

The background features a collection of 3D house models in various sizes and orientations, rendered in a light gray color. A large, semi-transparent circular arrow graphic is positioned on the right side of the slide, pointing clockwise. The overall aesthetic is clean and modern.

Intro to Real Estate Development

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Beginning - Stakeholders & Community input



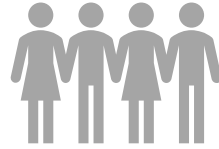
PHA Board of Commissioners

Support and input from the board

Concerns and education on the processes

PHA plan updated to include development, dispositions, demolition

Meetings – transparency



PHA residents

Seek input from residents on needs and project design etc.

Meetings with residents to educate on process and the impacts of development and keep them informed

- Differences between the available development opportunities / options
- Relocation and resident's rights
- How redevelopment can impact the residents



Local Government

Consult with local government leaders on development plans.



Residents – ongoing communication

We view our residents as key stakeholders. Both current residents and future residents.

Transparency is paramount in development to keep everyone informed.

Relocation - We prepare residents for the possibility of relocation, because it's a difficult process if it's required of them.

We like to have several meetings just for relocation to get them ready and briefed. We meet with residents individually to cover any specific needs.

We provide vouchers but also make sure they are not paying anything out of pocket for things like moving expenses, applications fees, deposits, etc.

We give relocated residents a preference to return.

Design - We consult with the resident council about design plans and seek their feedback.

Lifecycle of a Deal

Pre-Development

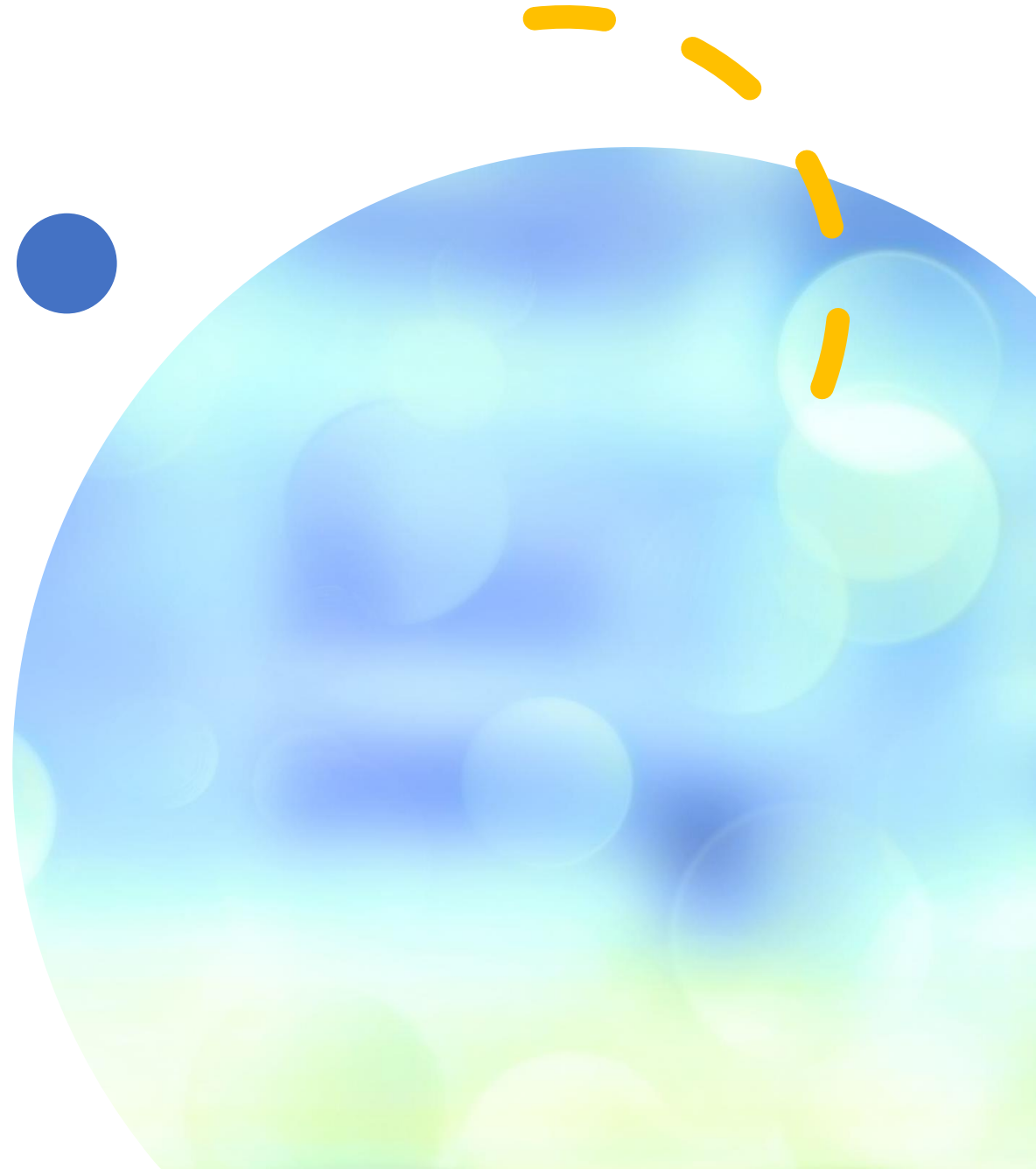
- Reviewing portfolio
- Selecting a Development Partner
- Securing Financing and Approvals
- Construction Closing

