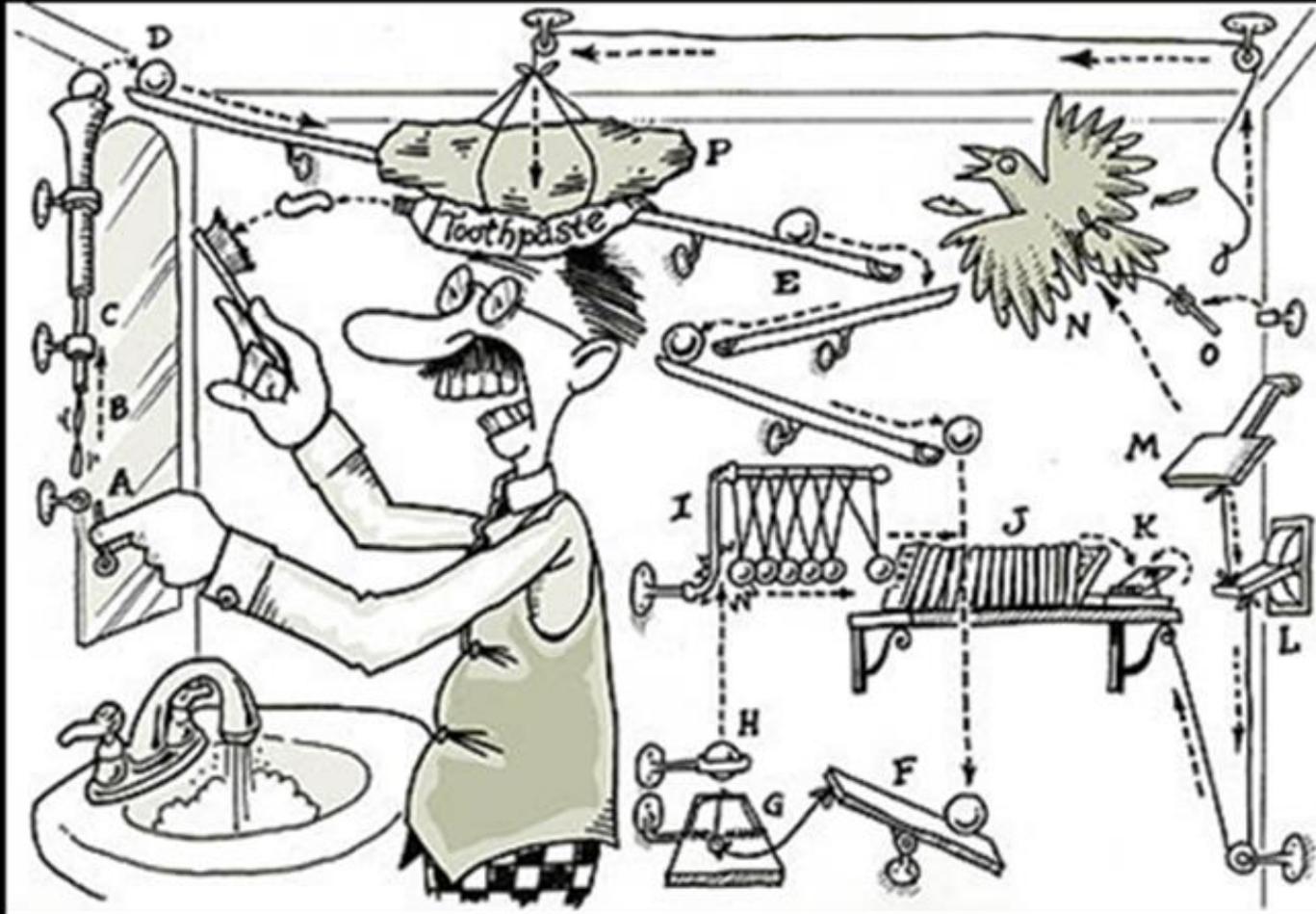


Housing Nuts and Bolts

ANNE LEWIS

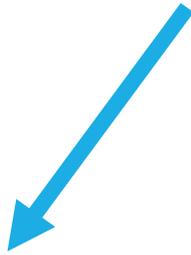
DIRECTOR OF CAPITAL AND PROGRAM DEVELOPMENT, MHP

Our Housing Delivery System: As Simple as Getting Toothpaste on a Brush



The Need for Affordable Housing

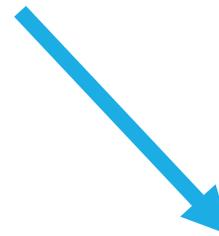
“affordable” vs. “Affordable”



**Naturally occurring
affordability, with no
restrictions on income or rent**

**“Woah I can’t believe what a
good deal this apartment is!”**

**Anyone can live there, as long
as you make it past the
landlord’s checks.**



**Built or preserved with local,
state, or federal funds, or uses
these funds to operate.**

**Has restrictions on maximum
incomes and maximum rents.**

**Only people earning less than a
certain max income can qualify to
live there.**

Doing the math behind affordable rents

HUD 2020 Income Limits for Boston-Cambridge-Quincy MSA, 1 person

Affordable Housing Income Level Definitions, Area Median Income (AMI)

Low Income (LI): Households earning 80% AMI (\$67,400)

Very Low Income (VLI): Households earning 50% or less than the AMI (\$44,800)

Extremely Low Income (ELI): Households earning 30% or less than the AMI (\$26,850)

**specific to region and number of people in household*

Defining the Need – Housing Cost Burden

Housing Cost-Burden: Households who pay more than 30% of their income for housing

Severe Housing Cost-Burden: Households who pay more than 50% of their income for housing

**does not include other factors that may affect housing affordability, such as its location with respect to jobs, childcare, education, etc.*

Doing the math behind affordable rents

In 2020, for a Very Low Income Household of 4 (earning 50% of AMI):

| | Metro Boston | Barnstable County | |
|---------------------------|--------------|-------------------|--|
| Area Median Income (AMI): | \$119,000 | \$96,600 | |
| 50% of AMI: | \$63,950 | \$48,300 | <i>(50%*AMI) with Boston adjusted for high housing costs</i> |
| Monthly Affordable Rent: | \$1,599 | \$1,208 | <i>(50%*AMI)*(30%)/12</i> |

Affordable rents are sized at 30% of a household's income, per month.

If a household is paying more than that, they are housing cost-burdened.

In both regions, fair market rents well exceed what would be affordable:

| | Metro Boston | Barnstable County | |
|-----------------------------|----------------|-------------------|---|
| Fair Market Rent, 3 BR apt: | \$2,906 | \$2,089 | <i>~ 40% of gross rents for typical units in local market</i> |
| <i>vs. Affordable Rent:</i> | <i>\$1,307</i> | <i>\$881</i> | |

Project Feasibility: A Balancing Act

Land Costs
Construction Costs
Design Requirements
Infrastructure
Site Work
Legal/Zoning
Financing Costs
Operating Expenses
Debt Payments



TIME
(Predictability)

Equity Investors
Subsidy Sources –
Federal, State, and Local
Supportable Debt
Rental Income



Local Housing
Needs/
Fiscal Feasibility

Project Feasibility: A Balancing Act

Land Costs
Construction Costs
Design Requirements
Infrastructure
Site Work
Legal/Zoning
Financing Costs
Operating Expenses
Debt Payments

Equity Investors
Subsidy Sources –
Federal, State, and Local
Supportable Debt
Rental Income



TIME
(Predictability)

