MHP Housing Institute
Wednesday, June 15, 2016

Housing Development Finance 201
Case Study

Rita Farrell is the town planner for the Town of Williamsport, MA (population 12,063 with 4400 year round housing units). Williamsport is located northwest of Boston between Route 128 and Route 495 and the primary land use in the town is single family residential.

The town has been approached by a private, for-profit housing developer, Green Acres Development LLC (Green Acres), which controls a 4 acre site of prime development land including approximately 3 acres of heavily treed uplands and 1 acre of wetlands located at the rear of the site. Green Acres' Purchase & Sale Agreement expires in 12 months; however, the Buyer has the right to extend the purchase date for an additional 12-month period if certain development milestones are satisfied and an additional "at-risk" deposit is made. The purchase price for the land is $1,000,000.

The site is located within a half mile of a commuter rail station and is currently zoned for single family houses (minimum lot size of 25,000 square feet). The town has a DHCD-approved Housing Production Plan (HPP) that indicates a need for family rental and/or ownership housing and has identified the subject site as a potential site for a mixed-income housing development. DHCD's most recent Subsidized Housing Inventory (SHI) has indicated that 5% of the town's year round housing units qualify for listing on the SHI. Public water is available in the street that fronts the site but there is no public sewer system in the town. The developer's initial due diligence has demonstrated that the soils at the subject site could support a common Title V septic system for up to 45 units, assuming an average bedroom size per unit of 2.

Within the last six years Green Acres has completed two traditional "by-right" small single family subdivisions, one 40B rental development and one 40B ownership development, all of which were similar in size to the types of projects that Green Acres is evaluating for its Williamsport development.

Green Acres could pick one of the following options:

1. Build "by-right" a 5-lot traditional subdivision which would feature 4-bedroom, 3500 square foot homes.
2. Develop a 44-unit Chapter 40B rental housing development featuring two, three story, 22-unit, garden apartment style buildings with a mix of 1BR, 2BR and 3BR units or
3. Develop ownership units with twenty-four, 3-bedroom, 2.5 story townhouse units.

25% of the units in either 40B alternative would be affordable to households at 80% of Area Median Income, adjusted for household size.

Green Acres is aware that the town has $750,000 in CPA funding set aside for affordable housing.

Williamsport Proposed 40B Rental Development

Assignment:

Put yourselves first in the shoes of the town and then in the shoes of the developer. Using the following chart, identify the likely development objectives (e.g. tenure, level of affordability, density) in order of priority for the Town of Williamsport and then do the same for Green Acres. You should rank your defined objectives in order of importance.

Please bring your completed chart to the workshop and be prepared to discuss your listed development objectives and your relative rankings of importance for each. Be as candid and realistic as you can be based upon your understanding of your town and any experiences you have had with the developer community or as a developer.

Town of Williamsport Development Objectives (highest to lowest in importance):

1. ____

2. ____

3. ____

4. ____

5. ____

6. ____

7. ____

8. ____

9. ____

10. ____

<u>Developer's Development Objectives</u> (highest to lowest in importance):