Execution Phase

- Construction
- Construction Completion
- Lease Up & Stabilization
- Perm Conversion
- 8609s

Operations

- Asset Management
- Overseeing Operations
- Resident Oversight
- Ensuring Consistent Rental Income
- Caring and Maintenance of Property



Economic Events

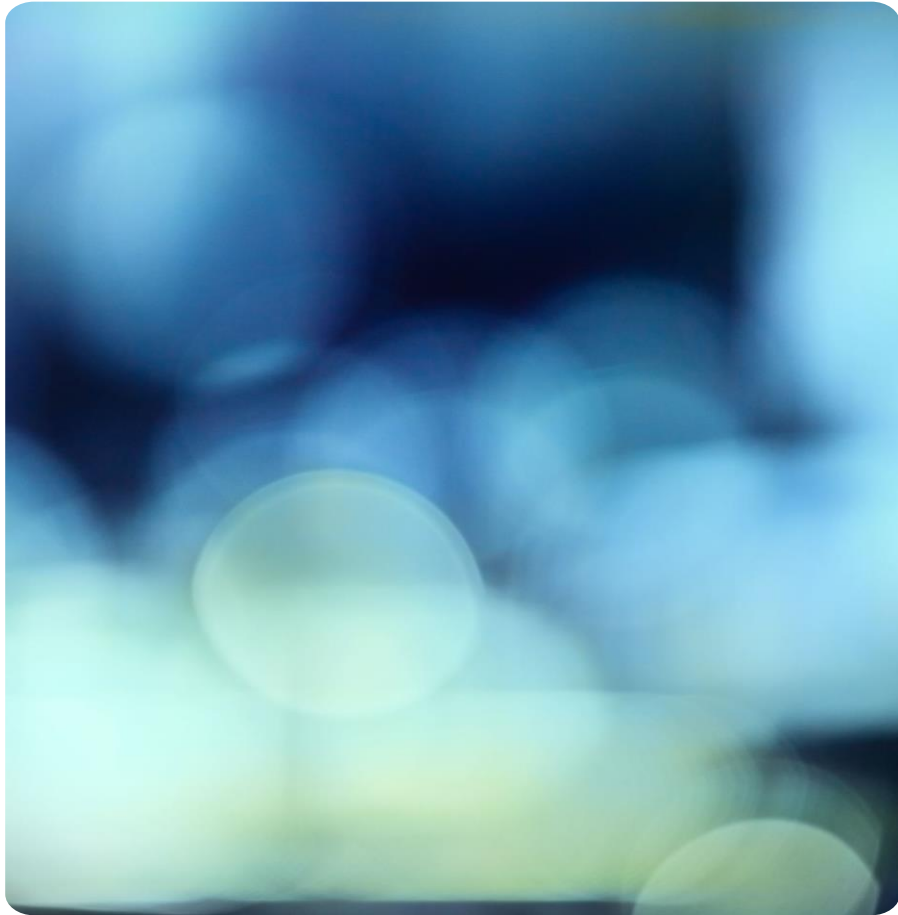


Developer Fee (short term)

- How is it earned?
- When is it paid?
- What is Deferred Fee?

Cash Flow (long term)

- How is it calculated?



