



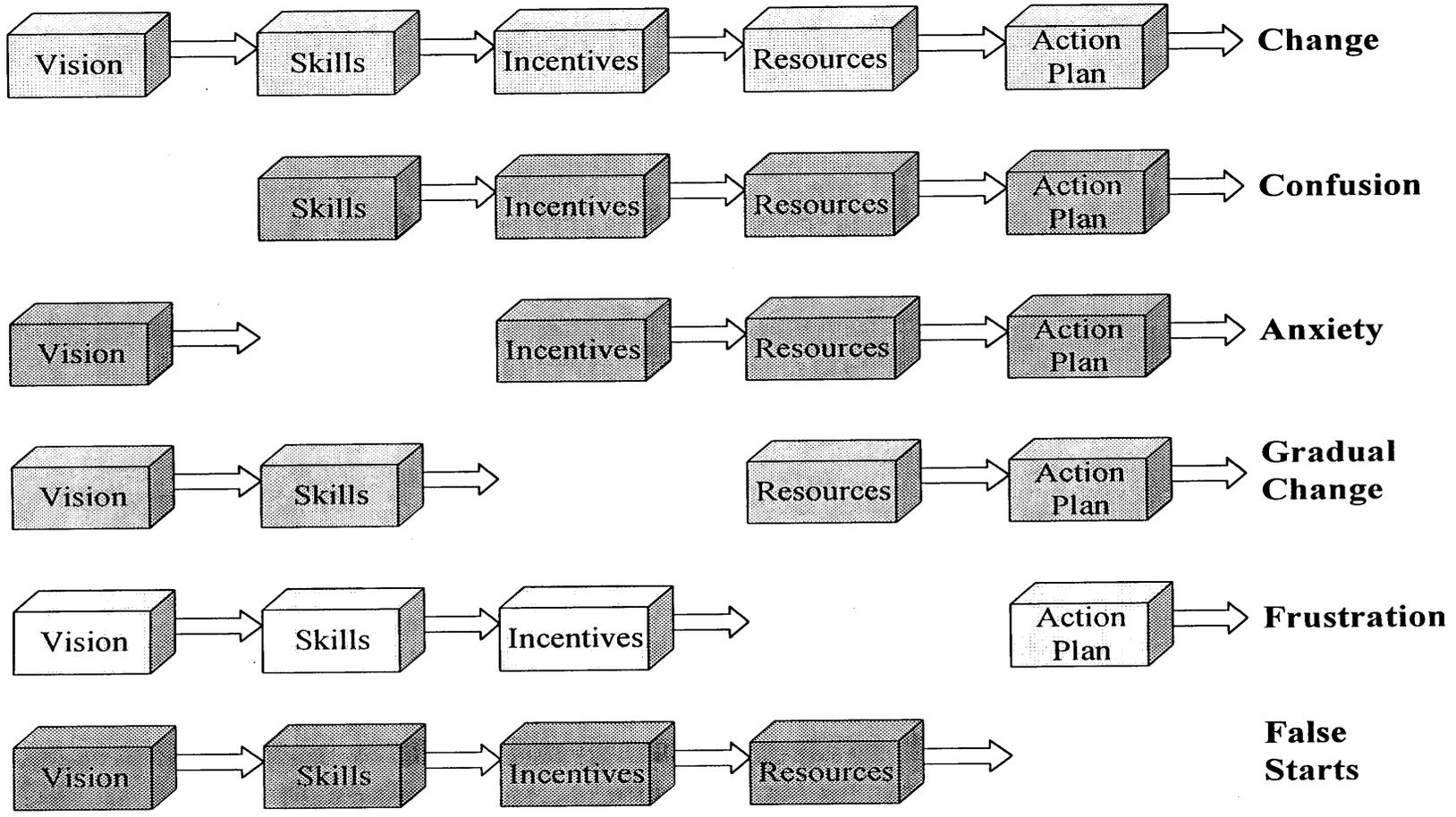
# Rental and For Sale Housing Development

Prepared by Isaac Heard, Jr. AICP  
Heard Systems  
Charlotte, NC

For the HUD HBCU Conference  
October 17-19, 2007



# Managing Complex Change

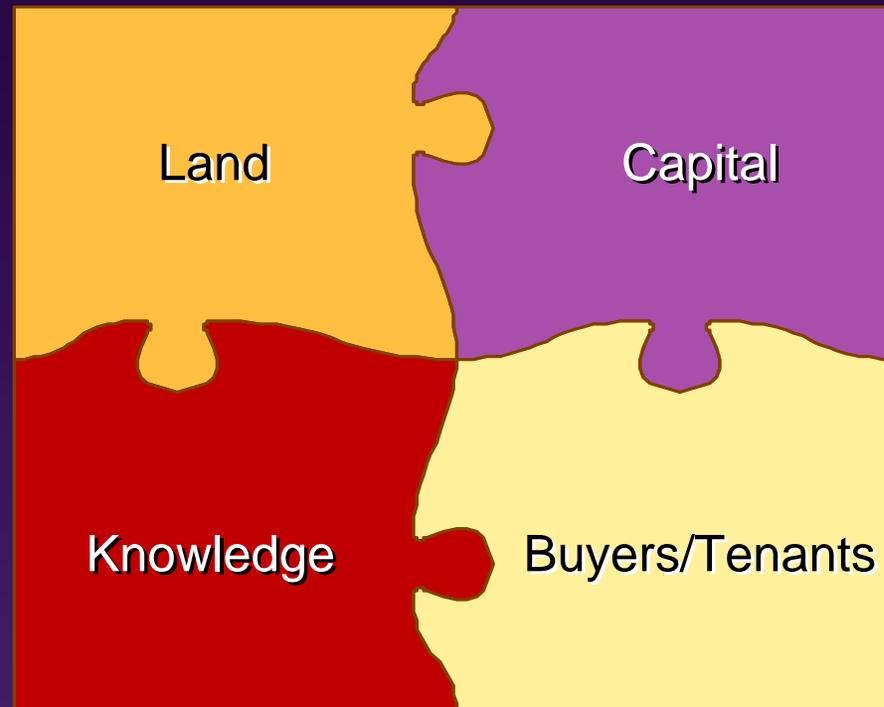




# Prerequisites for Basic Development

You Must Control One of These to Get Started

---



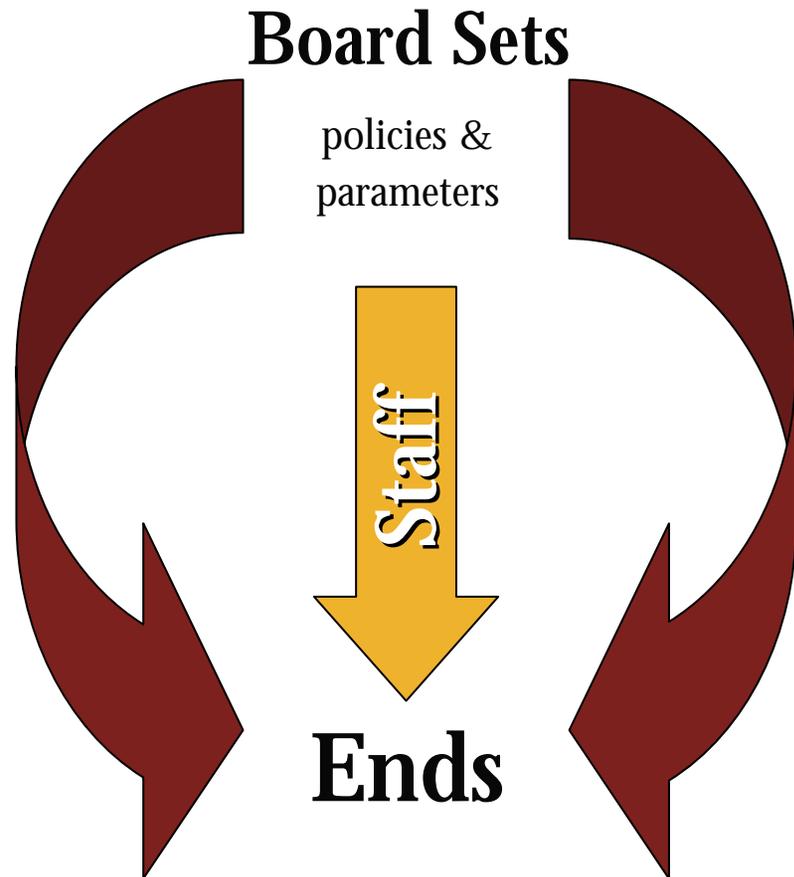


# Motivating Factors for Community-Initiated Development

- **Need/Use/Idea-Driven:**  
**Someone ought to do something about...**
  - putting affordable housing in this neighborhood, or
  - attracting some quality retailers to this area, or
  - developing a restaurant near the plant
- **Property-Driven:**  
**Somebody ought to do something with...**
  - the old hotel that's not being used, or
  - the empty lot on Jones Street, or
  - the vacant space in the "XYZ" Building