1. ____

2. ____

3. ____

4. ____

5. ____

6. ____

7. ____

8. ____

9. ____

10. ____

Local Resources for Housing Development

Program	***What is it?***	***Who is eligible?***	***How might it be used?***	***Where do you get it?***	***$ amounts***
CDBG Funds	Federal funds for housing and economic development that serve low and moderate income households	Developments/programs that serve Low and moderate income households under HUD 80% Area median Income (AMI)	Pre-development, planning and occasionally site work	Municipality - awarded by either from DHCD or HUD	Range: $25,000 - $50,000 for planning: $250,000 - $350,000 for sitework
CPA Funds	Community Preservation Act with funding generated from a surcharge on local property taxes; community housing is one of 4 eligible activities	Households under 100% of Area Median Income (AMI)	Planning, pre-development, capital contribution	Municipality's Community Preservation Committee & town meeting/city council vote	Planning and predevelopment range : $20,000 - $50,000: Capital range: $2,000-$30,000 per unit*
Municipal Trust	Trust adopted by municipality to provide funding for the creation and preservation of affordable housing	Low and moderate income households	Planning, predevelopment, capital contribution	Municipality's trust	Planning and predevelopment range: $20,000 - $50,000; Capital range: $2,000-$20,000 per unit
40B Permitting	State statute that enables local Zoning Boards of Appeals to approve affordable housing developments under flexible rules if at least 20-25% of the units have long-term affordability restrictions.	Limited dividend, not-for-profit, and public agency developers using eligible state or federal programs. Developments must have a minimum of 25% affordable units at 80% AMI or 20% at 50% of AMI.	Developers needing waivers of local zoning regulations to create an "economic" affordable development	Municipality's Zoning Board of Appeals	N/A

PATH Fund	Planning assistance grants to facilitate production of multi-family housing	Municipalities	Preliminary site and financial feasibility analyses; site control, architectural & engineering, outreach & education, zoning	DHCD	$25,000 maximum
Inclusionary Zoning	Inclusionary Zoning (IZ) requires a portion of the housing units in certain real estate developments to be reserved as affordable to low- and moderate-income households.	Developments that meet IZ requirements	Normally allows higher density development in exchange for developer having to provide affordable units or payments that municipality uses to create affordable housing	Municipality	Potential source of funding if payments have been made in lieu of providing units
Land or buildings	Town-owned property that has been deemed surplus and is suitable and available for housing development	Municipalities can transfer properties "intra-municipally" or dispose of them through a Chapter 30B disposition	Municipality sells or leases the property to a Developer who builds affordable housing in conformance with RFP requirements	Municipality	Typically below market land cost
MassWorks	Public infrastructure funding to support economic development and job creation. Consolidates six former grant programs	Municipalities and other public entities	Used by municipalities to pay for public infrastructure (roads, water, sewer, etc.) that supports economic development projects, including mixed use developments that include housing	Executive Office of Housing & Economic Development (www.mass.gov/hed/masswork). June 1, 2015 notice of funding availability with applications due in August.	$300,000 to $6 million

SAMPLE CAPITAL COST BUDGET FOR OWNERSHIP PROJECT IDENTIFYING FIXED, PRIMARILY-FIXED, FIXED & VARIABLE, AND VARIABLE DEVELOPMENT COST LINE ITEMS		
	Total Cost	**Fixed, Primarily-fixed, Fixed & Variable or Variable Cost Line Item**
SITE ACQUISITION (Based on independent 40B "by-right" land value appraisal)	**$800,000**	Fixed
HARD COSTS		
Site Preparation (Clearing, grubbing, rough grading, retaining walls, utilities, road, sidewalks, storm drainage, street lighting, signage, wetlands replication, mail boxes)	$990,000	Primarily-fixed
Common Landscaping/Screening/Fencing	$132,000	Primarily-fixed
Residential Construction	$7,040,000	Variable but Economies of Scale Matter
Builder's General Overhead (2%)	$163,240	Variable but Economies of Scale Matter
General Requirements (6%)	$489,720	Variable but Economies of Scale Matter
Builder's Profit (6%)	$489,720	Variable
Hard Cost Contingency (5%)	$465,234	Variable
TOTAL HARD COSTS	**$9,769,914**	
SOFT COSTS		
Building Permit	$66,000	Variable
Water and Sewer Tie-In Fee	$110,000	Fixed and Variable Components
Architectural (Including as-built unit drawings for closings)	$66,000	Fixed and Variable Components
Engineering/Wetlands Scientist/TIAS Traffic Study/Surveys	$110,000	Fixed
Legal (40B, title insurance, construction loan closing, condo docs and closings)	$88,000	Primarily-fixed
Deed Stamps ($4.56/$1,000* Total Sales Revenue)	$65,960	Variable
Insurance (During construction)	$66,000	Fixed and Variable Components
Security	$0	Primarily-fixed
Construction Manager (Contractor is related-party. No separate CM Fee allowed.)	$0	Primarily-fixed
Property Taxes (During construction)	$20,000	Variable
Construction Loan Interest	$286,000	Variable
Application/Peer Review/Financing Fees	$66,000	Primarily-fixed
Appraisals	$7,500	Fixed
Utilities (Unsold units)	$44,000	Variable
Accounting/Cost Certification/Monitoring Agent	$35,000	Fixed
Developer Overhead (Per 40B Guidelines)	$128,000	Primarily-fixed
Soft Cost Contingency (5% all Soft Costs above)	$57,923	Variable
Affordable Lottery	$50,000	Fixed and Variable Components
Marketing & Commissions (Market Units @ 5.00% + Model Unit)	$667,000	Fixed and Variable Components
TOTAL SOFT COSTS	**$1,933,383**	
TOTAL DEVELOPMENT COSTS	**$12,503,297**	