Developer Fees



**Calculation
and limits set
by FHFC**



**Each co-
developer
receives a %
share**



**Paid to the
Developer
for services
before,
during, and
after
construction**

Work performed
Completion
Guaranty



**Paid in
milestones**

Construction
Closing
Construction
Completion
Stabilization



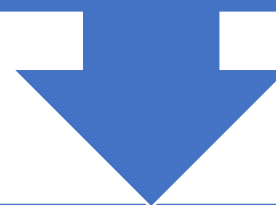
Deferred Fee

Paid from
Income after
debt



Cash Flow

Operating Revenue – Operating Expenses,
Mortgage Payment, Taxes & Insurance =
Surplus Cash (Cash Flow)



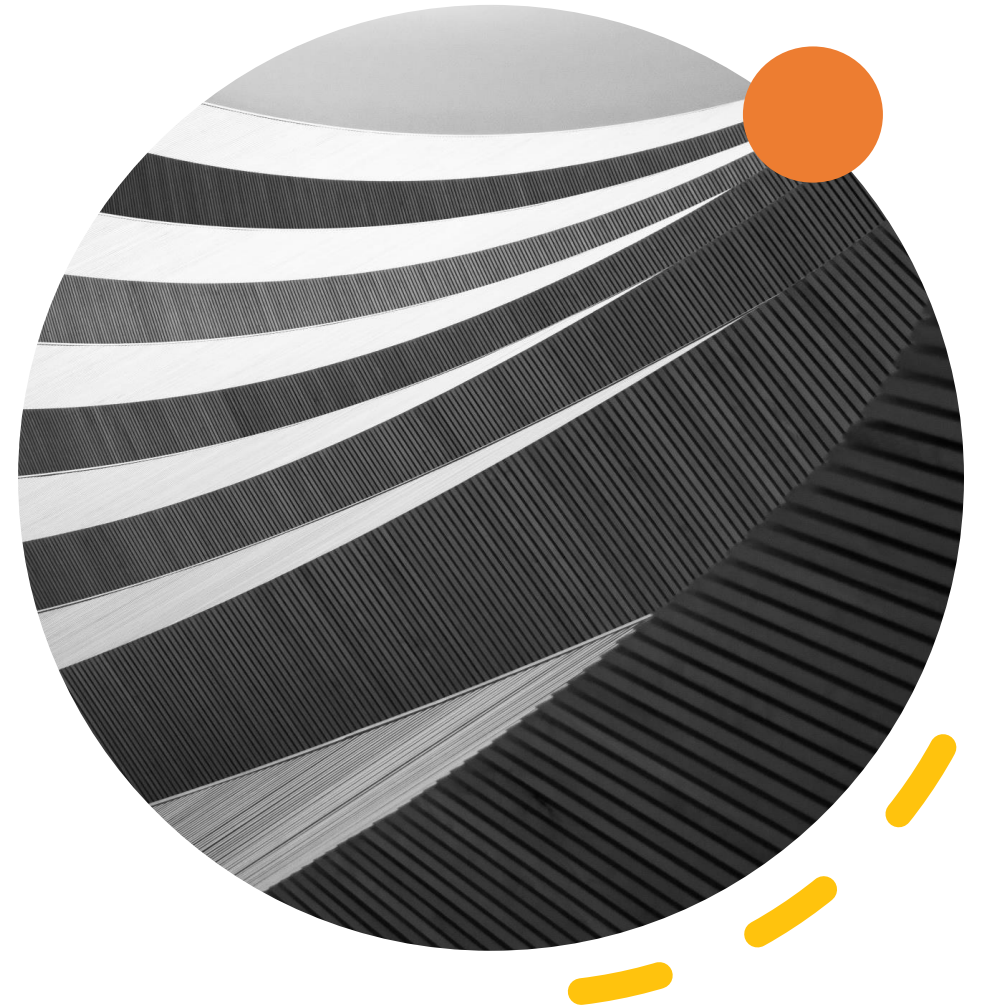
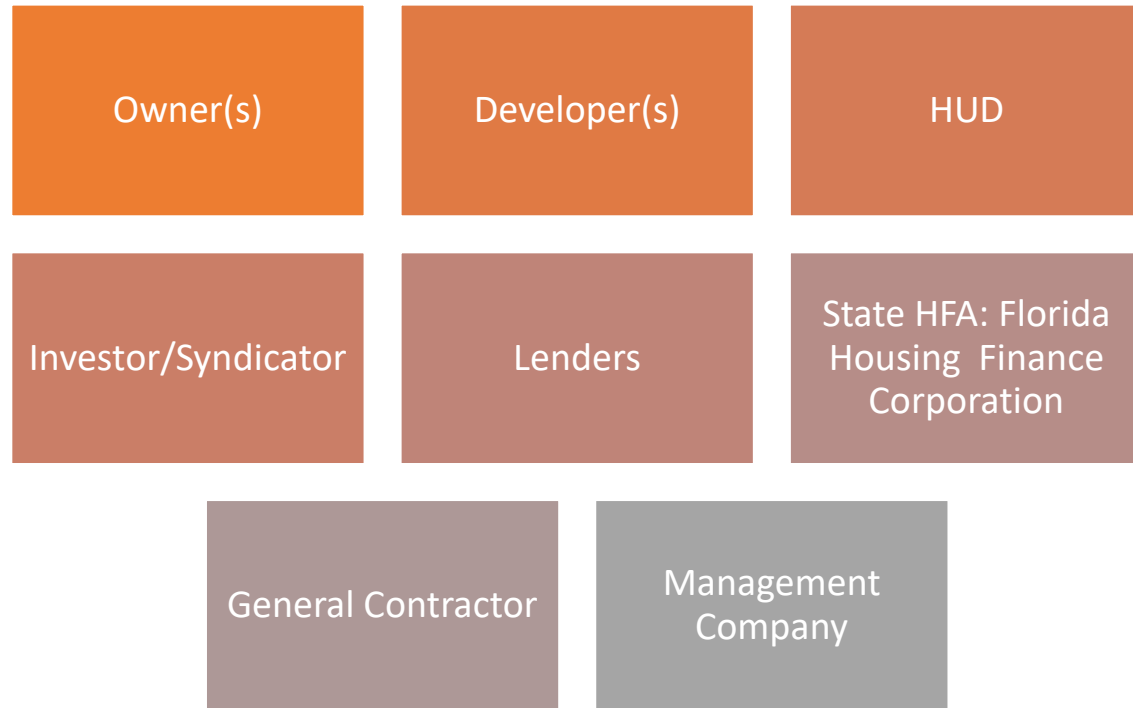
Distributions dictated by the Partnership
Agreement in Cash Flow Waterfall

