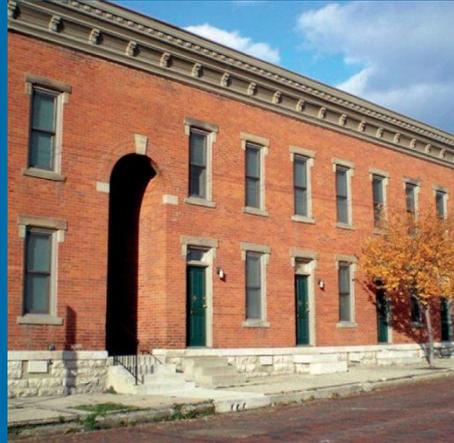


REO TO RENTAL PROPOSALS: EXPLORING THE MODEL

JUNE 28, 2012 – CLEVELAND OHIO





- OCCH is an independent nonprofit corporation governed by a Board of Directors

- OCCH's mission is: *“to cause the construction, rehabilitation, and preservation of affordable housing throughout Ohio”*

- Primarily a syndicator of Low Income Housing Tax Credits
 - \$2.25 Billion in Equity Investment

 - 525 Affordable Housing Projects

 - 27,500 Affordable Housing Units



- ■ Could be an important strategy to help stabilize neighborhoods
 - ■ Removing surplus inventory can help shore-up home valuations
 - ■ Revitalize neighborhoods / combat vacancy & blight issues
 - ■ Meet increasing demands for increased rental product
 - ■ Provide desirable alternative to multi-family rental for families not ready/able to become homeowners
 - ■ 'Do right' by the community

OPPORTUNITY?



OCCH
OHIO CAPITAL
CORPORATION
FOR HOUSING

- OCCH may be well-positioned to participate in REO to Rental program in Columbus (if targeted by FHFA in the future)
 - Affiliated management company with scattered site rental experience (CPO)
 - Affiliated lending arm with financing expertise (OCFC)
 - Strong deal structuring and Asset Management capabilities (OCCH)
 - Great relationships with various stakeholders
 - Highly focused on positive outcomes for the community and families to be served

cpo  **management**
community properties of ohio





- ■ Housing Partnership Network (HPN) convened a working group to explore the issues surrounding the REO to Rental concept (Q4 2011 – Q1 2012)
 - ■ Facilitated thoughtful discussions to identify issues and potential barriers to success
 - ■ Consisted of high-capacity not-for-profit organizations across the country
 - ■ Methodically evaluated the strengths, weaknesses, opportunities and threats associated with the concept
 - ■ Created framework allowing for HPN to respond to the formal Request for Bid once it was released



- Profit-motivated investors may be conflicted between maximizing investor return vs. doing what's best for the community – For-profit initiatives may:
 - Limit investment in rehabilitating units to reduce capital outlay
 - Contain operating costs by skimping on management activities or deferring maintenance
 - Not have a vested interest in the community – may not be concerned with 'reputational risk' if units are in disrepair or negatively impact neighborhoods
- Undesirable outcomes if not done well

- ■ Scattered site housing is inherently difficult to manage
 - ■ Acquiring units with unknown conditions / potential ‘surprises’ may represent significant ‘downside’ financial risks
 - ■ Higher operating costs as result of variety of mechanical systems / driving time (harder to stock parts – less efficient)
 - ■ Single family units are very expensive to ‘make ready’ for leasing
 - ■ Some units at risk of being ‘stripped’ of copper if vacated / higher insurance costs



- ■ Scattered site housing is inherently difficult to manage (continued)
 - ■ More difficult to monitor for lease compliance than typical multi-family projects
 - ■ Some units negatively impacted by criminal activity (harder to understand issues street-by-street with highly scattered product)
 - ■ Effective execution and management WILL be difficult



■ ■ Not-for-profit groups have additional challenges

- ■ May have targeted 'service areas' and REO to Rental product will likely be scattered beyond current service footprint
- ■ May need to 'compromise' on standards for condition of unit, level of energy efficiency
- ■ Boards may question if REO to Rental activities are consistent with organizational mission (geography / income bands)