SAMPLE CAPITAL COST PRO FORMA
FOR MIXED-INCOME OWNERSHIP PROJECT

Capital Cost Line Item	Total Cost	Cost/Unit 44 Units
SITE ACQUISITION (Based on independent 40B "by-right" land value appraisal)	**$800,000**	**$18,182**
HARD COSTS		
Site Preparation (Clearing, grubbing, rough grading, utilities, road, sidewalks, storm drainage, street lighting, signage, wetlands replication, central mail box)	$990,000	$22,500
Common Landscaping/Screening/Fencing	$132,000	$3,000
Residential Construction ($100 per gross square foot)	$7,040,000	$160,000
Builder's General Overhead (2%)	$163,240	$3,710
General Requirements (6%)	$489,720	$11,130
Builder's Profit (6%)	$489,720	$11,130
Hard Cost Contingency (5%)	$465,234	$10,574
TOTAL HARD COSTS	**$9,769,914**	**$222,044**
SOFT COSTS		
Building Permit	$66,000	$1,500
Water and Sewer Tie-In Fee	$110,000	$2,500
Architectural (Including as-built unit drawings for closings)	$66,000	$1,500
Engineering/Wetlands Scientist/TIAS Traffic Study/Surveys	$110,000	$2,500
Legal (40B, title insurance, construction loan closing, condo docs and 44 closings)	$88,000	$2,000
Deed Stamps ($4.56/$1,000* Total Sales Revenue)	$65,960	$1,499
Insurance (During construction)	$66,000	$1,500
Security	$0	$0
Construction Manager (Contractor is related-party. No separate CM Fee allowed.)	$0	$0
Property Taxes (During construction)	$20,000	$455
Construction Loan Interest	$286,000	$6,500
Application/Peer Review/Financing Fees	$66,000	$1,500
Appraisals	$7,500	$170
Utilities (Unsold units)	$44,000	$1,000
Accounting/Cost Certification/Monitoring Agent	$35,000	$795
Developer Overhead (Per 40B Guidelines)	$128,000	$2,909
Soft Cost Contingency (5% all Soft Costs above)	$57,923	$1,316
Affordable Lottery	$50,000	$1,136
Marketing & Commissions (Market Units @ 5.00% + Model Unit)	$667,000	$15,159
TOTAL SOFT COSTS	**$1,933,383**	**$43,941**
TOTAL DEVELOPMENT COSTS	**$12,503,297**	**$284,166**

SALES REVENUE		
Affordable Units (11 units @ $175,000)	$1,925,000	
Market Units (33 units @ $380,000 Average Sales Price)	$12,540,000	
TOTAL SALES REVENUE		**$14,465,000**
TOTAL DEVELOPMENT COSTS		**$12,503,297**
TOTAL DEVELOPER'S FEE		**$1,961,703**
DEVELOPER'S FEE AS A PERCENTAGE OF TOTAL DEVELOPMENT COSTS		**15.69%**

