

**2020 EMBRACING TRANSFORMATION**  
FINANCIAL MANAGEMENT CONFERENCE

# Home Builders' Business Model: Evolving for Sustainability

Tuesday, October 27, 3:30 - 5.00 ET

**STRENGTHMATTERS®**

# Peer Strategy Conversation

- Discuss various single-family development business models and how they impact an organization's financial performance.
- Identify and discuss key challenges to the business models.
- Kick off conversation hearing about 3 different models.

# Getting Started

- All participant lines are muted.
- Please use the **Raise Hand** feature if you would like to speak.
  - The Raise Hand feature is located in the Participant panel.
- You may also use the **Chat** feature to ask questions.

# Continuing Professional Education Requirements for CPAs

- **Polls are Required for CPEs**
  - If you are seeking CPE credits, please submit ALL polls and the conference evaluations.
- We use **Polls and the Zoom attendance record** to verify participation throughout the webinar.
  - **Participants must submit ALL polls and be logged in no later than 10 minutes after the scheduled session start time to receive a certificate.**

# Continuing Professional Education Credits (CPEs) for CPAs

- You may request a certificate of completion via the conference evaluations.
  - Links to the evaluations are emailed to all registrants.
- For more information on CPE credits, contact Lindsay Wells at [consult.lwells@gmail.com](mailto:consult.lwells@gmail.com).

## Important note on COVID-19 and CPEs

- We are part of the NASBA Registry of CPE Sponsors for Group Live programs, which covers in-person events.
- **Due to the COVID-19 crisis, NASBA has provided a temporary allowance for Group Live Sponsors to convert typically in-person programs to virtual delivery.**
- As always, state boards of accountancy have discretion regarding CPE credit acceptance. **Two states have indicated they will not extend this flexibility (Kansas and New York).**
- For details on state board responses, please check the [CPE Info page](#) of the registration site or email [consult.lwells@gmail.com](mailto:consult.lwells@gmail.com).

# AGENDA

- Introductions
- Hear about 3 models
- Open discussion

# Meet the Discussion Hosts

## **Jay Perlmutter, Director of Single Family Development**

Atlanta Neighborhood Development Partnership (ANDP)

Business Model: Private partner shared cost and revenue

## **Leo Barrera, Construction Manager**

CDC of Brownsville

Business Model: Grow Home

## **Chris Laurent, President**

Cinnaire Solutions

Business Model: Partnering with undercapitalized or capacity-limited CDCs and emerging development firms owned by persons of color



# OPEN DISCUSSION

1. What is the level of your annual single-family production?
2. What single-family product type does your organization develop?
3. Do you have similar business models to our discussion hosts?
4. How's your single-family line of business doing financially, right now?
5. Which actions have you taken in last 6 months to evolve your single-family line of business?
6. Did today's session inform how you're thinking about the evolution of your single-family business model? What will you do next?



# Atlanta Neighborhood Development Partnership, Inc.



***Strength Matters Financial Management Conference***  
October 2020

**NeighborWorks®**  
CHARTERED MEMBER

## ANDP's Mission

The mission of ANDP is to promote, create and preserve mixed income communities through direct development, lending, policy research and advocacy that result in the equitable distribution of affordable housing throughout the metropolitan Atlanta region.

### HOUSING DEVELOPMENT

Stabilizing neighborhoods and creating homeowner wealth

- *Over 500 units acquired, renovated /built and sold since crisis*
- *800+ Homeowners connected to down payment assistance*

### POLICY & COMMUNITY ENGAGEMENT

Convene stakeholders and lead a coordinated response to the foreclosure crisis

- The Piece by Piece Foreclosure Response Initiative
- Neighbors Together
- Home South DeKalb – 100 homes, capital, healthy/green rehab, CB&E

### LENDING

Provide capital for community development

- *ANDP Loan Fund = 5,336 Units supported*

11,000  
Units  
Supported  
Since 1991

# Housing Development

- Focus on scattered-site, single-family acquisition and rehab
- Over 500 SF homes in 25 counties rehabbed or built since 2008
- Financing/Funding sources: mix of federal (NSP, CHDO, NMTC, CMF) and private partnerships
- 10-county primary focus, especially in slow recovery neighborhoods
- Targets: Veterans, Families between 80–120% AMI
- Connected 800+ buyers to DPA since 2008





## ANDP's Funding Model

Scaling single-family development has required flexible, efficient capital streams.

