NewLife Homes

Housing and Empowering Vulnerable Communities

MFA Development 101 Training

August 15, 2013

INTRODUCTION

- First tax credit project was funded in 2009
  - Our journey
  - Our challenges
  - How we resolved them
- I attended one of these 101 trainings and…

Personally, I left somewhat befuddled with the jargon and complexity

so I'll try and make this as simple as I can.

Are there specific skills needed to do this?

- Most skills can be acquired
- But this type of endeavor lends itself to people comfortable with:
  - Uncertainty/ambiguity/risk
  - Rejection! Rejection! Rejection! (drop kick/stomp)
  - Multidisciplinary Networking/multitasking
  - Problem solving/conflict resolution
  - Team building, COLLABORATION and "NEGOTIATION"
  - Navigating "grey" areas and appreciation of complexity

What is the best way to learn this business?

- Formal training and consultants have their place
- My opinion: the "BEST" training is "On-the-job"
  - trial and error,
  - learning by doing,
  - learning from mistakes, and
  - continuing to improve your game.
- My door is open to share what I know with any nascent developer.

Affordable housing like many sectors is competitive,

…but it is also

- Complementary and collaborative
- We are all better served when our colleagues do great projects that garner community support,
- and dispel myths surrounding affordable housing, and advance the industry.
- We want more players—Why?
  - Addresses "growing" housing problem in our communities
  - Competition improves…

The Quality of Projects for OUR end-users—Residents and Communities

NewLife Homes

Housing and Empowering Vulnerable Communities

Small supportive housing agency

- 4 HUD 811's,
- 2 City HOME
- 5 LIHTC (2 partnered)

Resident driven

Negligible perm debt

Limited guaranty capacity and relatively new to tax credits

What is the Appeal of New Mexico?

- Accessible decision makers
- Receptive and welcoming to Outsiders
- Poor state / Consensus on development needs

Barriers to Entry :

- Non-profit partnership
- Points for using local contractors
- Federal/state/local funding sources contracting
- State economy dependent on federal resources
- Understanding local politics and histories

