

A decorative graphic on the left side of the slide consists of several orange circles of varying sizes. The largest circle is at the top left, with several smaller circles of different sizes scattered below and to its right. One of the smaller circles contains the number "1".

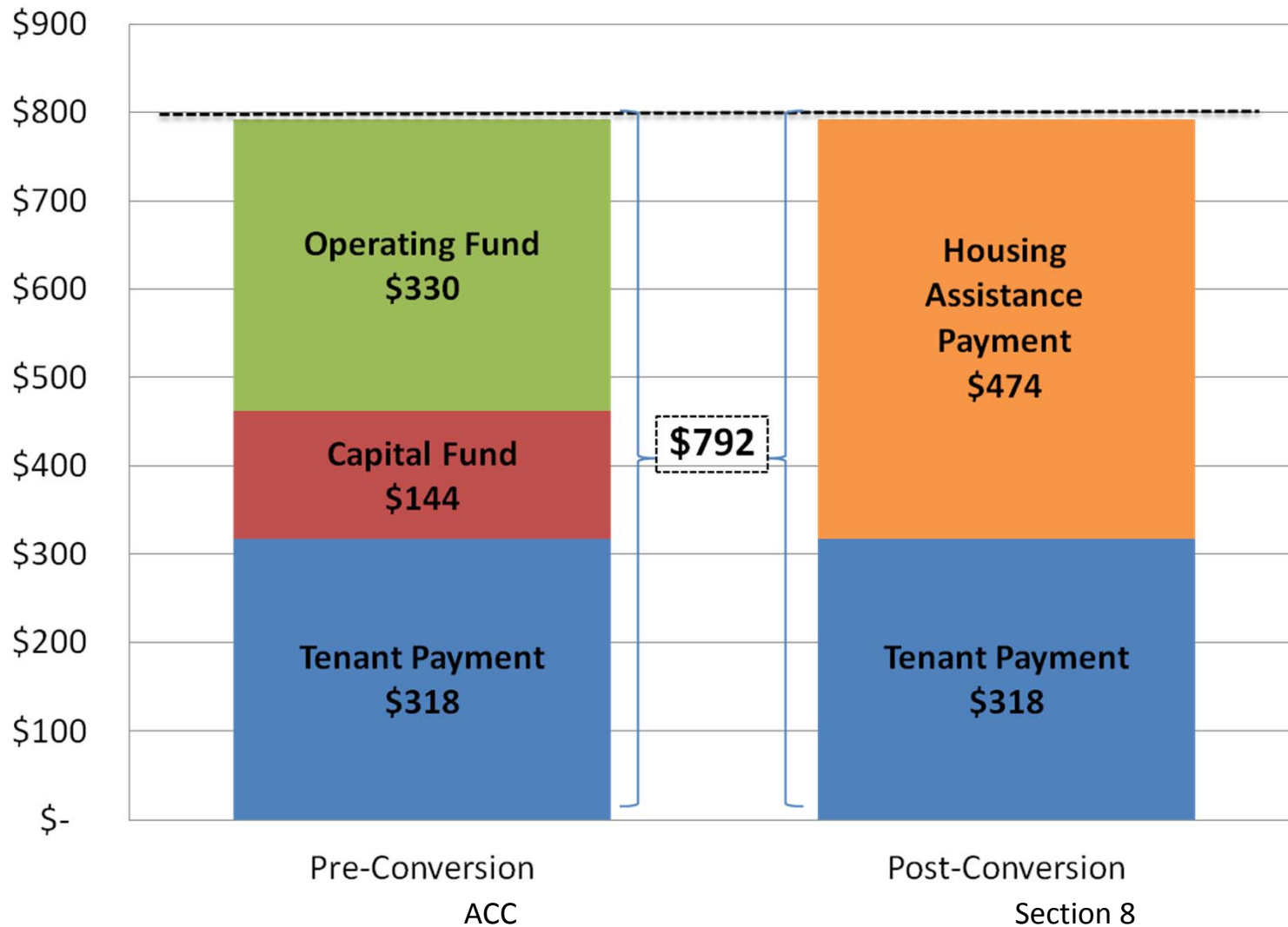
# RENTAL ASSISTANCE DEMONSTRATION PROGRAM 1<sup>ST</sup> COMPONENT CASE STUDIES

