focuses on affordable housing finance in America – to that end, we will learn about how multifamily rental housing is financed in America, including a brief discussion of the history and policies associated with affordable housing. It is an asynchronous course, which means we will not see each other in the classroom, but I will be available to you for questions – please reach out to me if there is anything you need.

### **Technology access**

Proficiency in the use of Canvas, PSU email, and other computer tools such as Zoom or part of Google Suite is required for this course. This course requires consistent access to functioning computer equipment and Internet access throughout the length of the course. Reliance on a cellular connection may not provide reliable and fast access to online learning resources. Here are some broadband programs that [are free or low-cost](#).

### **Learning goals:**

- Broadly, understand government involvement in affordable housing – specifically, understand terms and concepts such as area median income, rent burden, construction debt, equity investing, etc. Understand what factors influence rent levels, sources for developing affordable housing, and the need for housing subsidies in the context of affordability
- Consider redlining and how this structurally exclusionary practice has influenced and continues to influence affordable housing development
- Understand specific tools of affordable housing in the US – the low income housing tax credit, tax exempt bond financing, operating subsidies, property tax exemptions. Consider their impact on who is housed and who is not
- Understand “pro formas,” both the sources and uses and the net operating income schedules, how they interact, and how subsidies influence both: discuss debt, equity and how they differ
- Apply concepts through mathematical assignments designed to show how affordable housing is financed and developed
- Understand the motivations of institutions that invest in the housing tax credit
- Understand how, through financial markets, Wall Street influences affordable housing

### **Required texts:**

- Gregg Colburn, Rebecca Walter – Affordable Housing in the United States (AHUS in the modules)
- Other reading/zoom sessions/articles/webinars as listed in the modules

### **Course Grading:**

**All-Class Posts: 3 assignments, 5 points each, or 15% of the overall grade**

There are three all-class posts due in Discussion Groups assigned to that week's module. Note that the Discussion Groups for all-class modules are separate from the graduate and undergraduate discussion groups assigned below.

### **Discussion Group Participation: 3 assignments, 10 points each, 30% of the overall grade**

#### **Graduate students: Discussion Groups – 3 weeks, 3 students, 10 points each**

- **Choosing a group:** each group needs three students – you can self-select or I'll organize you.
- **Important participation dates:** organize yourselves early so you don't run out of time and **provide me with your list of discussion group facilitators for the 3 discussion group assignments** by April 14, 2025 – this is not a hard lift but you should tell me who is facilitating which discussion group assignment before the first one is due.
- **Facilitating a discussion group - 5 points** I will post a question or a framework for discussion by the start of each module. I don't expect the group facilitator to have completed the module's reading and assignment in advance. The facilitator is asked to guide the discussion, provide connection to group posts and the course reading, and generally keep the conversation going. This does not have to become the facilitator's life work: I expect 1 - 2 prompting/organizing posts and summary, each of which should be 200 – 300 words.
  - The summary of the group's discussion and conclusions should be posted by the due date.
  - I will read your posts but will not comment unless you are stuck on a question and hearing from me would be useful. If you want me to chime in, @me.
- **Participating in the discussion groups – 5 points each**
  - In order for the facilitator to facilitate, initial posts and responses need to be up by Tuesday of the given module. For non-facilitators, I expect 1 initial post by Tuesday of the module week and 2 response posts. Responses posts need to be up within 48 hours of the initial post. (*Enlightened self interest should come into play here – don't leave your facilitator hanging*). Posts should be 200 - 300 words.

#### **Undergraduate students: Discussion Groups**

Undergraduate students are organized into a single discussion group. During the weeks of the Discussion Group Assignment, I will post one question for you to consider. Your response has two parts: your own individual thoughts in a post that is 200 – 300 words, and a comment on a colleague's post, also 200 – 300 words. I am looking for independence of thought and consideration of the material – it's great to affirm your colleagues, but I will grade based on content and not just repetition/affirmation.

### **Module Exercises: 4 Assignments, 10 points each, 40% of the grade**

There are four assignments embedded in the modules. Each assignment should take you under two hours. If it's taking much longer, reach out to me so we can discuss. Undergraduate and graduate students have different assignments.

Most assignments are simple math. Consistency, accuracy, and professionalism are all required. You can collaborate but your work product needs to be individual. Label your assignment with a title and your name – I know it seems reductive, but you'd be surprised how often this does not happen.