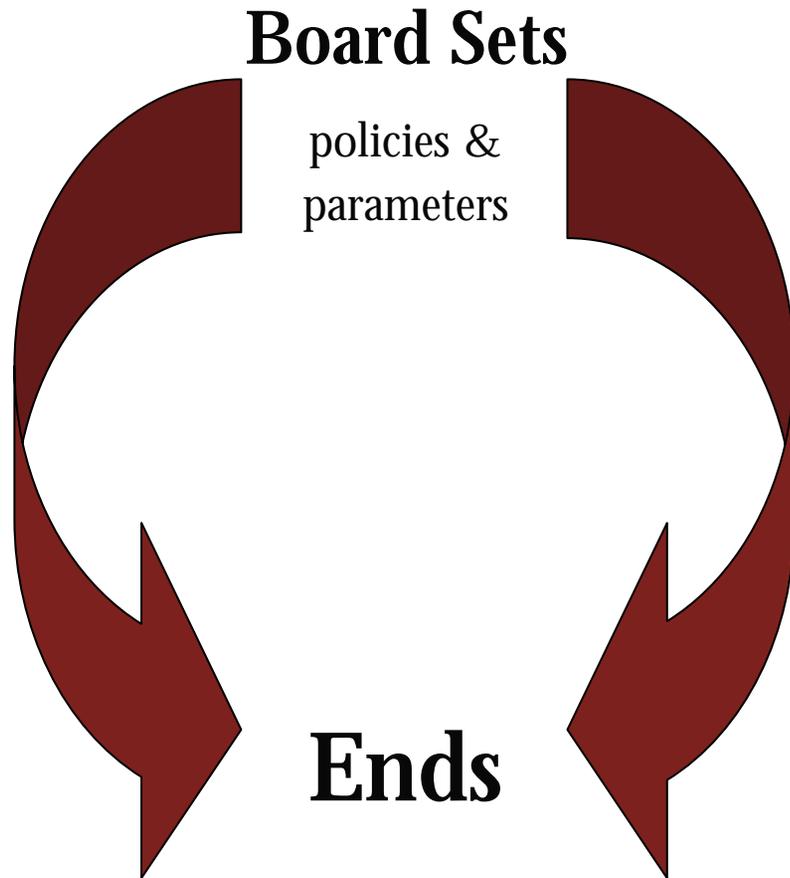


# Build systems, not constraints





# Organizational systems

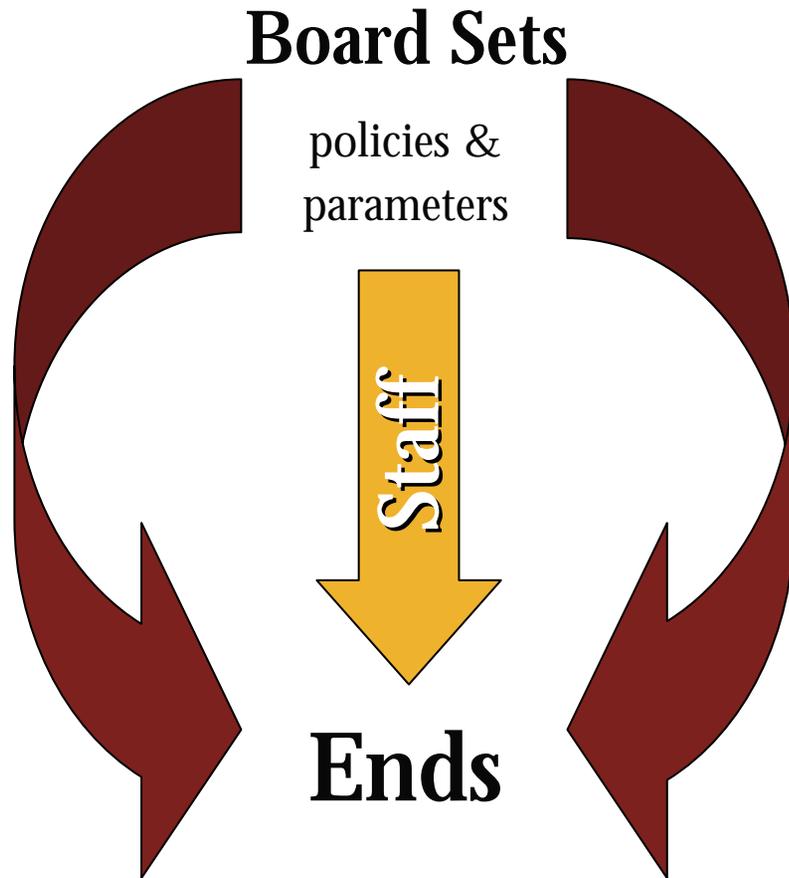


## The Board of Directors

- Clearly defined roles
- Set strategic goals/  
Ends
- Establish parameters  
from which staff work  
within



# Organizational systems



## Staff

- Work toward achieving strategic goals/ Ends
- Establish internal systems of operations and production



# Board Responsibilities

- Role of Board v. Staff– Balance broad leeway that staff needs v. oversight and legal responsibility that board requires
- Full Board:
  - Assist with community relations
  - Participate as needed (land use hearings, meetings with lenders & investors, ground-breaking, grand openings)
  - Know your projects
  - Basic understanding of development process
  - Understand and approve potential liabilities



# Board Responsibilities (cont.)

- Development subcommittee
  - good for detailed project oversight, timely approvals at critical points
  - Reports to full board periodically