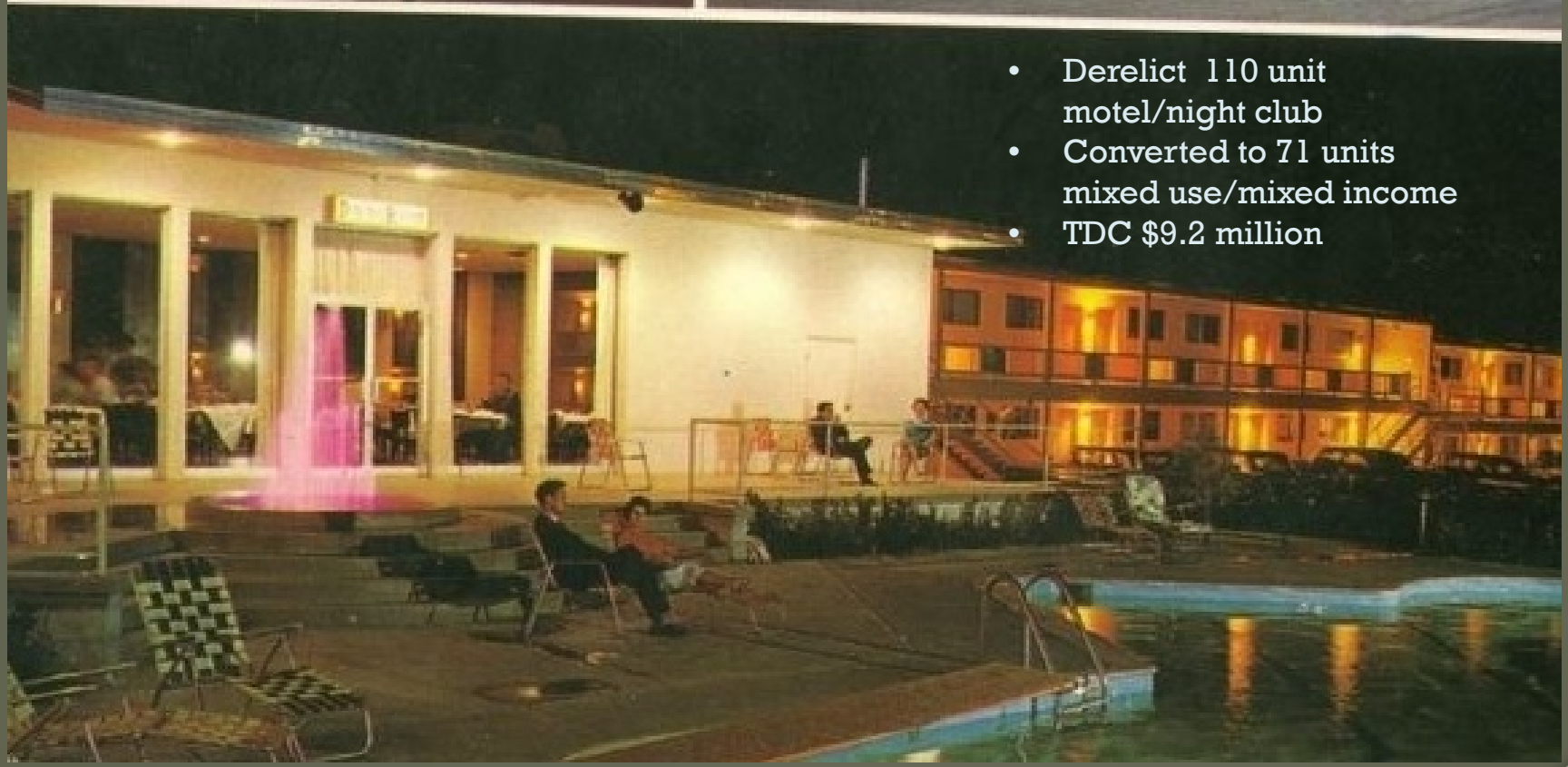
NEWLIFE HOMES 4

- LEED Platinum
- 48 units new construction
- TDC $7.8 million

- Derelict 28 unit motel on the historic register
- Converted to 14 units rehab 16 units new construction
- TDC $4.8 million

LUNA-LODGE
Completed December 4, 2012

IV



- Derelict 110 unit motel/night club
- Converted to 71 units mixed use/mixed income
- TDC $9.2 million