Local Housing
Needs/
Fiscal Feasibility

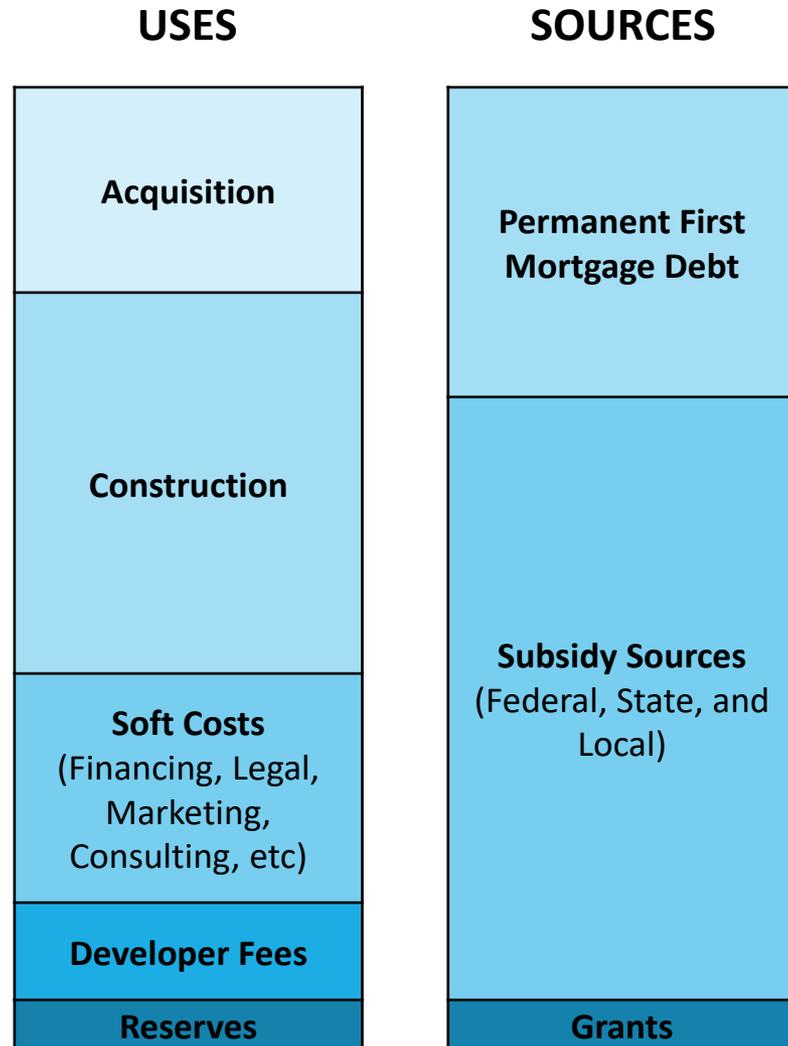


Project Feasibility: A Balancing Act

Budget Basics for New Construction

Development Budget:

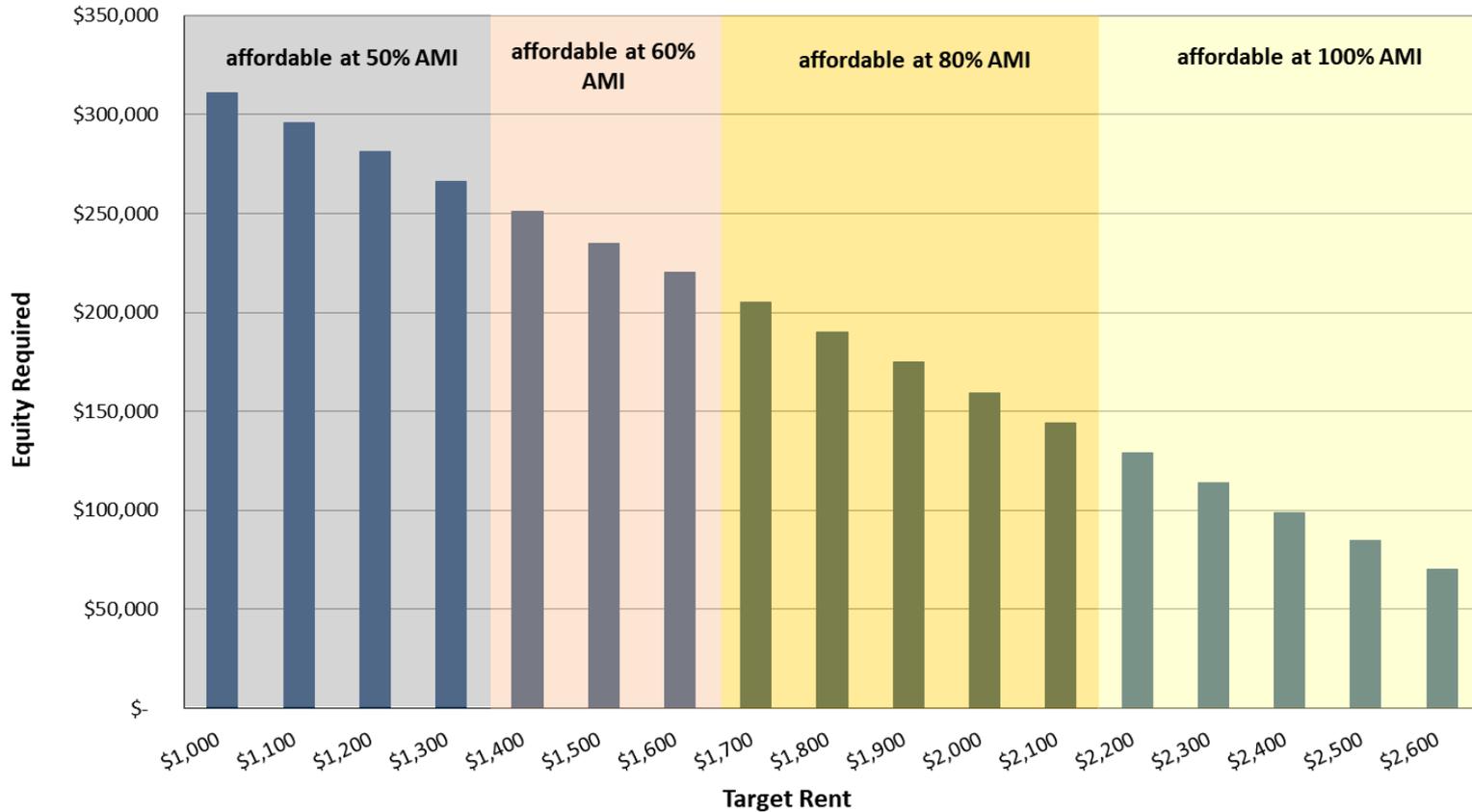
Total Sources must equal **Total Uses!**



Project Feasibility: A Balancing Act

Massachusetts: Equity Required to Achieve Various Rent Levels at TDC of \$350,000

(assuming 80% LTV, 1.20x DSC, 5% vacancy, \$8,500/unit op expenses, statewide family median income)



How do subsidy resources get awarded to projects?

FUNDING ROUNDS:

The state's Department of Housing and Community Development holds funding rounds, usually once a year. These rounds are used to award federal and state Low Income Housing Tax Credits, state HOME funds, and most state housing bond funds to eligible affordable, rental housing using project proposals.

SCORING:

Proposals are competitively scored based on the state's priorities outlined in the Qualified Allocation Plan (QAP) each year.

What is a QAP? *As the state allocating agency for the Federal LIHTC program, DHCD is required publish a plan describing how it intends to award the credit, including selection criteria and project preferences.*

In Massachusetts, the priorities included in the QAP also apply to the state's other housing programs.

Qualified Allocation Plan (QAP): Many Objectives, Competing Priorities



2020-2021 Funding Priority Categories:

- 1. Housing for extremely low-income (ELI) households, including families and seniors**
- 2. Investment in distressed and at-risk neighborhoods**
- 3. Preservation of existing affordable housing**
- 4. New production for families in high-opportunity neighborhoods**
- 5. New production (family or senior) in communities with affordable housing stock < 12%**

DHCD's QAP can be found online at: <https://www.mass.gov/doc/2020-2021-qap-low-income-housing-tax-credit-qualified-allocation-plan-qap/download>

Affordable Housing Subsidy Sources

State and Federal Resources

Allocated in a competitive process approximately once a year through the Department of Housing and Community Development (DHCD). Currently the state is not providing subsidy for homeownership development.

Federal Resources: *Assigned to DHCD by formula, and awarded to eligible projects*

Federal Low Income Housing Tax Credit (LIHTC) – single largest subsidy for low-income rental housing; grants investors a dollar-to-dollar credit against their tax liability over 10 years

HOME Program – block grant designed to create affordable housing for low-income households

Want to learn more about how LIHTC works? Visit the Financing and Funding section of the Housing Toolbox (www.housingtoolbox.org) or a LIHTC primer published by the accounting firm Novogradac (<https://www.novoco.com/resource-centers/affordable-housing-tax-credits/lihtc-basics/about-lihtc>)

Affordable Housing Subsidy Sources

State and Federal Resources

Allocated in a competitive process approximately once a year through the Department of Housing and Community Development (DHCD). Currently the state is not providing subsidy for homeownership development.

