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. 3\textsuperscript{rd} 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?

Jason Bird
Penquis, CAP
Bangor, Maine
207-973-3551
jbird@penquis.org