

# AFFORDABLE HOUSING WORKGROUP PRESENTATION



TM

DDA DEVELOPMENT

## 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 GRAHAM











The Pearl  
314 market rate apartments  
Tampa, Florida







Innovation

# Differences/Similarities between market and affordable housing

## Similarities:

- 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

### Market Rate:

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

### Affordable:

- 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

### In General:

- 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 not 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 is 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

1. 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)