



CACLTN Conference

Real Estate & Financing 101

**October 14, 2022
3:00 – 3:45pm**

Agenda for Today

1) Purpose for Today

2) Popular Education on Real Estate – What do we know collectively?

3) How to Create Affordability


4) Common CLT Housing Prototypes

“Build Back the Block”
Activity

A large orange circle is positioned on the left side of the slide, partially cut off by the edge.

Purpose for Today

Present foundational
real estate development
concepts that can inform
future CLT members'
decision-making

A yellow dashed line is located in the bottom right corner of the slide, consisting of several short, curved segments.

What Is A Development?

Who Leads the Development Process?



Important Financial Concepts



COST VS VALUE



EQUITY



LOANS AND DEBT

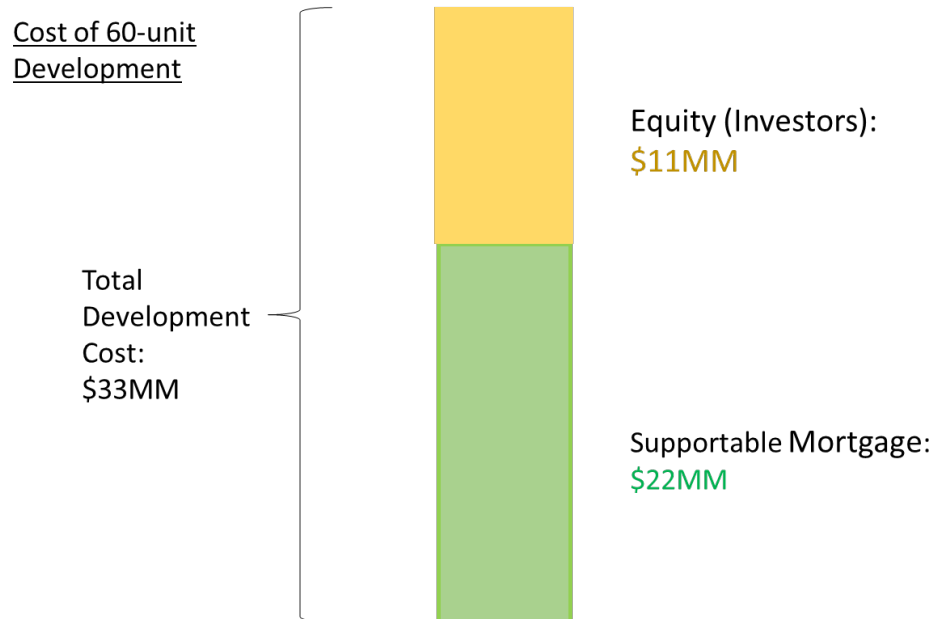


CAPITAL STACK
(FUNDING SOURCES)

How to Create Affordability

- What is a market-rate development?
- Why are market-rate developments built so freely?