Property Level Debt – ANDP's early development efforts utilized property level debt.

- County or City NSP and HOME programs funded nearly all of ANDP's single-family development from 2009 through 2013. These HUD based programs are still a vital part of our development mix.
- Community Housing Capital, Housing Partnership Network and Self-Help Fund were instrumental in providing early property debt to help scale production not funded by HOME or NSP.

Enterprise Level Funding – Property level debt adds cost, time and complexity to acquisitions. To increase our efficiency and nimbleness in the market, ANDP attracted enterprise level capital.

- NW Strategic Growth Fund was one of our first and largest enterprise level loans in 2016. The \$1.5MM loan fueled our ability to scale single-family, private-partner model growth.
- Since 2016, ANDP's growth has centered enterprise loans, Capital Magnet Funds, New Market Tax Credits.

## ANDP's Private Partner Model

Private Partner Model leverage expertise of a for-profit developer with the capital and mission of ANDP. All homes are acquired in ANDP's name with funding sourced by ANDP.

### Fees

- ANDP – \$4,000 to cover financing cost and overhead
- The Partner Agency – 15% of underwritten rehab or construction cost up to \$8,000
- Veteran Bonus of \$1,000 for selling home to an eligible veteran with additional \$1,000 broker bonus to buyer's agent

Financing & Overhead Cost – ANDP will cover all costs of financing each property for the agreed upon construction timeline plus three months. After that time period, Partner Agency will be charged \$500 per month through property sale.

### Profits and Loss

- Proceeds from the sale of the property will be shared on an incentive basis. The Partner Agency will receive 50% and ANDP will receive 50%.
- Losses will be shared on a pro-rata basis. The Partner Agency will bear 25% and ANDP will bear 75% unless the project is accepted by ANDP at an underwritten loss. If a project is accepted at an underwritten loss, then pro-rata share will be assessed for losses exceeding this agreed upon amount.

## ANDP Single-Family Production Fiscal Year 2016 – 2021

Single Family Production					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (Goal)
<b>Overall Production</b>	<b>55</b>	<b>66</b>	<b>83</b>	<b>122</b>	<b>120</b>
NSP & CHDO	19	18	12	12	12
Private Partners	29	48	65	52	60
ANDP – Place Based	7	8	6	2	18
Single-Family Rental	–	–	–	56	30

### Notes:

- ANDP Fiscal Year – July 1 to June 30
- NSP/CHDO production declining; FY20 included CHDO awards from 4 counties and 1 continuing NSP program
- Shifts in acquisition sources and increasing costs are driving a change from rehabs to new construction

# 435 Kimberly Forest Way, Atlanta, GA 30349



<b>TDC</b>	\$170,000 Acq: \$83,640, Rehab: \$50,000
<b>Bed/Bath/SF</b>	4B/2BA, 1,147 SF
<b>Year Built</b>	1992
<b>Sale Price</b>	\$170,000



## 3718 Centennial Trail, Duluth, GA 30040



<b>TDC</b>	\$161,915 Acq: \$112,500, Rehab: \$32,383
<b>Bed/Bath/SF</b>	3B/2BA, 1,526 SF
<b>Year Built</b>	1984
<b>Sale Price</b>	\$179,000



# Examination of Rehab Versus New Construction



<b>Address</b>	3421 Villa Circle SE, Atlanta, GA 30354	591 Woodlawn Ave, Atlanta 30318	Burgundy Terrace, Atlanta 30315 - 5 lots
<b>Acquisition</b>	\$76,000 (June 2019 - NMTC 2)	Donation; \$10,000 cost to project	\$30,000 per lot
<b>Rehab/Const.</b>	\$91,000 (\$70/sf)	\$162,000 (\$135/sf)	\$148,470 (\$85/sf)
<b>Soft Costs &amp; Fees</b>	\$7,135	\$4,273	\$5,775
<b>Total Development Costs</b>	\$175,635	\$176,273	\$188,245
<b>Sales Price</b>	\$195,000 (Projected)	\$215,000 (List)	\$235,000 (Projected)
<b>ANDP Proceeds or Fee</b>	\$1,270.50 (Projected)	\$18,319 (Projected) + lot cost	\$17,828 (Projected)
<b>Property Information</b>	1,288 SF; 4 Bed/1 bath; built 1961	1,200 Sf; 3 Bed/2 bath	1,767SF; 3 Bed/2.5 BA



