



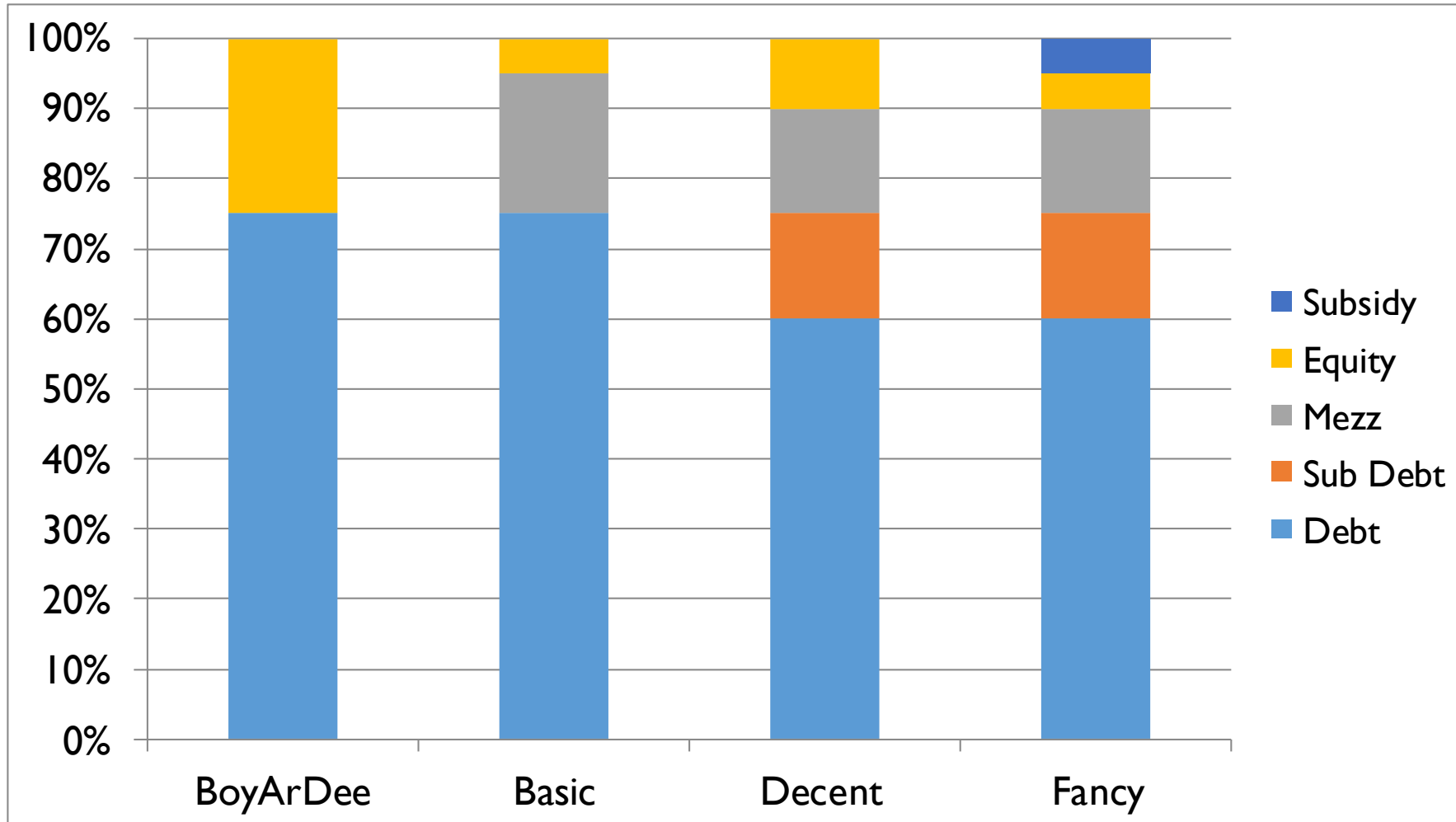
Housing Projects Leveraging HUD

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- The layers of debt and equity in a given real estate deal.
- Developer's Challenge: Finance the transaction, minimizing financial risk and cost of capital, in the midst of maximizing financial return and reducing entrepreneurial risk.
- Real Estate + Operations/Execution + Capital
- Appropriate capital structure can make good real estate great but it ***won't make bad real estate good.***