SAMPLE OPERATING PRO FORMA FOR A MIXED-INCOME RENTAL PROJECT

Potential Gross Income (PGI)		$1,221,000
***Less*:** Vacancy: 5%		$61,050
Equals : Effective Gross Income (EGI)		$1,159,950
Less : Total Operating Expenses and Replacement Reserve		$319,000
Equals *:* Net Operating Income (NOI) (Year 1)		$840,950
Less : Debt Service Payment (Interest and Principal)		$672,760
Equals : Cash Flow (Before Income Tax)		$168,190

Total Development Cost (TDC)		$13,200,000
Less : Mortgage Loan		$10,747,363
Equals: Equity Required		$2,452,637
Return on Equity Year One of Stabilized Operation	(Cash Flow/Equity)	6.86%

ESTIMATED LIKELY MORTGAGE LOAN AMOUNT

Underwriting Based Upon NOI, Debt Service Coverage Factor and Annual Constant

Net Operating Income (NOI)		$840,950
Lender's Debt Service Coverage Factor (DSCF)	1.25	
Funds Available for Debt Service (FADS)	NOI/DSCF	$672,760
Annual Constant (AC)		
Interest Rate	4.75%	
Amortization Term (Years)	30	
Annual Constant (AC)	6.2598%	
Maximum Supportable Debt Service Mortgage	FADS/AC	$10,747,363
Property Value Based Upon a Capitalization Rate of	5.75%	$14,625,217
Loan/Value Ratio		73.49%
Loan/Cost Ratio		81.42%
Return on Total Cost (ROTC)	NOI/TDC	6.37%

Edward H. Marchant
EHM/Real Estate Advisor
Brookline, MA 02445
617-739-2543
emarchant@msn.com

OVERVIEW OF SEVEN BASIC GAP FINANCING SUBSIDY VEHICLES: DEVELOPMENT COST, TAX CREDIT, FINANCING, OPERATING, RENTAL ASSISTANCE, ENTITLEMENT, AND PROJECT- GENERATED CROSS SUBSIDIES

I. DEVELOPMENT COST SUBSIDIES

(*Any subsidy that helps reduce the Total Asset Cost)*

A. Local, state or federal public funding grants
   1. Local: Municipal Affordable Housing Trusts,
   2. State: Community Preservation Act (Massachusetts)
   3. Federal: HOME (HOME Investment Partnerships Program), CDBG (Community Development Block Grants), ESG (Emergency Solutions Grants), HOPWA (Housing Opportunities for People with Aids), CHOICE NEIGHBORHOODS Planning or Implementation Grants, Continuum of Care Homeless Assistance Programs

B. Private grants/foundation grants (E.g., Federal Home Loan Bank AHP, Community Reinvestment Act, Ford Foundation)

C. Free land or below market land cost

D. Charitable contribution (donor receives tax deduction benefit)

E. Free or reduced cost building supplies/labor (E.g., Habitat for Humanity)

F. Infrastructure improvements by city (E.g., streets, sidewalks, utilities)

G. State Enterprise Zone benefits (E.g., elimination of a state sales tax on building materials)

H. Tax Increment Financing (TIF) for infrastructure or other improvements

I. Pro bono legal/accounting services

J. Sweat equity

K. Energy conservation grant

L. Bake sales

II. TAX CREDIT SUBSIDIES

(Any subsidy that creates a source of equity funding for a project through federal, state, and/or local income tax credit programs)

A. LIHTC (Low Income Housing Tax Credit)/Section 42 of Internal Revenue Code
B. Numerous state low income housing tax credit programs
C. Federal Historic Preservation Tax Incentives Program (20% Rehabilitation Tax Credit)
D. Numerous state historic preservation tax incentive programs
E. New Markets Tax Credits (available for certain commercial projects providing public benefits in designated neighborhoods)