Partner loan
repayments

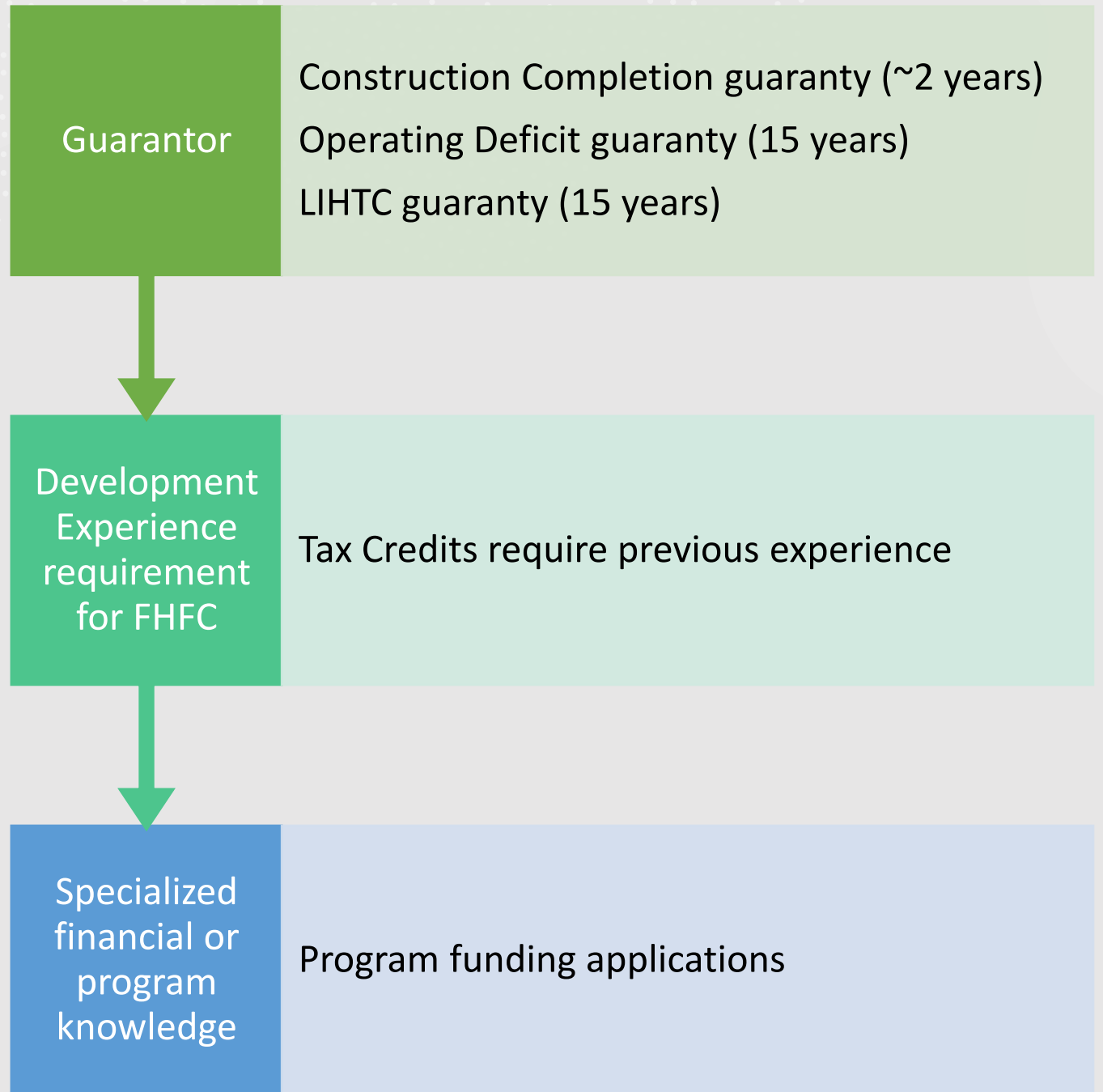
Soft Debt
payments

Surplus Cash
distributions