Late assignments will be docked 2 points for every day you are late starting 24 hours after the due date. **I won't accept them three days after the due date (in case of emergency of course I am available to discuss, but do it before the original assignment date). I will not accept late final assignments.**

**Final Project: 15 points, 15% of the grade (posted mid-April in its own module)**

**Summary:**

	<b>Dates:</b>	<b>Topics:</b>	<b>Assignments:</b>
1	3/31-4/4	Introduction to class and concepts	All Class Post # 1 - introduction
2	4/7-4/11	Participants in Affordable Housing	All Class Post #2 – ID Affordable Housing
3	4/14-4/18	Project Feasibility	Discussion Group Assignment #1
4	4/21-4/25	Financial pro formas	Module Exercise #1: Simple Pro Formas
5	4/28-5/2	Affordable housing operations	Discussion Group Assignment #2
6	5/5-5/9	Demand side subsidies (Section 8)	Module Exercise #2: Section 8
7	5/12-5/16	Debt, interest rates, housing production	Module Exercise #3: Lenders' ratios
8	5/19 – 5/23	Supply side subsidies – low income housing tax credit	Discussion Group Assignment #3
9	5/26-5/30	LIHTC continued	Module Exercise #4: Tax Credits, Equity
10	6/2-6/6	Wall Street Impact, Affordable Housing	All Class Post #3

**Module 1 – Introduction to class, and concepts in affordable housing** - Class overview and expectations. Concepts and language: what is “affordable housing?” What images come to mind? Why does the production of affordable housing matter? What are the implications – societal, economic, financial – when a community lacks affordable housing? Discuss what affordability means, how it is measured, and what is considered to be affordable in Multnomah County.

**Learning goals:**

- Understand affordable housing in the context of multifamily development
- Understand the idea of area median income, rent burden, and how to calculate affordable rent

**Module 2 – Participants in Affordable Housing.** There are many ways the public sector – federal and local – facilitates housing affordability – the government is a policy maker, a regulator, a funder, and sometimes a builder. Discuss why government intervention is necessary to create affordable multifamily housing in most markets – specifically, why is there a “financing gap” in affordable housing development, and how does government fill it?

**Learning goals:**

- Understand why the private sector cannot/does not create affordable housing without subsidy
- Understand redlining and the Community Reinvestment Act as a response to redlining
- Discuss ways in which the public sector fills the financing gap – federal, state, local
- Discuss different kinds of developers

**Module 3 - Project Feasibility.** What influences feasibility? Discuss the cost of land, neighborhoods, and the financial factors that impact location, the number of units, and other aspects of multifamily

development. For nonprofit developers, in particular, how is a project influenced by available financial tools vs. mission? Consider scarcity of resources, and how building for specific populations can influence project design, location and why it matters. Discuss feasibility in light of lender (both conventional and public) requirements – it is always possible to build the project you might want to build? Why or why not? How does capital structure influence project choice? Discuss developers' fees and developers' financial motivations.

Learning goals:

- Understand project feasibility as affordable housing developers define it
- Using the ULI app, understand how different aspects, particularly the income level of a project's proposed target households, affect the capital stack of an affordable multifamily project
- Understand the tradeoffs in deciding where and what to develop, and for whom
- Return to the idea of the housing gap, and understand why it is so difficult to build affordable housing
- Discuss developer fee and the profit motive for building affordable housing.

**Module 4 – Simple pro formas/financial forecasting, sources/uses.** We consider the two schedules used by developers to create a financing structure for a multifamily affordable housing project: the sources and uses schedule and the net operating income statement. This module will cover the conventions of how these modules are presented, why there are such conventions, the differences in how lenders, equity providers, and developers look at different financing aspects, and critically, how these two schedules work together. We will examine risk and return in affordable housing development from a variety of different perspectives. Finally, we will introduce the idea of “cost of capital,” and touch on why interest rates matter so much.

Learning goals:

- Understand a sources and uses statement and how they are balanced – and how the developer fee interplays with budget balancing
- Understand and calculate net operating income and available cash for debt payments
- Risk/return – always integral to finance – in the context of affordable housing and how risk/return is defined differently by different participants

**Module 5– Affordable Housing Operations.** You can compare a multifamily rental project to a small business – it has revenue (rents) and expenses. In this module, we will spend time understand rents – returning to the affordability tables provided by the Portland Housing Bureau – and expenses, zeroing in on expenses that are considered controllable by the developer and those that are not considered controllable, why that distinction matters, and once again why location matters. Note: rents are generally capped in affordable housing – so, it's not possible to raise rents to compensate for higher expenses. Your assignment this week is from one of the two biggest consultants in the tax credit industry, and focuses in particular on expenses.