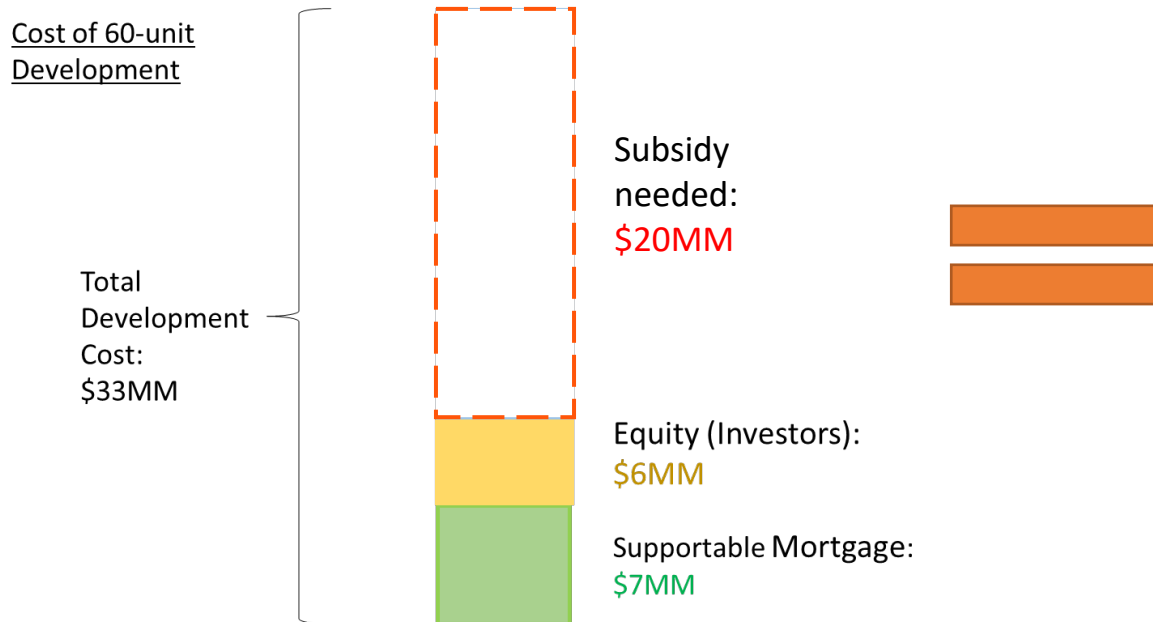
Market Rate Development Capital Stack



How to Create Affordability

- What is an affordable development?
- Why do these types of developments differ so much from market-rate?

Affordable Housing Development Capital Stack



How to Create Affordability

- A property's value is driven by the income collected
- “Affordable” properties restrict income collected, resulting in less value and requires subsidy

Market Rate Development	
Rental Income	+ \$55,000
Vacancy Rates	- \$3,000
Operating Expenses (Repairs, Insurance, Property Mgmt.)	- \$7,000
Real Estate Taxes	- \$25,000
Net Operating Income	+ \$20,000
Supportable Mortgage	+ \$290,000

Loan Terms: 6% interest rate, 30-year term

Affordable Housing Development	
Rental Income	+ \$20,000
Vacancy Rates	- \$3,000
Operating Expenses (Repairs, Insurance, Property Mgmt.)	- \$7,000
Real Estate Taxes	- \$5,000
Net Operating Income	+ \$5,000
Supportable Mortgage	+ \$65,000

Loan Terms: 6% interest rate, 30-year term

Common CLT Housing Prototypes



Common CLT Housing Prototypes

1

Acq/Rehab of Single Family Home (SFH):



+

New Construction of Accessory Dwelling Unit (ADU):



Households Served: 2

2

Acq/Rehab of 10-Unit "NOAH" Building:



Households Served: 10

3

Large Multi-family New Construction with Local Community Development Corporation (CDC):



Households Served: 47

Development Cost per Unit



A background image of a LEGO city scene with various colorful blocks and structures. Two prominent pink transparent skyscrapers are in the foreground. The text "Build Back the Block" is overlaid on the left side of the image.





“Build Back the Block” Activity

Objectives and Rules to “Build Back the Block”

















OBJECTIVE

1. Discuss and fit housing types and open space to build desired neighborhood based on lot lines.
2. Once the look and feel of the neighborhood is agreed upon, decide how everything will be paid for
3. If there isn't enough chips to pay for your ideal neighborhood block, rearrange/remove housing type pieces based on available financing

HOUSING TYPE COSTS

Housing Prototype	Game Board Piece Color	Total # of Financing Chips Req'd
Single Family Home (Acq/Rehab) + ADU (New Construction)		8
10-Unit NOAH Building (Acq/Rehab)		7
Large Multi-Family Building (New Construction)		8
Open Space		2

FINANCING RULES

Housing Prototype	Game Board Piece Color	Available Financing Options
Single Family Home + ADU		 Philanthropy/Fundraising  State Funding  Private Ban Loan (worth ½ chip)
10-Unit NOAH Building		 Philanthropy/Fundraising  State Funding  Private Ban Loan (worth ½ chip)
Large Multi-Family Building		 Philanthropy/Fundraising  State Funding  Local Funding  Private Ban Loan (worth ½ chip)
Open Space		 Philanthropy/Fundraising  Local Funding

Reflection

How did you and your team first prioritize each housing prototype on your block?

