

Nuts and Bolts of Multi-Family Housing Development

Community Action Partnership

2019 Management and Leadership Training Conference

New Orleans

Overview

- What to think about before starting out
- Finding the right location
- Pre-development
- Financing your project
- Resources

What to ask before starting out?

- Is it needed?
 - Market studies, market rent vs affordable rentals, scale
- How can we finance it?
- Are we patient enough?
 - It can easily take 3 years from start to finish for a LIHTC funded project
- Do we have the capital, or access to the capital, for start up costs?
 - Option/purchase, A/E fees, permits, other due diligence
- Can we weather the financial storms after it is built?
 - You'll likely own it for decades with restrictive covenants. Operational losses can happen.
- Do we have the right team?- Internal and external (A/E, attorney, etc)
- Who will you partner with?
 - If just starting out, partner with exp. developer with track record that will give funders confidence.

What to do before starting out

Trainings –for your team and your board

Run the numbers

- Make sure development and operating budgets pencil out
- <http://apps.urban.org/features/cost-of-affordable-housing/>

Talk to existing developers in *your area/state* – for trials, tribulations, tips & tricks

Talk to municipalities – Do they want it, have land to give, tax deal, other support?

Talk to funders – tips, pitfalls, expectations, timelines, etc.

Talk to your board(s) to manage expectations – Years and money.

Talk to real estate brokers – pricing, helping you find available sites/buildings

Think about management – in house or 3rd party?

Site Selection

Start with the scoring – See where older projects are located and what they look like

What market are you looking to serve? - Multifamily or senior, special population, proximity to services, schools, health care, public transportation, etc.

Access to utilities – check capacity/location of system, site costs vs acq costs, growth area?

Zoning and ordinances - limit variances, look at density, setbacks, etc early on.

Environmental considerations – past uses, costs of clean up, timing.

Additional information from municipality or consultants - find as much free information as you can

Look years ahead, not just immediate needs, when talking to partners

NIMBYism

- Can lay waste to best laid plans (and money)
- Know the neighbors before you buy - Will they resist your idea? Don't underestimate the power of a small group of neighbors
- Choose your words carefully when speaking publically
- Talk to local code and planning
- Limit need for variances to limit potential legal battles
- Make friends who will speak out in favor
- Be ready to make concessions to appease neighbor's concerns
- Use trickery if concerned about "public" outcry

Pre-development

- Assemble your team (if you haven't already) – Pick firms or consultants who have done work in your town/area. Think about bank, A/E, environmental, attorney, etc
- Work backwards from deadlines for permitting and approvals
- Get firm prices for A/E, environmental, and other costs
- Use existing designs to save cost and time
- Speak to funder(s) as your project progresses/evolves – Check in & ask Q's
- Finalize property tax deal shortly after site control
- Site control- timing, term and price

Designing your project

- **The building(s)** – Orientation, layout, design, parking, etc. matter more than you think
- **Local permitting** – Know the timing, expectations, and push back on paying for fixes that your design team should have known about
- **Deadlines and expectations of your design team** – Set a timeline and stick to it
- **Operating budget** – Use marketing study or new data to refine pricing and costs. 3rd party management will have good data, too.
- **Development budget** – Will be refined and updated regularly as new information comes in. Start with RS Means or other data, then look at local pricing data. Dig into estimates you receive from A/E team; ask questions, challenge assumptions. Date your versions.

Financing your project

- LIHTC
- Regional Home Loan Bank
- State subsidy
- CDBG
- CRA
- State debt
- Deferred developer fee
- Covering the gaps (hard debt)

Resources

- Neighborworks
- Novogradic
- Your state's housing authority
- IPED
- Other CAPs!

Questions?

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