State Resources: Affordable housing programs funded by the state's Housing Bond

State LIHTC – structured similarly to the Federal LIHTC, except that investors can reduce their state income tax liability

Affordable Housing Trust Fund (AHTF) – flexible program supporting both new and existing affordable housing

Housing Stabilization Fund (HSF) – acquisition, preservation, and rehabilitation

Housing Innovations Fund (HIF) – affordable housing plus supportive services

Community Based Housing/Facilities Consolidation Fund (CBH/FCF) – development of integrated housing for people with disabilities

Commercial Area Transit Node Housing Program (ATNHP)

Capital Improvement and Preservation Fund (CIPF)

Affordable Housing Subsidy Sources

Local Resources: Vary by community!

Land – donated or discounted land can significantly affect a project’s financial feasibility

Community Preservation Act (CPA) Funds – must be adopted in a municipality by a ballot referendum, with funds raised through the imposition of a real estate tax surcharge of up to 3%

Local HOME/CDBG – independent of state-allocated HOME funds, certain municipalities or consortiums may be eligible for federal block grants to use for affordable housing

Other

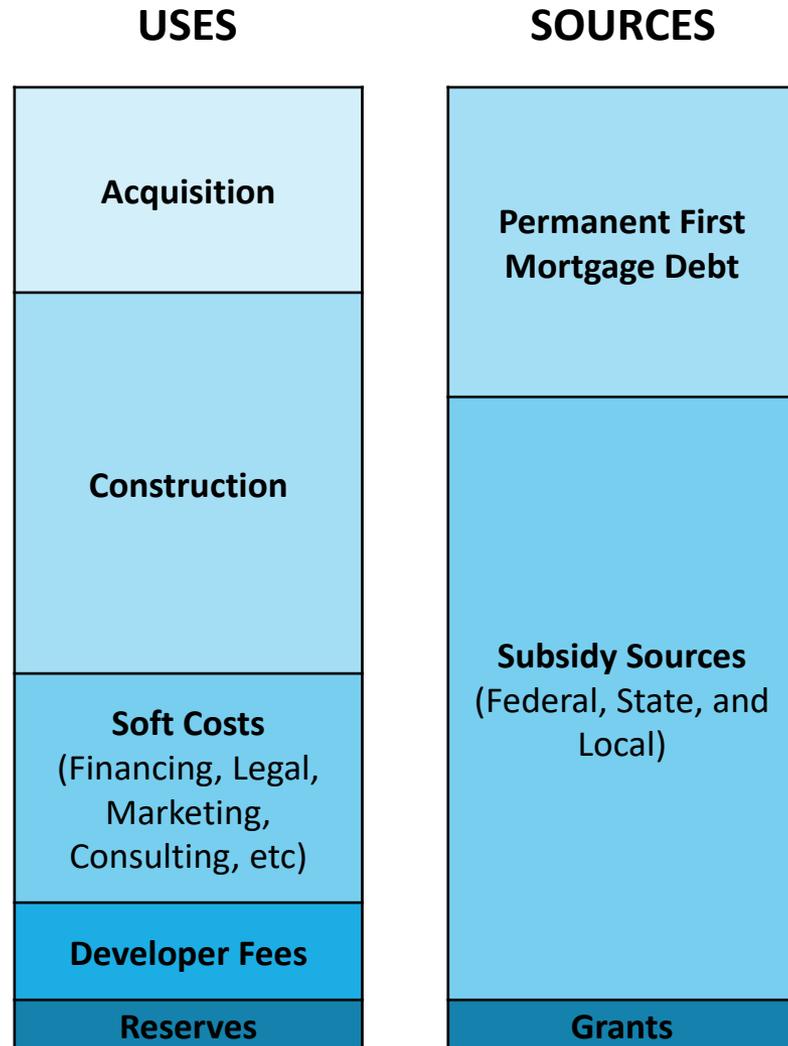
**Use restrictions cannot conflict, or be more restrictive than permanent debt underwriting or other public subsidies being used*

Project Feasibility: A Balancing Act

Budget Basics for New Construction

Development Budget:

Total Sources must equal **Total Uses!**



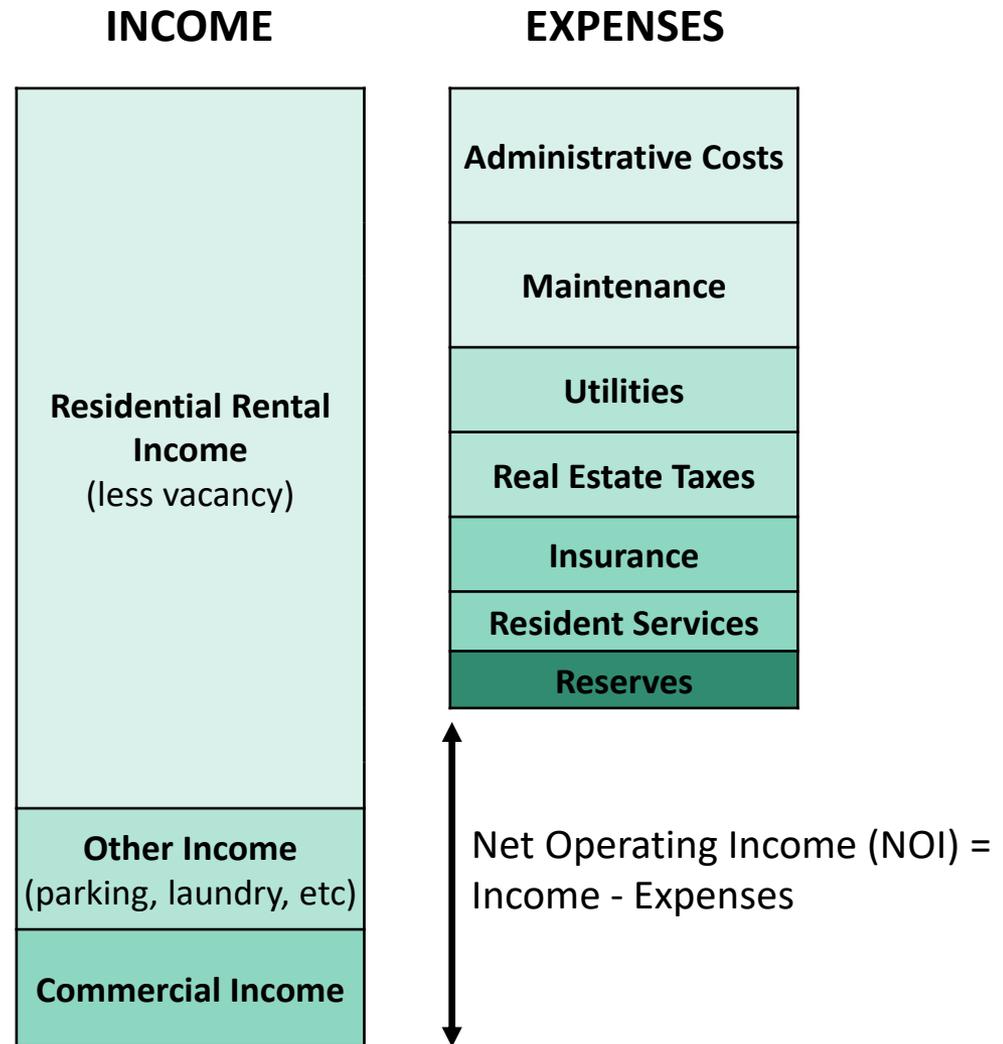
Project Feasibility: A Balancing Act

Budget Basics for New Construction

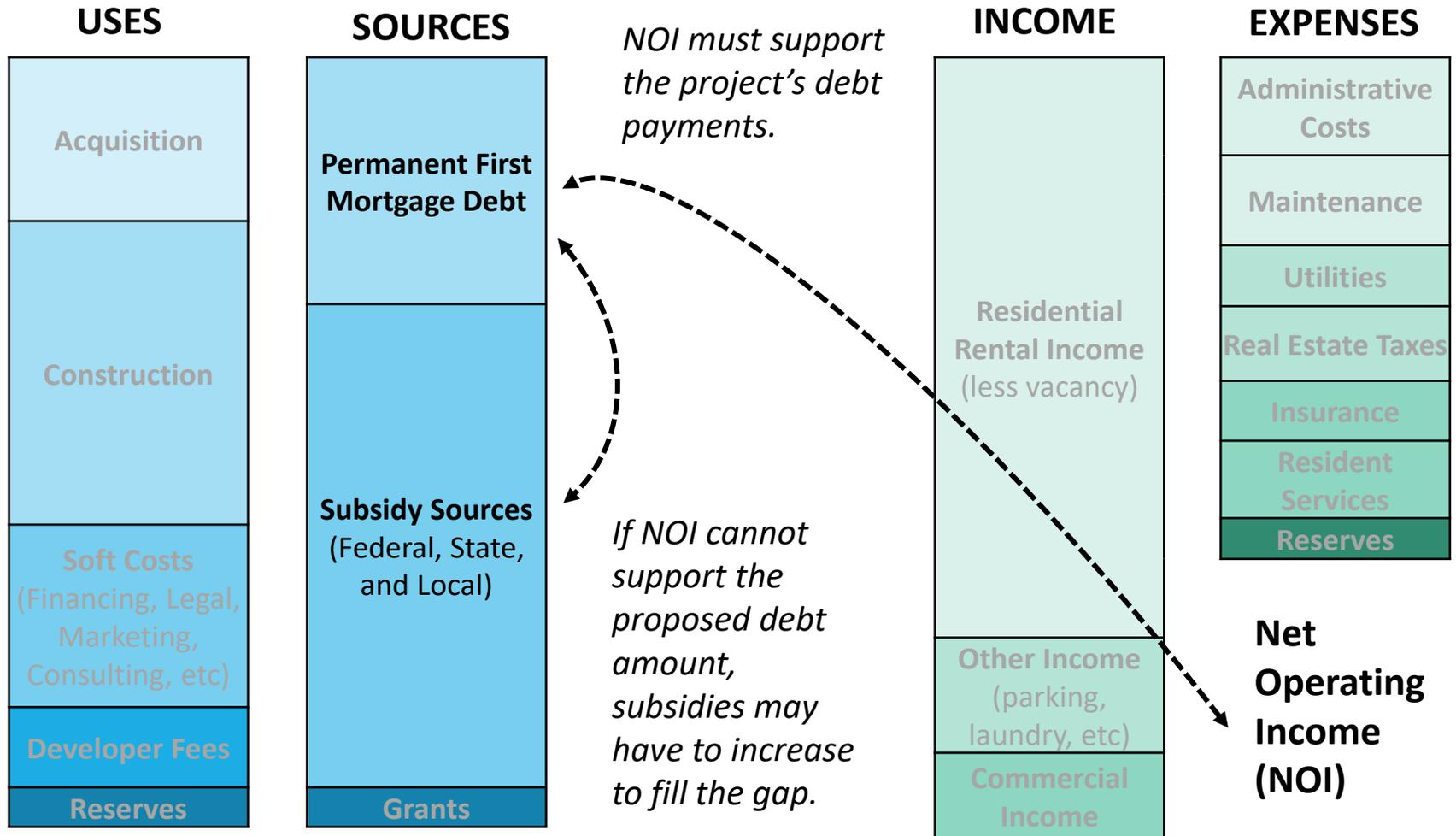
Operating Budget:

Income must be greater than **Expenses** in order to support debt payments!

Net Operating Income (NOI) must be greater than the permanent mortgage debt payments!



