AFFORDABLE HOUSING WORKGROUP PRESENTATION



Bowen Arnold

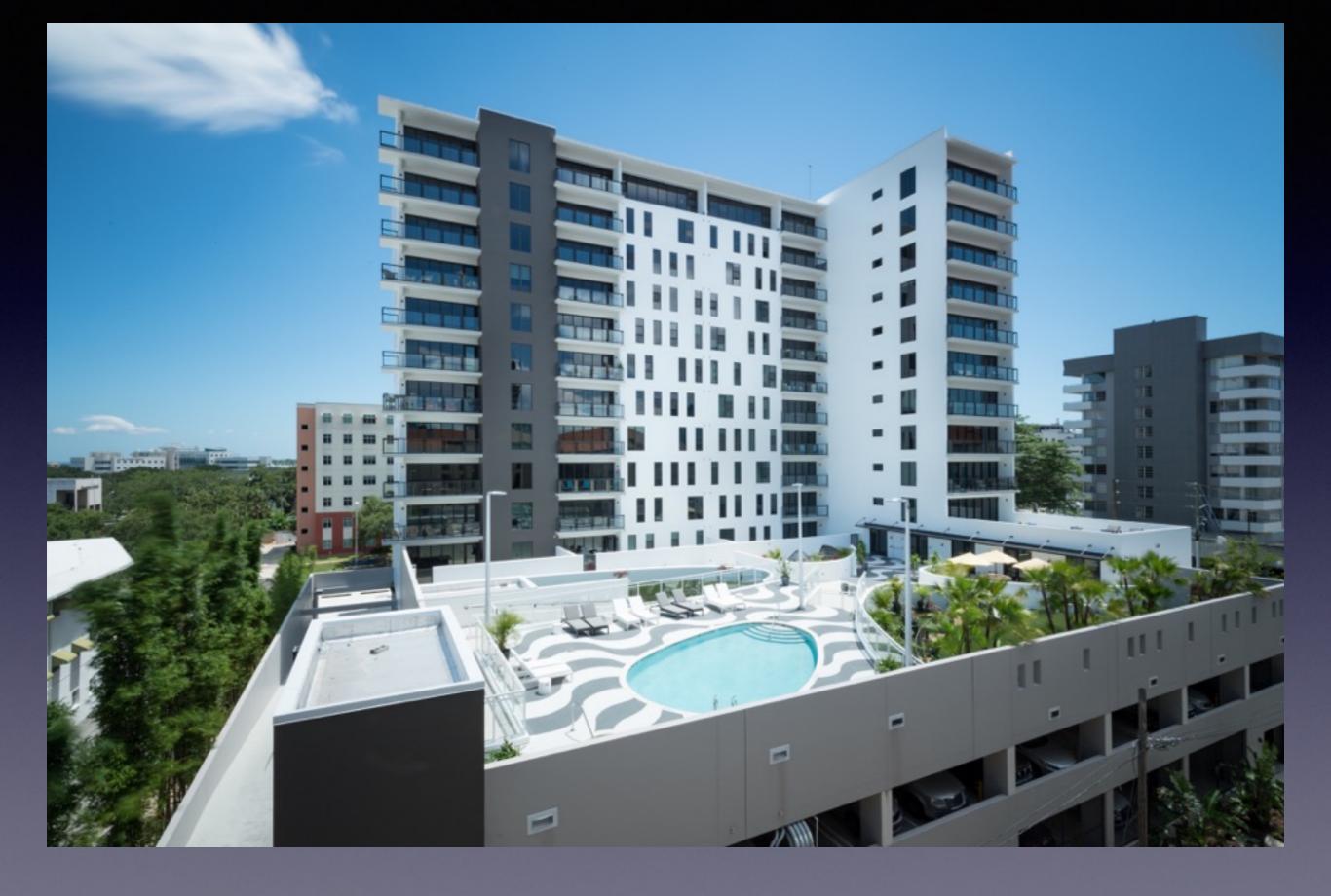
- Education Finance and Law Degrees
- Formed DDA Development in 1995
- Currently the Vice Chairman of the Hillsborough County City-County Planning Commission
- Member, Florida Bar and Licensed Real Estate Broker
- Completed 30 affordable housing developments, including 21 projects under the Low Income Housing Tax Credit program
- Obtained tax credits in 9 different states (FL, NY, PA, MI, TX, LA, SC, VA and IN).
- Just completed the Graham, 90 units with 50% supportive housing for the homeless under the State definition. This was completed in partnership with Gracepoint, a large behavioral health organization specializing in mental health services.

