

# Housing Innovation Marketplace

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# ***What Not To Do In Development***

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# ABOUT Excel Development Gro



EXCEL Development Group is a development, property, asset management and consulting firm with offices in:

- Lincoln and Grand Island, Nebraska
- Shawnee, Oklahoma

## **Affordable Housing Partner**

EXCEL Development Group creates partnerships with not-for-profit and for-profit housing organizations, community organizations and city, county and state agencies. We find innovative solutions to producing high-quality, affordable housing and help our partners tackle the most difficult challenges. EXCEL Development Group developments are located in Nebraska, Iowa, Kansas and Oklahoma.

## **Proven and Successful Developer**

EXCEL Development Group has completed over 1300 low-income units totaling over \$200 million in development – all on time and on budget. In addition to affordable housing, EXCEL Development Group has developed 1,004 successful market rate senior housing units totaling over \$100 million in development. This remarkable performance reflects the solid financing, construction management and marketing know-how that our expert staff brings to affordable housing development and management within the context of each community's housing needs and market conditions.

## **Sophisticated Financing Experts**

EXCEL Development Group has successfully combined a variety of public and private financing, including Tax-exempt Bonds, Community Development Block Grants, Low Income Housing Tax Credits, Federal Home Loan Bank Affordable Housing Grant and Loans, Tax Increment Financing, Nebraska Affordable Housing Trust Funds and HOME Funds.

## **Asset / Property Management**

EXCEL Development Group provides direct management services to 47 affordable housing projects. In addition, EXCEL also provides technical assistance and training concerning asset management and tax credit compliance to PHAs and other not-for-profit organizations.

# ABOUT Dana Point Development Co



DANA POINT DEVELOPMENT CORPORATION is a real estate development and investment company which acquires, invests and develops market rate and affordable housing communities.

Our mission is to, first and foremost, act with integrity in all of our dealings and interactions – both business and personal. We strive to create long-lasting relationships and successful business ventures by aligning ourselves with partners and associates aiming for similar goals and objectives.

Our focus is to serve our customers creating developments with quality in mind and resulting in ultimate satisfaction for the end user. At the same time, we will provide tangible and intangible value added benefits setting us apart from the competition.

Our business will grow and succeed through purposeful selection of new opportunities and through the diligent use and management of our resources. We endeavor to diversify and expand our business through other real estate ventures that are complimentary to our experience and goals.

Our stakeholders include our families, our employees and co-workers, our business partners, our customers and clients, the residents who live in our communities, and the various government and private agencies, investors and lenders with whom we partner. The goals of all stakeholders are important and relevant to our success and contribute to our overall vision.

# ABOUT Midwest Housing Equity Group



In 1992, Senator Ben Nelson, governor at the time, appointed a group of people to a Nebraska Affordable Housing Commission to lay the groundwork in creating a state equity fund. The objective was to raise equity capital to invest into affordable rental housing throughout Nebraska through use of the federal low income housing tax credit program as defined in Section 42 of the Internal Revenue Code. As a result, Midwest Housing Equity Group, Inc. (formerly known as the Equity Fund of Nebraska) was created as a non-profit tax credit syndicator. The first fund, Nebraska Affordable Housing Fund 1993, L.P., raised \$4.75 million in equity capital and invested in four developments.

Twenty-five years later, MHEG has become a leader in affordable housing with extensive skills and knowledge servicing the Midwest. MHEG has experience working with a wide variety of housing types and populations; multifamily, age restricted, and special needs properties located in urban, suburban, and rural communities. Developments have involved new construction, rehabilitation and historic preservation.

To date, MHEG has raised over \$1.7 Billion in equity and partnered in the development of over 500 projects, creating 16,000 affordable housing units with no foreclosures or loss of credits to our investors.

Our success is a direct result of our staff's dedication and expertise. MHEG provides technical assistance to developers, owners and managers on the development and management of tax credit properties; as well as asset management to monitor and mitigate risk of the properties for the 15 year compliance period.

MHEG is a non-profit 501(c)(3) tax credit syndicator headquartered in Omaha, Nebraska with three additional offices in Iowa, Kansas and Oklahoma offering a local presence for our developments and partners.

***Changing lives for a better tomorrow  
by promoting the development and  
sustainability of quality affordable  
housing.***

# QUOTE FROM AN SHA

“Please don’t tell me your community needs housing and end the sentence. Instead, have a plan, a site, an idea of the number of units, the population you want to house, approximate costs to build and an idea of the team you plan to use.”