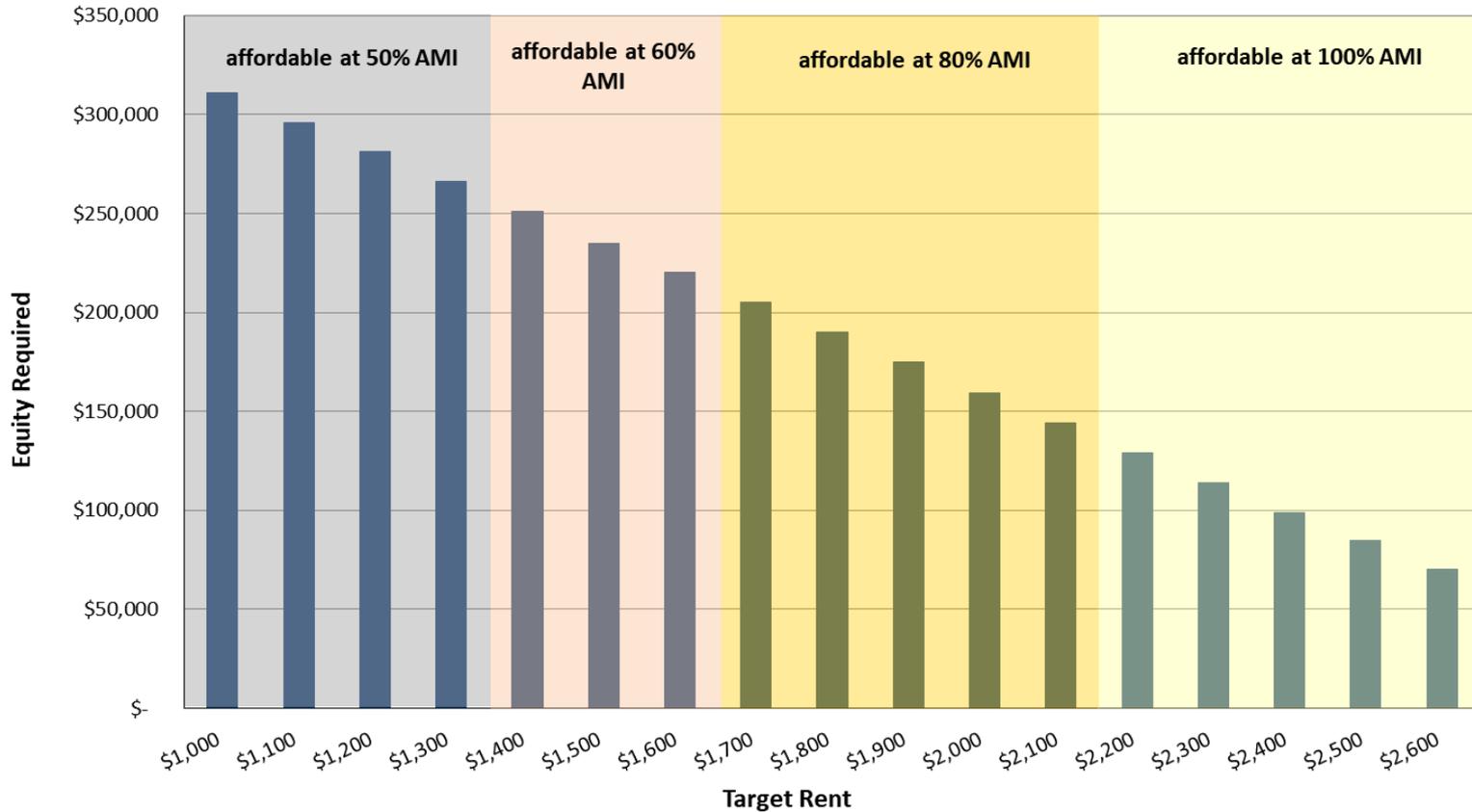
Project Feasibility: A Balancing Act



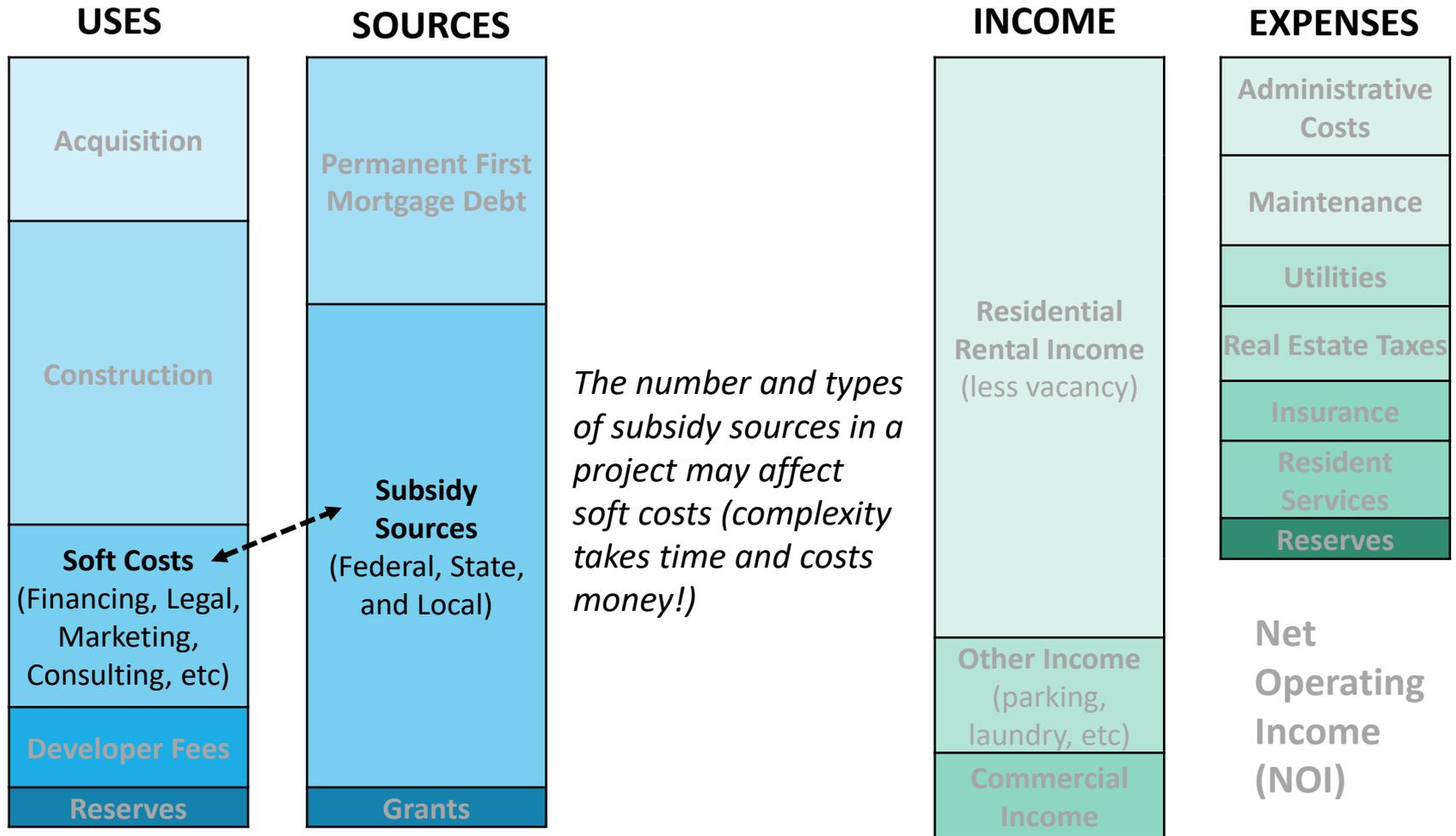
Project Feasibility: A Balancing Act

Massachusetts: Equity Required to Achieve Various Rent Levels at TDC of \$350,000

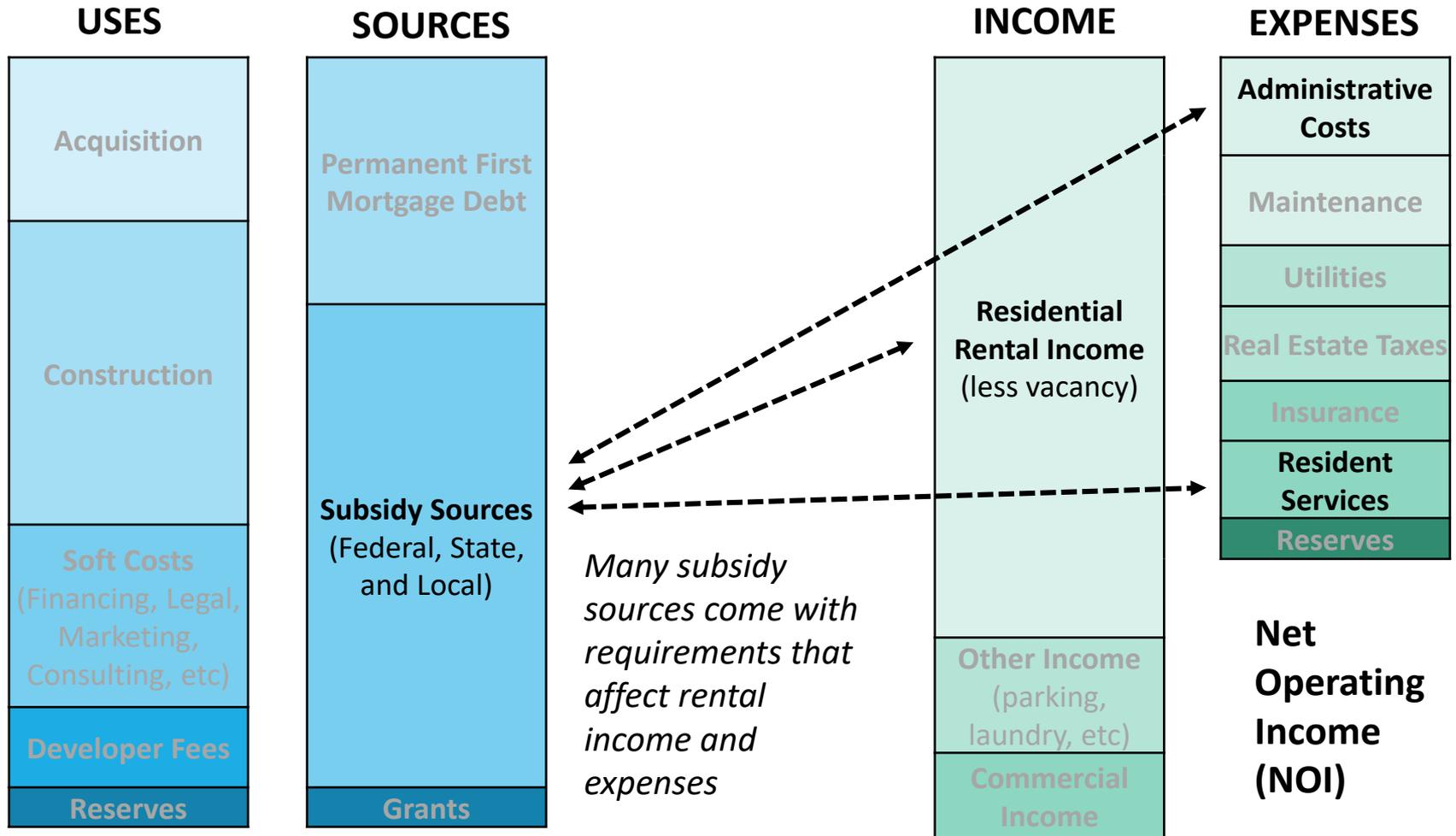
(assuming 80% LTV, 1.20x DSC, 5% vacancy, \$8,500/unit op expenses, statewide family median income)



Project Feasibility: A Balancing Act



Project Feasibility: A Balancing Act



Project Example: Balancing the Budget

Proposed Project: Cape Shores in Dennis, MA

- 60-units of affordable, family rental housing
- Mix of 1-, 2-, and 3-bedroom units
- Town-owned land



Project Example: Operating Budget

UNIT MATRIX

| | 1-BR | 2-BR | 3-BR | Total | % Total |
|----------------|-----------|-----------|-----------|-----------|-------------|
| 60% AMI Units | 14 | 30 | 10 | 54 | 90% |
| 30% AMI Units | 2 | 3 | 1 | 6 | 10% |
| Total | 16 | 33 | 11 | 60 | 100% |
| <i>% Total</i> | 27% | 55% | 18% | | |

HOUSEHOLD INCOME LIMITS

| | 1-BR | 2-BR | 3-BR |
|---------------|----------|----------|----------|
| 60% AMI Units | \$43,500 | \$52,200 | \$60,300 |
| 30% AMI Units | \$21,750 | \$26,100 | \$30,175 |

MONTHLY RENTS

| | 1-BR | 2-BR | 3-BR |
|---------------|---------|---------|---------|
| 60% AMI Units | \$1,087 | \$1,305 | \$1,507 |
| 30% AMI Units | \$543 | \$652 | \$754 |

Project Example: Operating Budget

MONTHLY RENTS

| | 1-BR | 2-BR | 3-BR |
|---------------|---------|---------|---------|
| 60% AMI Units | \$1,087 | \$1,305 | \$1,507 |
| 30% AMI Units | \$543 | \$652 | \$754 |