III. FINANCING SUBSIDIES

(Any financing mechanism that helps increase the maximum supportable level of debt)

A. BMIR (Below Market Interest Rate) financing (E.g., FHLB Affordable Housing Program, Community Reinvestment Act motivated lending programs, state and local Affordable Housing Trusts, energy conservation loan)
B. "Soft" second loans
C. Interest reduction subsidy programs
D. Tax-exempt bond financing
E. Tax Increment Financing (TIF) for infrastructure or other improvements
F. Favorable mortgage loan terms (E.g., a 40-year term that helps reduce the annual constant)
G. Reduced debt service coverage factor (E.g., 1.10 rather than 1.15)
H. Credit enhancement resulting in a lower interest rate (E.g., FHA mortgage insurance)

IV. OPERATING SUBSIDIES

(Any subsidy that reduces Operating Expenses and Replacement Reserves, thereby increasing Net Operating Income and thereby ultimately helping to increase the maximum supportable level of debt)

A. Real estate tax concessions based upon a legal enabling statute

B. Free or reduced cost utilities

C. Pro bono accounting, legal services, etc.

D. Operating deficit subsidy (public housing)

E. City services not normally provided for privately-owned residential developments (E.g., trash pick-up, snow plowing, etc.)

V. RENTAL ASSISTANCE SUBSIDIES

(Any subsidy that increases a project's Potential Gross Income, thereby increasing Net Operating Income and thereby ultimately increasing the maximum supportable level of debt)

A. Section 8 Project Based Assistance (PBA) or Tenant Based Assistance (Certificates/Vouchers). Now known as the Housing Choice Voucher Program.

B. Rental Assistance Demonstration (RAD)

C. Other state/federal rental assistance programs

VI. ENTITLEMENT SUBSIDIES

(Any public entitlement/permitting action that helps reduce the Total Asset Cost.)

A. Density bonuses or other zoning variances (E.g., Floor-to-Area Ratio, Height, Setbacks, Open Space, and/or Coverage requirements)

B. Subdivision Rules & Regulations variances/waivers (E.g., road width, curbing location and material requirements, maximum length of dead end street)

C. Expedited entitlement review (Green Tape vs. Red Tape) (Time = $)

D. Fee waivers by permitting agencies (E.g., Building Permit, Water and Sewer Tie-In Fees, Certificate of Occupancy Fees)

E. Applies to Inclusionary Zoning only when entitlement benefits are offered that offset the cost of creating the required percentage of affordable housing units that must be "included" in the proposed development.

VII. PROJECT - GENERATED CROSS SUBSIDIES

(Any subsidy that uses project-generated rental income or sales income from market rate units to make it financially possible to create affordable rental or ownership units. Project must be located in strong market area to be able to utilize this subsidy.)

A. Mixed-income rental or ownership housing (sometimes resulting from Inclusionary Zoning requirements) where revenue from Market-rate units offsets the costs of providing Affordable units.

NOTE: IN ADDITION TO THE FUNDING SUBSIDY VEHICLES LISTED ABOVE, INFORMATION ON REPRESENTATIVE FUNDING PROGRAMS ADMINISTERED BY THE MASSACHUSETTS DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (DHCD) IS PROVIDED AT THE END OF THIS HANDOUT.

CRITICAL QUESTIONS TO ASK
WHEN EVALUATING EACH POTENTIAL SUBSIDY VEHICLE

1. Is funding available? How much funding is available? How many awards are likely to be made? What is the minimum/maximum award amount? When is the next funding application round? Will “pre-qualification” be required to submit a funding application?

2. Is your proposed type of sponsor and or project type eligible for this type of funding? What are the sponsor/project type eligibility guidelines? Are there any specific Development Program requirements (e.g., unit mix, unit sizes, or income tiers)?

