



THE DEVELOPMENT PROCESS

Presented By:
Tom Edmiston

Great Lakes Capital Fund

1-877-FOR-GLCF
www.capfund.net



DEVELOPMENT PROCESS

- 1. Organization/Strategic Planning
- 2. Market Determination
- 3. Financing Availability
 - a. Mortgage
 - b. Soft Second Mortgages/Grants
 - c. Equity
 - d. Construction Loan
 - e. Stimulus Money
- 4. Development Team
(See Attached)
- 5. Site Investigation/Acquisition
- 6. Approval Process - *Two Tracks*
 - a. Community Approvals
 - 1. Zoning
 - 2. Site Plan
 - 3. Tax Abatement
 - 4. Permits
 - b. Financing Approval
 - 1. Intake Application/ Pre-application
 - 2. Mortgage Feasibility/Application
 - 3. Commitment/Obligation
 - 4. Initial Closing
- 7. Construction Start
- 8. Project Marketing
- 9. Compliance Issues/ Reports

DEVELOPMENT TEAM

*Responsibilities of the
Members of the Development Team
for the Development of Affordable Rental Housing*

MARKET ANALYST

The market analyst should:

- Have experience with various financing programs
- Have experience doing market studies for low-income rental housing
- Have experience with identifying and evaluating the impact of economic trends on the market

The market analysis will:

- Determine the strength of the market
- Identify depth of housing demand
- Establish rents, number of units, bedroom mix, income targeting, amenities
- Assess competition
- Assess type of housing needs (i.e. senior, family, etc.)
- Determine absorption rates
- Provide information to assist in marketing plan

DEVELOPER

The developer should:

- Have experience in affordable housing development
- Have experience in the various financing programs

The developer will be expected to:

- Assist in site acquisition
- Complete finance application packaging and coordination
- Gather financial statements
- Coordinate the development team
- Obtain community approvals

TITLE COMPANY

The title company should have:

- Experience with closing and insuring LIHTC transactions
- Experience with state and national law firms

The title company will be responsible for:

- Producing title commitments and policies
- Familiarity with commercial line endorsements that are transaction specific
- Assisting counsel with solving any title issues
- Acting proactively on the title and closing requirements established by counsel for the lender(s) and syndicator
- Attending all closings
- Hand deliver all recordings
- MUST BE FLEXIBLE

ARCHITECT

The architect should have:

- Experience in affordable housing design based on financing programs

The architect will be responsible for:

- Site plans
- Building plans
- Coordinating with the General Contractor on design and costing specifications
- Construction inspections
- Preparation of bid documents (*where applicable*)

GREEN CONSULTANT

The green consultant will:

- Assist in interviews of development team members
- Coordinate Design Charrettes with development team members
- Inspect construction at end of Rough Framing and insulation
- Conduct final construction tests to verify building performance
- Assist in training tenants and maintenance personnel or future owners in high-performance features and their proper operation and maintenance

ATTORNEY

The attorney should have:

- Experience with housing development and financing programs

The attorney will be responsible for:

- Organization documents
- Assisting in local approvals
- Preparing and reviewing partnership documents
- Legal opinions
- Closing due diligence

GENERAL CONTRACTOR

The contractor should have:

- Experience in building affordable housing and financing programs

The contractor will be responsible for:

- Design assistance
- Financial strength
- Preparing bid documents with architect
- Warranty work

PROPERTY MANAGEMENT

The property manager should have:

- Experience with managing affordable housing and financing program requirements

The property manager will be responsible for:

- Preparing budgets
- Preparing marketing and management plans
- Meeting and monitoring compliance
- Ongoing maintenance
- Meeting the financial needs of the partnership

LENDER

The lender is responsible for:

- Mortgage financing
- Construction financing
- Underwriting feasibility
- Coordinating with the development team

ACCOUNTANT

The accountant should:

- Have extensive experience working with the tax credit projects
- Have a strong working knowledge of the tax credit code

The accountant will be expected to:

- Review the Tax Credit Application before it is submitted to ensure accuracy
- Certify cost for the 10% Carryover applications
- Upon construction completion submit a Cost Certification to MSHDA to obtain Form 8609
- Complete annual audits for the project operations
- Handle any tax issues with the project

ELECTED OFFICIALS

The elected officials are responsible for:

- Community support
- Lender relations

INVESTOR

The investor should have:

- A solid reputation for maintaining the long-term commitment necessary for this type of partnership
- Strong relationships with other development team members
- Experience in this type of investment
- Capital



The Development Process

Presented at the 2010 Michigan Conference on Affordable Housing

- 
- **Organization**
 - **Strategic Planning & Goal Setting**



Market Determination

Presented at the 2010 Michigan Conference on Affordable Housing



Financing Availability

- Mortgage
- Soft Second Mortgage/Grants
 - HOME & CDBG
 - Energy-Efficiency Grants
 - Stimulus Money
- Equity
- Construction Loan



Development Team

Presented at the 2010 Michigan Conference on Affordable Housing

Development Team...