INCOME - DETAIL

| | 1-BR | 2-BR | 3-BR | Total | Per Unit |
|--------------------------------------|----------------|-----------------|----------------|-----------------|---------------|
| Restricted at 60% Rents | 182,616 | 469,800 | 180,840 | 833,256 | 15,431 |
| <i>Less 5% Vacancy</i> | <i>(9,131)</i> | <i>(23,490)</i> | <i>(9,042)</i> | <i>(41,663)</i> | <i>(772)</i> |
| Restricted at 30% Rents | 13,032 | 23,472 | 9,048 | 45,552 | 7,592 |
| <i>Less 5% Vacancy</i> | <i>(652)</i> | <i>(1,174)</i> | <i>(452)</i> | <i>(2,278)</i> | <i>(380)</i> |
| Gross Residential Income | 195,648 | 493,272 | 189,888 | 878,808 | 14,647 |
| <i>Less Total Vacancy</i> | <i>(9,782)</i> | <i>(24,664)</i> | <i>(9,494)</i> | <i>(43,940)</i> | <i>(732)</i> |
| Net Residential Rental Income | 185,866 | 468,608 | 180,394 | 834,868 | 13,914 |

| | | |
|-------------------------------|----------------|---------------|
| Laundry Income | 3,600 | 60 |
| Total Effective Income | 838,468 | 13,974 |

Project Example: Operating Budget

OPERATING EXPENSES

| | Total | Per Unit | % Per Unit |
|-----------------------|------------------|----------------|-------------|
| Management Fee | \$25,500 | \$425 | 5% |
| Administrative | \$153,000 | \$2,550 | 30% |
| Maintenance | \$127,500 | \$2,125 | 25% |
| Utilities | \$76,500 | \$1,275 | 15% |
| Real Estate Taxes | \$51,000 | \$850 | 10% |
| Insurance | \$51,000 | \$850 | 10% |
| Replacement Reserves | \$25,500 | \$425 | 5% |
| Total Expenses | \$510,000 | \$8,500 | 100% |

Project Example: Operating Budget

OPERATING INCOME

| | Total | Per Unit |
|-------------------------------|------------------|-----------------|
| Residential Income | \$878,808 | \$14,647 |
| <i>Residential Vacancy</i> | <i>-\$43,940</i> | <i>-\$732</i> |
| Net Residential Income | \$834,868 | \$13,914 |
| Laundry Income | \$3,600 | \$60 |
| Total Operating Income | \$838,468 | \$13,974 |

OPERATING EXPENSES

| | Total | Per Unit |
|-----------------------|------------------|----------------|
| Management Fee | \$25,500 | \$425 |
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| Real Estate Taxes | \$51,000 | \$850 |
| Insurance | \$51,000 | \$850 |
| Replacement Reserves | \$25,500 | \$425 |
| Total Expenses | \$510,000 | \$8,500 |

Net Operating Income (NOI) = \$328,468
(Income – Expenses)

Project Example: Development Budget

Proposed Uses:

DEVELOPMENT USES

| | Total | Per Unit | |
|-------------------------------|---------------------|------------------|---|
| Acquisition | \$6,000 | \$100 | <i>Assumes minimal acquisition cost</i> |
| Construction Hard Costs | \$17,700,000 | \$295,000 | |
| <i>Direct Construction</i> | \$16,500,000 | \$275,000 | |
| <i>Site Costs</i> | \$1,200,000 | \$20,000 | |
| Soft Costs | \$2,244,000 | \$37,400 | <i>Includes Legal, Financing, Marketing, etc.</i> |
| Reserves | \$300,000 | \$5,000 | <i>Required by investor and perm lender</i> |
| Developer Fee/Overhead | \$1,650,000 | \$27,500 | <i>Capped by the state</i> |
| Total Development Cost | \$21,900,000 | \$365,000 | |

Project Example: Development Budget

Proposed Sources:

Permanent Mortgage Debt

Federal LIHTC (9%)

Additional Subsidy Needs

Project Feasibility: A Balancing Act

How much debt can a project support?

Loan-to-Value (LTV) = the ratio of Debt to Property Value

$$LTV = (Debt)/(Property Value)$$

- Value must be supported by an appraisal
- Lenders typically allow an LTV of 80%, although the LTV requirement could be more or less depending on the lender, capital source, and property type

Example: A lender requires 80% LTV.

The property has an appraised value of \$2,500,000.

The mortgage debt cannot exceed 80% of \$2,500,000 - or \$2,000,000

Project Feasibility: A Balancing Act

How much debt can a project support?

Debt Service Coverage Ratio (DSCR) = the ratio of NOI to Debt Service

$$DSCR = (NOI)/(Debt Service)$$

- Debt service is the total payment due (principal + interest) on the mortgage loan
- Lenders typically require a DSCR of 1.20, although the DSCR requirement could be more or less depending on the lender, capital source, and property type

Example: A lender requires 1.20 DSCR.

The property has an annual NOI of \$150,000.

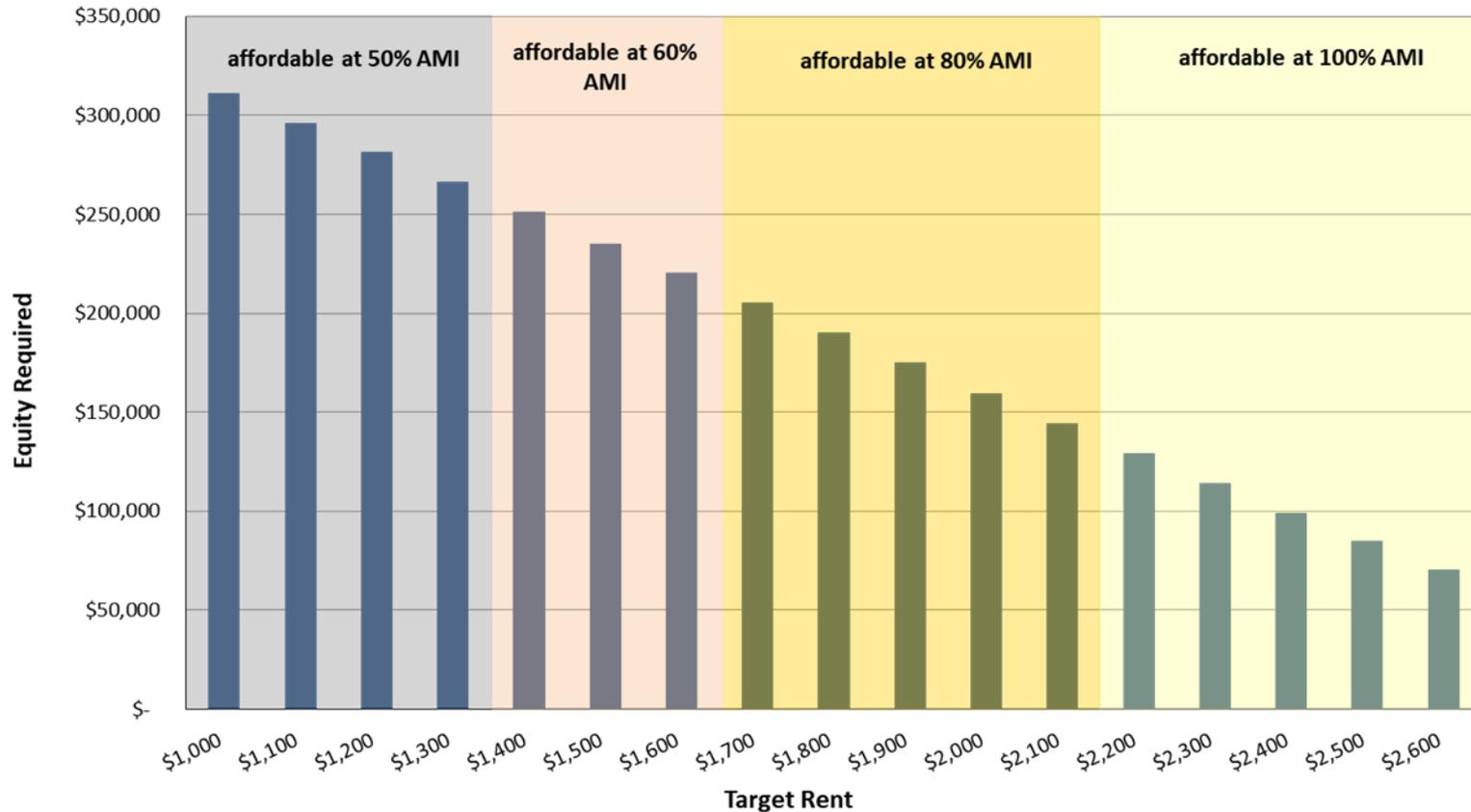
Annual debt payments cannot exceed \$125,000, or 1.20/\$150,000.