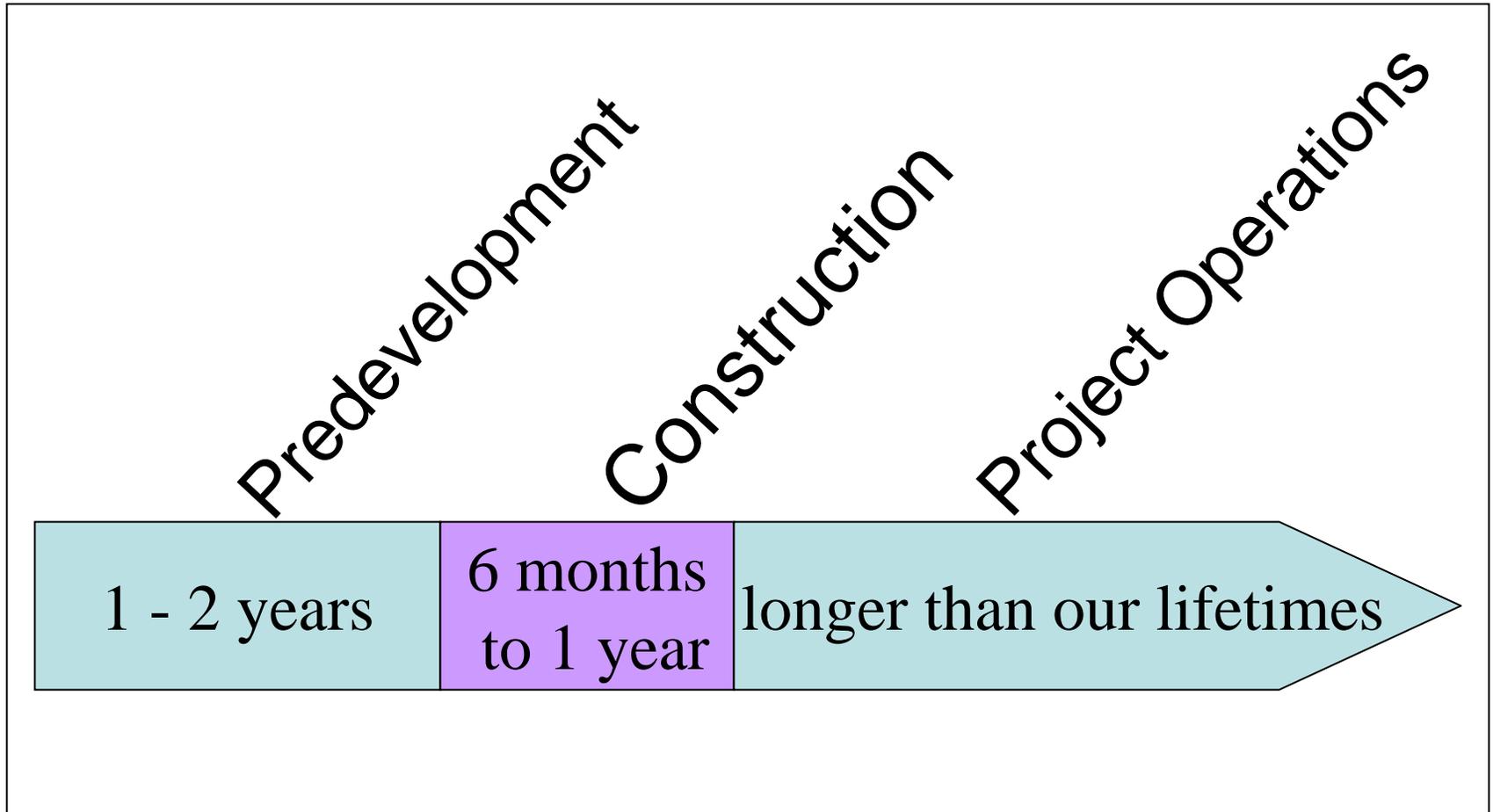


# Project Related Decisions

- Understand funder-specific requirements
- Approve project concept
- Provide broad authorization to sign docs, take needed actions (by position title; “one of”?)
- Authorize submittal and acceptance of loan and grant applications
- Approve main development team members—  
developer, architect, builder
- Approve land selection/acquisition



# Development Process Stages





# Development Process

A series of steps that are required to take the idea of a development and turn it into a completed project.

# Community Real Estate Development Chart

## Primary Steps

---



There is a major "decision point" at the end of each primary step.



# The Developer

- Traditional Developer
  - Contribute equity to the projects
  - Own the finished products
  - Receive the financial returns the projects ultimately generate.
- Community-Based Developer
  - May or may not do the above
  - Motivated by the creation of units more



# Rule of Thumb Allocations

## 3 year/156 week Project

	<u>% of total time</u>	<u>Duration</u>	<u>% of costs</u>
<b>Concept</b>	5%-20%	8-31 weeks	0%-5%
<b>Feasibility Study</b>	10%-20%	16-31 weeks	5%-15%
<b>Planning/Financing</b>	15%-25%	23-39 weeks	15%-30%
<b>Construction</b>	30%-60%	47-94 weeks	40%-75%
<b>Sales/Rent-up (operations)</b>	5%-15%	8-23 weeks	5%-10%



# Making Preliminary Analyses





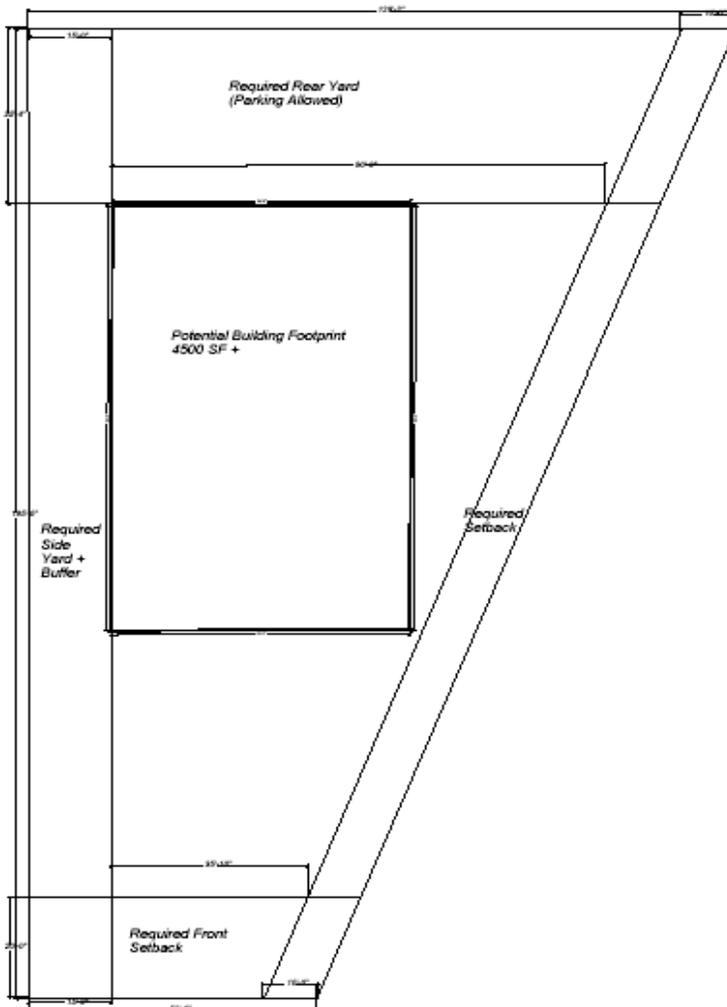
# Analysis of Comparable Sites

- From local tax records you can learn about similar sites regarding
  - Size
  - Recent sales
  - Internal features
- In order to gauge feasibility and values

MECKLENBURG COUNTY, NC POLARIS MARKET ANALYSIS RESULTS		
Date Printed: 7/26/2006 1:47:47 PM		
<a href="#">Print Data Below</a> <a href="#">Click Here to Close Window</a>		
Search Criteria: Searching for Single-Family property in Appraisal Neighborhood Code # G905, Results Sorted by: Descending Market Value Order		
Your search returned 792 records. You are now viewing records: 1 through 9 <a href="#">Next &gt;&gt;</a>		
 <p>07110435 001</p>	 <p>07110437 001</p>	 <p>07107445 001</p>
<p>Parcel ID #: 07110435 Location: 312 COXE AV, CHARLOTTE Land Area: 0 AC Sales Price: \$0 (2/6/2006) Tax Market Value: \$160,700 Sq. Ft.: 2592 Year Built: 1966 Bedrooms: 0 Full Baths: 3</p>	<p>Parcel ID #: 07110437 Location: 300 COXE AV, CHARLOTTE Land Area: 0 AC Sales Price: \$60,000 (12/14/1992) Tax Market Value: \$160,700 Sq. Ft.: 2592 Year Built: 1966 Bedrooms: 0 Full Baths: 3</p>	<p>Parcel ID #: 07107445 Location: 1625 S BRUNS AV, CHARLOTTE Land Area: 0 AC Sales Price: \$265,000 (9/13/2005) Tax Market Value: \$157,400 Sq. Ft.: 650 Year Built: 1965 Bedrooms: 2 Full Baths: 1</p>
 <p>07107705 001</p>	 <p>07107605 001</p>	 <p>07819303 001</p>
<p>Parcel ID #: 07107705 Location: 318 WESLEY HEIGHTS Y, CHARLOTTE Land Area: 0 AC Sales Price: \$275,000 (6/30/2005) Tax Market Value: \$143,400 Sq. Ft.: 1848 Year Built: 1954 Bedrooms: 0 Full Baths: 2</p>	<p>Parcel ID #: 07107605 Location: 329 WOODVALE PL, CHARLOTTE Land Area: 0 AC Sales Price: \$0 (3/31/2005) Tax Market Value: \$133,000 Sq. Ft.: 2978 Year Built: 1941 Bedrooms: 0 Full Baths: 2</p>	<p>Parcel ID #: 07819303 Location: 328 FLINT ST, CHARLOTTE Land Area: 0 AC Sales Price: \$0 (2/12/1980) Tax Market Value: \$119,500 Sq. Ft.: 1972 Year Built: 1911 Bedrooms: 3 Full Baths: 1</p>
 <p>06903207 001</p>	 <p>07110401 001</p>	 <p>07107311 001</p>
<p>Parcel ID #: 06903207 Location: 400 MATTOON T, CHARLOTTE Land Area: 0 AC Sales Price: \$135,000 (4/5/2006)</p>	<p>Parcel ID #: 07110401 Location: 400 BACON AV, CHARLOTTE Land Area: 0.267 AC Sales Price: \$0 (3/29/2006) Tax Market Value: \$111,500</p>	<p>Parcel ID #: 07107311 Location: 517 KATONAH AV, CHARLOTTE Land Area: 0 AC Sales Price: \$74,000 (7/28/1998)</p>