Market Analyst

- Experienced in various financing programs
- Market study experience with low income rental housing
- Experienced in identifying and evaluating the impact of economic trends on the market

Development Team...

Market Analysis

- Determine the strength of the market
- Identifies depth of housing demand
- Establishes rents, number of units, bedroom mix, income targeting, amenities
- Assesses competition
- Determines types of housing needs
- Determines absorption rates
- Assists in marketing plan


Development Team...



Developer (experienced in affordable housing development and finance)

- Assists in site acquisition
- Completes finance application package and coordination
- Gathers financial statements
- Coordinates development teams
- Obtains community approvals

Development Team...



Title Company (experienced with LIHTC transactions and working with state and national law firms)

- Produces title commitments and policies
- Assists counsel in solving any title issues
- Acts proactively on the title and closing requirements established by counsel for both lender(s) and syndicators
- Attends all closings
- Hand delivers all recordings
- MUST BE FLEXIBLE

Development Team...



Architect (experienced in affordable housing design based on financing programs)

- Develops site plans
- Draws building plans
- Coordinates with General Contractor on design and cost
- Creates specifications
- Participates in preparation of bid documents

Development Team...



“Green Consultant” (Certified Energy Rater familiar with Integrated Design principles.)

- Meets with Developer, Architect and General Contractor to make suggestions on plans.
- Conducts a Planning Charrette to bring all parties to a pre-design meeting to discuss:
 - High-Performance Building Goals
 - Potential difficulties reaching those goals
 - Problem-solve by engaging all Development Team members.

Development Team...



Attorney (experienced with housing development and financing programs)

- Prepares organization documents
- Assists in local approvals
- Prepares and reviews partnership documents
- Prepares legal opinions
- Conducts closing due diligence

Development Team...



General Contractor (experienced in building affordable housing and finance programs)

- Offers design assistance
- Maintains financial strength
- Prepares bid documents with architect
- Does warranty work

Development Team...



Property Manager (experienced in managing affordable housing and financing programs)

- Prepares budget
- Prepares marketing and management plans
- Meets monitoring compliance
- Completes ongoing maintenance
- Meets financial needs of the partnership

Development Team...



Lender

- Provides mortgage financing
- Provides construction financing
- Underwriting feasibility
- Coordinates with the Development Team

Development Team...



Accountant (extensive experience with tax credit projects and strong working knowledge of tax credit code)

- Reviews tax credit application
- Certifies cost for the 10% carryover application
- Submits cost certification to MSHDA for Form 8609
- Conducts annual audits
- Handles tax issues with project

Development Team...



Elected Officials

- Generate community support
- Participate in lender relations

Development Team...

Investor

- Has a solid reputation for maintaining the long-term commitment necessary for this type of partnership
- Has strong relationships with other development team members
- Has experience in this type of investment
- Has capital

- 
- **Site Investigation**
 - **Acquisition**

Presented at the 2010 Michigan Conference on Affordable Housing



Approval Process on Two Tracks...

- **Community Approvals**
- **Financing Approval**



Community Approvals

- Zoning
- Site Plan
- Tax Abatement
- Permits

Presented at the 2010 Michigan Conference on Affordable Housing



Financing Approval

- Intake application / Pre-application
- Mortgage Feasibility and Application
- Commitment / Obligation
- Initial Closing



Construction Start

Presented at the 2010 Michigan Conference on Affordable Housing



Project Marketing

Presented at the 2010 Michigan Conference on Affordable Housing

- 
- **Compliance Issues**
 - **Reports**

Presented at the 2010 Michigan Conference on Affordable Housing



Successful Developments

- Quality Development Team
- Project Characteristics
- Evaluation of the Development Budget
- Rent / Market / Marketability
- Operating Costs
- Reserves
- Sponsor Guarantees