Assuming an annual interest rate of 5.00% and a 30-year amortization, the maximum total debt is \$1,940,434.

Project Feasibility: A Balancing Act

Massachusetts: Equity Required to Achieve Various Rent Levels at TDC of \$350,000

(assuming 80% LTV, 1.20x DSC, 5% vacancy, \$8,500/unit op expenses, statewide family median income)



Project Feasibility: A Balancing Act

How much debt can a project support?

Total debt must satisfy both the LTV and the DSCR requirements.

Example: LTV of 80% limits debt to \$2,000,000.

DSCR of 1.20 limits debt to \$1,940,434

*Debt cannot exceed the **lower** of the two requirements:
\$1,940,434*

Project Example: Development Budget

Proposed Sources:

Permanent Mortgage Debt

Federal LIHTC (9%)

Additional Subsidy Needs

Sizing the Permanent Mortgage Debt:

| | Total | |
|----------------------|--------------|--------------------------|
| NOI | \$328,468 | |
| Minimum DSCR | 1.20 | |
| Maximum Debt Service | \$273,723 | <i>(NOI)/(Min. DSCR)</i> |

Project Example: Development Budget

Proposed Sources:

Permanent Mortgage Debt

Federal LIHTC (9%)

Additional Subsidy Needs

Sizing the Permanent Mortgage Debt:

| | Total | |
|----------------------|--------------|--------------------------|
| NOI | \$328,468 | |
| Minimum DSCR | 1.20 | |
| Maximum Debt Service | \$273,723 | <i>(NOI)/(Min. DSCR)</i> |

Debt Terms

| | |
|-------------------------|--------------------|
| Interest Rate | 4.00% |
| Loan Amortization (yrs) | 30 |
| Maximum Debt | \$4,777,863 |

Project Example: Development Budget

Proposed Sources:

Permanent Mortgage Debt

Federal LIHTC (9%) equity

Additional Subsidy Needs

Affordable Housing Subsidy Sources

Low-Income Housing Tax Credit (LIHTC) Basics:

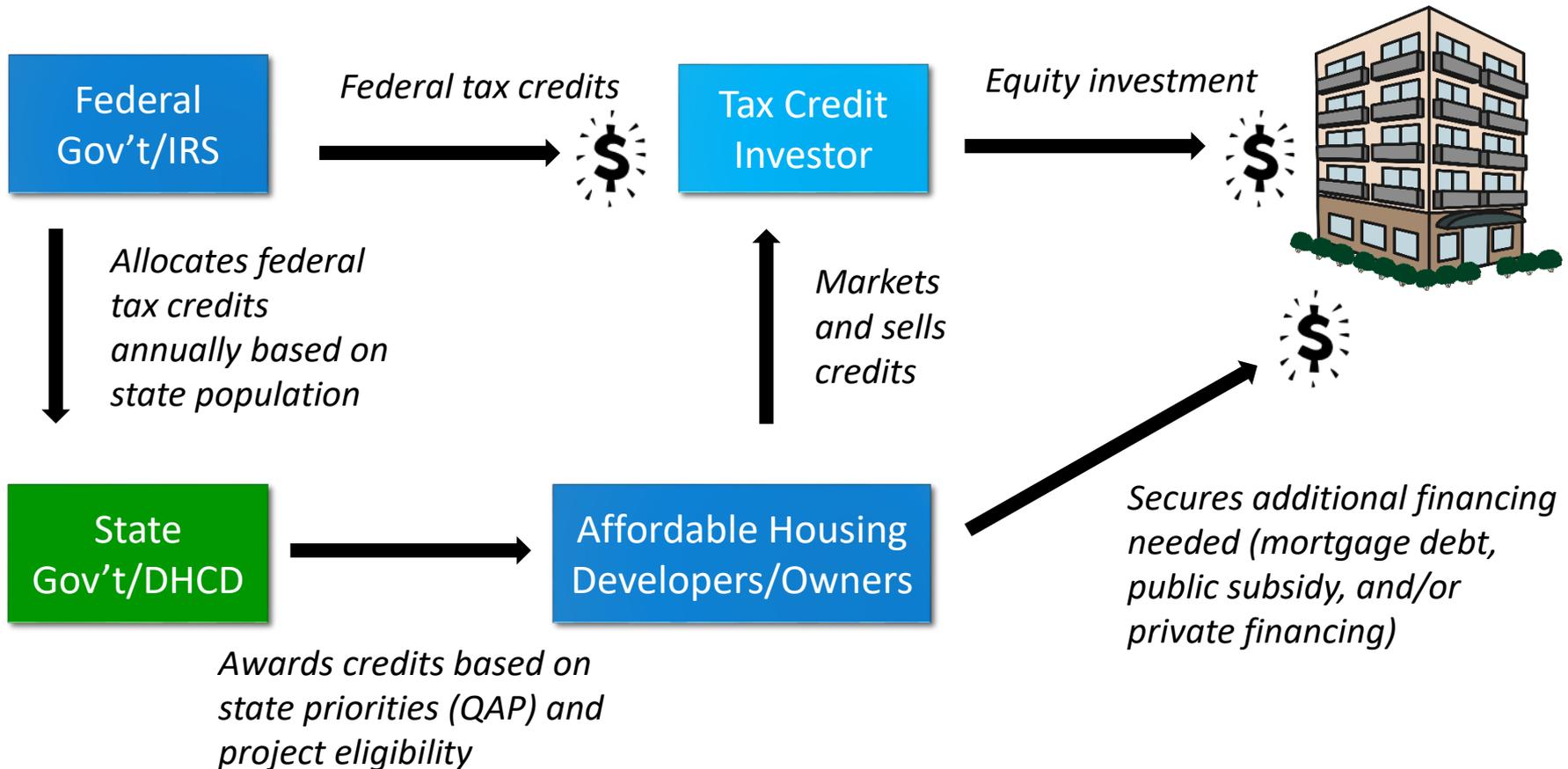
- Indirect federal subsidy used to finance the construction and rehabilitation of affordable rental housing
- Created in 1986 and made permanent in 1993, with guidelines set by the Internal Revenue Service (IRS)
- Investors who receive the credit get a reduction in their federal income tax liability, in exchange for their equity investment in affordable rental housing.

Requirements:

- Projects receiving investments must be affordable for at least 30 years, at minimum affordability levels (typically 40% of the units affordable to households at 60% AMI, or 20% affordable to households at 50% AMI)
- Annual reporting and certification to ensure compliance

Affordable Housing Subsidy Sources

Low-Income Housing Tax Credit (LIHTC) Basics:



Affordable Housing Subsidy Sources

Low-Income Housing Tax Credit (LIHTC) Basics:

Want to learn more about how LIHTC works?

Visit the Financing and Funding section of the Housing Toolbox (www.housingtoolbox.org) or a LIHTC primer published by the accounting firm Novogradac (<https://www.novoco.com/resource-centers/affordable-housing-tax-credits/lihtc-basics/about-lihtc>).