Recent Market Rate Development:

- The Salvador Condominium 74 units located in downtown St. Petersburg, Florida \$45m sellout.
- The Pearl Apartments 314 market-rate multi-family units and 30k sf of retail located in downtown Tampa. Being developed in partnership with Soho Capital's development of the Heights. \$70m cost.
- Meres Crossing 236 market-rate multi-family units located on the Pinellas Trail in Tarpon Springs. \$35m cost.

The Salvador Condominium, St. Petersburg, Florida







The Graham at Gracepoint Tampa, Florida

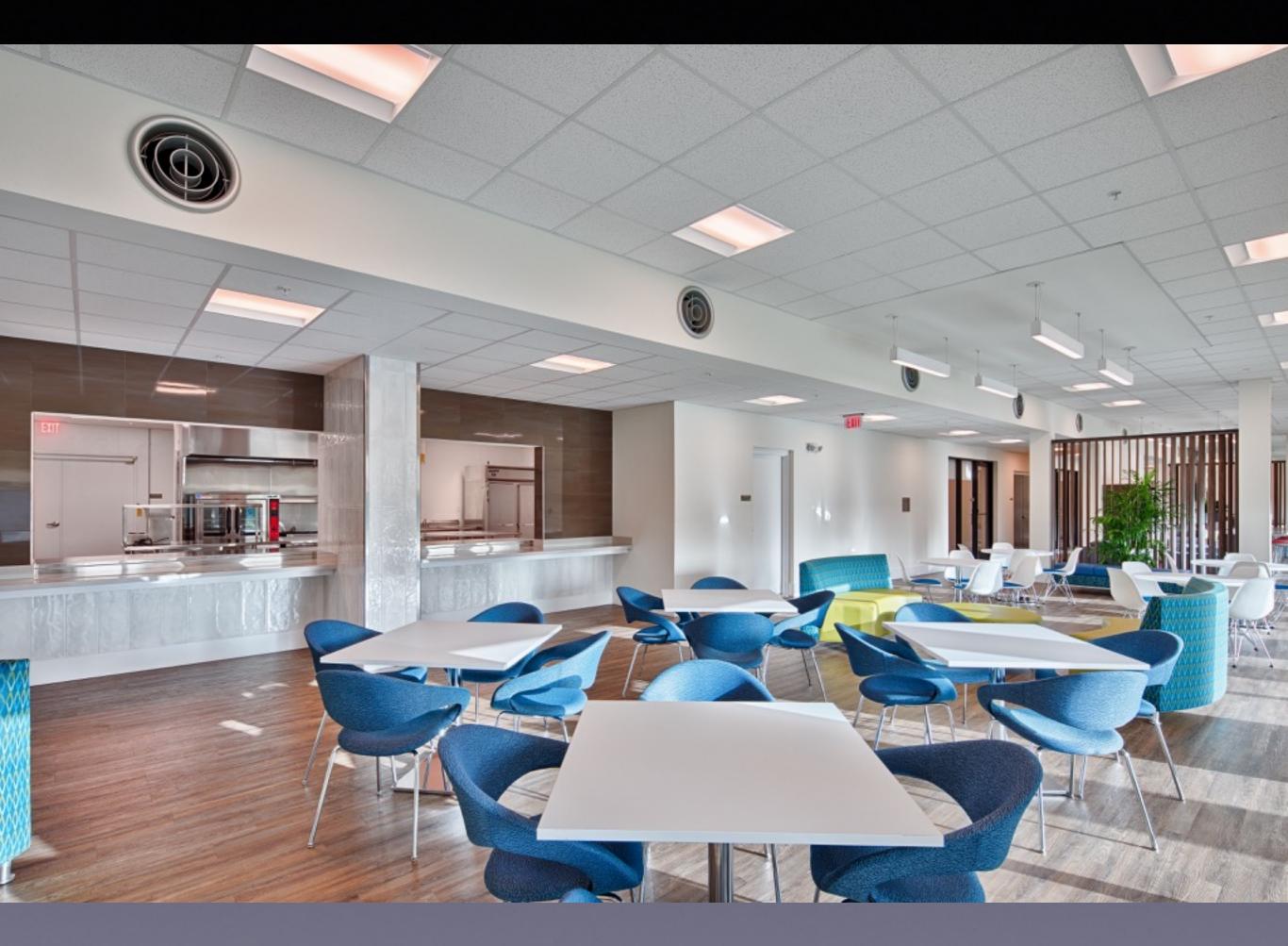
> 9% Tax Credit Project Supportive Housing

