

**RENTAL ASSISTANCE
DEMONSTRATION PROGRAM
CASE STUDY: EXISTING MIXED
FINANCE PROPERTY**

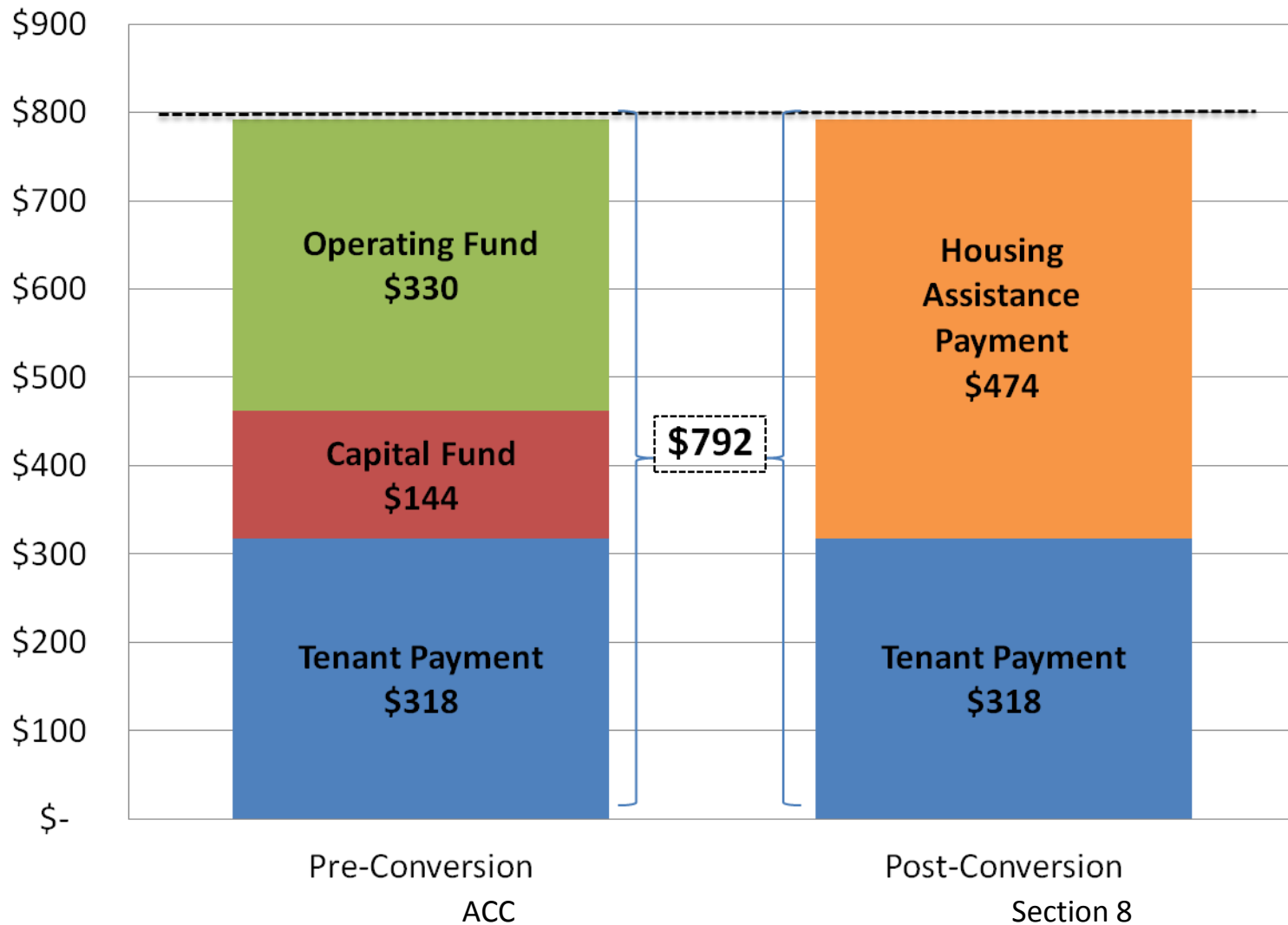
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February 24, 2016

NH&RA Annual Meeting, Palm Beach, FL

PUBLIC HOUSING CONVERSION RENT LEVELS

Public Housing Conversion Per Unit Monthly (PUM)



REASONS TO CONVERT MIXED FINANCE PROPERTIES IN THE RAD PROGRAM

- Provides additional rental income to the property
- Long-term HAP contract provides a more stable, sustainable financial future for the property
- May also provide additional funds into Reserve for Replacements due to Initial Deposit

JANIE'S GARDEN PHASE I

SARASOTA, FL



JANIE'S GARDEN PHASE I

SARASOTA, FL

- Joint venture with Sarasota Housing Authority and Michaels Development
- 86 units, of which 26 are public housing units
- Mix of 1, 2, 3, & 4-bedroom units
- Built in 2007 with 9% LIHTCs
- Well-maintained and in good condition
- 1st of 3 phases of the master-planned development

JANIE'S GARDEN PHASE I DEVELOPMENT SOURCES AND USES

Development Uses

Title & Recording	\$	5,000
Pre-development & Soft Costs	\$	-
Development Fee & Reserves	\$	327,935
Rehabilitation Costs	\$	19,051
Legal	\$	15,000
TOTAL DEVELOPMENT BUDGET		\$ 366,986

Sources of Development Financing

Property Operating Reserve	\$	213,676
Capital Funds	\$	-
Property Affordability Reserve	\$	64,722
Property Reserve for Replacements	\$	88,588
TOTAL DEVELOPMENT SOURCES		\$ 366,986