Learning goals:

- Discuss elements of revenue in affordable multifamily housing
- Discuss operating expenses, in particular property taxes and insurance
- Learn about operating reserves and guarantees

**Module 6 – Demand side subsidies.** One of the ways the government facilitates the development of affordable housing is subsidizing the income generated by rents, either by providing a subsidy for households or by providing a subsidy specific to a development. The federal government program in America is called “Section 8,” but the government provides public housing subsidies as well. This module examines the two different kinds of Section 8 vouchers (household and project specifics). Advantages and disadvantages of each – from the landlord’s point of view, and from the resident’s point of view.

Learning goals:

- Learn about Section 8, generally how it is administered and the mechanics of how it subsidizes rental revenue from the perspective of the developer/owner.
- Understand how Section 8 reduces the financing gap.
- Discern the differences between tenant- based subsidies and project-based subsidies.

**Module 7 – Debt, interest rates and housing production.** Most real estate developments have two sources – debt and equity. In this module, we will focus on debt and how lenders determine how much debt an affordable housing project can bear. Returning – once again – to the concept of the financing gap, learn about how relative levels of affordability affect the level of debt and how, in turn, the level of debt affects the sources and uses statement. We will look at the debt coverage ratio, value in income-restricted properties, the effect of property tax abatements and exemptions on cash flow and how interest rates fundamentally affect the production of affordable housing.

Learning goals:

- Understand how debt affects affordability, and how affordability affects debt
- Understand the difference between private sector, “must pay” debt, and soft debt, or debt that is only repaid if there is enough cash to pay it
- Calculate debt coverage ratios – critical to debt sizing – and understand how they are affected by the net operating income statement
- Return to the idea of sources and uses, and understand debt as a source

**Module 8: Supply side subsidies– low income housing tax credit.** The other major source of capital to build housing is equity. We will discuss the history (briefly) of the housing tax credit and its link to the Community Reinvestment Act, who benefits from investment and why the housing credit is the biggest driver of affordable housing production. We will talk about specific technical aspects and definitions – eligible basis, how to calculate how much housing tax credits an affordable housing project is eligible for, how “pricing” the credit works, and benefits investors receive. Note that this module is closely connected to Module 9 so the reading list and the learning goals are combined.

Learning goals:

- Understand calculation of the housing tax credit and how it creates equity for building affordable housing
- Understand the housing tax credit’s connection to regulatory requirements for banks
- Understand the connection between a project’s cost and the generation of tax credits
- Learn about investors for the housing tax credit and what influences pricing
- Understand how pricing leads to more (or less) equity available for development

**Module 9 – LIHTC and the creation of equity – continued – how is the investment decision made? Different investment vehicles – direct investing, single-investor funds, multi-investor funds.** Discuss why institutional investors choose the housing tax credit – distinction between investors driven by regulatory requirements (banks) and investors who are more purely economic. Discuss differences in risk/return models between single investor funds and multi investor funds, and the role of intermediaries in this

financial space. Tax credit investors are corporations, typically banks – discuss their motives– economic buyers, bank buyers, “spread to treasury” buyers, others – how does a LIHTC investment fit into an investor’s overall portfolio?

Learning goals:

- Understand different investment vehicles for the low income housing tax credit
- Understand investors’ motivations – economic and otherwise
- Understand how interest rates can affect pricing for the housing tax credit

**Module 10: National Pressures and Local Solutions.** In our last module, we discussed how publicly held companies – mostly banks – invest in the affordable housing tax credit for regulatory and economic reasons. Private equity companies invest in affordable housing as developer/owners – the profit motive can be a complicating factor with respect to developing and owning affordable housing. In this module, we will consider the market’s impact on both affordable and market rate housing. We will also discuss local solutions for affordable housing.

Learning goals:

- Understand how private capital and Wall Street influence the market for affordable housing, in a variety of ways

## ACCOMMODATION, ACCESS, ETHICAL CONDUCT EXPECTATIONS AND TITLE IX INFORMATION:

**Accommodation, access, and the Learning environment:** PSU values diversity and inclusion; My goal is to create a learning environment that is accessible, equitable, inclusive, and welcoming. I am committed to fostering mutual respect and full participation for all students. If any aspects of instruction or course design result in barriers to your inclusion or learning, please notify me. Additionally, the Disability Resource Center (DRC) provides reasonable accommodations for students who encounter barriers in the learning environment. The DRC works with students who have physical, learning, cognitive, mental health, sensory, chronic illness, and other disabilities.

If you have, or think you may have, a disability that may affect your work in this class and feel you need accommodations, contact the Disability Resource Center to schedule an appointment and initiate a conversation about reasonable accommodations.

If you already have accommodations, please contact me to make sure that I have received your DRC Faculty Notification Email so we can discuss.

The DRC is located in 116 Smith Memorial Student Union, Suite 116. You can also contact the DRC at 503-725-4150 or, [drc@pdx.edu](mailto:drc@pdx.edu). Visit the DRC online at <https://www.pdx.edu/disability-resource-center>.