Leo Barrera



# mission

CDCB's mission is to be a multifaceted affordable housing organization devoted to utilizing collaborative partnerships to create sustainable communities across the Rio Grande Valley through quality education, model financing, efficient home design, and superior construction.



# vision

CDCB shall be the trendsetter in creating model communities, where every person will be valued, provided options, interconnected within sustainable communities, and assured a high quality of life through excellence in education and responsible decision making.

# Lines of business



Single family



Community equity



YouthBuild



RGV  
MultiBank



Rental Housing



La Puerta



# Single Family & Preservation Development & Lending

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- Mortgage Lending
- RGV Casitas Real Estate Co.
- MiCASiTA – Rural & Colonia Program
- New Construction Builder
- Subdivision Development
- Loan Servicing



# CDCB Mortgage Products

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- Wells Fargo Correspondent Lender: FHA & Conv. Loans
- TDHCA MRB Lender: FHA
- Fannie Mae Seller Servicer: Conv.
- Freddie Mac Seller Servicer: Conv.
- RGV Multibank Correspondent Lender: Conv.
- USDA/502 Direct Packager: Govt.
- TDHCA Direct Packager: Govt.
- MiCASiTA Mortgage

# Total Single-Family Lending Activity 2009 - 2020

1<sup>st</sup> Lien loans Originations

\$70,568,495

No. of 1<sup>st</sup> Lien loans

1,102

Subsidy Assistance

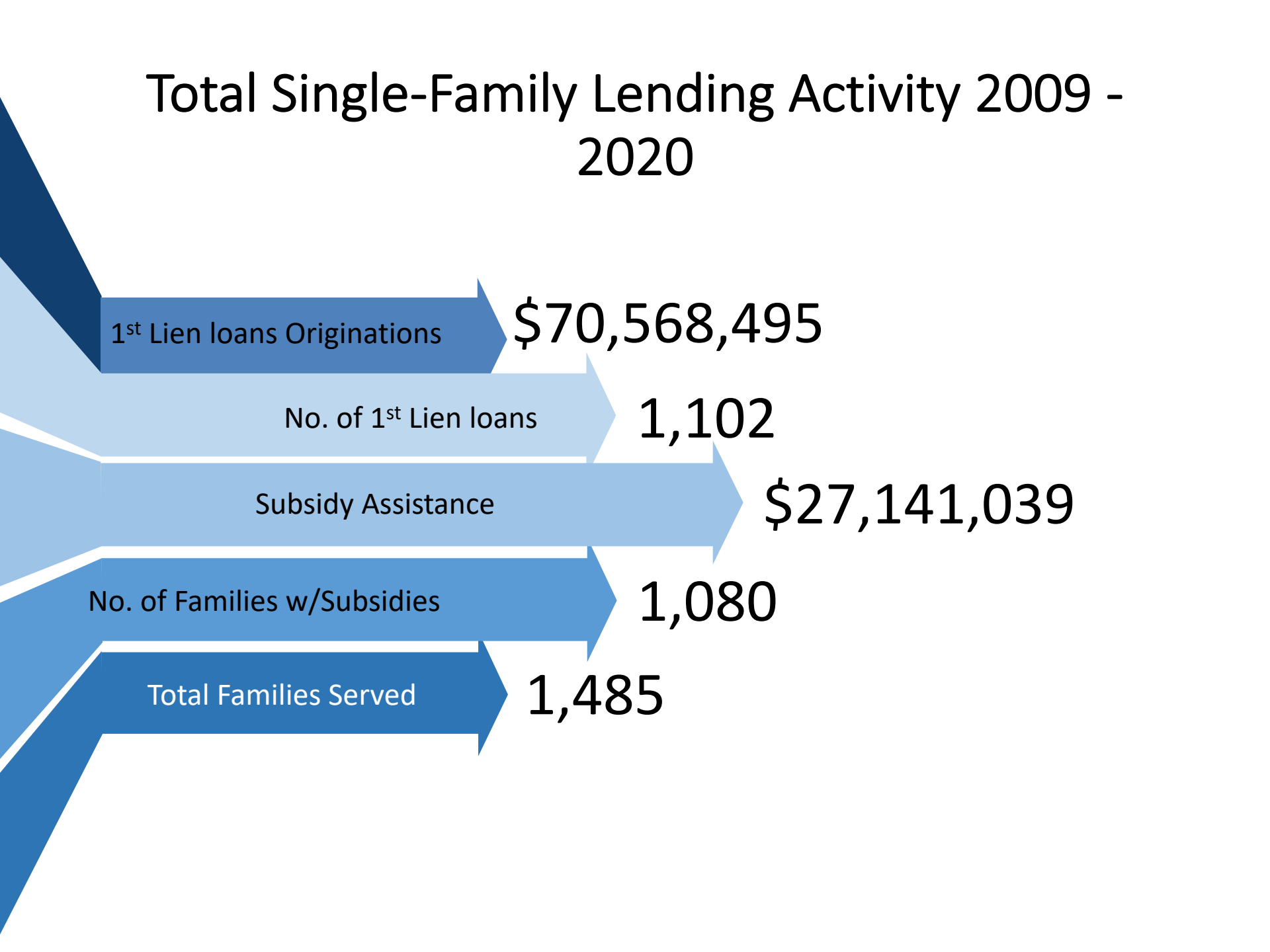
\$27,141,039

No. of Families w/Subsidies

1,080

Total Families Served

1,485





# MiCASiTA

The Grow Home  
Model



# A Disaster in Housing



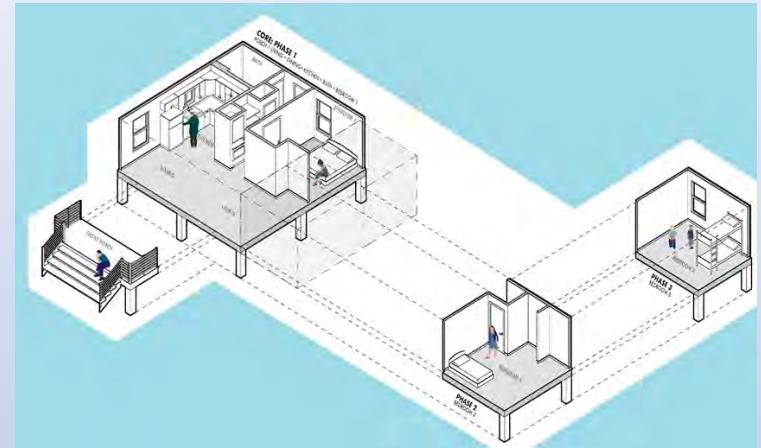
- MiCASiTA was born out of our highly successful RAPIDO Disaster Housing Model.
- We have a man-made disaster that has created a much broader and systemically unjust disaster of inadequate, unhealthy and unaffordable housing. MiCASiTA responds to this ongoing housing disaster with a holistic solution that meets people where they are now and helps them grow to the future.



mi  
casita  
come dream come build

# The Grow Home Model

- MiCAsiTA's GROW Home design and construction process allows families to start with what they can afford today and grow the home over time as their income and credit improves and the family grows.
- Starting with a small Core made up of a living/dining area, bathroom and one bedroom and then growing that home to three bedrooms and a porch, all designed by the family each step of the way.



Financing for  
Completion  
Ensures  
Homebuyer  
Success.

