



**Inside Tips from Successful
Developers and Homebuilders**
Development Models that Work!



Welcome and Introduction

Wayne Freeman
President and CEO
Training & Development Associates, Inc.
wfreeman@tdainc.org



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Agenda


- Session Goals
- Developer Presentations
 - Erica Scott, Development Director, Herman & Kittle Properties, Inc.
 - Daniel Markson, Senior Vice President – Development, The NRP Group
- Q&A
- Wrap Up



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Session Goals


1. Understand the importance of performance in the HOME Program
2. Identify sound business models for developing affordable housing
3. Discuss what nonprofit developers can learn from their for-profit counterparts



Slide 4

HOME Performance Environment

- HOME was created to produce housing units
 - Congress/OMB require results (units)
 - PJs are rated on completed & occupied units
- CHDOs must produce units to be successful
 - No clients served unless units produced
 - You can't serve anyone if you can't survive




Slide 5

HOME Performance Environment

Principles for Increased Nonprofit Performance

- Occupied units will measure your success
- Developer fees will ensure your survival
- In development, time is money; get it done
- Be a developer, not a dabbler
- You can ask for help

What can nonprofits learn from for-profit development successes?



Slide 6





Not-for-Profit – For-Profit Partnerships

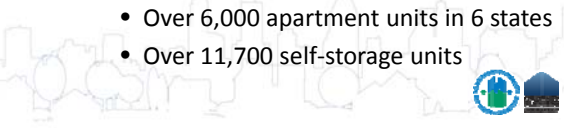
Erika Scott, Development Director



HERMAN & KITTLE PROPERTIES, INC.
Real Estate Development • General Contracting • Property Management

Herman & Kittle Properties, Inc.

- Indiana based company
- In business since 1975
- Developer
- General Contractor
- Property Manager
- Over 6,000 apartment units in 6 states
- Over 11,700 self-storage units



Our Properties

- LIHTC & Bond Developments
 - 50 communities - IN, OH, MI, KY, IL & LA
- Market Rate Developments
 - 4 communities - IN



Our Properties

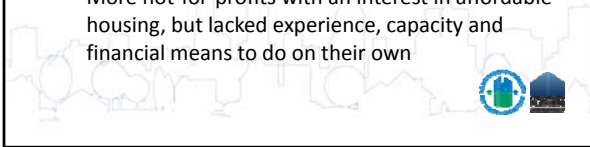


- Self-Storage Developments
 - 24 facilities – Indiana, Ohio, Missouri & Illinois



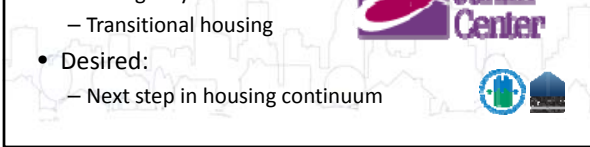
Partnerships

- HKP had worked with NFPs in the past, but not frequent
- In Indiana, NFP partnerships were becoming more common:
 - Caps on low-income housing tax credits
 - More not-for-profits with an interest in affordable housing, but lacked experience, capacity and financial means to do on their own




Partner

- In 2007, HKP began working with The Julian Center, Inc. – NFP that works with victims of domestic violence in Indianapolis
- <http://www.juliancenter.org>
- Operated:
 - Emergency shelter
 - Transitional housing
- Desired:
 - Next step in housing continuum



Introducing...34 North

- Rehabilitation of 19 units in the Vernon apartment building
- In-fill New Construction component on south side of the Vernon consisting of 52 units on 1.215 acres
- \$9 million development




Introducing...34 North

- 71 total units
- Variety of unit mix & AMI

	Studio	1	2	3	4	Total
30%	1	7	3	3	1	15
40%	1	5	2	4	2	14
50%	3	14	9	6	3	35
60%	-	-	1	1	1	3
Market	1	1	1	1	-	4
Total	6	27	16	15	7	71