3. When will funding award decisions be announced? How does this schedule mesh with your project development timetable?

4. What are the submission requirements for this particular subsidy? Is there time to prepare an acceptable application? What will it cost to prepare an application? What members of the development team do you need in order to prepare a competitive application?

5. Are the funding criteria and scoring system clearly defined? How is your proposed project likely to rank? Can certain project modifications be made to enhance the likelihood of receiving this subsidy, without defeating your primary program/targeted population objectives?

6. Will the use of the funding program trigger any requirements that otherwise would not exist (E.g. Davis-Bacon prevailing wage requirements or Secretary of the Interior historic rehabilitation design requirements)?

7. Who is your primary competition? Are there any rumors that a certain project or sponsor is likely to get an award that will account for most of the available funds?

8. How can you create a competitive advantage for your project?

9. What are the politics of receiving this funding? How can the political attractiveness of and support for the proposed project be enhanced?

10. Are there any conflicts that might be created if this subsidy is combined with other subsidies that you are considering or have already secured? Are there any negative financial or programmatic effects that need to be taken into consideration to evaluate the net value of the subsidy?

11. How will this particular subsidy affect the long term operation of your project?

10. How much of the defined funding gap will this particular subsidy plug?

11. Is there a benefit to “getting in line” to establish your position for the next funding round?

FUNDING PROGRAM INFORMATION AVAILABLE AT THE MASSACHUSETTS DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (DHCD) WEBSITE

Affordable Rental Development

Housing Development programs provide funding opportunities to for-profit and non-profit developers. The programs offered encourage the development of affordable rental projects that serve both families and individuals with annual incomes at or below 80% of area median income.

- Affordable Housing Trust Fund (AHTF)

- Capital Improvement and Preservation Fund (CIPF)

Capital Improvement and Preservation Fund (CIPF) is a state funded program that provides funds for the preservation of expiring use properties or for properties with expiring project-based rental assistance contracts.

- Commercial Area Transit Node Housing Program (CATNHP)

Commercial Area Transit Node Housing Program (CATNHP) is a state funded bond program available to municipalities, non-profit and for-profit sponsors to support rental housing production or rehabilitation.

- Community Based Housing (CBH)

The Community Based Housing (CBH) program provides funding for the development of integrated housing for people with disabilities, including elders, with priority for individuals who are in institutions or nursing facilities or at risk of institutionalization.

- Facilities Consolidation Fund (FCF)

Facilities Consolidation Fund (FCF) is a state funded program for non-profit developers to create and preserve affordable rental housing for clients of the Department of Mental Health and the Department of Mental Retardation.

- ## HOME Investment Partnerships Program (HOME)

The HOME Program is a federally funded program that provides funding to non-profit or for-profit developers for affordable rental housing production and rehabilitation.

- ## Housing Innovations Fund (HIF)

The Housing Innovations Fund (HIF) is a state funded program for non-profit developers to create and preserve affordable rental housing for special needs populations.

- ## Housing Stabilization Fund (HSF)

The Housing Stabilization Fund (HSF) is a state funded program for municipalities, non-profit, or for-profit developers to support affordable rental housing production and rehabilitation.

- ## Lead Abatement Program

The Massachusetts Lead Abatement Program is a federally funded program for municipalities and non-profit developers serving communities that have been determined to be at "high risk" for lead paint contamination.

- ## Low Income Housing Tax Credit (LIHTC)

The Low Income Housing Tax Credit Program (LIHTC) is a federally authorized program for non-profit and for-profit developers to promote the construction and rehabilitation of affordable rental housing. Often these units are within a larger mixed income development.

- ## Qualified Allocation Plan

Each year, the state allocating agency for the federal Low Income Housing Tax Credit (LIHTC) program is required to publish a plan describing how it intends to award the credit. DHCD, as the allocating agency, is responsible for preparing the annual allocation plan and making it available for review by interested members of the public before final publication.

