Gratitude to the original stewards of this land, the Ohlone people.
An urban, indigenous women-led land trust that seeks to:

- “Facilitate the return of indigenous land to indigenous people through practices of rematriation, cultural revitalization, and land restoration”
- “Heal and transform the legacies of colonization, genocide, and patriarchy and to do the work our ancestors and future generations are calling us to do”

Learn about reparations and how you could support Sogorea Te by contributing to a voluntary land tax: [https://sogoreate-landtrust.org/shuumi-land-tax](https://sogoreate-landtrust.org/shuumi-land-tax)
Part 1: Overview of Acquisition-Rehab and Financing Affordability

• What is Acquisition-Rehab?
• Capacities and Stakeholders
• Overview of the Development Process
Part 2: Acquisition-Rehab Finance Basics

What is “Acquisition-Rehab”? 

- Rehabilitation of housing that is currently occupied by low to moderate-income residents, especially those facing displacement pressures.

- Typically involves light to intensive remediation to address deferred maintenance and make sure the property is safe and healthy for residents.

- Transition to new ownership and management model.
The Acquisition-Rehab
Process 5
“The 12 Capacities”
Marketing/ leasing up
Property Management; Tenant Certs
Asset Management
Refinancing plan

Compliance with regulatory and financing requirements
Stakeholder Networks

The Acquisition-Rehab Process
Identify high-priority properties.

Begin resident engagement, if possible.

Conduct basic feasibility analysis with available information.

Evaluate building conditions, development scope, and management needs.

Identify available funding sources and conduct deeper feasibility and pro forma analysis.

Engage owner, begin negotiation.

Deepen community outreach and education.

Negotiate and finalize purchase agreement.

Close acquisition financing with various sources.

Perform pre-construction tasks, including inspections, construction plans, securing building permits, etc.

Develop and execute construction plan.

Communicate and coordinate rehab work with residents.

Oversee construction management.

Work with residents to find best structure for ongoing resident involvement and potentially ownership.

Property management, including ongoing leasing, resident onboarding, and maintenance.

Engage service providers.

Perform asset management.
Keep in Mind: Affordable Housing Development is an iterative
properties

• Begin resident engagement, if possible.

• Conduct basic feasibility analysis with available information.
• Evaluate building conditions, development scope, and management needs.

• Identify available funding sources and conduct deeper feasibility and pro forma
analysis.

Engage owner, begin negotiation

- Deepen community outreach and education
- **Negotiate** and finalize purchase agreement

- **Close** acquisition
- Financing with various sources.
- Perform pre-construction tasks,
including inspections, construction plans, securing building permits, etc.

- Develop and execute construction plan
- Communicate and coordinate rehab work with
residents

- Oversee construction management

- Work with residents to find...
best structure for ongoing resident involvement and potentially ownership.

• Property management, including ongoing leasing, resident onboarding, and maintenance.

• Engage service providers.

• Perform asset management.
Challenges for Doing Acq-Rehab -

Resources don’t always match the need

- Construction is complex and costs can be unpredictable; older buildings can have hidden but serious rehab needs

- Competition and negotiations

- The transition can be hard for residents

- Limited existing capacity and interest
within affordable housing industry

10 Minute Stretch Break

Part 2: Understanding Development Cost Factors and
Financial Feasibility

● Unpacking development costs
● Unpacking operating costs
● Interplay between revenue and expenses - digging into the *pro forma*
● Sizing debt (doing the math)
● Filling the gap with public subsidy (soft debt)
How is development
paid for?

Hard Costs
Soft Costs
Operating Expenses

Operating Pro Forma (Sizing debt and understanding NOI)
Example 1: Market-Rate Housing
TAKEAWAY:
Market rents allow the project to leverage mortgage debt AND generate cash flow.
Example 2: Affordable Housing

Restricted to Lower Income Households (up to 80% AMI)
Restricted rents reduce mortgage loan and cash flow

Affordable

Rents Operating

Expenses
When an affordable-housing developer is ready to build, she has to finance the property with debt and equity. financed cost of funds (interest rate).

- **Hard Debt**: contributed by a lender with the expectation that it will be paid back on a specific schedule. Sizing depends on cash flow from rents.
- **Soft Debt**: public or philanthropic money with flexible expectations for re-payment. AKA Gap funding.

**Debt**
- Borrowed money with expectation of repayment at an
of returns

30

- Low Income Housing Tax Credit (LIHTC) equity:
  Cash investment with return achieved via tax credits and losses to offset the investor’s tax bill
Example Project 1: 10-Unit Building in Oakland

- $250,000/Unit Sale Price
- Downtown Oakland, near transit
- “Moderate rehab needs”
- Mix of Studios and 1-Bedroom Units
- Average AMI = 68%
- **What information do we need to know to move forward?**
Net Operating Income → Sizing a First Mortgage

Key Loan Factors

- Interest Rate
- Amortization Period (how long payments of principal and
interest are stretched out)
• Loan Term (length of loan)
• Additional Reserves Required
• Fees & Costs

**Filling the Gap: Public Subsidy (“soft debt”)**

• City, County, occasionally State Funds
• Structured as a loan, but positioned behind senior loan
• More flexible terms (e.g. lower interest, non-amortizing, interest-only, etc.)
• Typically capped by $/unit, as opposed to ability to pay back a loan
• Repayment through “residual receipts,” if at all
• Long-term regulatory agreement

Example Project 2: 6-Unit Building in Redwood City

• $448,000/Unit Sale Price
• Significant rehab needs, ~$65,000/Unit
• All 2-bedroom Units
• Average AMI = 60%

• What else would we want to know when making a funding decision here? What other factors should be taken into consideration beyond
cost?

WRAP UP