Phased  
Construction  
+ Phased  
Financing =  
Success +  
Equity

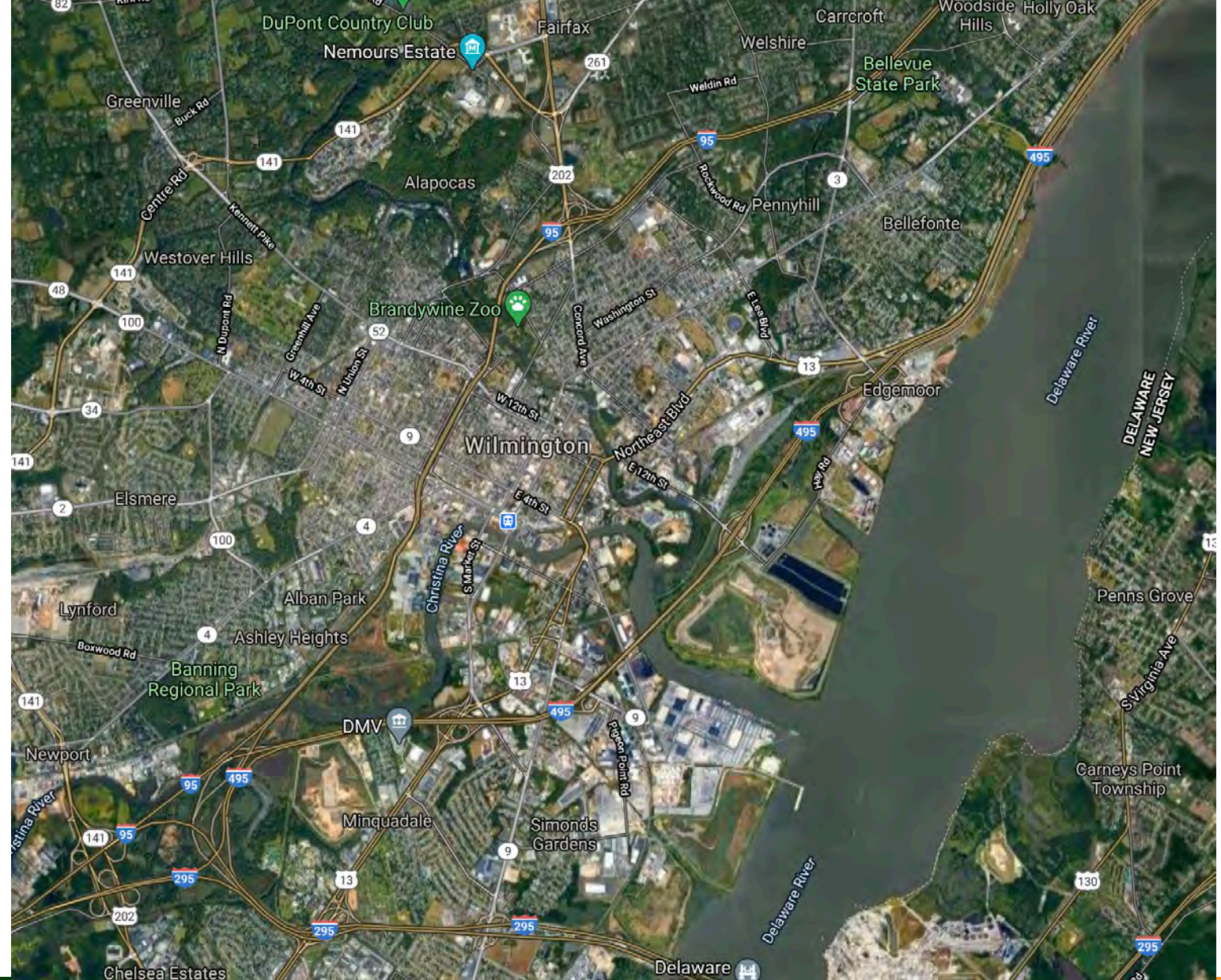