I. DEVELOPERS' GENERAL OBJECTIVES

A. Balance Risk and Reward (High Risk/High Return) (Low Risk/Low Return)

B. Select Potential Projects Strategically

C. Reduce Development and Entitlement Uncertainty to an Acceptable Level

D. Define Potential Risks Accurately and Develop a Reasonable Risk Mitigation Strategy

E. Limit Pre-development ("At-Risk") Expenses

F. Participate in a Reasonable and Timely Entitlement Process

G. Avoid Litigation Delays and Expenses

H. Create a Financially Sustainable Development with Long Term Value (Rental Projects)

II. STANDARD REAL ESTATE INDUSTRY MEASURES OF RETURN

A. <u>Rental Projects</u>

Measure of Return	***Explanation***
Return on Total Cost (ROTC) a/k/a Capitalization Rate (Cap Rate)	<u>Net Operating Income divided by Total Development Cost</u> This calculation assumes an Unleveraged project (i.e., assumes project has no Debt financing and therefore has 100% Equity financing).
Cash-on-Cash Return	<u>Before Tax Cash Flow divided by Equity Investment</u> This calculation assumes a Leveraged project (i.e., assumes project includes both Debt and Equity financing). Before Tax Cash Flow (BTCF) is calculated by deducting all Operating Expense, Replacement Reserve, and Debt Service payments from Total Revenue collected. This calculation can also be done on an After Tax basis (ATCF) – taking into consideration income tax effects on the project.
Internal Rate of Return (IRR)	IRR is the average return over the life of the investment, taking into consideration the time value of money and all negative cash flows (Equity investments throughout the life of the project) and positive cash flows (BTCF throughout the life of the project and Net Cash from Sale when the project is sold). IRR is a Discounted Cash Flow (DCF) Measure of Return calculated by using a trial and error process to find the Discount Rate that when applied to all negative and positive cash flows results in a Net Present Value of $0. That Discount Rate is the average return over the life of the investment taking into consideration the time value of money. IRR calculations can be done on either an Unleveraged or Leveraged basis. IRR calculations can also be done on either a Before Tax or After Tax basis.

B. For Sale Projects

Measure of Return	*Explanation*
Development Fee (or Developer's Profit)	Total Sales Revenue less Total Development Cost Sometimes expressed as a percentage of Total Development Cost
Internal Rate of Return (IRR)	This Discounted Cash Flow Measure of Return is often used on large, multiple phase, For Sale projects that have a multi-year completion schedule. (See above for expanded explanation of IRR)

III. OTHER POTENTIAL FINANCIAL REWARD OPPORTUNITIES FOR DEVELOPERS

Financial Reward	*Project Type*
Land Write-up	Rental and For Sale projects
Builder's Profit (if Developer or Related Entity is also the General Contractor)	Rental and For Sale projects
Marketing Fees (if Developer or Related Entity participates in Marketing)	Primarily For Sale projects
Property Management Fees (if Developer or Related Entity is also the Property Manager)	Primarily Rental projects
Asset Management Fees (if Developer or Related Entity provides Asset Management Services)	Rental projects

Housing Finance 201

Ed's writing from board

Community Objectives

1. Consistency with HPP
2. SHI Credits- compliance, community support, mitigation funds
3. Asset to community
4. Pricing
5. Unit mix- rental and homeownership (50%- 60% MFI)
6. Tax Revenue- catalyst for additional development
7. Open Space
8. Diversify Housing Stock
9. Lowest Impact on Schools
10. CONTF
11. Competence and strength of developer
12. Connections to community
13. Leverage CPA funding
14. Sustainability/ Property Management

Developer Objectives

1. PROFIT- for both for-profit and nonprofit
2. Getting more quality housing
3. Predictability
4. Securing CPA dollars
5. Balance of Risk/ Rewards
6. Leverage OPM
7. Reduce land purchase price
8. Extend P&S agreement
9. Market Study/ Good absorption
10. Community support