# Preliminary Site Analysis



- Given the local ordinances and codes, what are the requirements for
  - Setbacks and yards
  - Parking
  - Tree planting and landscaping
  - Road access
  - Orientation



# RSMeans® QuickCost Estimator

- Select from more than 50 building types in 930 locations throughout the U.S. and Canada.
- The RSMeans Quick Cost Estimator enables you to quickly calculate an estimated value of total project cost localized to your selected area.
- The calculations include add-on costs itemizing low, medium & high estimates for Architectural Fees & Contractor's Overhead & Profit.
- <http://www.rsmeans.com/calculator/index.asp>



# Initial Rough Cost Estimation

## RSMeans QuickCost Estimator

Project Title: **Blackmon After School Project**  
 Model: **Day Care Center**  
 Construction: **Tiltup Concrete Panel / Steel Joists**  
 Location: **CHARLOTTE, NC**  
 Stories: **1**  
 Story Height (l.f.): **12**  
 Floor Area (s.f.): **4,000**  
 Data Release: **2006**  
 Wage Rate: **Union**  
 Basement: **Not included**



*Costs are derived from a building model with basic components. Scope differences and market conditions can cause costs to vary significantly.*

Cost Ranges	Low	Med	High
Total:	\$292,500	\$325,000	\$406,250
Contractor's Overhead & Profit:	\$73,125	\$81,250	\$101,563
Architectural Fees:	\$33,257	\$36,953	\$46,191
<b>Total Building Cost:</b>	<b>\$398,882</b>	<b>\$443,203</b>	<b>\$554,003</b>



# Managing the Development Process



# The Residential Development Process

- New house construction involves matching land, a purchaser and a builder with acquisition and construction financing and permanent mortgages.
- This process includes six steps:
  - strategic and program planning
  - program setup
  - purchaser qualification and site control
  - loan packaging and contractor award
  - construction
  - final closing and warranty



# **STRATEGIC AND PROGRAM PLANNING**

- Evaluate the neighborhood, the local housing market, the available financing and the strength and diversity of your development team before you decide to embark on a new construction initiative.
- Base this decision on facts and careful study, not merely the desire of a few staff or community or board members to see some new houses in the neighborhood.



# PROGRAM SETUP

- Structure your development team and financial parameters to fit your anticipated project pipeline.
- A qualified team includes
  - a pre-purchase mortgage counseling organization;
  - a builder who also designs, builds and potentially finances single-family projects; and
  - a real estate agent who will market the properties to targeted groups.
- Balance the board's mission to house neighborhood residents with the economic realities of construction and lot costs, as well as the income and credit restrictions on mortgage financing.



# PURCHASER QUALIFICATION AND SITE CONTROL

- Potential purchasers can be referred from real estate agents and through outreach and marketing programs run by the nonprofit or the selected pre-purchase mortgage counseling agency.
- This pool of interested buyers is rapidly pre-qualified using short credit checks and a simple one-page application.
- Each client should be advised on the credit requirements, home ownership training and down payment funds needed to buy a home.
- Your organization should also start to build a stockpile of buildable lots for constructing housing in your target area through donations, purchases, and option or contingent contacts.



# LOAN PACKAGING AND CONTRACTOR AWARD

- At the outset, you must match the lender and the contractor or design-builder with the landowner, and make sure that the prospective house will be available at the time the buyer will have sufficient funds to purchase it.
- The nonprofit's role will include
  - coordinating the construction loan and permanent mortgage applications,
  - being involved in housing design and cost estimating,
  - coordinating the construction bid process, and
  - setting and negotiating the acquisition price.



# LOAN PACKAGING AND CONTRACTOR AWARD

- Additionally, the nonprofit should gain agreement with the home purchaser on a final purchase agreement and provide homeowner training.
- Needless to say, it is a complicated process that requires skill, patience and (more often than not) charm.
- The nonprofit also needs to come up with accurate estimates of the length and cost of the development process.
- When coordinating the needs and expectations of this many people, almost nothing is as important as a clear, realistic timeline that is acceptable to all.



# CONSTRUCTION

- Now it is time to build the home.
- If you are new to this business use a *design-builder* to do the actual construction.
- A design-builder is a construction firm that can take the construction process from drawings and permits all the way to the sticks and bricks.



# CONSTRUCTION

- In the construction stage, the CDC oversees and assists the design-builder.
- Oversight consists of making sure that the house is constructed on time, on budget and according to the specifications contained in your agreement with the builder.
- *This can be a very risky phase*, as construction on many buildings takes more time, costs more and may not be of the right quality.
- Weekly meetings, clear communication among all parties, and decisive action when schedules or budgets are not being followed help to keep construction on track.



# FINAL CLOSING AND WARRANTY

- When construction is completed and approved by all lending sources, assist the buyer in the initial transition to home ownership by helping out at purchase and mortgage closing.
- You may also provide home maintenance training for the purchaser and warranty follow-up services for the home.
- At this stage, obtain program evaluations from both the contractor and the buyer, and celebrate your success!



# Potential Funding

<b>Phase</b>		<b>Uses</b>	<b>Sources</b>
Predevelopment		Architectural, engineering & consultant costs	Foundation grants; NFP housing fund loans; program funds
Acquisition		Land costs; title & legal fees	NFP housing fund loans; banks; city program funds; grants
Construction		Construction & architectural costs	NFP housing fund loans; banks; city program funds; grants
Permanent		Funds to buyer; repayment or conversion of acquisition, construction & predevelopment loans	Banks; city program funds; grants for down payment and mortgage assistance



# Affordability, Construction Costs and Operating Expenses



## House Charlotte

**2002 Median Family Income for the Metropolitan Statistical Area:  
Charlotte - Gastonia - Rock Hill**

FAMILY SIZE								
% OF INCOME	1	2	3	4	5	6	7	8
	<b>20%</b>	\$8,950	\$10,250	\$11,500	\$12,800	\$13,800	\$14,850	\$15,850
<b>30%</b>	\$13,500	\$15,400	\$17,350	\$19,250	\$20,800	\$22,350	\$23,850	\$25,400
<b>40%</b>	\$17,950	\$20,500	\$23,100	\$25,650	\$27,700	\$29,750	\$31,800	\$33,850
<b>50%</b>	\$22,450	\$25,650	\$28,850	\$32,050	\$34,600	\$37,200	\$39,750	\$42,300
<b>60%</b>	\$26,900	\$30,750	\$34,600	\$38,450	\$41,550	\$44,600	\$47,700	\$50,750
<b>70%</b>	\$31,400	\$35,900	\$40,350	\$44,850	\$48,450	\$52,050	\$55,600	\$59,200
<b>80%</b>	\$35,900	\$41,050	\$46,150	\$51,300	\$55,400	\$59,500	\$63,600	\$67,700
<b>90%</b>	\$40,400	\$46,150	\$51,950	\$57,700	\$62,300	\$66,950	\$71,550	\$76,150
<b>100%</b>	\$44,850	\$51,300	\$57,700	\$64,100	\$69,250	\$74,350	\$79,500	\$84,600
<b>110%</b>	\$49,350	\$56,400	\$63,450	\$70,500	\$76,150	\$81,800	\$87,400	\$93,050