July 24, 2013

NH&RA Summer Institute, Santa Fe, NM

# PUBLIC HOUSING CONVERSION RENT LEVELS

## Public Housing Conversion Per Unit Monthly (PUM)



# ANTHONY HOMES

MACON, GA



# ANTHONY HOMES

## MACON, GA

- 274 public housing units
- Mix of 1, 2, 3, 4, & 5-bedroom units
- Built in 1967 on 69 acres
- 136 buildings
- Well-maintained and in good condition compared to properties of similar type and era

# ANTHONY HOMES

## DEVELOPMENT SOURCES AND USES

### **Development Uses**

|   |           |                  |
|---|-----------|------------------|
| Acquisition, Loan Payoff, & Related Costs | \$        | -                |
| Pre-development & Soft Costs              | \$        | 90,500           |
| Development Fee & Reserves                | \$        | 782,357          |
| Rehabilitation Costs                      | \$        | 4,957,271        |
| Finance, Insurance, & Legal               | \$        | 271,619          |
| <b>TOTAL DEVELOPMENT BUDGET</b>           | <b>\$</b> | <b>6,101,747</b> |

### **Sources of Development Financing**

|                                  |           |                  |
|----------------------------------|-----------|------------------|
| FHA 223(f) Mortgage              | \$        | 4,370,421        |
| MHA Operating Reserves           | \$        | 422,273          |
| MHA Capital Funds                | \$        | 1,309,053        |
| <b>TOTAL DEVELOPMENT SOURCES</b> | <b>\$</b> | <b>6,101,747</b> |

# ANTHONY HOMES NOI CALCULATIONS

|                              | <u>Rents: PUPM</u> | <u>Op Exps: PUPA</u> | <u>NOI</u>       | <u>Max Loan</u>    |
|------------------------------|--------------------|----------------------|------------------|--------------------|
| Operating Subsidy (Pre-RAD)* | \$395              | \$4,654              | <b>\$23,564</b>  | <b>\$273,342</b>   |
| Post-RAD                     | \$543              | \$4,871              | <b>\$380,921</b> | <b>\$4,418,681</b> |
| Difference                   | \$148              | \$217                | <b>\$357,357</b> | <b>\$4,145,339</b> |