- Property opened in July 2010
- Fully leased in December 2010

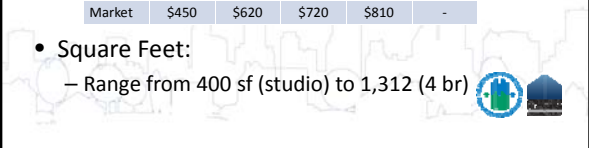


Introducing...34 North

- Rental Rates:
 - Includes utility allowance

	Studio	1	2	3	4
30%	\$272	\$297	\$360	\$416	\$458
40%	\$392	\$425	\$514	\$593	\$656
50%	\$405	\$552	\$648	\$729	\$805
60%	-	-	\$648	\$729	\$805
Market	\$450	\$620	\$720	\$810	-

- Square Feet:
 - Range from 400 sf (studio) to 1,312 (4 br)



34 North Site Plan



34 North Existing Building

- The Vernon Apartments – downtown Indianapolis



34 North Elevations









How Did We Get From Idea to Occupancy?

- **Relationship** – ground rules
- **Market/Site Selection** – needs/goals of NFP, funding sources & overall market
- **Financing** – what they are & how they work together
- **Long-Term** – property is built...now what?


Relationship

- The Julian Center
 - Local non-profit
 - Has little housing experience
 - Wanted permanent housing close to HQ
- HKP
 - Vertically integrated (development, design, construction, property management)
 - Incentive to work in partnership with NFP in tax credit applications



Relationship Considerations

<p>The Julian Center - Seeking a Partner:</p> <ul style="list-style-type: none"> – History – Performance – Financial Capacity – Skill Set – How much to be involved? – How much willing to spend? 	<p>HKP – Is This The Right Partner:</p> <ul style="list-style-type: none"> – Story to Tell – History & Performance – Financial Capacity – Key Staff – Who’s doing what?
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Relationship Examples

- Who takes lead to complete activities?
- Who pays for predevelopment costs?
- Who is included in communication?
- What are goals?
- What are needs of clients?
- How are groups kept up-to-date?
- What is the division of risk/reward?

Market/Site Selection

- Goals of The Julian Center
 - Proximity to HQ
 - Unit mix
 - AMIs
 - Revitalization effort
 - Visible
 - Counseling space
 - Hands off in development process

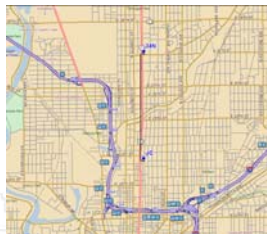


Market/Site Selection



Market/Site Selection

- Found site 1.6 miles away!
 - Pros:
 - Fit funder requirements
 - Available infrastructure
 - Population
 - Transportation
 - Cons:
 - Zoning
 - Neighborhood groups
 - Difficult seller
 - Infill – what's underground?



Financing

- Total Development Cost - \$9,194,000
- Financing:
 - \$806,545 Low-Income Housing Tax Credits (LIHTC) Indiana Housing & Community Development Authority (IHCDA)
 - \$5,993,000 LIHTC equity
 - \$1,221,000 1st Mortgage
 - \$1,000,000 2nd Mortgage
 - \$321,000 HOME City of Indianapolis
 - \$657,000 Deferred Developer Fee



Financing

- Considerations due to HOME
 - Environmental Review/Section 106
 - Historic elements of existing building
 - Uniform Relocation Act
 - Occupied building
 - Davis-Bacon



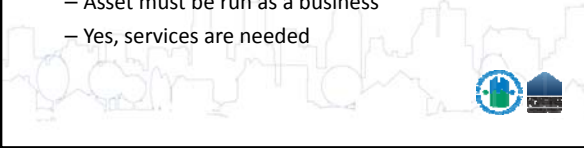
Financing

- Unique 2nd mortgage
 - Property owned by an L.P.
 - \$1,000,000 loaned from The Julian Center to the L.P.
 - Easier to raise funds for capital campaigns
 - Use loan proceeds on services and other necessities



Long Term

- Property Management is not Supportive Services/Counseling
- Supportive Services/Counseling is not Property Management
- Know Roles!
 - Asset must be run as a business
 - Yes, services are needed



Long Term


- Rental Subsidy
- Strengthen financials
- Serve lower incomes
 - Housing Choice Vouchers
 - Supportive Housing Program




Thank You!