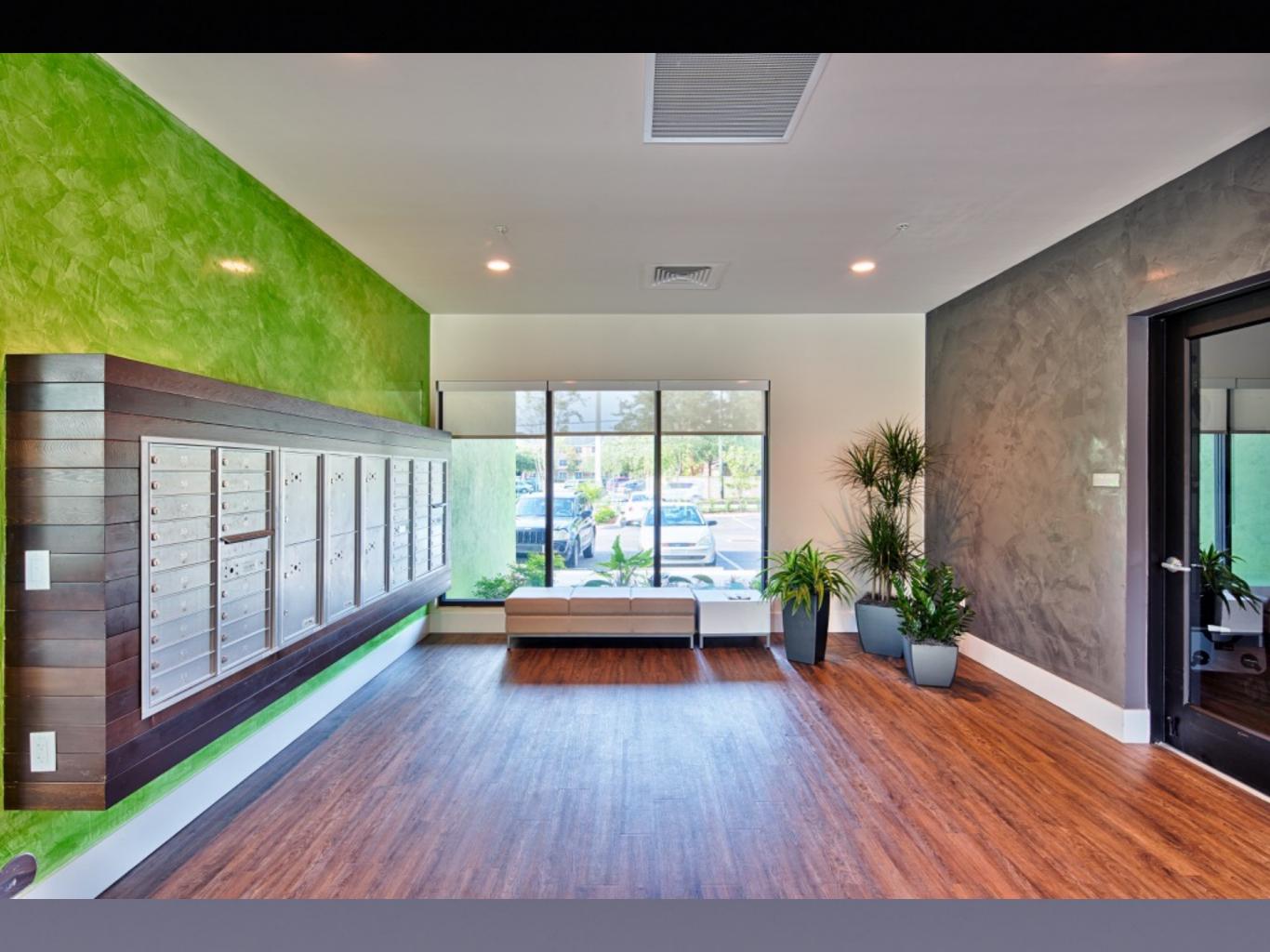












The Pearl 314 market rate apartments Tampa, Florida





Differences/Similarities between market and affordable housing

<u>Similarities:</u>

- Real estate is always about location
- Anticipating resident needs
- Design for the future (maintenance)
- Development process, managing the team

Differences:

- Cost to rental rate calculation is different affordable rents are static, market rate rents fluctuate based on competition
- General reception by neighbors

Supportive Housing - typically only paired with affordable

Development Financing

Market Rate Housing:

- Commercial Lenders (banks)
- HUD 221d4 is a viable option today
- Agency debt for perm loans (Freddie and Fannie)
- Debt/Equity ratio is 70%/30% today

Affordable Housing:

- Tax Credits (9% and 4%)
- State Loans (SAIL etc)
- Agencies (Fannie) for perm loans
- Debt/Equity ratio is 20%/80% today

Investors Role is gap financing on mkt rate, primary on credit projects Impacts related to local government/land use

<u>Market Rate:</u>

- Time (pressure imposed by the mkt/cycle)
- Reception from local government, perceived economic benefits (easier sell)
- Policies can encourage/discourage

<u>Affordable:</u>

- Time (rule changes at the State level, program timelines)
- Reception from local govt (good if there are affordable deals in the area, bad if there aren't). Economic benefits not as obvious.
- Policies have more impact on affordable. Areas targeted for affordable, incentives etc.

Working in different states

<u>In General:</u>

- Looked at as an outsider
- Good because you can sometimes see what locals cannot (applies to our own community as well)
- Site plan approval often via public hearing v staff

Florida (affordable) v others states:

- Process (underwriting et al) different, although big states are similar
- Impact of politics not particularly relatively minor
- Level of professionalism (Florida system is good)
- Rule making process, open in Florida, not so in other places

