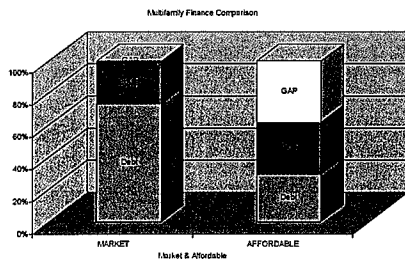


Nonprofit Affordable Housing Finance

- Elements of financing multi-family projects
 - Revenue: Rents and other
 - Expenses: Management, insurance, taxes, upkeep, etc.
 - Revenue – Expense = debt capacity

Nonprofit Affordable Housing Finance



Nonprofit Affordable Housing Finance

- Financing Affordable Housing
 - Building profile
 - Operating Proforma
 - Income Assumptions
 - Operating Expense Budget
 - Financial assumptions
 - Development Budget – Sources and Uses

Nonprofit Affordable Housing Finance

◆ Building Profile

- Needs (market and service)
- Site
 - ◆ Physical conditions
 - ◆ Zoning
 - ◆ Community and Neighborhood Plan

Nonprofit Affordable Housing Finance

◆ Operating Budget:

Income Assumptions

- Rents based on *affordability*
- Consider utility allowances
- Other income

Nonprofit Affordable Housing Finance

◆ Operating budget:

Expenses

- Comparable properties
 - ◆ Similar age, similar program/population
- Real Estate Tax exemptions
 - ◆ City 10 year tax abatement
 - ◆ State tax exemptions
- Reserve assumptions
 - ◆ Operating
 - ◆ Capital
 - ◆ Service

Nonprofit Affordable Housing Finance

- ◉ Operating Budget:
 - Financial Assumptions
 - Debt Service Coverage Ratio
 - Debt Interest Rates
 - Soft debt terms
 - Funding source requirements

Nonprofit Affordable Housing Finance

- ◉ Operating Budget:
 - 15-year Cash Flow Projection
 - debt coverage, esp. at first
 - deferred development fee loan
 - other debt
 - end of tax credit partnership period –capital accounts

Nonprofit Affordable Housing Finance

- ◉ Development Budget
 - Construction cost estimate
 - ◉ Contractor or third party
 - Historical data to estimate other costs
 - ◉ Construction related
 - ◉ Financial
 - ◉ Organizational
 - ◉ Startup
 - ◉ Capitalized reserves

Nonprofit Affordable Housing Finance

- ◉ USES – Total Development Cost
- ◉ SOURCES – where \$\$ come from
 - Debt (if any)
 - Equity
 - GAP

Nonprofit Affordable Housing Finance

- ◉ Public Funding Fills the Gap
 - General Principles
 - ◉ Serve the neediest first
 - ◉ Restrictions in place for as long as possible
 - ◉ Create as many housing units as possible
 - ◉ Provide housing where it's needed

Nonprofit Affordable Housing Finance

- ◉ Available funding
 - Federal
 - ◉ IRS
 - ◉ HUD
 - State
 - ◉ Housing Trust Fund
 - ◉ Block Grant
 - ◉ Incentives

Nonprofit Affordable Housing Finance

- ◆ Available funding
 - County
 - ◆ Housing Opportunity Fund
 - ◆ Incentives
 - City of Seattle
 - ◆ Housing Levy
 - ◆ TDRs and Housing Bonus
 - Bank Debt
 - Private
 - ◆ Sound Families
 - ◆ Capital Campaigns

Nonprofit Affordable Housing Finance Restrictions

- ◆ Public Policy and Priorities
 - Income Levels
 - Length of Commitment
 - Special Needs
 - Distribution
- ◆ Compatibility of funding sources

Nonprofit Affordable Housing Finance Challenges

- ◆ Property & Construction Cost Increases
 - Gap funding doesn't stretch as far
- ◆ Development capacity
- ◆ Time required to assemble funding
- ◆ Funding source priorities determine programs