MHEG staff will be happy to assist you in moving forward with a project!



# GETTING STARTED

Put together a strong and cohesive Development Team.



Site Selection is one of the most important decision.

- Is it in the 100 year flood plain?
- Is there evidence of wetlands on the land?
- Who pays for the infrastructure?
- Is there evidence of utilities to the site?
- Will NDED/HUD approve the site?



# OBVIOUS

Do Not Over Build.

Do Not Under Build.

- Predevelopment costs are expensive and it is more feasible to spread the costs over more units.



Don't Assume You Know The Market:

(too many variables can change the market in a day)

- 2008 Fannie & Freddie dropped out of providing equity
- 2016 election caused all investors to take a “pause”
- A large employer in the community decides to move to a different city
- Pricing changes with the returns expected from the investors





# OBVIOUS (continued)

Research policies and requirements which need to be met:

- NIFA
- NDED
- State Syndicator
- Federal Syndicator
- City codes
- Utility Companies: Does the water/sewer system support additional housing?
- Ne Dept. of Energy
- Neighborhood
- If Scattered sites: What is currently on this “free” land? Lead in soil, landfill, Native American archeological items, etc.?





# OBVIOUS (continued)

## Timing:

- Start construction
- Completion of each building
- Lease up of each unit in each building. Elderly are not excited about moving during winter months.

Making the 20/50 election is permanent. Consider 40/60 although all units could be targeted at less than 60%.

Your current portfolio should be free of 8823's, built and leased as promised. Projects should be cash flowing as presented in proforma.

Don't assume it will come together immediately. Average time frame is 12 – 18 months at a minimum.

The GP and Guarantors need strong financials

# APPLICATION

## READ THE ENTIRE APPLICATION, QAP, EXAMPLES, Etc. and FOLLOW INSTRUCTIONS TO THE LETTER!

- Signature, date, notary, label exhibits, include all exhibits, etc.
- Review and compare your expenses, especially if you are new to the state
  - Might have higher real estate taxes. Watch for assessment annually. React and protest if necessary.
  - Know the climate. (snow, wind, hail, tornado)
  - The larger units in bedroom size and square footage may score better, but they are also more costly when a unit turns.
  - Caution on paying all utilities. Consider metering separately so this could be monitored per household more efficiently or changed if necessary.
- Use the agency boost if available. It is better to have more eligible basis in case it is needed.



# EXPECTED CONSTRUCTION

## Costs run over or under expectations

- Construction costs could be up or down
- Sub-contractors may be busy or chasing deals
- Developer may undercut costs for scoring

## No assumptions

- Especially if building infrastructure. More costs could be required after the allocation and before permits are issued.
- Utility companies could require more for hook up to the main lines.
- Easements or grandfathered issues could arise.

## Soft funding requirements

- More holdback for a longer period of time. (need to budget higher construction loan and more interest)
- Need release of funds and it could take longer if an issue arises.



# SPECIAL NEEDS PROJECTS

Restrictions tied to Fair Housing, HUD or other soft funding sources.

What is required for a special sized unit such as SRO?

- Do you need a bathroom in the unit or can it be a shared bathroom (dorm style)
- Do you need a kitchen?
- Do you need a sink or refrigerator?

Can two or more non-related persons make up a household in a two-bedroom unit?

Market study needs to reflect facts regarding the special population, not simply a household will income qualify.

- Are the rents too high? Will they be subsidized? Will you need to build in a transition reserve?
- Should several of the fees be prepaid?
- Should a Master Lease be used?

# SERVICES & AMENITIES

## Services:

Caution on choosing a service. It will be tied to the LURA for a minimum of 30 years and possibly 45 years.

- Can your service provider be easily replaced?
- Will the owner pay for services and is there room in the cash flow?
- If provider leaves the area, what is the cost of a new provider and is there one near-by?
- Will the service be needed for the full compliance period?



## Amenities:

- Community Garden – you need a water source
- Tenant vs tenant issue (Those are my tomatoes!)
- Broken/frozen sprinkler system
- NIFA offers a raised garden bed for the patio



**Storage:** must be enclosed, specific size and secure space. (Garages and closets in bedrooms do not qualify)

# QUESTIONS or COMMENTS?



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