Did this change once the financing got involved?

How does this change anyone's perspective on what the CLT should or **can** do?


**Thank
you!**



Housing Prototype #1:

Acq-Rehab of Single Family Home + New Construction ADU


Acq/Rehab of SFH:



Acquisition Cost per Unit:	\$580,000
Rehab Cost per Unit:	\$85,000
Other Costs per Unit:	\$189,000
Total Cost per Unit:	\$854,000

+

New Construction of ADU:

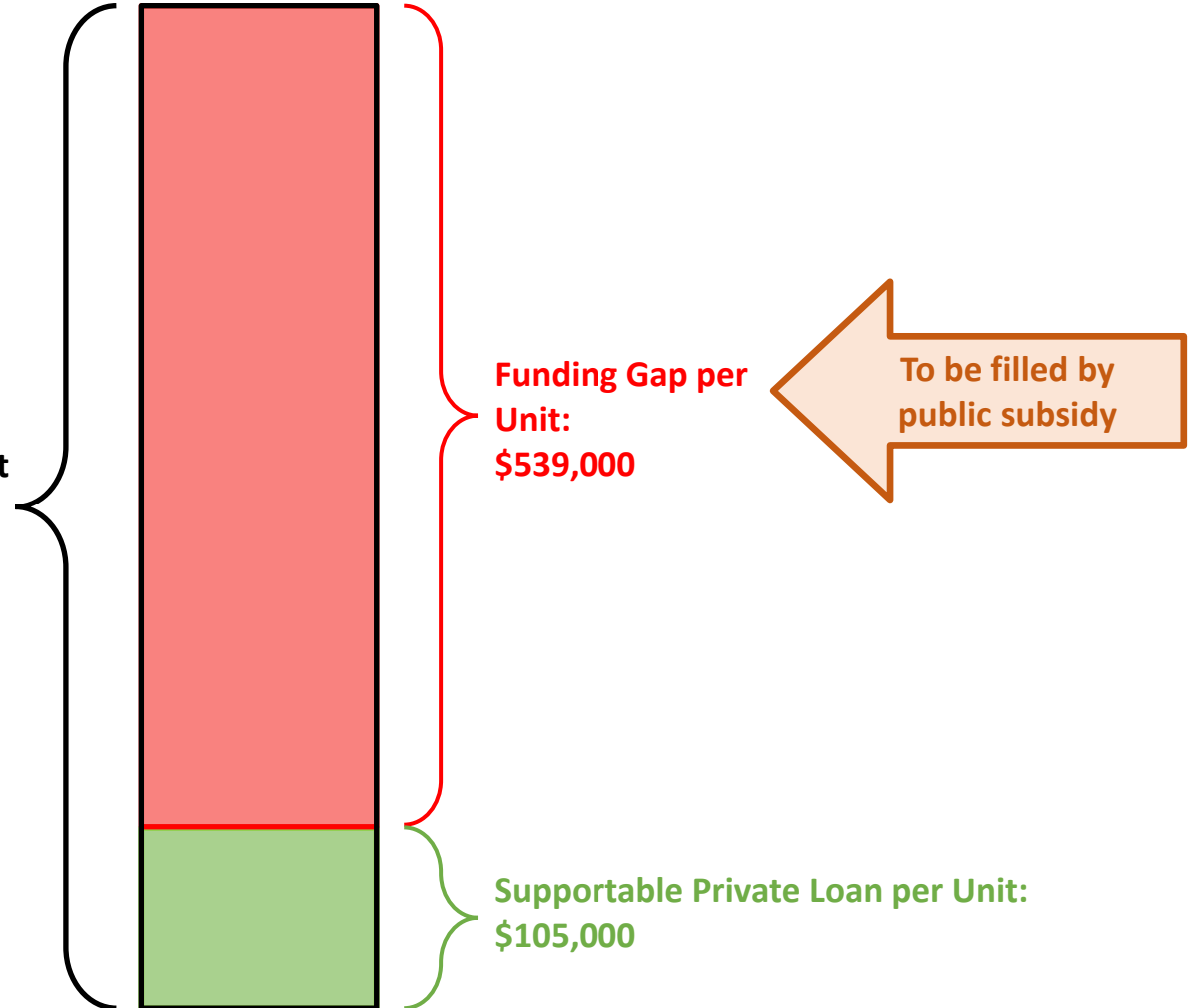


Construction Cost per Unit:	\$240,000
Other Costs per Unit:	\$194,000
Total Cost per Unit:	\$434,000

*Number of
Households
Served: 2*



**Avg. Total Cost
per Unit:
\$644,000**



*Assumes monthly housing costs are affordable to 4-person household w/ annual income of ~\$48k

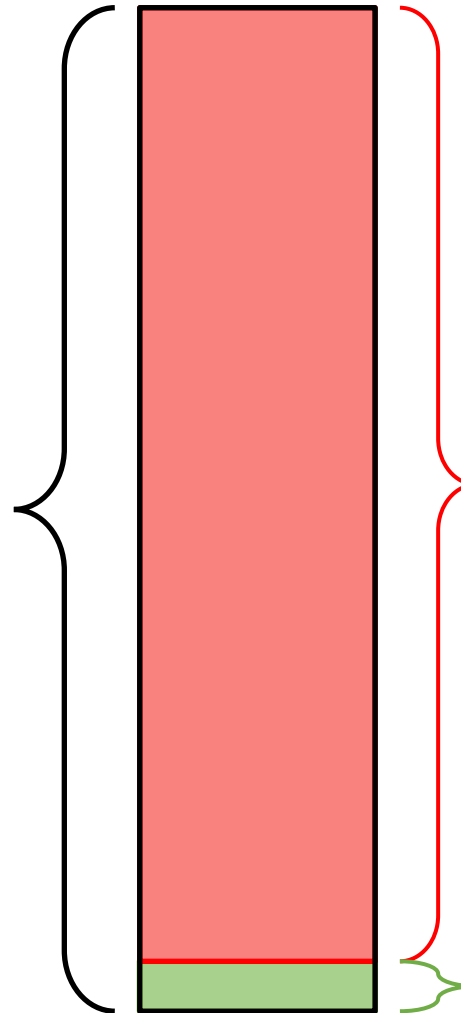
Housing Prototype #2: Acq-Rehab of Duplex

*Number of
Households
Served: 2*



Acquisition Cost per Unit:	\$348,000
Rehab Cost per Unit:	\$60,000
Other Costs per Unit:	\$195,000
Total Cost per Unit:	\$603,000

**Total Cost
per Unit:
\$603,000**



**Funding Gap per Unit:
\$567,000**

**Total Supportable Private Loan per Unit:
\$36,000**

**To be filled by
public subsidy**

*Assumes each unit is rented at affordable price to 4-person household w/ annual income of ~\$48k