Projected completion September 2013
SUNDOWNER

814 CENTRAL SW
ALBUQUERQUE
NEW MEXICO
87102
505/766-6968
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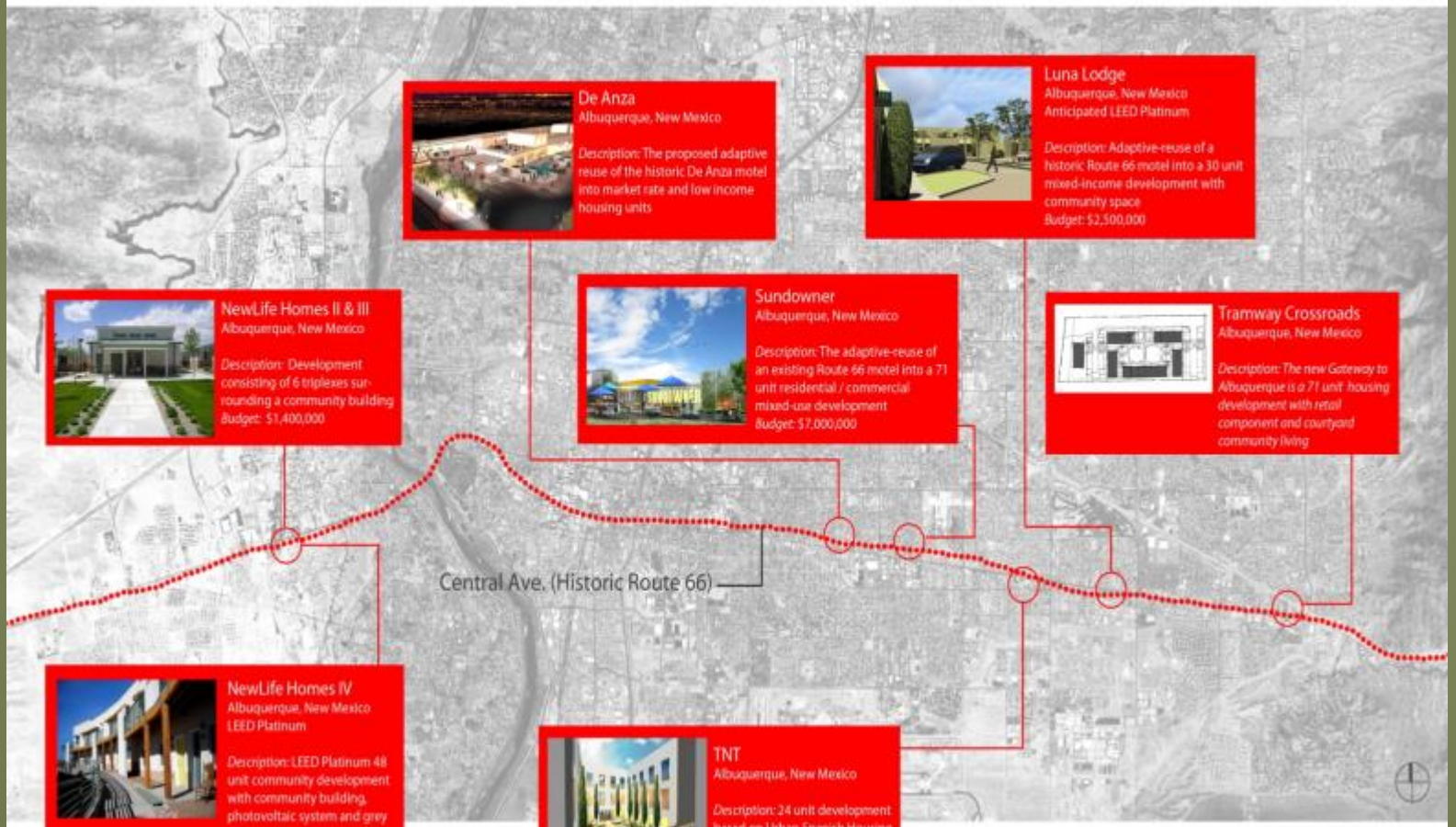
NEW LIFE HOMES + GARRETT SMITH LTD

HISTORIC ROUTE 66
FUTURE + CURRENT PROJECTS



De Anza
Albuquerque, New Mexico

Description: The proposed adaptive reuse of the historic De Anza motel into market rate and low income housing units

Luna Lodge
Albuquerque, New Mexico
Anticipated LEED Platinum

Description: Adaptive-reuse of a historic Route 66 motel into a 30 unit mixed-income development with community space
Budget: $2,500,000

NewLife Homes II & III
Albuquerque, New Mexico

Description: Development consisting of 6 triplexes surrounding a community building
Budget: $1,400,000

Sundowner
Albuquerque, New Mexico

Description: The adaptive-reuse of an existing Route 66 motel into a 71 unit residential / commercial mixed-use development
Budget: $7,000,000

Tramway Crossroads
Albuquerque, New Mexico

Description: The new Gateway to Albuquerque is a 71 unit housing development with retail component and courtyard community living

NewLife Homes IV
Albuquerque, New Mexico
LEED Platinum

Description: LEED Platinum 48 unit community development with community building, photovoltaic system and grey water system.
Budget: $7,800,000

TNT
Albuquerque, New Mexico

Description: 24 unit development based on Urban Spanish Housing and courtyard living

How did we Fund these projects? How did we Contain Costs?

- Equity: historic tax credits, low-income tax credits, NM sustainable tax credits
- Grants: City Workforce HTF, state Primero, LTTF, NMED, FHLB, HUD, foundations
- Sweat Equity: at risk "skin in the game"
  - Donated Land
  - Pro-bono Work
- Exemptions: APS, Impact fees, UEC fees, GRT, Real estate taxes, revenue credits

QAP: ARE OUR AGENCY GOALS IN SYNC WITH STATE ALLOCATOR?