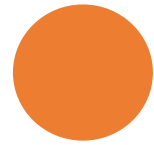
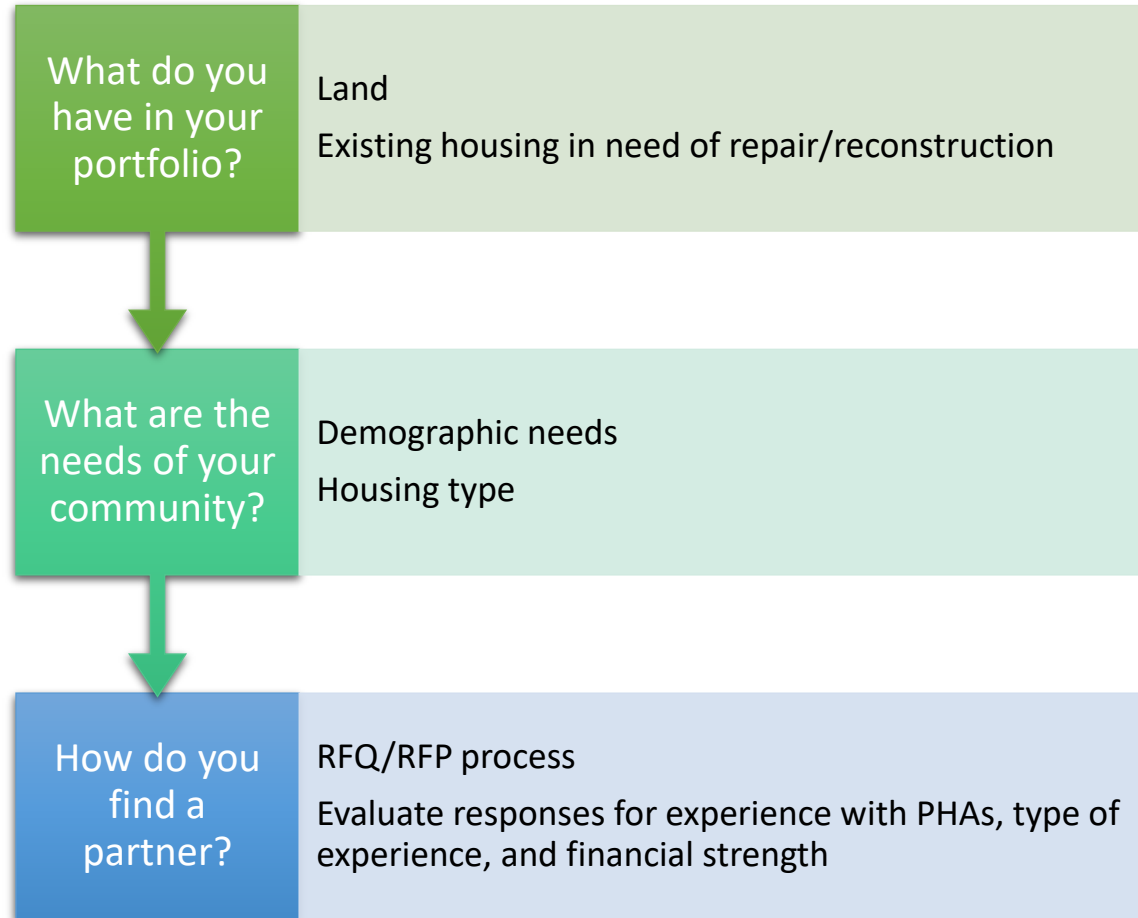
Cast of Characters