\* Pre-RAD does not include capital funds

\*\* 5% vacancy rate for Post-RAD NOI

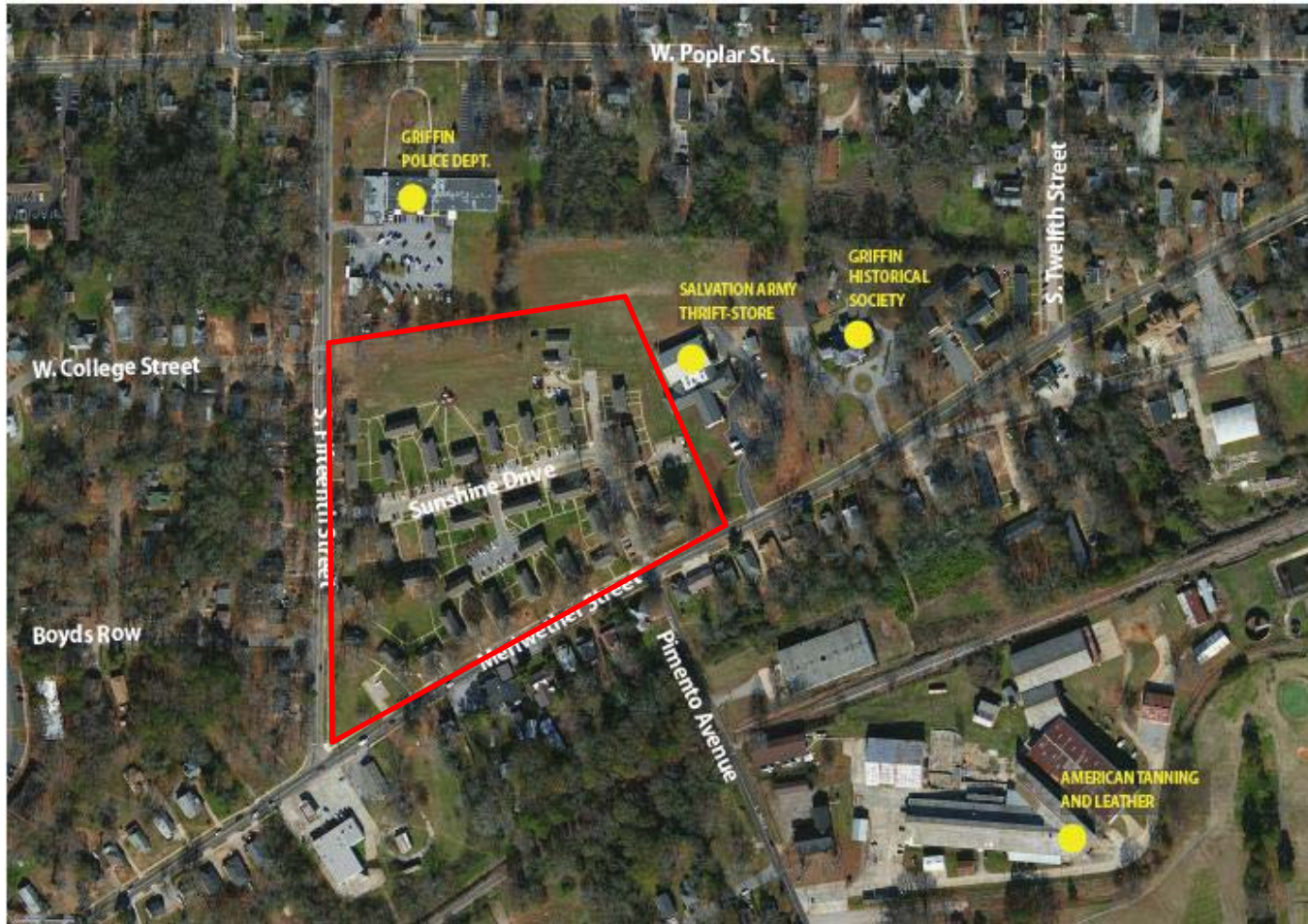
## Operating Expenses Changes:

- Removal of asset mgt and bookkeeping fees
- Reduced property mgt fees to comparable PBRA properties
- Added annual reserves for replacements

# ANTHONY HOMES PRO-FORMA

| <b>CASH FLOW</b>                          | <b>1</b>                  | <b>2</b>       | <b>3</b>       | <b>4</b>       | <b>5</b>       |
|---|---------------------------|----------------|----------------|----------------|----------------|
| <b>Total Potential Rental Income (PI)</b> | \$ 1,785,384              | \$ 1,825,555   | \$ 1,866,630   | \$ 1,908,629   | \$ 1,951,573   |
| ADD: Other Income                         | \$ 19,545                 | \$ 19,985      | \$ 20,434      | \$ 20,894      | \$ 21,364      |
| <b>Gross Potential Income (GPI)</b>       | \$ 1,804,929              | \$ 1,845,540   | \$ 1,887,065   | \$ 1,929,524   | \$ 1,972,938   |
| LESS: Vacancy Allowance<br>5%             | \$ (89,269)               | \$ (91,278)    | \$ (93,332)    | \$ (95,431)    | \$ (97,579)    |
| <b>Effective Gross Income (EGI)</b>       | \$ 1,715,660              | \$ 1,754,262   | \$ 1,793,733   | \$ 1,834,092   | \$ 1,875,359   |
| LESS: Operating Expenses                  | \$ (4,871) \$ (1,334,739) | \$ (1,368,107) | \$ (1,402,310) | \$ (1,437,368) | \$ (1,473,302) |
| <b>Net Operating Income (NOI)</b>         | \$ 380,921                | \$ 386,155     | \$ 391,423     | \$ 396,724     | \$ 402,057     |
| FHA 223(f) Mortgage                       | \$ (230,643)              | \$ (230,643)   | \$ (230,643)   | \$ (230,643)   | \$ (230,643)   |
| <b>Cash Flow</b>                          | \$ 150,278                | \$ 155,511     | \$ 160,780     | \$ 166,081     | \$ 171,414     |
| <b>DCR 1st Loan</b>                       | <b>1.65</b>               | <b>1.67</b>    | <b>1.70</b>    | <b>1.72</b>    | <b>1.74</b>    |
|   | <b>6</b>                  | <b>7</b>       | <b>8</b>       | <b>9</b>       | <b>10</b>      |
|   | \$ 1,995,484              | \$ 2,040,382   | \$ 2,086,291   | \$ 2,133,232   | \$ 2,181,230   |
|   | \$ 21,845                 | \$ 22,337      | \$ 22,839      | \$ 23,353      | \$ 23,878      |
|   | \$ 2,017,329              | \$ 2,062,719   | \$ 2,109,130   | \$ 2,156,585   | \$ 2,205,109   |
|   | \$ (99,774)               | \$ (102,019)   | \$ (104,315)   | \$ (106,662)   | \$ (109,062)   |
|   | \$ 1,917,555              | \$ 1,960,700   | \$ 2,004,815   | \$ 2,049,924   | \$ 2,096,047   |
|   | \$ (1,510,135)            | \$ (1,547,888) | \$ (1,586,585) | \$ (1,626,250) | \$ (1,666,906) |
|   | \$ 407,420                | \$ 412,812     | \$ 418,230     | \$ 423,674     | \$ 429,141     |
|   | \$ (230,643)              | \$ (230,643)   | \$ (230,643)   | \$ (230,643)   | \$ (230,643)   |
|   | \$ 176,777                | \$ 182,168     | \$ 187,587     | \$ 193,031     | \$ 198,498     |
|   | <b>1.77</b>               | <b>1.79</b>    | <b>1.81</b>    | <b>1.84</b>    | <b>1.86</b>    |