**Note:** To update to current year, please change HUD's estimate of Median Income for 100% Family of 4



**Appendix 1 - Definition of Affordability For Base Year 2002**

**I. Affordability Matrix - ( Based on a Family of 4)**

<b>% of Median Income</b>	<b>Annual Income</b>	<b>Maximun Monthly Rent</b>	<b>Max. Price</b>	<b>Max. Sales Price</b>
50%	\$32,050	\$801	\$88,755	\$93,192
60%	\$38,450	\$961	\$110,560	\$116,088
80%	\$51,300	\$1,283	\$154,341	\$162,058
100%	\$64,100	\$1,603	\$197,952	\$207,849
120%	\$76,900	\$1,923	\$241,562	\$253,641

Assumptions: Insurance and taxes are \$150,.00  
8 % interest Rate for 30 years

**II. Affordability Matrix - ( Based on a Family of 3)**

<b>% of Median Income</b>	<b>Annual Income</b>	<b>Maximun Monthly Rent</b>	<b>Max. Price</b>	<b>Max. Sales Price</b>
50%	\$28,850	\$721	\$77,852	\$81,745
60%	\$34,600	\$865	\$97,443	\$102,315
80%	\$46,150	\$1,154	\$136,795	\$143,634
100%	\$57,700	\$1,443	\$176,146	\$184,954
120%	\$69,250	\$1,731	\$215,498	\$226,273

Assumptions: Insurance and taxes are \$150,.00  
8 % interest Rate for 30 years

**III. Affordability Matrix - ( Based on a Family of 2)**

<b>% of Median Income</b>	<b>Annual Income</b>	<b>Maximun Monthly Rent</b>	<b>Max. Price</b>	<b>Max. Sales Price</b>
50%	\$25,650	\$641	\$66,949	\$70,297
60%	\$30,800	\$770	\$84,496	\$88,721
80%	\$41,050	\$1,026	\$119,418	\$125,389
100%	\$51,300	\$1,283	\$154,341	\$162,058
120%	\$61,550	\$1,539	\$189,264	\$198,727

Assumptions: Insurance and taxes are \$150,.00  
8 % interest Rate for 30 years

**IV. Affordability Matrix - ( Based on a Family of 1)**

<b>% of Median Income</b>	<b>Annual Income</b>	<b>Maximun Monthly Rent</b>	<b>Max. Price</b>	<b>Max. Sales Price</b>
50%	\$22,450	\$561	\$56,047	\$58,849
60%	\$26,900	\$673	\$71,208	\$74,769
80%	\$35,900	\$898	\$101,872	\$106,966
100%	\$44,850	\$1,121	\$132,365	\$138,984
120%	\$53,800	\$1,345	\$162,859	\$171,002

Assumptions: Insurance and taxes are \$150,.00  
8 % interest Rate for 30 years



Average Per Unit

<b>LAND ACQUISITION</b>	
Purchase price	\$3,000
Title report and settlement fee	150
Title insurance	175
Transfer tax, document stamps & recording fee	100
Environmental audit	400
Survey	225
Prepaid property taxes	50
Subtotal land acquisition costs	\$4,100
<b>CONSTRUCTION COSTS</b>	
Direct costs @ \$52 per sq. ft.	\$62,400
Hard cost contingency @ 5%	3,120
Builder's profit and overhead @ 16%	6,240
Subtotal construction costs	\$71,760
<b>PROFESSIONAL FEES</b>	
Plans and specifications (included)	50
Sponsor's legal and audit costs	100
Financial packager	300
Subtotal professional fees	\$400
<b>FINANCING COSTS</b>	
Origination fee on purchaser mortgage @ 1.00%	\$51
Interest on predevelopment loan \$10,000 @ 3% for nine months	180
Interest on private construction loan \$71,760 @ 12% for six months	2,583
<small>(Note: Predevelopment and construction loans are drawn down as needed. In this example it is assumed that, on average, 60% of the principal amount of these loans are outstanding at any time.)</small>	
Subtotal financing costs	\$2,814
<b>OTHER SOFT COSTS</b>	
Appraisal	\$275
Application fee to subsidy	15
Other lender legal	50
Marketing	200
Prepaid hazard & builder's risk insurance	200
Utilities during construction	150
Working capital/reserve	200
Soft cost contingency	65
Subtotal other soft costs	\$1,155
<b>NONPROFIT SPONSOR'S ALLOWANCE @ 9%</b>	\$7,221
<b>TOTAL DEVELOPMENT COST PER HOUSE</b>	\$87,450

# Typical Single Family House Development Budget



# Monthly Housing Payment Calculation

---

HOUSE PURCHASE PRICE (Including all closing costs)	\$87,500
--	----------

---

<i>Subtract any buyer subsidy by adding together any closing cost, down payment or second-mortgage grant programs available to purchasers.</i>	<i>– \$35,000</i>
--	-------------------

<i>Subtract any cash down payment expected from the buyer.</i>	<i><u>– \$1,500</u></i>
--	-------------------------

This is the mortgage amount a buyer will have to finance to purchase the house for \$87,500.	<u><u>\$51,000</u></u>
--	------------------------

Based on a 30-year mortgage at 7 percent interest, this is the monthly mortgage payment on \$51,000.	\$342
--	-------

<i>Add the estimated monthly payments for property taxes and property insurance.</i>	<i><u>+ \$100</u></i>
--	-----------------------

This is the principal, interest, taxes and insurance (PITI), better known as a monthly housing payment.	\$442
---	-------

To qualify to purchase this house selling for \$87,500, a household must have a gross income (income before taxes) between \$16,073 and \$18,943 annually to pay \$442 a month for the PITI. These figures are based on the general guidance of mortgage lenders that the payment is between 28 percent and 33 percent of the buyer's monthly gross income.



# Typical Annual Operating Budget

## Staff

Executive director	25% FTE	\$20,000
Project coordinator	100% FTE	\$35,000
Administrative assistant	50% FTE	\$10,000
Fringe	25% of salaries	\$16,250

Office rent \$6,000

Telephone \$1,200

Supplies and postage \$600

Equipment maintenance \$480

Liability insurance \$2,400

Automobile mileage \$600

Legal and accounting \$6,000

**TOTAL** \$98,530

With annual costs close to \$100,000, you can see why you would need to produce 20 units, each with an average per unit fee of \$4,950, in order to break even.