Why a Developer Partner?



Pre-Development: Reviewing Portfolio & Selecting a Development Partner



Pre-Dev: Road to Closing

Identify site

Preliminary feasibility

- Site/building conditions, const. pricing, code reqs, available financing

What will you build?

- Zoning and permitting, site plan approvals, FHFC RFA requirements

How will you pay for it?

- LIHTC Equity
 - 9% vs 4%/TE Bonds
- Soft Funds: SAIL, HOME, SHIP/Surtax, ARPA, grants, seller notes, reserve loans, etc.

Basic Financial Structure

- Construction
 - Construction Loan (debt)
 - LIHTC Equity (~20%)
 - Soft Funds (debt)
 - Deferred Dev Fee
- Permanent
 - Permanent Loan (debt)
 - LIHTC Equity (100%)
 - Soft Funds (debt)
 - Deferred Dev Fee

Sample Capital Stack

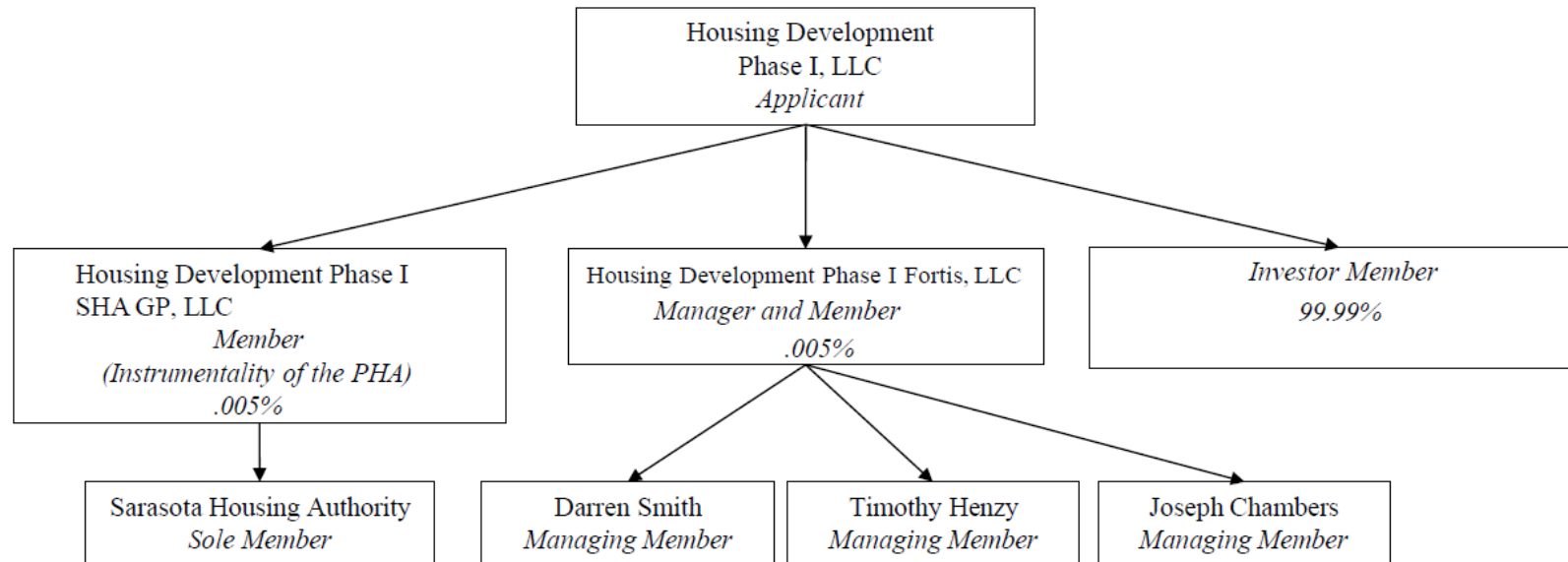
Financial Sources

Sources of Funds: Construction		Total
Construction Loan	\$	25,000,000
Tax Credit Equity	\$	7,125,416
SHA City Loan	\$	1,339,689
RRLP	\$	7,726,640
ELI Loan	\$	818,318
Seller Note	\$	1,200,000
Deferred Development Fee	\$	2,616,434
Total Sources of Funds	\$	45,826,497


Sources of Funds: Permanent		Total
Permanent Loan	\$	12,700,000
Tax Credit Equity	\$	17,813,536
SHA City Loan	\$	1,339,689
RRLP	\$	10,000,000
ELI Loan	\$	1,059,100
Seller Note	\$	1,200,000
Deferred Development Fee	\$	1,714,172
Total Sources of Funds	\$	45,826,497

Basic Legal Structure

Key Docs: Org Chart,
Partnership Agreement



Construction Closing

- NOT A LINEAR PROCESS
 - Final negotiations with lenders and investors
 - All financing secured
 - Competitive funding (LIHTC, SAIL, etc.), construction loan, perm loan commitment, equity provider, bond issuance (if applicable)
