FINANCING EQUITABLE DEVELOPMENTS
STRATEGIES TO EMPOWER COMMUNITY ORGANIZATIONS

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FINANCING EQUITABLE DEVELOPMENTS
STRATEGIES TO EMPOWER COMMUNITY ORGANIZATIONS

FIERCE COMPETITION FOR RESOURCES

- STATES ARE COMPETING WITH EACH OTHER FOR FUNDING;
- LOCAL JURISDICTIONS ARE COMPETING WITH EACH OTHER AND WITH STATES;
- NON-PROFITS ARE COMPETING WITH CITIES FOR FUNDING;
- FOR-PROFITS COMPETING WITH NON-PROFITS;
- FOR-PROFITS COMPETING WITH INDIVIDUALS;
- INDIVIDUALS COMPETING TO SURVIVE;
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STRATEGIES TO EMPOWER COMMUNITY ORGANIZATIONS

FINANCIAL RESOURCES THAT ARE AVAILABLE INCLUDE:

- PREDEVELOPMENT LOANS (LOANS TO HELP FINANCE INITIAL PROJECT COST);
- MEZZANINE FINANCING (REVOLVING CONSTRUCTION LOANS)
- LOW INCOME HOUSING TAX CREDIT PROGRAM (THE PREMIERE EQUITY SOURCE FOR AFFORDABLE HOUSING)
- HOME FUNDS
- CDBG FUNDS
- NEW MARKET TAX CREDIT PROGRAM
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FINANCIAL RESOURCES THAT ARE AVAILABLE INCLUDE (CONTINUED):

- PERMANENT FINANCING FROM STATE HOUSING FINANCE AGENCIES;
- HOUSING AUTHORITIES
  - LAND, CAPITAL FUNDS, VOUCHERS AND ARE LOOKING AT OPPORTUNITIES FOR REPLACEMENT HOUSING;
- HUD PROGRAMS
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IN ORDER FOR COMMUNITY DEVELOPMENT CORPORATIONS TO CONTINUE WITH THEIR EFFORTS TO REVITALIZE COMMUNITIES WE MUST CONSIDER THE FOLLOWING STRATEGIES AND OPPORTUNITIES: (WE MUST ADD NEW THINGS TO OUR TOOLBOX)
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PRE-FORECLOSURE TAX CREDIT

- A FEDERAL TAX CREDIT PROVIDED TO BANKS TO COVER UP TO 50% OF A PERSONS UNPAID MORTGAGE PAYMENT (UP TO 12 MONTHS) FOR PERSONS WHO HAVE LOSSES THEIR JOBS.
- IF A PERSONS MONTHLY MORTGAGE PAYMENT WAS $2,000 ($24,000 ANNUALLY) THEN THE BANK WOULD RECEIVE A $12,000 TAX CREDIT
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PRE-FORECLOSURE TAX CREDIT
(CONTINUED)

- THE HOMEBUYER WOULD BE RESPONSIBLE FOR PAYING THE DIFFERENCE ($12,000);
- WHICH WOULD REDUCE THEIR MORTGAGE PAYMENTS TO $1,000 A MONTH FOR UP TO ONE YEAR;
- THIS WILL ENABLE MORE FAMILIES TO STAY IN THEIR HOMES AND NOT BE FORECLOSED UPON;
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STRATEGIES TO EMPOWER COMMUNITY ORGANIZATIONS

COMMUNITY RETURNS ON INVESTMENT

- Community developers should seek to develop projects that produce residual income;
- CDC’s must seek opportunities to provide their communities with a return on their investment as well. By negotiating fair and equitable agreements not just for the lenders, developers or the cities but also for the people who are the community consumers of the housing and retail.
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STRATEGIES TO EMPOWER COMMUNITY ORGANIZATIONS

COMMUNITY RETURNS ON INVESTMENT

(CONTINUED)

- THEREFORE WE MUST STRIKE DEALS THAT PROVIDES FAIR EQUITABLE RETURNS FOR OUR COMMUNITIES WHERE RESIDUAL INCOME IS ESTABLISHED OR COMMUNITY SALES TAX IS ESTABLISHED THAT PROVIDES REVENUE STREAMS THAT SUPPORTS SOCIAL PROGRAMS THAT ARE IMPORTANT TO COMMUNITY SUSTAINABILITY.
COMMUNITIES MUST WORK WITH THEIR LOCAL JURISDICTIONS TO CREATE RESIDUAL INCOME ZONES THROUGHOUT THE CITY WHERE CITY-OWNED PROPERTY IS LEASED TO RETAIL ENTITIES (I.E. WAL-MART, CVS, WALGREENS, HOSPITAL) AND A PORTION OF THE INCOME THAT’S GENERATED FROM THE LEASE OR SALE OF THE PROPERTY IN THE ZONE IS CAPTURED AND USED TO SUPPORT COMMUNITY DEVELOPMENT ACTIVITIES.