FTE = Full-Time Equivalent





# Townhouses for Sale Affordability Analysis

		Market	Subsidized	980 SF	1080 SF	1180 SF
	Total Costs to Buyer	3.87% \$ 120,904	\$ 109,808	\$ 91,541	\$ 102,367	\$ 113,062
Buyer Downpayment		\$ (6,045)	\$ (1,000)	\$ (1,000)	\$ (1,000)	\$ (1,000)
House Charlotte		\$ -	\$ (7,500)	\$ (7,500)	\$ (7,500)	\$ (7,500)
Amount to be Financed		\$ 114,859	\$ 101,308	\$ 83,041	\$ 93,867	\$ 104,562
Monthly Principal & Interest (30 yrs. @ 7.5%)		\$ 803	\$ 708	\$ 581	\$ 656	\$ 731
Monthly Property Taxes @ \$1.40/\$100 TV		\$ 132	\$ 120	\$ 99	\$ 111	\$ 123
Monthly Insurance @ 1% TV (part to H/O fee)		\$ 94	\$ 86	\$ 71	\$ 79	\$ 88
Monthly Homeowners Association		\$ 100	\$ 100	\$ 100	\$ 100	\$ 100
Total Monthly Expenses (not incl. Utilities)		\$ 1,129	\$ 1,014	\$ 851	\$ 947	\$ 1,041
Minimum Qualifying Monthly Household Income (@28% ratio) hsg. expense to before tax income		\$ 4,033	\$ 3,621	\$ 3,039	\$ 3,381	\$ 3,719
Minimum Qualifying Annual Household Income		\$ 48,401	\$ 43,451	\$ 36,466	\$ 40,567	\$ 44,629
Qualifying Income as % of AMI (\$60,400/yr.)		80.1%	71.9%	60.4%	67.2%	73.9%



## BUILDING NEW APARTMENTS FOR RENT

### ASSUMPTIONS ABOUT OPERATIONS

INTEREST RATE	7.0%	
TERM OF LOAN	10	YEARS
TAX RATE	\$ 1.25	PER \$100 OF TAX VALUE
INSURANCE	1.0%	PER ANNUM OF PROPERTY/TAX VALUE
MANAGEMENT	\$ 4,500	PER UNIT PER YEAR
"FRONT END RATIO"	28.0%	MAXIMUM % OF GROSS INCOME AVAILABLE FOR RENT

### ASSUMPTIONS ABOUT DEVELOPMENT

COST/ACRE LAND	\$ 130,680	OR \$/SF --> \$ 3.00
NUMBER OF ACRES	13.6	
SOFT COSTS	5.0%	APPRAISALS, LOAN ORIGATION FEES, ETC.
NUMBER OF UNITS BUILT	165	
GROSS DENSITY	12.2	UNITS/ACRE
DEMOLITION	\$ 100,000	PLUG
SITE PREP/GRADING	\$ 5,000	COST/ACRE
AVG. SIZE OF UNIT BUILT (SF)	1,700	
CONST. COSTS/SF	\$ 65.00	
CONST. INTEREST RATE	4.5%	ANNUAL
LANDSCAPING	\$ 40,000	COST/ACRE
ARCHITECTURAL DESIGN	5.0%	% OF CONSTRUCTION & LANDSCAPING COSTS
DEVELOPER PROFIT	10.0%	% OF TOTAL COSTS
CONTINGENCIES	5.0%	% OF CONSTRUCTION & LANDSCAPING COSTS

	TOTAL	PER UNIT		MINIMUM REQUIRED	MINIMUM REQUIRED
LAND (INCL CONST. SOFT \$)	\$ 1,863,092	\$ 11,291			
DEMOLITION	\$ 100,000	\$ 606	MONTHLY	MONTHLY	ANNUAL
LAND DEVELOPMENT EXP.	\$ 1,530,166	\$ 9,274	RENT	INCOME	INCOME
SITE PREPARATION	\$ 67,890	\$ 411			
CONSTRUCTION	\$ 18,232,500	\$ 110,500	\$ 800.00	\$ 2,857.14	\$ 34,285.71
LANDSCAPING	\$ 543,120	\$ 3,292	\$ 1,600.00	\$ 5,714.29	\$ 68,571.43
ARCHITECTURAL SVC.	\$ 938,781	\$ 5,690			
CONST. INTEREST	\$ 820,463	\$ 4,973			
CONTINGENCIES	\$ 938,781	\$ 5,690			
<b>TOTALS</b>	<b>\$ 25,034,792</b>	<b>\$ 151,726</b>			



# Rental Housing Operating Analysis

PER UNIT MONTHLY RENT	UNIT TYPE	UNITS	SIZE	MONTHLY NET RENT	TOTAL ANNUAL RENT
\$ 800.00	2BR/1B	0	850	\$ -	\$ -
\$ 1,600.00	4BR/2B	165	1700	\$ 264,000	\$ 3,168,000
	TOTAL GROSS RENTS FROM UNITS			\$ 264,000	\$ 3,168,000
	LESS VACANCY RATE				
	VACANT UNITS				
			10.0%		\$ (316,800)
	NET REVENUES				\$ 2,851,200
	OPERATING EXPENSES/UNIT/YR.			\$ 4,500	\$ (742,500)
	NET OPERATING INCOME				\$ 2,108,700
	AVAILABLE TO SERVICE DEBT @ RATIO			1.25	\$ 1,686,960
	MAXIMUM LOAN SUPPORTABLE				\$22,029,464
	ANNUAL INTEREST RATE			6.5%	
	TERM IN YEARS			30	
	<b>REQUIRED EQUITY INVESTMENT</b>				<b>\$ 3,005,328</b>
				ANNUAL CASH FLOW	\$ 421,740
				RATE OF RETURN (BEFORE TAX)	14.03%
	ANNUAL PROPERTY TAX REVENUE				\$ 312,935



# Information on Housing Affordability in Your Area



National Low Income Housing Coalition

Dedicated solely to ending America's affordable housing crisis.

[Home](#) / [Search](#)

## Out of Reach 2004

Winton Pitcoff, Consultant

Daniilo Pelletiere, Research Director

Sheila Crowley, President

Mark Treskon, Research Analyst

Cushing N. Dolbeare, Founder and Chair Emeritus

Media Contact: Katie Fisher, National Low Income Housing Coalition, 202-662-1530, [katie@nlihc.org](mailto:katie@nlihc.org).

To order hard copies of OOR please [click here](#) to see our publications page.

Despite the emphasis on homeownership and the marginalization of renters, renter households still make up fully one-third of the households in the United States – nearly 36 million households. *Out of Reach* is a side-by-side comparison of wages and rents in every county, Metropolitan Statistical Area (MSA), combined nonmetropolitan area and state in the United States. For each jurisdiction, the report calculates the amount of money a household must earn in order to afford a rental unit of a range of sizes (0, 1, 2, 3, and 4 bedrooms) at the area's Fair Market Rent (FMR), based on the generally accepted affordability standard of paying no more than 30% of income for housing costs. From these calculations the hourly wage a worker must earn to afford the FMR for a two bedroom home is derived. This figure is the Housing Wage.

### Data

To View Data for a State, County, Metropolitan Statistical Area, or nonmetro areas for a state, choose a state:

--- All States ---  
Alabama  
Alaska  
Arizona  
Arkansas

You can select more than one state by holding down the Control key.

Click to View Data

[Calculate your personal housing wage, based on your current rent.](#)

- [Introduction](#) (Includes the analysis of the report and describes national trends.)

- [Least Affordable States](#)
- [Least Affordable Metropolitan Statistical Areas](#)
- [Least Affordable Counties](#)
- [Least Affordable Combined Nonmetro Areas](#)
- [State Ranks Based on Two Bedroom Housing Wage](#)

- [How to Use the Numbers](#)
- [Where the Numbers Come From](#)
- [Appendix A: Explanation of Fair Market Rents](#)
- [Appendix B: Methodology and Sources](#)
- [Appendix C: Change and Controversy for the 2005 Fair Market Rents](#)
- [Appendix D: Towns within New England FMR Areas](#)

- [NLIHC Press Release](#)

- Go to the web site of the National Low Income Housing Coalition
- <http://www.nlihc.org/oor2004/>
- Go to your specific state and your specific county or MSA
- This site will yield detailed information on the “fair market rent” for different size apartments
- It will also yield detailed information about the proportion of your area’s population that can afford fair market rents (30% of AMI)



# Housing Affordability in Charlotte NC

 National Low Income Housing Coalition  
*Dedicated solely to ending America's affordable housing crisis.* [Home](#) / [Search](#)

---

## Out of Reach 2004

---

### Charlotte--Gastonia--Rock Hill, NC--SC MSA, North

---

In Charlotte--Gastonia--Rock Hill, NC--SC MSA, North, an extremely low income household (earning \$18,540, 30% of the Area Median Income of \$61,800) can afford monthly rent of no more than \$464, while the Fair Market Rent for a two bedroom unit is \$719.