 - BONUS: Each of the above has a key document!
 - All - State, County, City, PHA, HUD approvals
 - Building permits/permit ready letter
 - GC contract
 - Architect Contract
 - Plans
- 

Execution Phase

- Construction Commencement
 - Key docs: GC contract (SOV & schedule), Pay Apps, Change Orders, Lien Waivers
- Construction Period
 - Financing is through construction loan, soft debt, sometimes equity
 - Draw Process
 - Construction Monitoring
 - Lender, investor, FHFC, co-developer



Lease Up

- Who is a qualified occupant?

- Meets income restrictions
- Meets minimum credit and criminal history requirements

30% AMI:	Total Units
One Bedroom/One Bathroom - PBV	5
Two Bedroom/Two Bathroom - PBV	18
Three Bedroom/Two Bathroom - PBV	10
Total 30% AMI Rent	33

60% AMI:	Total Units
One Bedroom/One Bathroom	1
Two Bedroom/Two Bathroom	3
Three Bedroom/Two Bathroom	2
Total 60% AMI Rent	6

70% AMI:	Total Units
One Bedroom	8
Two Bedroom	24
Three Bedroom	11
Total 70% AMI Rent	43

80% AMI:	Total Units
One Bedroom/One Bathroom	4
Two Bedroom/Two Bathroom	15
Three Bedroom/Two Bathroom	7
Total 80% AMI Rent	26



Enter the Management Company

- Who are they?
- What do they do?
 - Income Qualifications & ongoing program compliance
 - Rent collection & payment of operating expenses
 - Maintenance & repairs
 - Resident concerns
- What happens if they don't do it?
 - Residents are unable to enjoy a safe and peaceful home
 - Tax Credit recapture
 - Investor take over
- Who do they report to?

Stabilization



What are “OPEX”?



How do we establish
“stabilized operations”?