JANIE'S GARDEN PHASE I PRO-FORMA: RAD UNDERWRITING ASSUMPTIONS

CASH FLOW	1	2	3	4	5	6	7	8	9	10
Total Potential Rental Income (PI)	\$ 739,791	\$ 754,587	\$ 769,679	\$ 785,072	\$ 800,774	\$ 816,789	\$ 833,125	\$ 849,788	\$ 866,783	\$ 884,119
ADD: Other Income	\$ 8,400	\$ 8,568	\$ 8,739	\$ 8,914	\$ 9,092	\$ 9,274	\$ 9,460	\$ 9,649	\$ 9,842	\$ 10,039
Gross Potential Income (GPI)	\$ 748,191	\$ 763,155	\$ 778,418	\$ 793,987	\$ 809,866	\$ 826,064	\$ 842,585	\$ 859,437	\$ 876,625	\$ 894,158
LESS: Vacancy Allowance (residential) 5%	\$(36,990)	\$(37,729)	\$(38,484)	\$(39,254)	\$(40,039)	\$(40,839)	\$(41,656)	\$(42,489)	\$(43,339)	\$(44,206)
Effective Gross Income (EGI)	\$ 711,202	\$ 725,426	\$ 739,934	\$ 754,733	\$ 769,828	\$ 785,224	\$ 800,929	\$ 816,947	\$ 833,286	\$ 849,952
LESS: Operating Expenses	\$(6,441)	\$(553,963)	\$(570,582)	\$(587,699)	\$(605,330)	\$(623,490)	\$(642,195)	\$(661,461)	\$(681,305)	\$(701,744)
Net Operating Income (NOI)	\$ 157,239	\$ 154,844	\$ 152,235	\$ 149,403	\$ 146,337	\$ 143,029	\$ 139,468	\$ 135,643	\$ 131,542	\$ 127,156
Loan	\$(141,702)	\$(141,702)	\$(141,702)	\$(141,702)	\$(141,702)	\$(141,702)	\$(141,702)	\$(141,702)	\$(141,702)	\$(141,702)
Cash Flow	\$ 15,537	\$ 13,142	\$ 10,533	\$ 7,701	\$ 4,635	\$ 1,327	\$(2,234)	\$(6,059)	\$(10,160)	\$(14,546)
DCR 1st Loan	1.11	1.09	1.07	1.05	1.03	1.01	0.98	0.96	0.93	0.90

JANIE'S GARDEN PHASE I PRO-FORMA: DEVELOPER UNDERWRITING ASSUMPTIONS

CASH FLOW	1	2	3	4	5	6	7	8	9	10
Total Potential Rental Income (PI)	\$ 739,791	\$ 758,286	\$ 777,243	\$ 796,674	\$ 816,591	\$ 837,006	\$ 857,931	\$ 879,379	\$ 901,364	\$ 923,898
ADD: Other Income	\$ 8,400	\$ 8,610	\$ 8,825	\$ 9,046	\$ 9,272	\$ 9,504	\$ 9,741	\$ 9,985	\$ 10,235	\$ 10,490
Gross Potential Income (GPI)	\$ 748,191	\$ 766,896	\$ 786,069	\$ 805,720	\$ 825,863	\$ 846,510	\$ 867,673	\$ 889,364	\$ 911,598	\$ 934,388
LESS: Vacancy Allowance (residential)	4% \$ (29,592)	\$ (30,331)	\$ (31,090)	\$ (31,867)	\$ (32,664)	\$ (33,480)	\$ (34,317)	\$ (35,175)	\$ (36,055)	\$ (36,956)
Effective Gross Income (EGI)	\$ 718,600	\$ 736,565	\$ 754,979	\$ 773,853	\$ 793,200	\$ 813,030	\$ 833,355	\$ 854,189	\$ 875,544	\$ 897,433
LESS: Operating Expenses	\$ (6,441)	\$ (553,963)	\$ (570,582)	\$ (587,699)	\$ (605,330)	\$ (623,490)	\$ (642,195)	\$ (661,461)	\$ (681,305)	\$ (701,744)
Net Operating Income (NOI)	\$ 164,637	\$ 165,983	\$ 167,279	\$ 168,523	\$ 169,709	\$ 170,835	\$ 171,895	\$ 172,885	\$ 173,800	\$ 174,636
Loan	\$ (141,702)	\$ (141,702)	\$ (141,702)	\$ (141,702)	\$ (141,702)	\$ (141,702)	\$ (141,702)	\$ (141,702)	\$ (141,702)	\$ (141,702)
Cash Flow	\$ 22,935	\$ 24,281	\$ 25,577	\$ 26,821	\$ 28,007	\$ 29,133	\$ 30,193	\$ 31,183	\$ 32,098	\$ 32,934
DCR 1st Loan	1.16	1.17	1.18	1.19	1.20	1.21	1.21	1.22	1.23	1.23

TIPS FOR SUCCESS FOR EXISTING MIXED FINANCE RAD CONVERSIONS

- Need to do thorough review and likely multiple iterations of RCNA
- Consider all possible property reserves for sources of funds in RAD development budget
- Discuss possibility of RAD conversion early with investor and lenders
- Discuss eliminating Affordability Reserve with investor and use towards RAD development budget
- Determine how the additional rental income will be distributed in the cash flow waterfall
- Plan for required support services if a PBV conversion of a family property with more than 50% of units with PBV



FOR MORE INFORMATION CONTACT:

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