THESE ZONES WOULD ALLOW FOR ECONOMIC DEVELOPMENT PROJECTS TO OCCUR WHILE PROVIDING A PORTION OF THE RETURNS BA
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- NON-PROFIT/FOR-PROFIT PARTNERSHIP STRATEGIES

- CDCS MUST WORK WITH LOCAL JURISDICTIONS TO CREATE INCENTIVES FOR PARTNERSHIP CREATION BETWEEN NON-PROFITS AND FOR-PROFIT DEVELOPERS;

- INCENTIVES THAT OFFER DONATED LAND, TAX INCENTIVES, STREAMLINE REZONING PROCESS, REDUCED OR NO IMPACT FEES AND A PARTNERSHIP MANAGEMENT UPFRONT FEE FOR THE EXPERIENCE DEVELOPER;
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PARTNERSHIPS WITH FOR-PROFIT DEVELOPERS

- SO WHAT IS IT THAT PRIVATE DEVELOPERS ARE LOOKING FOR THAT WOULD ENTICE THEM TO CONSIDER DEVELOPING A PROJECT IN YOUR COMMUNITY?
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PARTNERSHIPS WITH FOR-PROFIT DEVELOPERS

- PROJECTS THAT PROVIDE LITTLE RISK AND GOOD RETURNS;
- PROJECTS IN WHICH LAND IS FREE OR EXTREMELY INEXPENSIVE;
- PROJECTS WITH SUBSIDIES;
- PROJECTS THAT HAVE FUNDING FOR INFRASTRUCTURE (IF NEEDED);
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PARTNERSHIPS WITH FOR-PROFIT DEVELOPERS

(CONTINUED)

- PROJECTS THAT WILL REDUCE BUREAUCRACY (IE; STREAMLINING ZONING PROCESS, BUILDING PERMIT PROCESS, ETC);
- PROJECTS THAT HAVE THE ABILITY TO GET FAVORABLE FINANCING;
- PROJECTS THAT HAVE HIGH DENSITY;
- PROJECTS THAT PROVIDE HIGH RETURNS, DEVELOPER FEES AND CASHFLOW;
- PROJECTS THAT MAY REQUIRE LITTLE CAPITAL CONTRIBUTIONS;
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PARTNERSHIPS WITH FOR-PROFIT DEVELOPERS (CONTINUED)

- IN RETURN FOR-PROFIT DEVELOPERS CAN PROVIDE:
  - UPFRONT CAPITAL TO COVER PREDEVELOPMENT COST;
  - SECURE CONSTRUCTION AND PERMANENT FINANCING;
  - ALL OF THE REQUIRED GUARANTEES (CONSTRUCTION COMPLETION, OPERATING DEFICITS, LEASE-UP, TAX CREDIT COMPLIANCE);
  - PROJECT EQUITY (IF NEEDED);
  - TAKE MAJORITY OF RISK;
  - STRUCTURE TRANSACTION;
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STRATEGIES TO EMPOWER COMMUNITY ORGANIZATIONS

PARTNERSHIPS WITH FOR-PROFIT DEVELOPERS (CONTINUED)

- IN RETURN FOR-PROFIT DEVELOPERS CAN PROVIDE:
  - PREPARE FUNDING APPLICATIONS;
  - SECURE TAX CREDIT FUNDING (IF APPLICABLE);
  - MANAGE PROJECT THROUGH FRUITION;
  - ENSURE PROJECT RETURNS ARE MET;
  - PARTNERSHIPS WITH NON-TRADITIONAL PARTNERS MUST BE IN THE TOOLKIT AS WELL;
COMMUNITY DEVELOPMENT CORPORATIONS MUST SEEK OUT COMPANIES THAT COMMUNITY DEVELOPMENT CORPORATIONS HELP TO MAKE MONEY:

- LUMBER COMPANIES (HOME DEPOT, LOWES, ETC);
- CONCRETE COMPANIES;
- ENERGY COMPANIES;
- ENVIRONMENTAL COMPANIES;
- APPLIANCE COMPANIES;
- STEEL COMPANIES;
COMMUNITY DEVELOPMENT CORPORATIONS MUST SEEK OUT COMPANIES THAT COMMUNITY DEVELOPMENT CORPORATIONS HELP TO MAKE MONEY (CONTINUED):

- INVESTMENT COMPANIES;
- INSURANCE COMPANIES;
- LOTS OF OTHER COMPANIES
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ECONOMIC IMPACT STATEMENTS

- ECONOMIC IMPACT STATEMENTS WILL LET COMPANIES SEE THE BUYING POWER OF YOUR COMPANY AND ORGANIZATION;
- ECONOMIC IMPACT STATEMENTS WILL REFLECT HOW MUCH MONEY THESE COMPANIES ARE MAKING OFF OF YOUR COMMUNITY AND YOUR ORGANIZATION AS WELL;
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• TRAINING FOR COMMUNITY DEVELOPERS:
  • TRAINING COVERING THE ENTIRE REAL ESTATE DEVELOPMENT PROCESS;
  • NEGOTIATING;
  • PARTNERSHIP STRUCTURING;
  • UNDERSTANDING AND INTERPRETING ECONOMIC IMPACT STATEMENTS;
  • TAX CREDIT TRAINING;
  • FINANCIAL SPREADSHEETS;
TRAINING FOR MINORITIES AND WOMEN DEVELOPERS

- LESS THAN ONE PERCENT OF MINORITY AND WOMEN DEVELOPERS ARE INVOLVED IN THE DEVELOPMENT OF LOW-INCOME HOUSING TAX CREDIT PROJECTS;

- HOWEVER, OVER $157 MILLION IN EQUITY (BASED ON $2.30 AND POPULATION ON AVERAGE OF 9 MILLION PEOPLE AND .75 EQUITY FACTOR X 10 YEARS) IS BEING DISTRIBUTED ON AVERAGE PER STATE ANNUALLY FROM THE SALE OF CREDITS.

- THAT MEANS OVER $8,164,000,000 IN EQUITY IS BEING DISTRIBUTED NATIONALLY ON AVERAGE FROM THE TAX CREDIT PROGRAM;