Erika Scott
Development Director
Herman & Kittle Properties, Inc.
500 East 96th Street, Suite 300
Indianapolis, IN 46240
317-663-6824
escott@hermankittle.com





INSIDE TIPS FROM SUCCESSFUL DEVELOPERS AND HOMEBUILDERS
Cevallos Lofts



The NRP Group, LLC
Cevallos Lofts

Affordable Urban Living



Side 2

NRP Overview

- One of the top 25 Multifamily Developers in the United States
- Extensive experience as a long term owner with 6000 units built and never sold
- Award Winning Communities throughout the San Antonio, Dallas, Corpus Christi and Houston areas
- What Sets Us Apart?
 - Quality Design & Construction
 - Development, Construction and Property Management under the same company
 - Tailored Resident Services



Quality Texas Developments

Cevallos Lofts

- Partnership with San Antonio Housing Trust Public Facility Corporation (PFC)
- 252 units - \$38+ million investment
- Benefits to SA Housing Trust PFC
 - Developer Fee Split
 - Cash Flow Split
 - Long Term Ownership
 - Providing affordable rents


Sources and Uses

	Construction	Permanent	
Sources of Funds			81.94% depreciable basis plus land
Construction - 4.02% interest only	\$ 21,250,000	\$ 21,250,000	
Permanent - 8.22% for 35 Years	7,000,000	7,000,000	
CDP Hard Loan - 0.20% for 35 Years	-	-	
Loan #5 - 0.00% for 35 Years	-	-	
Tax Credit Equity - Federal	1,944,493	1,944,493	
Tax Credit Equity - State	821,138	821,138	(through Month 24)
Income Sharing Construction Period	3,600,000	3,600,000	
City of San Antonio - HOMEKEY/AFSP	41,000	41,000	
QC Income	-	3,352,542	
Deferred Development Fee	34,656,831	38,009,173	
Uses of Funds			
Acquisition Costs / Demos / Offices	3,980,453	3,980,453	
Construction Costs	21,168,000	21,168,000	
Architect/Engineering	1,900,000	1,900,000	
Permits & Fees	600,000	600,000	
Title & Survey	259,840	259,840	
Construction Period Expenses	423,155	423,155	
Financing Costs	4,202,159	4,202,159	
Professional Services	484,437	484,437	
Tax Credit Fees	91,200	91,460	
Development Fee	300,000	4,059,000	14.9% of Eligible Basis
Reserves & Other	228,480	228,480	
	33,720,533	38,009,173	
Surplus (Deficit) Cash	\$ 836,618	\$ -	
Source Paid Developer Fees	\$ 300,000	\$ 706,458	
Deferred Developer/DC Fee	-	3,352,842	
15 Year Cash Flow Before Soft Loans	-	8,721,429	
15 Year Cash Flow After Repayment of Soft Loans	-	8,435,429	

The American Recovery and Reinvestment Act (ARRA) of 2009

\$7 Million in Hard Debt Tax Credit Assistance Program (TCAP)


- TDHCA received \$148,354,769
- A competitive regional allocation process through the Texas Department of Housing and Community Affairs. (TDHCA)
- Eligible developments required an awarded of low income housing tax credits (LIHTCs) between October 1, 2006, and September 30, 2009
- 30 year note at 0% interest with a 35 year amortization



Neighborhood Stabilization Program (NSP) Funds

\$1 Million in Soft Debt NSP


- Awarded through the City of San Antonio
- Demolition of structures in a blighted area
- 7 NSP Units at 50% AMI
- 38 year note at 1% interest with a 3 year deferment of interest accrual and payments



HOME Funds

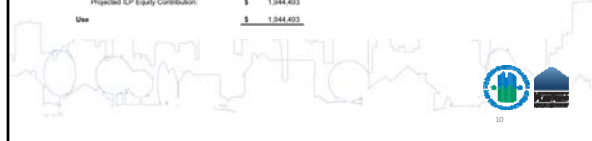
\$2.6 Million in Soft Debt HOME

- Awarded through the City of San Antonio
- Economically disadvantaged area
- 25% of the units are at affordable rents (57 HOME units at 50% AMI)
- 38 year note at 3% interest with a 3 year deferment of interest accrual and payments