A minimum wage earner (earning \$5.15 per hour) can afford monthly rent of no more than .

An SSI recipient (receiving \$564 monthly) can afford monthly rent of no more than , while the Fair Market Rent for a one-bedroom unit is \$647.

In Charlotte--Gastonia--Rock Hill, NC--SC MSA, North, a worker earning the Minimum Wage (\$5.15 per hour) must work 107 hours per week in order to afford a two-bedroom unit at the area's Fair Market rent.

**The Housing Wage in Charlotte--Gastonia--Rock Hill, NC--SC MSA, North is \$13.83.** This is the amount a full time (40 hours per week) worker must earn per hour in order to afford a two-bedroom unit at the area's Fair Market rent.

*A unit is considered affordable if it costs no more than 30% of the renter's income.*

- What impact will these limitations make on affordable housing projects in Charlotte?
- What would you have to do to develop or rehabilitate an apartment to be affordable in this market?



# Specific Affordability Data for Charlotte

2004 Family Income							
Location	2004 Annual Median Income <sup>1</sup> (HUD)			Maximum Affordable <sup>2</sup> Monthly Housing Cost by % of Family AMI			
	Annual	Monthly	30% of AMI	30%	50%	80%	100%
Charlotte--Gastonia--Rock Hill, NC-- SC MSA, North	\$61,800	\$5,150	\$18,540	\$464	\$773	\$1,236	\$1,545

Fair Market Rents (FMR) <sup>3</sup> by Number of Bedrooms					
Location	Zero	One	Two	Three	Four
Charlotte--Gastonia--Rock Hill, NC--SC MSA, North	\$597	\$647	\$719	\$913	\$1,000

2004 Renter Households					
Location	Estimated Renter Median Annual Income	Income Needed to Afford 2BR FMR as Percent of Renter Median	Number Earning 30% of AMI or Less Unable to Afford Rent (2000)	Number Earning 30- 50% of AMI Unable to Afford Rent (2000)	Monthly Rent Affordable at Renter Median
Charlotte--Gastonia-- Rock Hill, NC--SC MSA, North	\$35,661	81%	21,606	15,105	\$892

Income Needed to Afford FMR										
Location	Annual Amount					Percent of Family AMI				
	Zero Bedrooms	One Bedroom	Two Bedrooms	Three Bedrooms	Four Bedrooms	Zero Bedrooms	One Bedroom	Two Bedrooms	Three Bedrooms	Four Bedrooms
Charlotte--Gastonia-- Rock Hill, NC--SC MSA, North	\$23,880	\$25,880	\$28,760	\$36,520	\$40,000	39%	42%	47%	59%	65%



# Employer-Assisted Housing



# Employer Assisted Housing

## Pullman to the Present: A Brief History of EAH

1880s	1920s	1960s	Until 1980s	1980s	Early 1990s	2000
Company towns - Pullman founded	Modern transportation - company towns outmoded	Penn University commences EAH program for existing staff, though generally EAH remained...	Corporate relocation perk for executives	Extension by some employers of housing benefits to non-management employees	Touted as "hot new benefit"  Nonprofits and CDCs started offering services to employers  Union role - Taft-Hartley Act amended  Fannie Mae and Freddie Mac specialized products  EAH made HUD HOME program-eligible	Trajectory not sustained from early 1990s, but, again, increasing interest in EAH  EAH remains uncommon, though a variety of programs operates across the country



# Employer-Assisted Housing Benefits

- Reduce the cost of employee recruitment, retention, and training by using housing benefits to attract and retain employees.
- Reconfigure (and reduce) other benefit costs when employees choose housing benefits offering long-term asset-building opportunities.
- Offer more cost-controllable benefits, since EAH programs require one-time rather than continuing employer payments.
- Increase productivity, security, and property values by encouraging employees to purchase homes proximate to corporate facilities.
- Improve community relations as good employees make good neighbors.
- Improve employee morale and life-cycle benefits planning by helping employees achieve an important life goal – owning a home.



**Table 1. University Employer Assisted Housing Programs, Models, and Motivations.**

University	City, State	Benefit	Partners	Comments	Motivation Type
Howard University	Washington, DC	Home-Buying Assistance: Down payment assistance, closing cost assistance, below-market loans for homes purchased in LeDroit Park	Fannie Mae, National Capital Revitalization Corporation, D.C. Housing Finance Agency, community	Also available to police officers, firemen, and teachers	recruitment/retention revitalization
Scranton University of	Scranton, PA	Homesteading Rental Properties: university-owned rental properties	Fannie Mae; Neighborhood Housing of Scranton		revitalization
Miami University	Oxford, OH	Home-Buying Assistance: 3-year forgivable loan up to \$5,000 for properties located in Hill area. Home-Buying Assistance: 7-year forgivable loan up to \$10,000 in Historic Mile Square; up to \$4,000 within City limits.	Neighborhood Housing Service of Hamilton (NHS - non-profit program administrator)		recruitment community relations
Case Western Reserve University	Cleveland, OH	Home-Buying Assistance: grant up to \$10,000 (Year 1 - \$5,000; Year 2-6 - \$1,000); grant up to \$15,000 for Wards 6,7,8,9 (Year 1 - \$7,500; Year 2-6 - \$1,500)  Exterior Renovation Assistance: grant up to \$1,000 on projects costing over \$5,000.  Financial/Realty Services: at preferred rates	City of Cleveland; University Circle; Fannie Mae; local CDCs; local lenders (Third Federal Savings and Loan, Fifth Third Bank, Key Bank, National City Bank, Ohio Savings Bank); local real estate services (Realty One)		recruitment/retention revitalization
St. Louis University	St. Louis, MO	Counseling: housing information & education services  Financial Services: at preferred rates  Home-Buying Assistance: 5-year forgivable loan up to \$5,000 or 5% of purchase price (whichever is less)	Fannie Mae	Expanded; also available for professional students; <a href="http://record.wustl.edu/news/page/normal/1859.html">http://record.wustl.edu/news/page/normal/1859.html</a>	revitalization recruitment/retention
Kentucky University of	Lexington, KY	Home-Buying Assistance: forgivable loan up to \$15,000 for properties located in designated areas.  Counseling: housing information & education services	LFUGC, Samaritan Hospital, Fannie Mae, local counseling agencies (Community Reinvestment Alliance of Lexington, Resources Education & Assistance for Community Housing, Community Ventures Corporation), lenders (Bank One, National City)	Must participate in Homeowner Education Program	revitalization recruitment/retention
George Washington University	Washington, D.C.	GW Loan Program: up to \$5,000 loan  Monetization Loan Program: \$2,500-5,000 based on income	Riggs Bank, Fannie Mae, District of Columbia Housing Finance Agency	Riggs Bank, Fannie Mae, District of Columbia Housing Finance Agency	recruitment/retention community relations