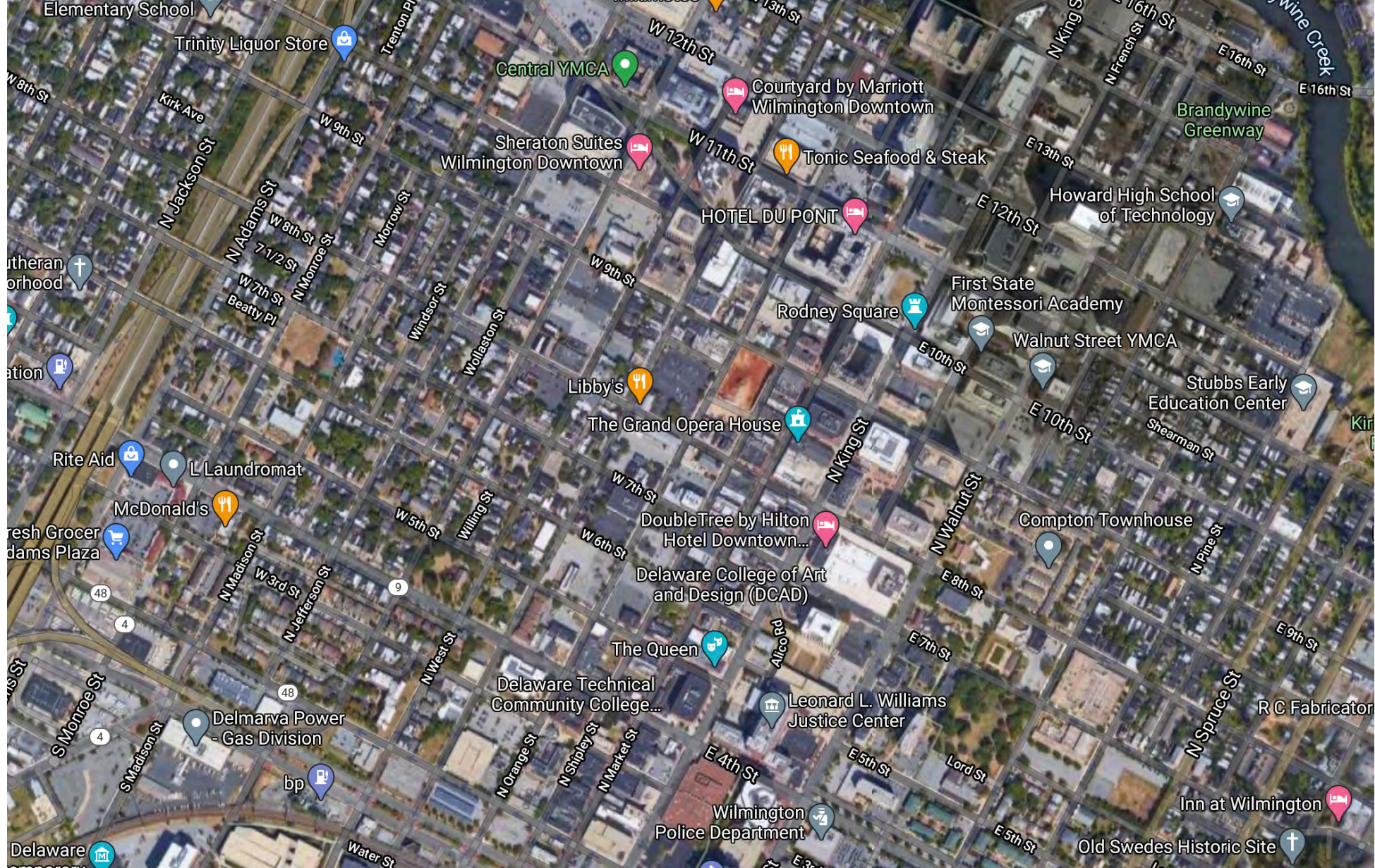
# Tale of Two Neighborhoods in Wilmington, DE