Barriers to developing affordable housing

- State Rules change yearly, difficult to predict where things are going
- Local governments can play favorites
- Cost is <u>not</u> a barrier. Under the 9% program, with SAIL, there is enough money to build a quality product that will last through the extended compliance period (50 years)
- Cost <u>is</u> a barrier without the 9% program. 4% credit developments require a lot of subsidy. Projects financed locally do not have enough money in them to gain efficiencies of size etc.
- Type senior is generally easier than family, or some special needs (disabled ok, homeless has opposition sometimes)

Barriers to developing Supportive housing

For the Non-profit partner:

- Typically do not have the skill to develop a complex project, just not what they do as an organization.
- Due diligence process is slow (versus someone with an established team that can move quickly and evaluate the results).
- Money deals need a sponsor who will provide loan and partnership guarantees to the lender and/or equity provider. Often difficult for non-profit partners to provide.
- Underwriting process see above. Not uncommon in Florida to see credit underwriting extensions on non-profit projects, especially supportive housing.

Barriers to developing Supportive Housing

For the for-profit partner:

- Typically seeking a quick exit after completion
- Typically don't understand supportive housing, operationally or from a practical design standpoint
- Don't want to provide long term guarantees (partnership and/or lender)

Formulating a vision/deal

- Site/location? Properly zoned? Any environmental issues?
- 2. Product type (apts, condo, affordable, mkt rate)
- 3. How will we finance it? Construction and Perm loans
- 4. Team members (architect, engineer, et al)
- 5. Who will build it? General Contractor
- 6. How long will it take and what will the world look like when we are leasing it up? (If affordable, not a big worry, but a concern for a market rate project)