# MERIWETHER HOMES REDEVELOPMENT PHASE I GRIFFIN, GA





# MERIWETHER HOMES REDEVELOPMENT PHASE I GRIFFIN, GA

- Existing 120 public housing units to be demolished
- Received HUD Section 18 Demolition-Disposition approval
- Phase I onsite: 84 new units, 42 RAD units + 42 LIHTC units, for families
- Phase II onsite: approx same mix, for seniors
- Phase III off-site TBD location: balance of family units (approx 36)
- CHAP given for Phase I 42 units
- Plan to apply for RAD for other 78 units in near future

# MERIWETHER HOMES PHASE I DEVELOPMENT SOURCES & USES

## **Development Uses**

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|   |           |                   |
|---|-----------|-------------------|
| Acquisition, Loan Payoff, & Related Costs | \$        | -                 |
| Pre-development & Soft Costs              | \$        | 762,109           |
| Development Fee & Reserves                | \$        | 2,250,000         |
| Construction Costs                        | \$        | 10,427,168        |
| Finance, Insurance, & Legal               | \$        | 401,740           |
| <b>TOTAL DEVELOPMENT BUDGET</b>           | <b>\$</b> | <b>13,841,017</b> |

## **Sources of Development Financing**

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|  |           |                   |
|--|-----------|-------------------|
| 9% LIHTCs                              | \$        | 11,400,000        |
| Ga Dept of Community Affairs HOME Loan | \$        | 1,800,000         |
| GHA Capital Funds                      | \$        | 400,000           |
| Deferred Developer Fee                 | \$        | 241,017           |
| <b>TOTAL DEVELOPMENT SOURCES</b>       | <b>\$</b> | <b>13,841,017</b> |

# MERIWETHER HOMES PHASE I NOI CALCULATIONS FOR RAD UNITS

|                              | <b>Rents: PUPM</b> | <b>Op Exps: PUPA</b> | <b>NOI</b>      | <b>Max Loan</b>    |
|------------------------------|--------------------|----------------------|-----------------|--------------------|
| Operating subsidy (Pre-RAD)* | \$450              | \$4,792              | <b>\$14,196</b> | <b>\$164,674</b>   |
| Post-RAD                     | \$604              | \$4,792              | <b>\$87,931</b> | <b>\$1,020,002</b> |
| Difference                   | \$154              | \$0                  | <b>\$73,735</b> | <b>\$855,328</b>   |