For the most part "YES"

- Acquisition gut rehab of historic and historic eligible properties
- Located in MRA's close to public transit, employment, medical services (parking waivers obtained)
- Serve very low income 30 & 50% ami plus market. Special needs, homeless workforce families
- Extensive community amenities, support services, and commercial component
- Energy efficient, LEED Platinum
- No debt Luna, negligible Sundowner.

NOT ALL WARM AND FUZZY WITH STATE ALLOCATOR AND WE MAY HAVE THE RECORD FOR APPEALS

WHAT CHANGES WOULD WE LIKE TO SEE THAT SUPPORT OUR STRATEGIC GOALS?

- More points for Community Revitalization and Fiscal Impact
- Cost Containment through Public good. By serving homeless $1 invested translate to $10 saving
- Affordable Housing in Upscale neighborhoods
- Demonstration and Replication Potential

Specific Challenge?
NEIGHBORHOODS

- Typical NIMBY-ism
- When special needs, mentally ill and homeless enters the housing equation—dormant neighborhoods "mobilize"
- Even, sellers are challenges
- EXAMPLE: NLH4

How resolved?
NEIGHBORHOODS

- From the beginning—involve the neighborhood at all phases of the project "Life Cycle"
  - Rest "fear of the unknown" – attend neighborhood meetings
- Do quality developments that improve adjacent property values
- "Set the Precedent"—Leave your community better off than before you arrived—hitchhiking
- Long term benefit to community:
  - Use of community rooms
  - Community gardens

Specific Challenge?
FUNDING

- Timing of different funding streams—
  conditions and requirements between funders

- Only 25% of Submissions are successful
  - Three attempts for NLH4: two appeals
  - Three attempts for Sundowner: also two appeals
  - Other applications: TNT, CVN, Jerusalema, Cedar Creek: two appeals with one successful

- Learn from "HU"

JERUSALEMA
Case Study

- Highest scoring application for its cycle of tax credit applications
  - Rejected (drop kick) and
  - On appeal (stomped).
- Acquisition/rehab of an existing gang ridden property Named after a great movie "Jerusalema" filmed in Johannesburg and
- Movie History—Showed the real world of developers, property owners and managers where criminal elements took over properties
  - "En masse"
  - Where the legal system failed
  - PIE. Observatory example.
- If you find doing development gets you down, watch that film (available from Netflix) YOU will appreciate the system of checks and balances we take for granted in the US

How resolved?
FUNDERS

- PERSISTENCE
- PERSISTENCE
- PERSISTENCE

After each submission—
"WE" improved our game

Specific Challenge?
INVESTORS

- NOW you have "Neighbor hood Commitment and Funding in Place" -- No one wants to buy the tax credits
- Finding an investor for an atypical small-staffed organization with no guaranty capacity, and little infrastructure
- Left at the altar a couple of times

How resolved?
INVESTORS

- Minimize risk to investor
  - Build up "soft" sources to minimize debt
  - Backload investor payouts
  - Introduce operating deficit guarantee for investor comfort
- Partner with Established Developer
- Use resources with "Skin in the Game"

Specific Challenge?
POLITICS

- Sensitivity to local politics/politicians
- Don't assume everyone knows and loves what you are doing

Example:
NewLife Homes was awarded a project through a formal RFP public process – then it was GONE!!!

How resolved?
POLITICS

- Know your political environment
  - Legislation
  - Current events
- Network more
- Keep your political partners informed

Specific Challenge?
CONTRACTORS

Our general contractor on one project went through three supers and three project managers.

How Resolved?

Managed delicately with firmness and self-performed some GC work

Specific Challenge?

MULTI-FACETED Projects

LEED, historic, remediation present challenges. Historic at odds with LEED , historic at odds with remediation protocol, historic at odds with itself; local, state, federal differing interpretations, and evolving requirements

How Resolved?

Team approach to conflict resolution-willingness to compromise

NewLife Homes Board Vice President, Lorette and the Asbestos Dancers
Doing her part for asbestos abatement!!

Specific Challenge?

LEGAL

Neighbor appealed re-zoning of Luna Lodge all the way to NM Court of Appeals, delayed project 16 months.

How Resolved?

Creatively resolved through working with City legal and City planning to re-zone the entire corridor which left the lawsuit moot

FOR MORE INFORMATION:
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