- **KEY CONCEPT**

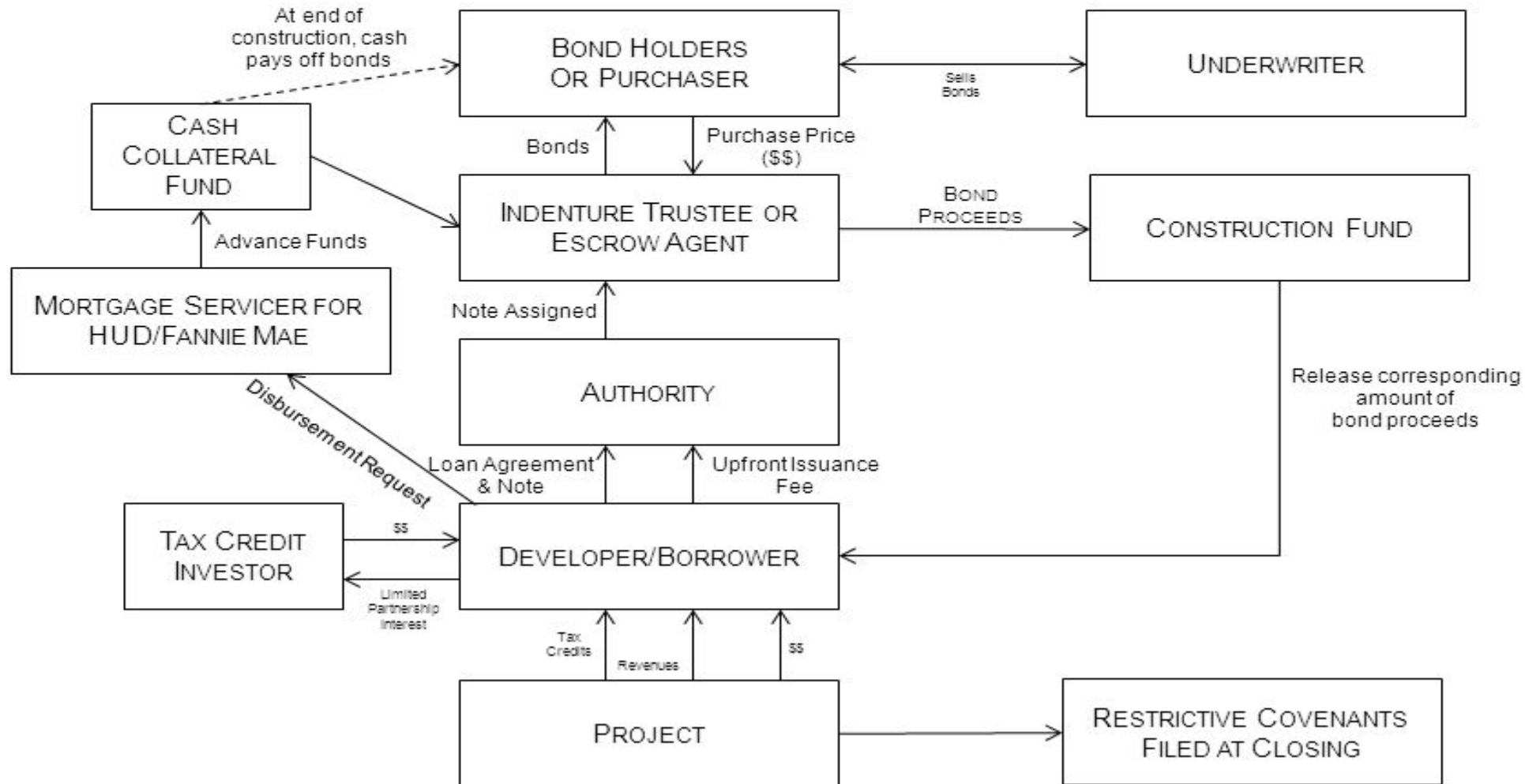
- Lower the Repayment Priority, Higher The Risk, *Higher The Cost of Capital

- **Subsidized Financing Breaks This Paradigm**

- **Subsidy**

- Grants, Tax Abatements, Deeply Subordinated Debt, etc.
- Lowest Priority - Repayment Not Required nor Expected
- Typical Zero/Near Zero Monetary Cost w/ Other Obligations
- Scarce – Hard To Obtain and Qualify

STRUCTURE – SHORT-TERM TAX-EXEMPT MULTIFAMILY HOUSING BONDS



DEVELOPMENT BUDGET:

Sources

Tax Exempt Loan	\$9,500,000
Federal Tax Credit Equity	8,280,118
Deferred Developer Fee	709,589
Total Construction Sources	\$18,479,707

Uses

Acquisition	\$8,823,117
Hard Costs	4,938,280
Contingency	349,170
Soft Costs	672,264
Financing	655,387
Pre-funded Interest	65,100
Syndication Expenses	148,272
Operating Deficit Reserves	1,028,117
Developer Fee	1,800,000
Total Uses	\$18,479,707



DEVELOPMENT BUDGET:

Sources

Tax Exempt Bonds	\$14,500,000
Federal Tax Credit Equity	\$3,846,661
State Tax Credit Equity	\$2,032,496
DCA HOME Loan	\$3,000,000
Deferred Developer Fee	\$419,070
Total Construction Sources	\$23,798,227

Permanent Debt (HUD 221(d)(4))	\$6,677,000
Federal Tax Credit Equity	\$8,902,123
State Tax Credit Equity	\$4,800,038
DCA HOME Loan	\$3,000,000
Deferred Developer Fee	\$419,066
Total Permanent Sources	\$23,798,227

Uses

Acquisition	\$1,300,000
Hard Costs	\$15,104,403
Contingency	\$755,220
Soft Costs	\$1,087,697
Financing	\$924,091
Interim Expenses	\$549,834
Syndication Expenses	\$409,830
Reserves	\$1,167,152
Developer Fee	\$2,500,000
Total Uses	\$23,798,227

Sources and Uses			
<i>Tax Exempt Bond Proceeds</i>	\$7,153,709	Land	\$550,000
DCA HOME Loan	\$1,100,000	Predevelopment	\$72,000
City HOME Loan	\$570,000	Construction	\$8,251,079
<i>URFA HOME Loan</i>	\$600,000	Hard Cost Contingency	\$394,554
Low Income Housing Tax Credit Equity	\$4,383,435	Financing Costs	\$1,065,485
Deferred Developer Fee/OH	\$274,989	Real Estate Taxes	\$25,000
Total Sources	\$14,082,133	Loan Interest	\$700,000
		Professional Services	\$1,165,015
		Operating/Lease-Up Reserve	\$610,000
		Developer Fee/OH	\$1,249,000
		Total Uses	\$14,082,133

- **Perform the Layering Analysis**
- **Communication Is Key**
- **Marathon vs Sprint**



QUESTIONS?