90% Qualified Occupancy
for 90 days
DSC Test



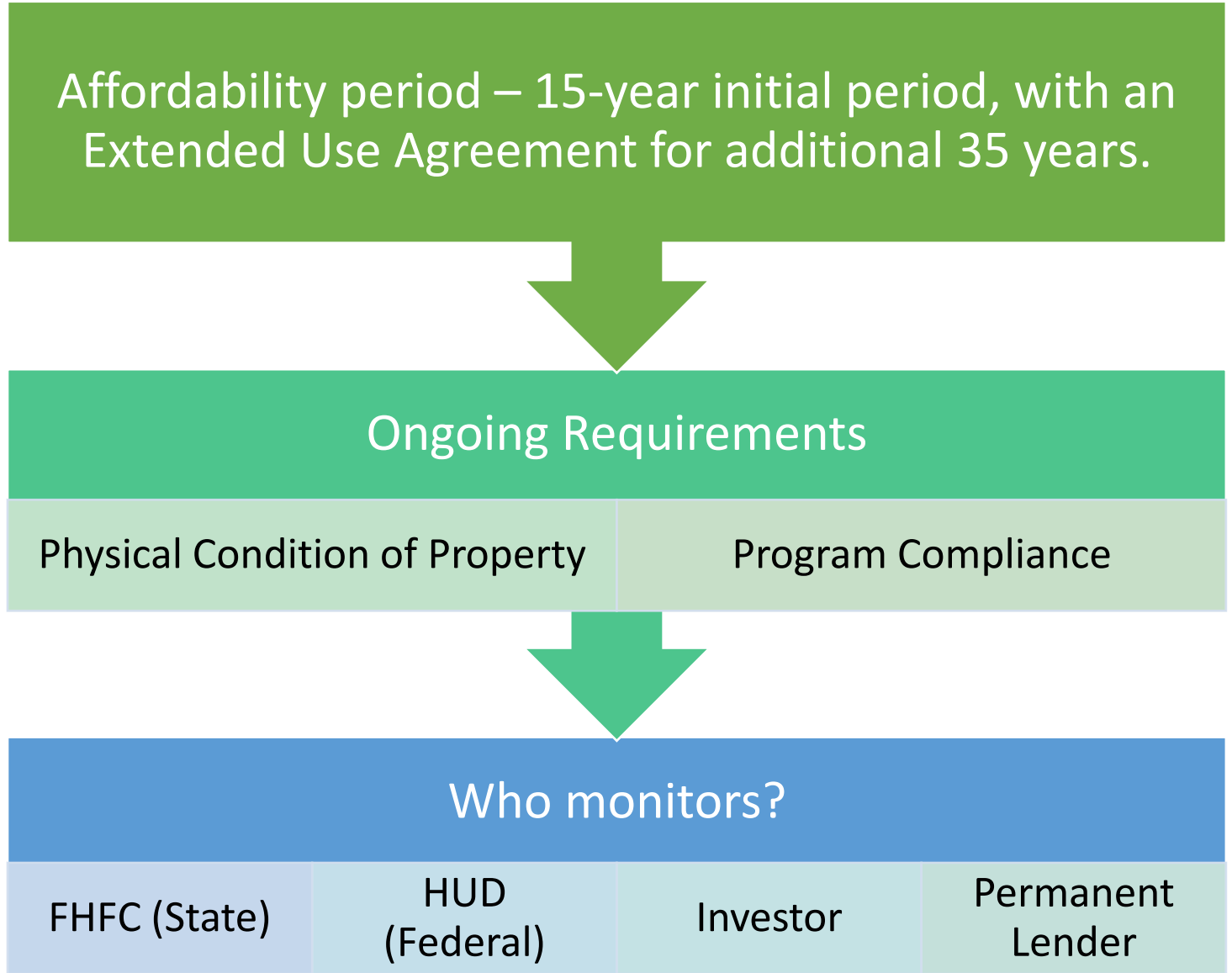
Once stabilized operations are achieved, we pay off construction debt with a long-term mortgage that must be paid every month and move to operations period.



Operations Period

- Fully leased
- Management Company operates
- Owner(s)
 - Reviews monthly financials
 - Annual budget approvals
 - Monitors compliance and annual reporting (audits, TR)
 - Responsible for any operating deficits
 - Responsible for any TC recapture (compliance findings)
- PHA shares responsibility until developer exits & then becomes fully responsible
 - Requires taking on remaining guarantees
 - Financial capacity

Operations Period



Public Housing Authorities - restructuring



PAST – relied on HUD for small public housing rental subsidy that wasn't enough to support the property operations or upkeep



HUD operational funding – admin allowances for paying administrative salaries and costs



NEW – Rely on developer fees, capital and/or annual lease payments and cash flow distributions from new developments



Admin fees from additional vouchers – RAD and TPVs.



The Future

- No more public housing that falls into disrepair due to lack of HUD funding and continual federal budget cuts
- New housing which relies less on the federal government and is more self sustaining
- PHAs learning to be like businesses instead of government agencies
- Providing newer and modernized housing choices opposed to the older barracks style housing.



Questions?