Christopher Laurent, President  
Cinnaire Solutions

October 27, 2020







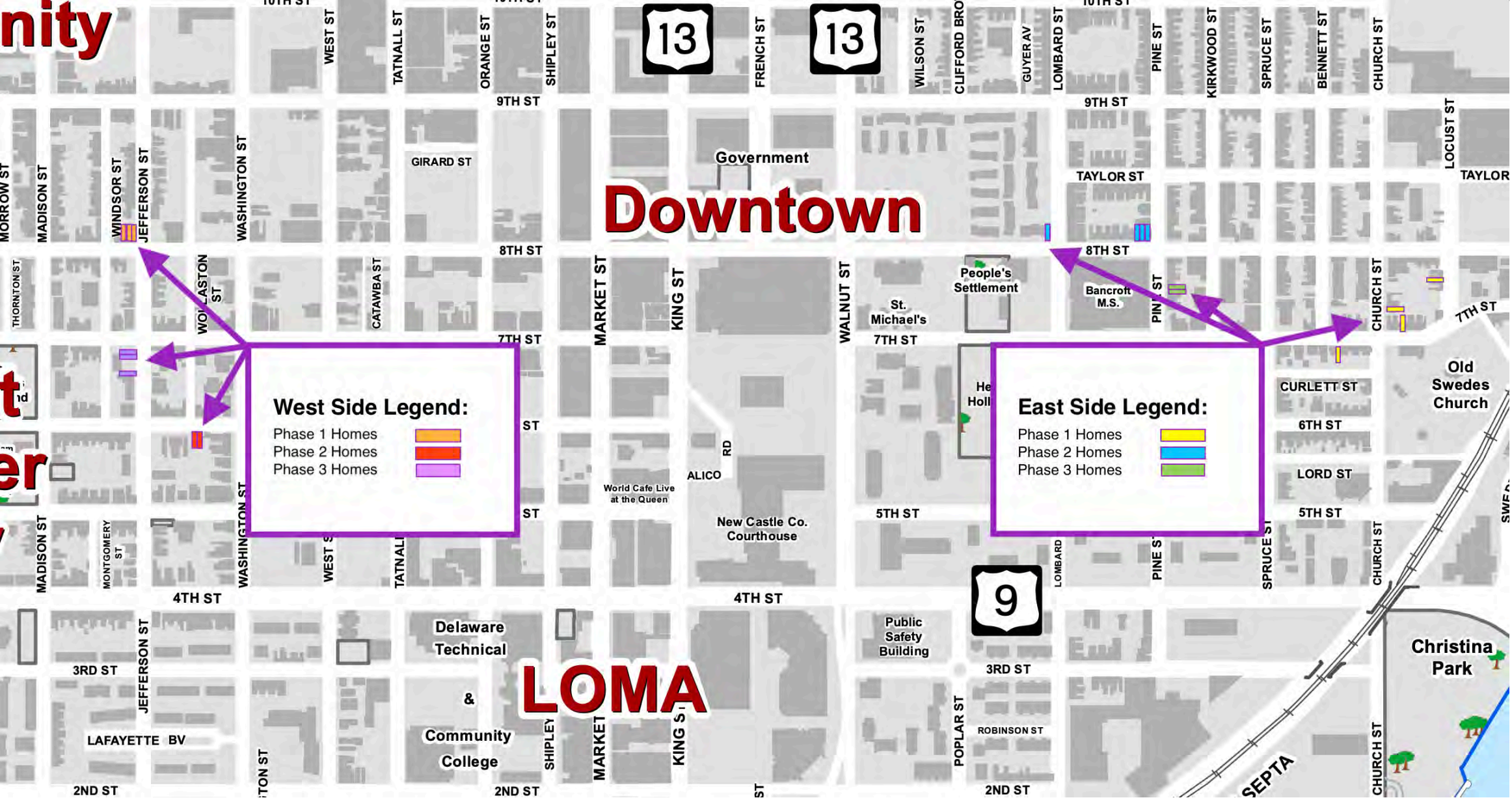












### East Side Single Family Homes Sources & Uses

Sources	
Source	Amount
Strong Neighborhoods	\$ 200,000.00
HOME	\$ 200,000.00
DDD	\$ 125,801.00
Sale Proceeds	\$ 290,000.00
TBD Gap Subsidy	\$ 92,123.00
<b>Total Sources</b>	<b>\$ 907,924.00</b>

USES	
Use	Amount
<b>Aquisition Costs</b>	
Building Land & Improvements	\$ -
<b>Construction &amp; Hard Costs</b>	
New Construction/Rehabilitation	\$ 629,004.00
<b>Soft Costs</b>	
Architect, Engineering & Fees	\$ 155,239.00
<b>Financing Fees</b>	
Interim Interest & Orig Fees	\$ 35,391.00
<b>Project uses after completion</b>	
Operating Reserves & Dev Fee	\$ 88,290.00
<b>Total Uses</b>	<b>\$ 907,924.00</b>