\* Pre-RAD does not include capital funds

\*\* 5% vacancy rate for NOI

# MERIWETHER HOMES PHASE I

## PRO-FORMA

| <b>CASH FLOW</b>                          | <b>1</b>     | <b>2</b>     | <b>3</b>     | <b>4</b>     | <b>5</b>     |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Total Potential Rental Income (PI)</b> | \$ 570,312   | \$ 581,718   | \$ 593,353   | \$ 605,220   | \$ 617,324   |
| ADD: Other Income                         | \$ 28,516    | \$ 29,086    | \$ 29,668    | \$ 30,261    | \$ 30,866    |
| <b>Gross Potential Income (GPI)</b>       | \$ 598,828   | \$ 610,804   | \$ 623,020   | \$ 635,481   | \$ 648,190   |
| LESS: Vacancy Allowance <b>7%</b>         | \$ (39,922)  | \$ (40,720)  | \$ (41,535)  | \$ (42,365)  | \$ (43,213)  |
| <b>Effective Gross Income (EGI)</b>       | \$ 558,906   | \$ 570,084   | \$ 581,486   | \$ 593,115   | \$ 604,978   |
| LESS: Operating Expenses <b>\$ 4,792</b>  | \$ (402,528) | \$ (414,604) | \$ (427,042) | \$ (439,853) | \$ (453,049) |
| <b>Net Operating Income (NOI)</b>         | \$ 156,378   | \$ 155,480   | \$ 154,444   | \$ 153,262   | \$ 151,929   |
| DCA HOME Loan                             | \$ (99,337)  | \$ (99,337)  | \$ (99,337)  | \$ (99,337)  | \$ (99,337)  |
| <b>Cash Flow</b>                          | \$ 57,041    | \$ 56,143    | \$ 55,107    | \$ 53,925    | \$ 52,592    |
| <b>DCR 1st Loan</b>                       | <b>1.57</b>  | <b>1.57</b>  | <b>1.55</b>  | <b>1.54</b>  | <b>1.53</b>  |
|   | <b>6</b>     | <b>7</b>     | <b>8</b>     | <b>9</b>     | <b>10</b>    |
|   | \$ 629,671   | \$ 642,264   | \$ 655,109   | \$ 668,211   | \$ 681,576   |
|   | \$ 31,484    | \$ 32,113    | \$ 32,755    | \$ 33,411    | \$ 34,079    |
|   | \$ 661,154   | \$ 674,377   | \$ 687,865   | \$ 701,622   | \$ 715,654   |
|   | \$ (44,077)  | \$ (44,958)  | \$ (45,858)  | \$ (46,775)  | \$ (47,710)  |
|   | \$ 617,077   | \$ 629,419   | \$ 642,007   | \$ 654,847   | \$ 667,944   |
|   | \$ (466,640) | \$ (480,639) | \$ (495,059) | \$ (509,910) | \$ (525,208) |
|   | \$ 150,437   | \$ 148,779   | \$ 146,948   | \$ 144,937   | \$ 142,736   |
|   | \$ (99,337)  | \$ (99,337)  | \$ (99,337)  | \$ (99,337)  | \$ (99,337)  |
|   | \$ 51,100    | \$ 49,442    | \$ 47,611    | \$ 45,600    | \$ 43,399    |
|   | <b>1.51</b>  | <b>1.50</b>  | <b>1.48</b>  | <b>1.46</b>  | <b>1.44</b>  |

# RAD BENEFITS

1. Long-term stability of rental income, subject to appropriations
2. Stable income leverages debt for addressing capital needs
3. Higher rents than ACC subsidy
4. Typically predictable OCAF adjustments
5. Reduced administrative requirements and costs
6. Can be used for rehabilitation or demo/new construction
7. Can be combined with Demolition-Disposition approval
8. Responsive HUD staff

# RAD FACTORS TO CONSIDER

1. Financial feasibility
2. Securing a lender for small loans under \$1.5MM
3. Risk with competitive 9% LIHTCs allocations
4. Multiple-phase projects timing w/ 9% LIHTCs
5. Demolition timing to maintain bldgs in PIC system until RAD conversion
6. Existing debt (ie, CFFP and EPC loans) must be paid off or financed through refinancing

## RAD FACTORS TO CONSIDER (CONTD)

7. One-for-one replacement, w/ deminimis provision
8. Choice Mobility requirement
9. Extensive RPCA and RAD Tool criteria
10. Davis-Bacon and Section 3 requirements
11. If PBRA, no administrative fees to Housing Authorities
12. If 100% PBV, must have at least 50% as elderly or disabled households, families receiving support services, or single-family properties



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