**Table 1. University Employer Assisted Housing Programs, Models, and Motivations.**

University	City, State	Benefit	Partners	Comments	Motivation Type	Model Type
		Lender Credit Program: \$250 for first 40 buyers Counseling: housing information & education services				
Tulane University	New Orleans, LA	Home-Buying Assistance: 5-year forgivable loan up to \$1,500 or 2% of purchase price (whichever is less)	Fannie Mae,		recruitment/retention revitalization	Financial partner
Cincinnati, University of	Cincinnati, OH	Home-Buying Assistance: up to \$2,500 loan at 6% for homes purchased in specific areas  Renovation Assistance: added to loan amount for up to 105% of the property value	The Home Ownership Center of Greater Cincinnati, Inc.	must complete a 9-hour Home Buyer Training course at The Home Ownership Center.	recruitment/retention revitalization	Financial partner
Columbia University	New York, NY	Off-Campus Housing Assistance (OCHA): database of non-Columbia owned apartments and rooms for lease - available to faculty, staff, and alumni  Home-Buying Assistance: 5-year forgivable loan up to \$15,000 for properties in Upper Manhattan Empowerment Zone	Barnard College, Teachers College, Jewish Theological Seminary, Union Theological Seminary  Fannie Mae, New York City (?)		revitalization recruitment/retention	Financial partner, connector/facilitator
Niagara University	Niagara Falls, NY	Counseling: education services	Center City Inc. (counseling provider), City of Niagara Falls, St. Mary's Hospital, Memorial Hospital, Public Schools, many local lenders.		revitalization recruitment/retention	Service provider
Ohio State University	Columbus, OH	Home-Buying Assistance: 5-year forgivable loan up to \$3,000 for homes purchased in specific areas	City of Columbus, Fannie Mae, Campus Partners, Northside Community Development Corporation		recruitment/retention revitalization	Financial partner
University of Pennsylvania	PA	University guarantees loan, so lenders require no down payment	Advance Bank, GMAC Mortgage Corporation, and Citizens Bank	Attend a counseling session with one of the program's counselors or attend the Community Housing 101 workshop.	recruitment/retention	Financial partner
University Le Moyne College	City, State Syracuse, NY	Benefit University guarantees loan, so lenders require no down payment	Partners Syracuse Neighborhood Initiative (SNI), KeyBank, Fleet Bank, and M&T Bank		revitalization recruitment/retention	Financial partner
Yale	New	Homebuyer Program: The program provides	People's Bank	Homebuyers may only	revitalization	Financial partner



**Table 1. University Employer Assisted Housing Programs, Models, and Motivations.**

University	Haven, CT	\$7,000 at the time of home purchase and nine additional annual payments of \$2,000.		purchase in Empowerment Zone areas, including additional neighborhoods in later phases of the program.	recruitment/retention	
Washington University	St. Louis, MO	Home-Buying Assistance: forgivable loans for home purchased in specific areas	local lending institutions: Bank of America, Central West End Bank, Citimortgage Inc., Commerce Bank, Elizabeth Fay Mortgage, Gershman Investment Corp, K&G Financial LLC, LoanScapes, Providence Mort.		revitalization recruitment/retention	Financial partner
Harvard University	Cambridge, MA	Cash back when buying or selling a home through Coldwell Banker Residential Brokerage, free home buying seminars, and discounted interest rates on mortgages.	Coldwell Banker Residential Brokerage		recruitment/retention	Financial partner
University of Minnesota	MN	Relocation Assistance: temp. rental housing  Rental Housing: university-owned townhouses  University Grove: new homes for purchase on land owned by university	None		recruitment/retention	Financial partner
University of California	9 campuses, CA	Mortgage Orientation Program: 40-year variable loan 85-90% of value  Graduated Payment Mortgage: lower initial rate  Supplemental Home Loan Program: primary/secondary mortgages  Salary Differential Housing Allowances: lump sum, or over 10 years	North American Mortgage Company,		recruitment/retention	Financial partner
Chicago, University of	Chicago, IL	Home-Buying Assistance: 5-year forgivable loan up to \$7,500 for homes in specific areas	City of Chicago, Metropolitan Planning Council, Neighborhood Housing Services of Chicago		recruitment/retention revitalization	Financial partner, connector/facilitator
Illinois Institute of Technology	Chicago, IL	To bolster the CHA's redevelopment of neighboring Stateway Gardens, a high-rise slated for demolition and transformation into mixed-income housing, IIT will offer any employee a \$7,500 forgivable loan to buy a home in the new community.	Illinois College of Optometry and De La Salle High School		revitalization recruitment/retention	Financial partner, service provider
Syracuse University	Syracuse, NY	Guaranteed Mortgage Program and Matching Cash Grants for homes purchased within certain census tracts	Syracuse Neighborhood Initiative (SNI), KeyBank, Fleet Bank, and M&T Bank		recruitment/retention revitalization.	Financial partner



# Joint Ventures and Partnerships



***What is the fundamental conflict between the purposes of, and restrictions on, a nonprofit and a for-profit?***

- The CDC must be organized and operated for substantially charitable purposes and therefore cannot be operated for private benefit.
- A for-profit is organized precisely for the possibility of private benefit inuring to investors – it is the motivating force behind investors putting their capital at risk.
- That being said, a joint venture between the two is legally permissible, as long as several criteria are met.



# **Reasons for CDCs to Consider Joint Ventures**

- **Inadequate experience**
- **Lack of staff**
- **Opportunity to achieve higher production scale**
- **Core skill building opportunity**
- **Lack of financial strength**
- **Access to development financing through for-profit partner**



# **Reasons for For-profit Developers to Partner CDCs**

- **Access to the community**
- **Site Control**
- **Support among community residents**
- **Access to public funding sources**
- **Access to attractive debt sources**
- **Access to tax credit allocations**
- **Pool of interested job applicants**



# Typical Assets Brought to Partnerships by CDCs

- **The deal**
- **Knowledge of the neighborhood and neighborhood support**
- **Knowledge of the market**
- **Political support**
- **Attractive public and private funding sources**



# **Typical Assets Brought to Partnerships by For-Profit Organizations**

- **Technical expertise and experience**
- **Dedicated full-time staff**
- **Financial strength**
- **Access to conventional funding**



# Typical CDC Roles and Responsibilities

- Project conception and initial development, including obtaining site control and initial project design;
- Identifying community needs;
- Community organizing in support of the project (e.g., rallying residents in favor of a large retail or mixed-used project new to the neighborhood);
- Financial application and packaging of public subsidy support; and
- Marketing the units to be developed.



# Typical For-Profit Roles and Responsibilities

- Project budget development;
- Hiring contractor and construction manager;
- Applications and financial packaging for conventional financing sources;
- General overall project development.



# **Negotiation Pressure Points of Joint Ventures**

- **Primary Goal of the CDC**
- **Relationship between the CDC and the For-profit**
- **Clear Delineation of Responsibility for Fundamental Decisions**
- **Profit Sharing/Developer Fees**
- **Maintaining CDC Involvement**
- **Conflicts Resolution Mechanism**
- **Achieving Charitable and Social Welfare Goals**
- **Avoiding Excessive Private Benefit**
- **Handling Losses and Additional Capital Contributions**
- **How the Financing Comes into the Deal**
- **Critical Path**
- **Exit Strategy**



# Contract Co-Developers

- **Advantages**

- The CDC has unfettered control over the project, without having to cede control to the for profit.
- The CDC does not have to share the upside potential, for example, if a CDC is the sole owner of a supermarket.

- **Disadvantages**

- If there are development problems or delays, the for-profit does not have much incentive to stay in the deal when it does not have capital at risk. The CDC could be stuck holding the proverbial bag.
- The CDC must bear the risk of loss by itself, i.e., its charitable assets are exposed to a greater extent than if its liability were limited, as in a GP, LP or LLC.
- The CDC cannot as easily learn from the for-profit if it is not a co-owner, because the for profit, largely a consultant, has little reason to share its expertise.



# **Guides for CDCs**

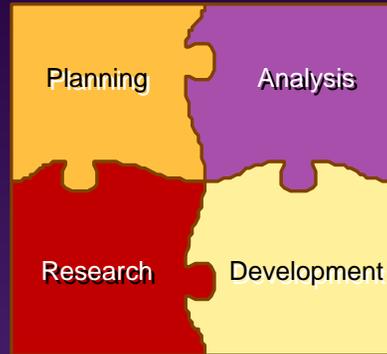
## **Considering Future Joint Ventures**

- **There is no “right answer”**
- **Beware of “role creep”**
- **There must be some development skills on staff**
- **A small, inexperienced CDC may be unable to add any real value to the development process**
- **The CDC always assumes some risk of the project going badly awry**
- **Ensure organizational and mission fit**
- **Map out roles and responsibilities**
- **Ensure mutual understanding and constant communication**
- **Walk and talk through possible problems and scenarios in great detail**
- **Ensure that real value is added by both partners**
- **Know and trust your partner**
- **Human relations are crucial**



Isaac Heard, Jr. AICP

*Urban Planner*



***Thank you for your attention***