

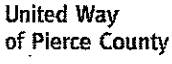




Affordable Housing Institute


Tacoma Pierce County
Affordable Housing Consortium

SPONSORS:


PURPOSE – WHY ARE WE HERE??

- Question. Be "Smarter"
- Manage your consultants
- Manage your funders & gain support
- Improve your "housing communication"
- Be a more responsible sponsor/owner
- Build Leadership
- Build Local Capacity


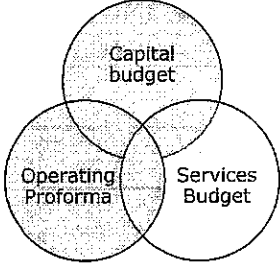


Day 2 Plans

- Sources & Uses Development Budget
- Project Profile & Tour- Guadalupe Gardens (Sandy Burgess)
- Tax Credits 101 (Dan Landes)
- Group Financing Exercise




Three Types of Budgets



Capital Budgets

- Types of capital financing;
- Sources of Capital
- 10 simple steps to your first sources & uses statement



Budgeting Process

- Sequence of budget development
- Inter-related pieces of budget
- Review Sample rehab budget



Types of Capital Financing

- Acquisition & Predevelopment Financing
- Construction or Rehabilitation Financing
- Permanent Financing



Sources of Capital Funding

- Investor Equity (e.g., tax credits) - 50 - 60% of "TDC"
- Debt:
 - "Hard" Debt - must pay, market-driven loans - 10-20% TDC
 - "Soft" Debt - forgivable, deferred, below market terms - 20 - 30% TDC



Evaluating Development Budgets

Is it Complete?

- Does the budget include all of the costs that the owner/sponsor will incur to complete a fully operational project?

Is it Accurate?

- What are the underlying assumptions in projecting the development costs, and are they reasonable?

Are the Sources Realistic?



"Secrets" to Capital Financing

1. Organizational Strength & Experience
2. Document the Need
3. Nurture Strong Local Support
4. Respond to What Funders are looking for *

* But Don't Chase the money!



10 STEPS TO DEVELOPING YOUR FIRST SOURCES AND USES STATEMENT

1. DEFINE YOUR PROJECT CONCEPT


- Target Population
- Location
- Development Team
- Need
- Services Strategy
- Scale & Size of Project



10 STEPS TO DEVELOPING YOUR FIRST SOURCES AND USES STATEMENT

2. Siting Information


- > Zoning, Unit Capacity
- > On-Site & off-site improvements
- > Land or Building Costs
- > Terms of Sale (timing, holding costs)



10 STEPS TO DEVELOPING YOUR FIRST SOURCES AND USES STATEMENT

3. Determine Basic Design Assumptions


- Unit Mix
- Average Unit Sizes
- Amenities
- Common Area
- Off-Site Improvements



10 STEPS TO DEVELOPING YOUR FIRST SOURCES AND USES STATEMENT

4. DETERMINE LIKELY SOURCES OF FINANCING

- Study Guidelines, Eligibility, Priorities, Timelines, Application Requirements;
- Read Program Information & Talk to Funders;
- Study Funder Tack Record;
- Start with Most Credible Sources;
- Be Conservative.



10 STEPS TO DEVELOPING YOUR FIRST SOURCES AND USES STATEMENT

5. Estimate Acquisition Costs

- Land acquisition Should be approx. 10% of "TDC"
- Include:
 - Sale Price
 - Transaction Fees
 - Holding Costs



10 STEPS TO DEVELOPING YOUR FIRST SOURCES AND USES STATEMENT

6. Estimate Construction ("hard") Costs

- Hard Costs should be about 70% of TDC
- Include:
 - ✓ Construction cost estimate (incl. contractor profit & overhead) based on cost per square foot for a comparable project;
 - ✓ Sales Tax
 - ✓ Off-Site Improvements
 - ✓ Construction Contingency (10% for new, 15% for Rehab)




10 STEPS TO DEVELOPING YOUR FIRST SOURCES AND USES STATEMENT

7. Estimate "Soft" Costs

- > Should be about 20% of TDC
- > Includes:


- | | |
|--------------------------|------------------------------|
| operating reserves | replacement reserves |
| lease up expense | architect/engineer |
| Environmental Assessment | Geotechnical Study |
| Boundary & Topo. Survey | Legal |
| Developer Fee | Project Management |
| Real Estate Tax | Insurance |
| Relocation | Bidding Costs |
| permits, hook-ups, fees | Development Period Utilities |
| Construction Loan Fees | Construction Loan Interest |
| Loan Fees | |
| Accounting/Audit | |






**PROJECT PROFILE &
TOUR**

Sandy Burgess




**INTRODUCTION TO
TAX CREDITS**


Dan Landes



**Group budget
exercise**



EVALUATION



**SEE YOU ON
November 9!**