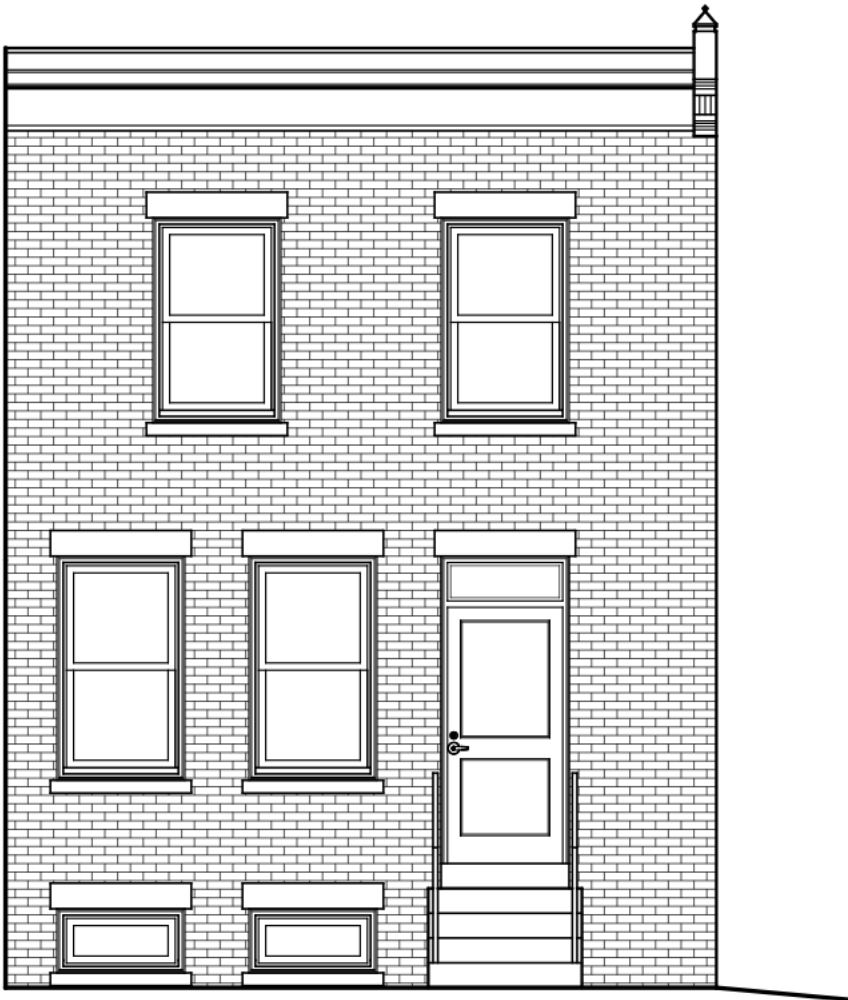
## West Side Single Family Homes Sources & Uses

Sources	
Source	Amount
Strong Neighborhoods	\$ 150,000.00
HOME	\$ 100,000.00
DDD	\$ 121,401.00
Sale Proceeds	\$ 365,000.00
TBD Gap Subsidy	\$ 164,305.00
<b>Total Sources</b>	<b>\$ 900,706.00</b>

USES	
Use	Amount
<b>Aquisition Costs</b>	
Building Land & Improvements	\$ 48,000.00
<b>Construction &amp; Hard Costs</b>	
New Construction/Rehabilitation	\$ 607,006.00
<b>Soft Costs</b>	
Architect, Engineering & Fees	\$ 132,167.00
<b>Financing Fees</b>	
Interim Interest & Orig Fees	\$ 32,041.00
<b>Project uses after completion</b>	
Operating Reserves & Dev Fee	\$ 81,492.00
<b>Total Uses</b>	<b>\$ 900,706.00</b>



702 CHURCH ST.



PROPOSED FRONT ELEVATION

SCALE: 1/8" = 1'-0"

## 702 N. Church Street

Wilmington, DE 19801

Located in Old Swedes Historic District

Wilmington Design Review and Preservation Commission









*Stand By Me* produces a pipeline of mortgage ready prospects by:

- Providing one on one coaching to help qualify for a mortgage including financial literacy training and credit counseling services.
- Holds the hand of new home buyers to help guide them through the entire home purchase process.
- Introduces mortgage products via their lending partnerships to provide permanent financing.
- Offers access to funding that helps with down payment assistance and settlement costs.