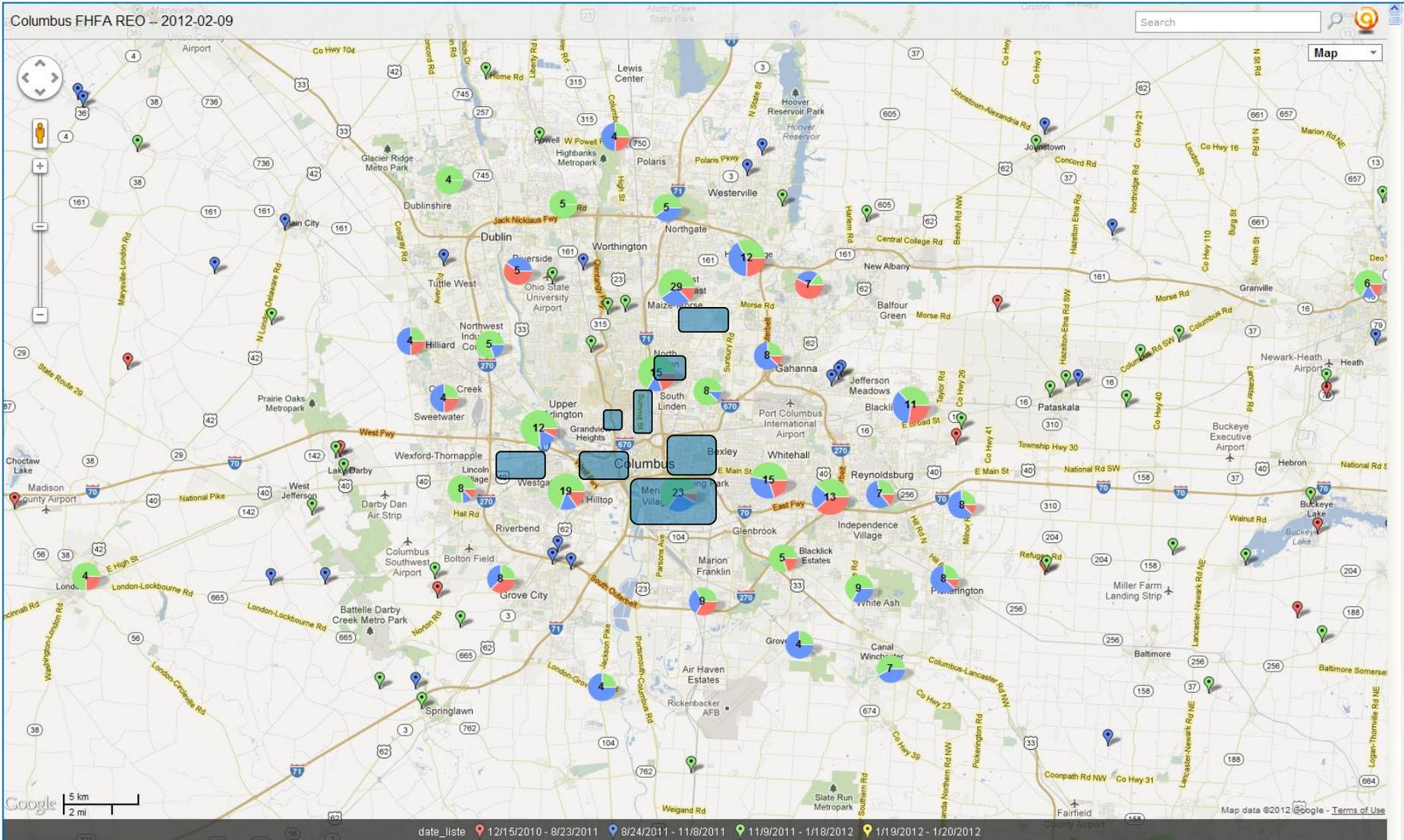
- ■ Not-for-profit groups have additional challenges
(continued)
 - ■ Organizational 'Reputational Risk' if units not in good condition or program not effectively executed
 - ■ Forging new relationships with local governments / police / community groups
 - ■ Managing EVERYONE's expectations

COLUMBUS FHFA REO INVENTORY



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CORPORATION
FOR HOUSING

 CPO Service Area





- OCCH familiar with single-family scattered site product via LIHTC lease-purchase program
 - Have invested in 75 fully stabilized single-family lease purchase projects in investment portfolio
 - Represents 2,900+ units
- Direct single-family lease-purchase experience with CPO
 - 8 fully stabilized projects representing 307 units in Columbus



- Collected data from various data sources
 - RealtyTrac, Zillow, Trulia, County Auditor, etc.
 - Focused on likely operating expenses, realistic rents, rehab costs and other critical assumptions
- Built financial model to gauge financial viability of acquiring a pool of scattered-site units to convert from REO to Rental
 - **Results:** Unable to find a 'competitive' and viable financial model using *conventional* financing (assuming conservative assumptions)
- **A creative solution is required for the model to work!**

