

Financing for Projects that Don't Pencil Out





Creative Financing

- Why Development Doesn't Work
- Tax Efficient Financing
- Community Enabled Development
- Alternative Lending Sources
- Subscription Based Housing



Why Development is not working

Project Cost: \$300/sf

Project Value: \$100/sf



Typical Annual Operating Budget

Revenue		\$/SF	50,000 SF
Housing	30%	18.00	\$ 270,000
Office	30%	14.00	\$ 210,000
Retail	30%	16.00	\$ 240,000
Common	10%	0.00	\$ 0
Total Revenue		14.40	\$ 720,000
Expenses			
Maintenance		1.62	\$ 81,000
Electric		0.84	\$ 42,000
Water		0.14	\$ 7,000
Heating Fuel		0.29	\$ 14,500
Office Expense		0.23	\$ 11,500
Manager		0.60	\$ 30,000
Insurance		0.38	\$ 19,000
Taxes		1.50	\$ 75,000
Total Expenses		5.60	\$ 280,000
EBITDA			440,000
Debt Service			\$ 342,889
Debt Coverage Ratio			1.28

1.27 Total Utilities

1.2 Typical Minimum



Typical Project Funding Gap

Project Cost	\$/SF	50,000 SF
Acquisition	50	\$ 2,500,000
Design	12	\$ 600,000
Other soft	12	\$ 600,000
Cost to Construct	220	\$ 11,000,000
Total Project Cost	294	\$14,700,000

12\$/sf with NMTC plus reserves

Building Value	
EBITDA	\$ 440,000
EBITDA @ 8.5% cap rate	\$ 5,176,471
Max Debt @ 80% value	\$ 4,141,176
Max Debt @ DCR	\$ 5,000,000
Gap: Debt vs. Cost	\$ 9,700,000

4.7%, 25 years

34% of project cost

Is there an ROI?



Tax Efficient Financing

Sources of Funding Gap	
Equity	\$ 500,000
Mezzanine debt to 90%	\$ 517,647
State Downtown Credits	\$ 500,000
Federal Historic Credits	\$ 1,900,000
New Markets Tax Credits	\$ 2,595,000
Total Sources of GAP	\$ 6,012,647

Remaining GAP : **\$3,700,000**

Grants

CDBG

EPA Brownsfield

Efficiency Grants



Community Enabled Development

- Community Leaders as Developers
- Community Leaders as Bankable Tenants
- Community leaders for tenant recruitment
- Philanthropic Equity Investment

Case Study



Case Study





Alternative Lending

- Community Foundations
- Preferred Equity, Dedicated IRA
- USDA Facility for Non-profit fit-up
- EB5



Tenant Financed Housing

Authentic Place

- Not Age-restricted
- Diversity
- Vibrant Walkable Urban Place

Community & Activities

- Community Room
- Outdoor Decks
- Programmed Events
- Vibrant Walkable Urban Place



Tenant Financed Housing

Wellness

- On-site fitness tenant
- Vibrant Walkable Urban Place

Support for Aging in place

- On-site Concierge
 - Cleaning, home health, tech support, tenant fit-up
- Valet Parking
- Restaurant Meal Plan
- Vibrant Walkable Urban Place



Tenant Financed Housing

Initial Costs	Walkable Urban Apartment 1,117 sf 2-bed	Drivable Suburban Apartment 1,500 sf 2-bed	Drivable Condo: Ownership 1,464 sf 2-bed	Drivable, Rural Senior Housing 1,250 sf 2-bed
Community "Entrance" Fees	\$125,000 <i>Fully Refundable</i>	\$4,500 <i>Security Deposit</i>	\$54,000 <i>20% down + closing</i>	\$533,000 <i>50% Refundable</i>
Purchase Price			\$ 200,000	
Closing Costs (7%)			\$ 14,000	
Appreciation: 1%/yr, 10 yrs			\$ 20,000	
Resale Transactional Costs (10%)			\$ 22,000	
Mortgage payoff			\$123,328	
10 Year Return at Exit	\$125,000	\$4,500	\$74,672	\$266,500
10 Year Profit/Loss	\$0	\$0	\$20,672	-\$266,500
Monthly Costs				
Monthly rent/mortgage	\$1,800	\$2,250	\$ 707	\$7,156
Electricity/gas	\$ 100	\$ 150	\$ 300	~
Inter/cable/phone	\$ 100	\$ 100	\$ 100	~
Renter/Homeowner Insurance	\$ 20	\$ 20	\$ 58	~
Water/Sewer/Trash	~	~	\$ 33	~
Property Taxes (2.8376%)	~	~	\$ 473	~
Landscaping/Lawn Care/Snow Removal	~	~	~	~
Repairs/Maintenance	~	~	\$ 150	~
Association Fee	~	~	\$ 185	~
TOTAL	\$2,020	\$2,520	\$2,006	\$7,156



Bob Stevens, P.E.,
CNU, LEED AP
Principal



Craig Miskovich, ESQ.
Principal

M&S Development

Empowering Community Revitalization

802-246-2100

**95 Main Street ♦ PO Box 1586
Brattleboro, VT 05302**

www.bit.ly/msdevelopmentllc