**Academic Honesty:** Students are expected to be ethical not only in the classroom, but also out of the classroom. It is in all students' interest to avoid committing acts of academic dishonesty and to discourage others from committing such acts. Academic dishonesty includes, but is not limited to, the following examples: engages in any form of academic deceit; refers to materials or sources or uses devices not authorized by the instructor for use during any quiz or assignment; provides inappropriate aid to another person in connection with any quiz or assignment; engages in Plagiarism. Plagiarism is the act of claiming someone's work as your own through copying it without giving the creator of the work credit. Plagiarism can also include using another person's theories, ideas, or phrases without proper attribution. The simplest way to avoid plagiarizing is to always cite the sources from which you gather information or develop arguments – just cite anything you use from someone else (it actually makes your work stronger!). Plagiarism is a serious issue and is a violation of the [PSU Student Conduct Code](#). University policy requires instructors to report all instances of plagiarism and penalize the perpetrator(s) according to guidelines set. Please see me if you ever have any questions about how to cite your work.

**Title IX:** Portland State is committed to providing an environment free of all forms of prohibited As an instructor, students frequently come to me for assistance in matters that are not related to the course material. Please be aware that PSU's policies require instructors to report any instance of sexual harassment, sexual and relationship violence and/or other forms of prohibited discrimination to University Officials, who keep the information private. If you would rather share information about these experiences with a PSU staff member who does not have these reporting responsibilities and can keep the information confidential, please contact one of the following campus resources.

### Reporting resources for conduct, student distress, and academic appeals

- **TSUSP Conduct and Community Standards Reporting** - Students who have concerns about incidents happening within USP classes or in other PSU-sanctioned spaces related to TSUSP programs may submit confidential reports to the TSUSP School Director [using this form](#). All reports received are logged, and depending on the nature of the incident, follow-up with the impacted student(s) takes place.



- The [Office of Dean of Student Life](#) maintains a [PSU Incident Report](#) form where students and other PSU community members can report incidents for review relative to the [Student Code of Conduct and Responsibility](#), including academic misconduct. These reports, once investigated and resolved, are shared with the School Director and corresponding Program Director.
- Bias-related incidents on campus can be reported to the [Bias Review Team](#).
- Complaints against Faculty, Staff, or Student Employees of [prohibited discrimination](#) can be reported via the [Employee Complaint Report Form](#) through the Office of Equity and Compliance.
- The [CARE Program](#) can help students experiencing distress and/or other issues that might impact their ability to function at their best in and outside of the classroom. They have a [referral form](#) here.
- The Office of the Dean of Student Life houses the Academic Appeals process. Students who feel they have received a prejudiced or capricious academic evaluation may submit an [Academic Appeal Request](#). Before students submit this request, students must have appealed to the instructor, department chair and appropriate dean. Students should then read the [Academic Appeals Guidelines](#) to see if their grade dispute fits the purview of the Academic Appeal. For more information please visit the [Academic Appeals website](#), email [askdos@pdx.edu](mailto:askdos@pdx.edu), or call 503-725-4422.

## Campus Resources

- [Student Resources](#)
  - includes a wide range of resources, including various centers for students with different identities- e.g. Cultural Resource Center, Disability Resource Center, Queer Resource Center, Students with Children Resource Center, Womens' Resource Center, and Veterans Resource Center; lots of academic resources like the Library, tutoring, and technical support (Office of Information Technology); and various counseling, financial, health and and wellness services- including some that are culturally specific.
- [Multicultural Student Services](#)
  - Includes links to Multicultural Retention Services, Middle East, North Africa and South Asia (MENASA) Initiative, the Native American Cultural Center, and more, including some duplications from the above and some additional resources.
- [Basic Needs at Portland State](#) It can be challenging to do your best in class if you have trouble meeting basic needs like safe shelter, sleep, and nutrition. Resource centers across campus are here to provide assistance, referrals, and support. Please contact anyone on this list for assistance:
  - Basic Needs Hub:
    - [basicneedshub@pdx.edu](mailto:basicneedshub@pdx.edu)
  - Portland State Food Pantry:
    - [Psufp.com](http://psufp.com)
    - [pantry@pdx.edu](mailto:pantry@pdx.edu)
  - C.A.R.E. Team:
    - [askdos@pdx.edu](mailto:askdos@pdx.edu)
    - (503) 725-4422
  - Student Health and Counseling:
    - [askshac@pdx.edu](mailto:askshac@pdx.edu)
    - (503) 725-2800
- [CUPA Dean's Hardship fund](#): This is an option in addition to university level emergency financial assistance and other financial services