Project Example: Development Budget

Proposed Sources:

Permanent Mortgage Debt

Federal LIHTC (9%) equity

Additional Subsidy Needs

Sizing the Federal LIHTC equity:

Federal LIHTC Terms

| | | |
|---------------------------|---------------------|--|
| Eligible Basis | \$19,383,000 | <i>100% construction, 75% soft costs are eligible; land acquisition excluded</i> |
| Applicable Fraction | 100% | <i>100% of the units are affordable at 60% AMI or less</i> |
| Application Percentage | 9.00% | |
| Annual Credit Amount | \$1,744,470 | <i>(Eligible Basis)*(100% of units)*(9%)</i> |
| Syndication Yield | 0.90 | <i>Investor agrees to pay \$0.90 for \$1.00 of tax credits</i> |
| Number of Years of Credit | 10 | <i>Investor claims tax credit annually over 10 years</i> |
| Total LIHTC Equity | \$15,700,230 | <i>(Annual Credit Amount)*(Yield)*(Years)</i> |

Project Example: Development Budget

Proposed Sources:

Permanent Mortgage Debt

Federal LIHTC (9%) equity

Additional Subsidy Needs

Sizing additional subsidy needs: *Is there a gap between the project's sources and uses?*

DEVELOPMENT USES

| | Total | Per Unit |
|-------------------------------|---------------------|------------------|
| Acquisition | \$6,000 | \$100 |
| Construction Hard Costs | \$17,700,000 | \$295,000 |
| <i>Direct Construction</i> | \$16,500,000 | \$275,000 |
| <i>Site Costs</i> | \$1,200,000 | \$20,000 |
| Soft Costs | \$2,244,000 | \$37,400 |
| Reserves | \$300,000 | \$5,000 |
| Developer Fee/Overhead | \$1,650,000 | \$27,500 |
| Total Development Cost | \$21,900,000 | \$365,000 |

DEVELOPMENT SOURCES

| | Total | Per Unit |
|---------------------------|---------------------|------------------|
| Permanent Mortgage Debt | \$4,777,863 | \$79,631 |
| Federal LIHTC (9%) equity | \$15,700,230 | \$261,671 |
| Gap | \$1,421,907 | \$23,698 |
| Total Sources | \$21,900,000 | \$365,000 |

Project Example: Development Budget

Proposed Sources:

Permanent Mortgage Debt

Federal LIHTC (9%) equity

Additional Subsidy Needs

Sizing additional subsidy needs: *Is there a gap between the project's sources and uses?*

DEVELOPMENT USES

| | Total | Per Unit |
|-------------------------------|---------------------|------------------|
| Acquisition | \$6,000 | \$100 |
| Construction Hard Costs | \$17,700,000 | \$295,000 |
| <i>Direct Construction</i> | \$16,500,000 | \$275,000 |
| <i>Site Costs</i> | \$1,200,000 | \$20,000 |
| Soft Costs | \$2,244,000 | \$37,400 |
| Reserves | \$300,000 | \$5,000 |
| Developer Fee/Overhead | \$1,650,000 | \$27,500 |
| Total Development Cost | \$21,900,000 | \$365,000 |

DEVELOPMENT SOURCES

| | Total | Per Unit |
|---------------------------|---------------------|------------------|
| Permanent Mortgage Debt | \$4,777,863 | \$79,631 |
| Federal LIHTC (9%) equity | \$15,700,230 | \$261,671 |
| Local CPA Funds | \$500,000 | \$8,333 |
| AHTF (State Subsidy) | \$921,907 | \$15,365 |
| Total Sources | \$21,900,000 | \$365,000 |

Project Feasibility: A Balancing Act

Land Costs
Construction Costs
Design Requirements
Infrastructure
Site Work
Legal/Zoning
Financing Costs
Operating Expenses
Debt Payments



TIME
(Predictability)

Equity Investors
Subsidy Sources –
Federal, State, and Local
Supportable Debt
Rental Income



Local Housing
Needs/
Fiscal Feasibility

Project Example: Keeping the Balance

A group of abutters requests that the project size be reduced from 60 units to 40 units. [What are the financial ramifications?](#)

UNIT MATRIX

| | 1-BR | 2-BR | 3-BR | Total | % Total |
|----------------|-----------|-----------|-----------|-----------|-------------|
| 60% AMI Units | 14 | 30 | 10 | 54 | 90% |
| 30% AMI Units | 2 | 3 | 1 | 6 | 10% |
| Total | 16 | 33 | 11 | 60 | 100% |
| <i>% Total</i> | 27% | 55% | 18% | | |



UNIT MATRIX

| | 1-BR | 2-BR | 3-BR | Total | % Total |
|----------------|-----------|-----------|----------|-----------|-------------|
| 60% AMI Units | 10 | 20 | 6 | 36 | 90% |
| 30% AMI Units | 1 | 2 | 1 | 4 | 10% |
| Total | 11 | 22 | 7 | 40 | 100% |
| <i>% Total</i> | 28% | 55% | 18% | | |

Project Example: Keeping the Balance

OPERATING INCOME

| | Total | Per Unit |
|-------------------------------|------------------|-----------------|
| Residential Income | \$878,808 | \$14,647 |
| <i>Residential Vacancy</i> | -\$43,940 | -\$732 |
| Net Residential Income | \$834,868 | \$13,914 |
| Laundry Income | \$3,600 | \$60 |
| Total Operating Income | \$838,468 | \$13,974 |



OPERATING INCOME

| | Total | Per Unit |
|-------------------------------|------------------|-----------------|
| Residential Income | \$583,356 | \$14,584 |
| <i>Residential Vacancy</i> | -\$29,168 | -\$729 |
| Net Residential Income | \$554,188 | \$13,855 |
| Laundry Income | \$2,400 | \$60 |
| Total Operating Income | \$556,588 | \$13,915 |

Total Operating Income reduced by \$281,880

Project Example: Keeping the Balance

OPERATING EXPENSES

| | Total | Per Unit |
|-----------------------|------------------|----------------|
| Management Fee | \$25,500 | \$425 |
| Administrative | \$153,000 | \$2,550 |
| Maintenance | \$127,500 | \$2,125 |
| Utilities | \$76,500 | \$1,275 |
| Real Estate Taxes | \$51,000 | \$850 |
| Insurance | \$51,000 | \$850 |
| Replacement Reserves | \$25,500 | \$425 |
| Total Expenses | \$510,000 | \$8,500 |



OPERATING EXPENSES

| | Total | Per Unit |
|-----------------------|------------------|-----------------|
| Management Fee | \$17,000 | \$425 |
| Administrative | \$153,000 | \$3,825 |
| Maintenance | \$127,500 | \$3,188 |
| Utilities | \$51,000 | \$1,275 |
| Real Estate Taxes | \$34,000 | \$850 |
| Insurance | \$34,000 | \$850 |
| Replacement Reserves | \$17,000 | \$425 |
| Total Expenses | \$433,500 | \$10,838 |

Not all operating expenses will scale down with a decrease in units!

Total Operating Expenses reduced by \$76,500

Net Operating Income (NOI) reduced by \$205,380

Project Example: Keeping the Balance

Not all development costs will scale down with a decrease in units!

DEVELOPMENT USES

| | Total | Per Unit |
|-------------------------------|---------------------|------------------|
| Acquisition | \$6,000 | \$150 |
| Construction Hard Costs | \$12,200,000 | \$305,000 |
| <i>Direct Construction</i> | \$11,000,000 | \$275,000 |
| <i>Site Costs</i> | \$1,200,000 | \$30,000 |
| Soft Costs | \$2,244,000 | \$56,100 |
| Reserves | \$200,000 | \$5,000 |
| Developer Fee/Overhead | \$1,100,000 | \$27,500 |
| Total Development Cost | \$15,750,000 | \$393,750 |

Although total costs are lower, the per unit cost is now higher.

Project Example: Keeping the Balance

Federal LIHTC equity will scale down with lower construction costs, and, with lower NOI, the project can support less debt.

The funding gap has now grown by over \$1 million!

60-unit project:

DEVELOPMENT SOURCES

| | Total | Per Unit |
|---------------------------|---------------------|------------------|
| Permanent Mortgage Debt | \$4,777,863 | \$79,631 |
| Federal LIHTC (9%) equity | \$15,700,230 | \$261,671 |
| Gap | \$1,421,907 | \$23,698 |
| Total Sources | \$21,900,000 | \$365,000 |

40-unit project:

DEVELOPMENT SOURCES

| | Total | Per Unit |
|---------------------------|---------------------|------------------|
| Permanent Mortgage Debt | \$1,790,431 | \$44,761 |
| Federal LIHTC (9%) equity | \$11,245,230 | \$281,131 |
| Gap | \$2,714,339 | \$67,858 |
| Total Sources | \$15,750,000 | \$393,750 |

Project Feasibility: A Balancing Act

Land Costs
Construction Costs
Design Requirements
Infrastructure
Site Work
Legal/Zoning
Financing Costs
Operating Expenses
Debt Payments

Equity Investors
Subsidy Sources –
Federal, State, and Local
Supportable Debt
Rental Income



TIME
(Predictability)

Local Housing
Needs/
Fiscal Feasibility



Questions??

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