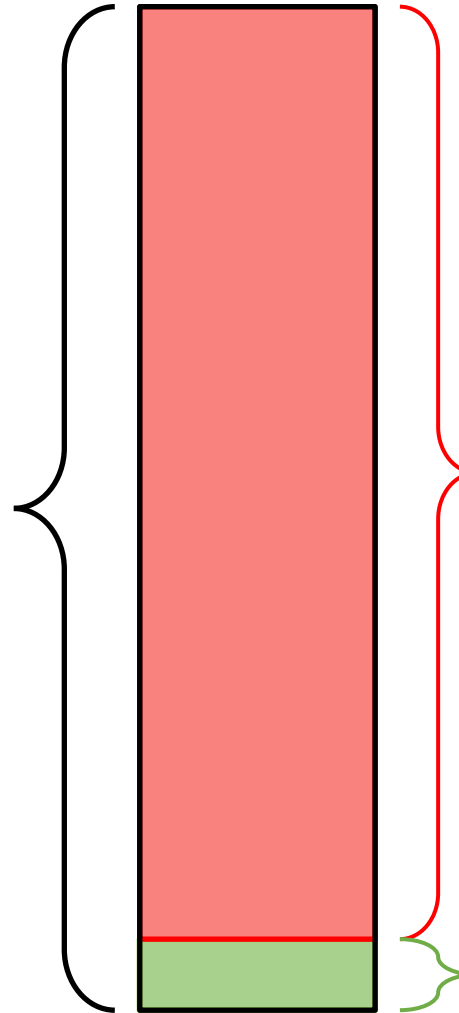
Housing Prototype #3: Acq-Rehab of Quad

*Number of
Households
Served: 4*



Acquisition Cost per Unit:	\$337,000
Rehab Cost per Unit:	\$60,000
Other Costs per Unit:	\$158,000
Total Cost per Unit:	\$555,000

**Total Cost
per Unit:
\$555,000**



**Funding Gap per Unit:
\$513,000**

**Total Supportable Private Loan per unit:
\$42,000**

**To be filled by
public subsidy**

*Assumes each unit is rented at affordable price to 4-person household w/ annual income of ~\$48k

Housing Prototype #4:

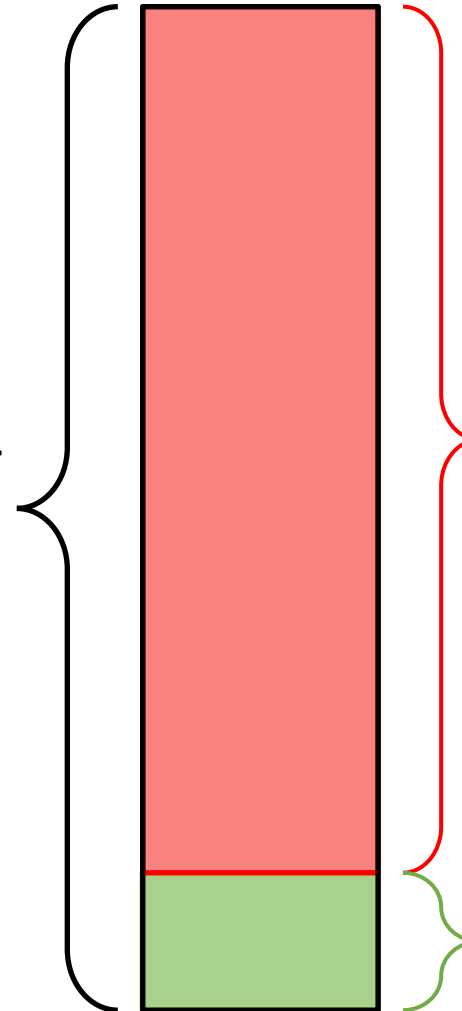
Acq-Rehab of 10-Unit "Naturally Occurring Affordable Housing" (NOAH) Building

*Number of
Households
Served: 10*



Acquisition Cost per Unit:	\$253,000
Rehab Cost per Unit:	\$60,000
Other Costs per Unit:	\$84,000
Total Cost per Unit:	\$397,000

**Total Cost per
Unit:
\$397,000**



**Funding Gap per Unit:
\$346,000**

**Supportable Private Loan per Unit:
\$51,000**

**To be filled by
public subsidy**

*Assumes each unit is rented at affordable price to 4-person household w/ annual income of ~\$48k

Housing Prototype #5:

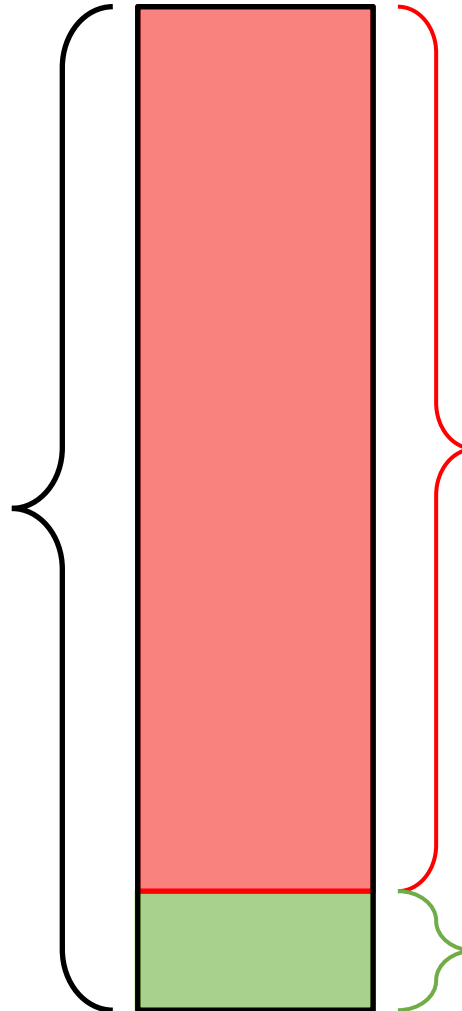
New Construction with Local Community Devt. Corporation

*Number of
Households
Served: 47*



Acquisition Cost per Unit:	\$61,000
Construction Cost per Unit:	\$412,000
Other Costs per Unit:	\$145,000
Total Cost per Unit:	\$618,000

**Total Cost per
Unit:
\$618,000**



**Funding Gap per Unit:
\$547,000**

