

Quarterly Update

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“Be an opener of doors for such as come after thee.” -[Ralph Waldo Emerson](#)

Economic Crisis Forces a Change in Strategy for Affordable Housing

By Jerry Konohia, OpenDoor President & CEO

What is obvious to all of us – whether we are in the affordable housing field or another profession – is that everyone in this country is being affected by the current economic crisis. Even people in our country’s highest income brackets have begun to moderate their spending habits, hold off on purchases that have been planned for a while, and perhaps have even stashed some money under their mattresses.

What does this crisis mean for those of us whose mission or business is focused on affordable housing? In the past few weeks, I have been asked this question many, many times by potential funders, government representatives, foundation officers, colleagues in the non-profit sector, friends, and others. In this brief column, I will attempt to answer this question.

In March 2008, months before the government takeover of Fannie Mae and Freddie Mac and the ensuing failure of several financial institutions, which catapulted the credit crunch to a credit crisis, a report by the Calvert Foundation stated that while “most affordable housing borrowers are not yet seeing an impact from the sub-prime crisis or declining real estate values in their portfolios, they are anticipating some deterioration because of the disproportionate effect on low-income families and communities of color.”

Fast-forward to the present, and the affordable housing borrowers are now experiencing the full impact of the credit crisis put in motion by sub-prime lending. As a result, the development of affordable housing has virtually come to a standstill, and the affordable housing transactions that were in progress are at risk of failure. Once these transactions fail, properties that would have been affordable housing are being converted into condos. The housing will then most likely become homes for middle-income people who have either lost their homes to foreclosure and need to rent, or to those people who were on the verge of buying a home and decided to rent until they can get the credit they need. As a result, the low-income people who would have lived in the properties will be faced with finding housing they can afford, which has become virtually impossible in this market.

In short, what this chain of events means to OpenDoor is that the people who benefit from our services are in a heightened state of critical need, and our traditional ways of doing business have to change in order to help them. During the coming months, our primary goal is to stabilize the housing market by bringing pending affordable housing projects throughout the Washington metropolitan region to fruition as soon as possible. We also will provide value-added technical assistance by creating ongoing project financing solutions, expanding developers’ network of capital sources, and helping to sustain these affordable housing projects until their completion.

Additionally, we will look for opportunities to intervene and help prevent foreclosures from occurring on affordable housing. We also are strengthening our focus on the growing homeless population in this area. This is where the need is the greatest at this moment. We will

be talking with our partners such as MANNA, SOME (So Other Might Eat) and other providers of housing and services for the homeless population and working with them to develop long-term solutions for homelessness. We can help them by providing financing for their acquisition costs, which allows these organizations to get reconstruction financing to renovate properties that can provide permanent and transitional housing. We don't want to just keep a family off the streets for a night; we want to put our funds into giving them a place they can call home.

Flexibility, creativity, and resourcefulness will help all of us weather this current financial turmoil. OpenDoor's plans are to use these strengths to stay true to our mission and help those who need our services the most during one of the steepest downturns in our nation's recent history.

OpenDoor Connections

On October 12, OpenDoor and the Unitarian Universalists for Social Justice (UUSJ) co-sponsored a UUSJ awards event and fundraiser. The purpose of the event was to recognize the individuals and groups who are making significant contributions to social justice reflecting Unitarian Universalist (UU) values. Additionally, the UU Interfaith Advisory Committee to OpenDoor awarded the UUSJ/UU Interfaith Advisory Committee Affordable Housing Award to Mary Fenelon, vice-chair of the OpenDoor Board of Directors for her longtime commitment to affordable housing.

Why OpenDoor

OpenDoor works with its partners to increase and preserve affordable housing for those in our community who need homes the most. Statistics about these low-income families were released by Enterprise Community Partners BEFORE the credit crisis reached its peak.

- More than 35 percent of families with children in the Washington metropolitan region live in poverty—putting children at risk of chronic hunger, stunted growth and academic failure.
- More than 6,100 people are homeless or in shelters on any given night.
- The combined waiting list for public housing and rental assistance exceeds 45,000 individuals and families.

According to the National Coalition for the Homeless, almost 61% of local and state homeless coalitions report increases in the homeless population since the foreclosure and credit crisis began more than a year ago. When asked where they're headed once they lose their homes, 76% of displaced homeowners and renters said they were moving in with relatives and friends. Of those already displaced, about 54% are moving to emergency shelters, and about 40% are already on the streets.

Now – More Than Ever

As we move forward through the end of this year, and into 2009 we will need the help of our supporters more than ever to be able to carry out OpenDoor's critically important work. All of us are facing difficult decisions about how to continue our lives with potentially less income and credit. But, as the Calvert Foundation report indicated, there is a group of people who are disproportionately affected by this credit crisis, and these neighbors – described in the preceding section – are the ones who will benefit from OpenDoor's efforts.

When you make a donation to OpenDoor, each dollar you give to us will provide \$16 worth of affordable housing funding. If you choose to invest your dollars as a loan to OpenDoor, we will pay you a 3% return on your investment. It's a safe way to diversify your investments, and receives a good rate of return given today's market. Perhaps, what is most gratifying is that you will be helping those who are being hit the hardest by this economic crisis – right in your own community. For more information about OpenDoor, please visit www.opendoorhousingfund.org.