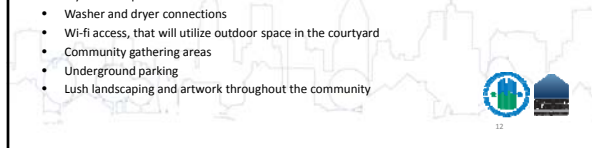


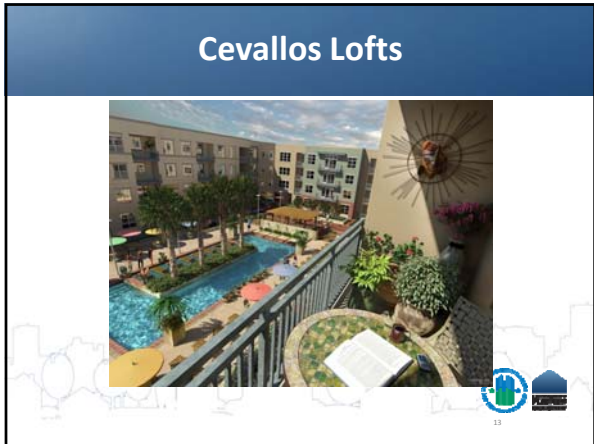
Tax Credit Equity

Tax Credit Equity		Federal Colloquial		Installments:			
Projected Annual Credit				Month	Completion	Federal Amount	%
Eligible Development Costs:	\$ 30,546,928						
Percentage Affordable:	24.92%						
Qualified Basis:	7,459,608			Payment 1	Apr-10	7.93%	1,544,493
High Cost Area Adjustment(MA):	1.20			Payment 2	Apr-11	83.00%	-
Total Adjusted Qualified Basis:	9,739,608			Payment 3	Dec-11	100.00%	-
Applicable Federal Rate:	3.35%			Payment 4	Mar-12	100.00%	-
Projected Annual Credit:	324,147			Payment 5	Mar-12	100.00%	-
Max Credit Amount:	90.00%			Payment 6	Mar-12	100.00%	-
Investor Ownership:	324,082			Payment 7	Mar-12	100.00%	-
Projected Annual Credit to LP:	\$ 324,082					1,544,493	100.0%
Projected LP Equity				Availability of Tax Credits:			
Projected Annual Credit to LP:	\$ 324,082			2010	0%	-	
# of years available:	10			2011	34%	111,564	
Total Credit to LP:	3,240,822			2012	95%	307,258	
Anticipated price per credit \$1:	0.000			2013	100%	324,082	
Projected LP Equity Contribution:	\$ 1,944,493						
Use:	\$ 1,944,493						





- ### Cevallos Lofts Luxury Amenities
- Resort style swimming pool with sun deck
 - Cyber cafe
 - Athletic center complete with state-of-the art equipment & climbing wall
 - Clubroom with fireplace, television and bar area
 - 24 hour business center with computers and internet access
 - Energy Star Appliances and energy efficient heating/air conditioning
 - Pre-wired for high speed data connections
 - Oversized walk-in closets
 - Built-in linen storage
 - Stylish and up-to-date finishes
 - Washer and dryer connections
 - Wi-fi access, that will utilize outdoor space in the courtyard
 - Community gathering areas
 - Underground parking
 - Lush landscaping and artwork throughout the community
- 



Affordable Downtown Rents

- 63 of the 252 apartments will be at affordable rents
- For residents earning 50% of the San Antonio MSA Area Median Income (AMI) = \$57,800

Type	Number	Sq. Ft.	Rent	Household Size	Max Income
Studio	17	600-630	\$425	1 person	\$20,250
1BR	20	748-819	\$445	2 person	\$23,150
2BR	26	945-1,164	\$643	3 person	\$26,050
				4 person	\$31,250

Source: HUD 2010 Income Limits

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