**Supportable Private Loan per Unit:
\$71,000**

**To be filled by
public subsidy**

*Assumes each unit is rented at affordable price to households w/ annual income ranging from \$27k - \$65k

Housing Prototype #5:

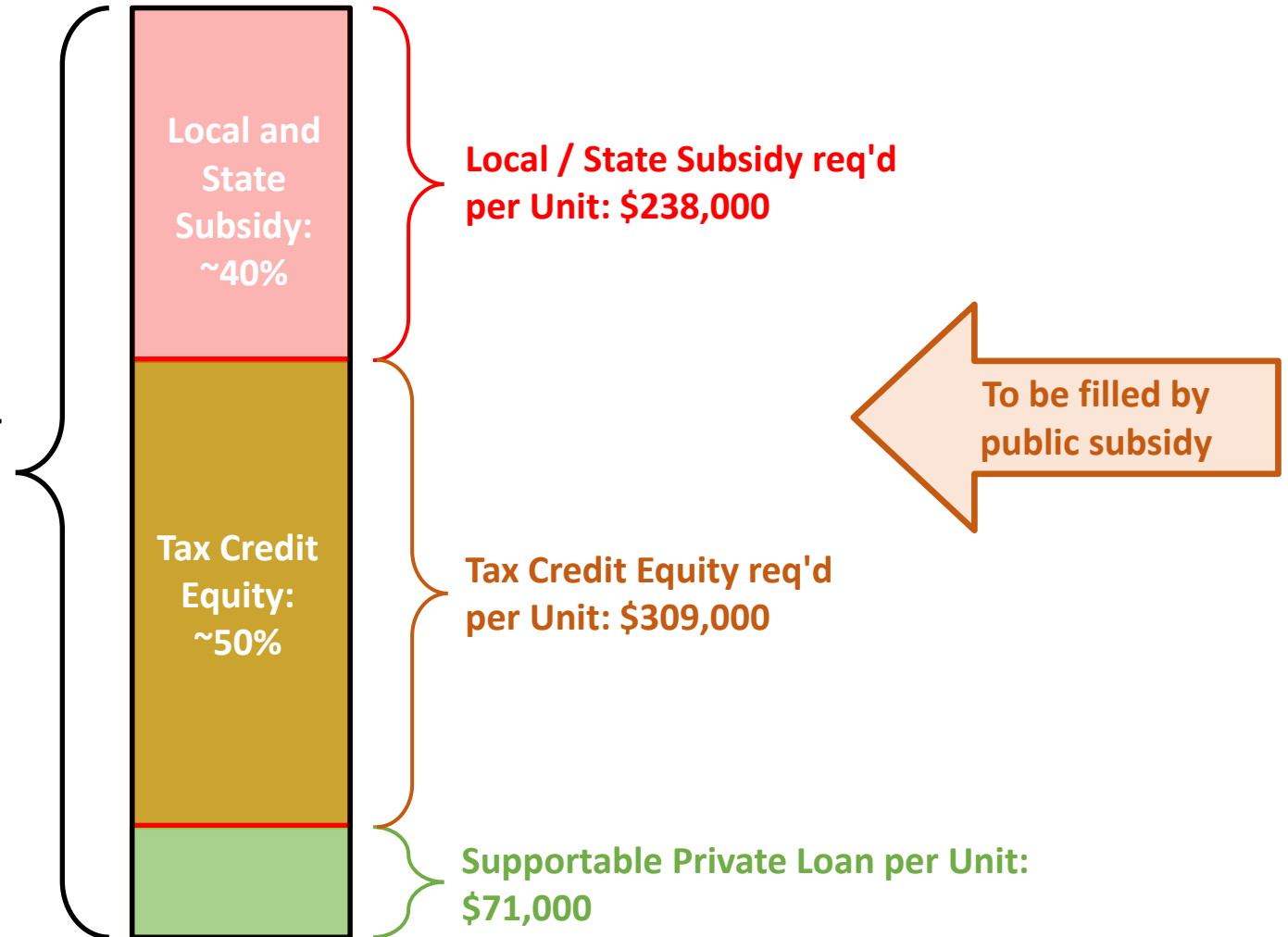
New Construction with Local Community Devt. Corporation

*Number of
Households
Served: 47*



Acquisition Cost per Unit:	\$61,000
Construction Cost per Unit:	\$412,000
Other Costs per Unit:	\$145,000
Total Cost per Unit:	\$618,000

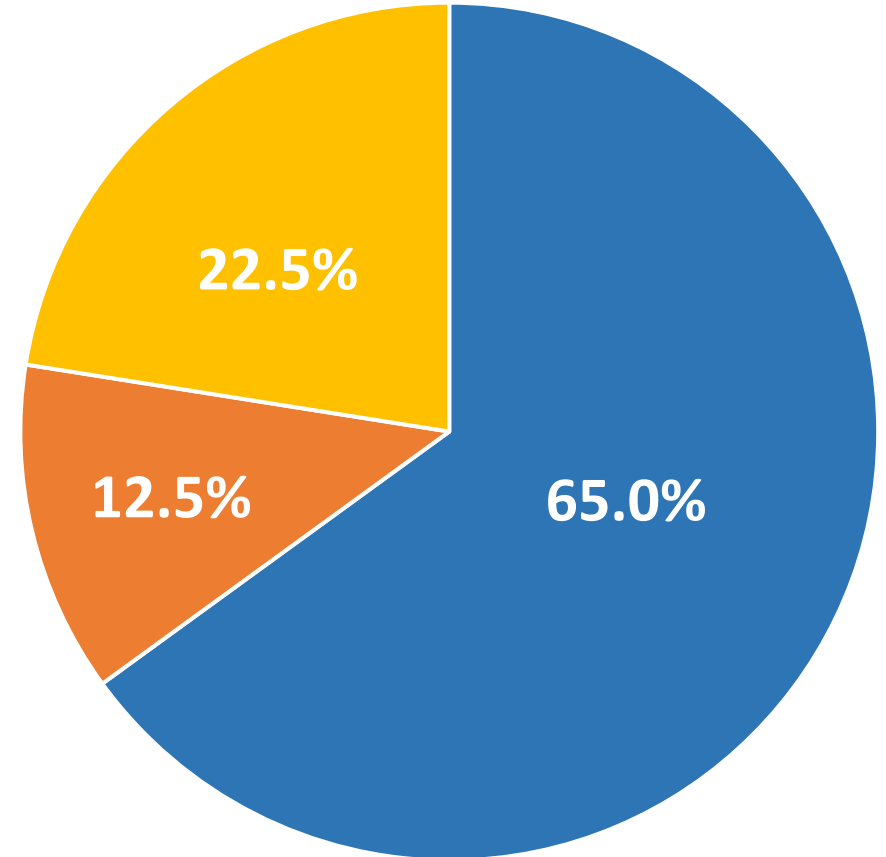
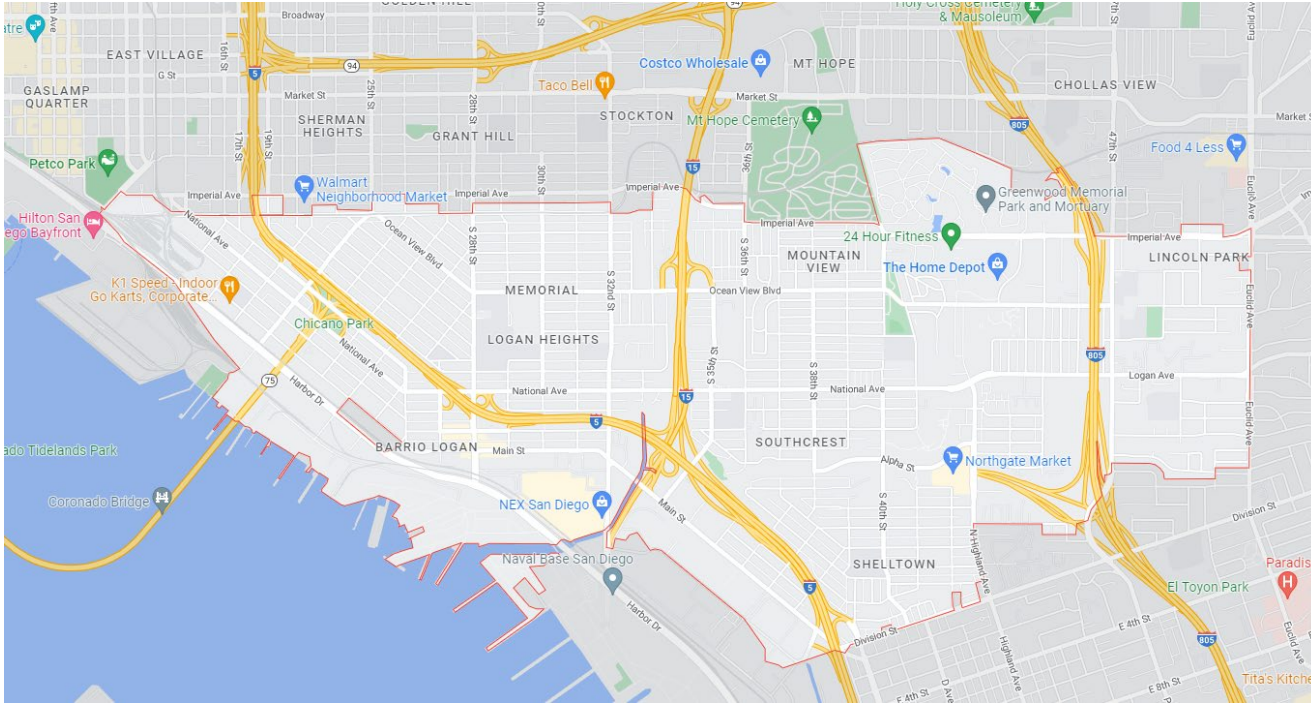
**Total Cost per
Unit:
\$618,000**



*Assumes each unit is rented at affordable price to households w/ annual income ranging from \$27k - \$65k

Existing Housing Stock – Zip Code: 92113

Total Units: 13,670



- Single Family Homes
- Multifamily Homes (10+ Units)
- Multifamily Homes (2-9 Units)