



Creative Capital Stacks

Arizona Housing Forum

August 2024



 Panel



Julie Rees
Principal
Triadvocates, LLC



Kuhl Brown
Director of Real Estate
Development
Mercy Housing



Anthea Martin
Senior Vice President
Bellwether Enterprise



Melanie Brewer
Rental Programs
Administrator
ADOH



BARB MEANEY,
PRINCIPAL



JOHN KELLY,
PRINCIPAL



JULIE REES,
PRINCIPAL



RICHARD TRAVIS,
PRINCIPAL



LAUREN KING,
PRINCIPAL



ROXANNA PITONES,
PUBLIC AFFAIRS
ADVISOR



FREDDY SOTO,
PUBLIC AFFAIRS
ANALYST



ROBERT BARANSKA,
PUBLIC AFFAIRS
COORDINATOR



JENNIFER CASSELMAN,
OFFICE ADMINISTRATOR

2024 Legislative Highlights

- 🏠 \$15 million appropriation to the Housing Trust Fund
- 🏠 Adaptive Reuse (HB 2297)
- 🏠 Rezoning Timeframes (SB 1162)
- 🏠 Extension of State Tax Credit for Affordable Housing (2025)



Affordable Housing in AZ



Building Relationships



State of Arizona



Cities/Towns/Counties



Foundations & Philanthropy



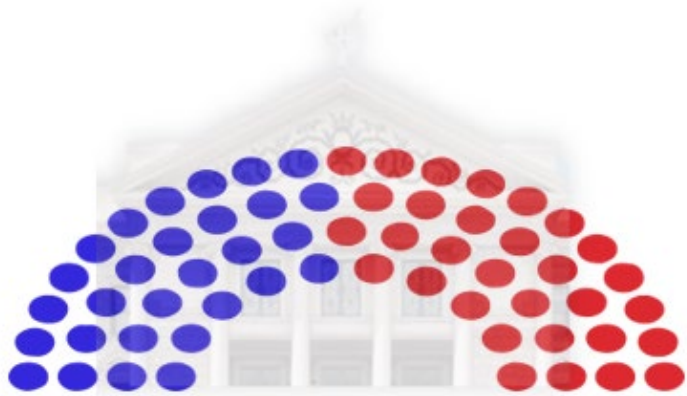
Tapping Federal Resources






2025 Advocacy: State LIHTC

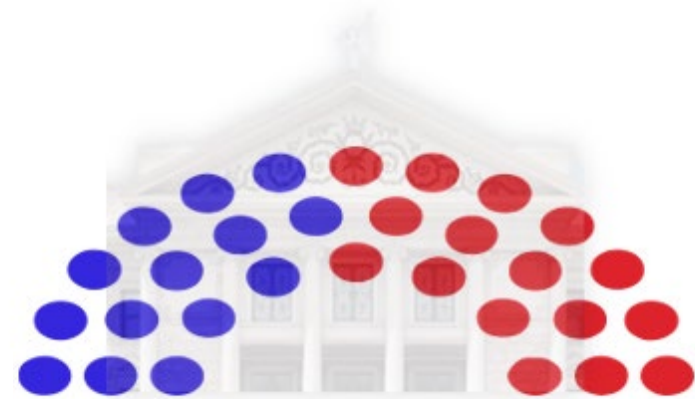




ARIZONA EXECUTIVE & LEGISLATIVE



House
 29
 31

Governor 



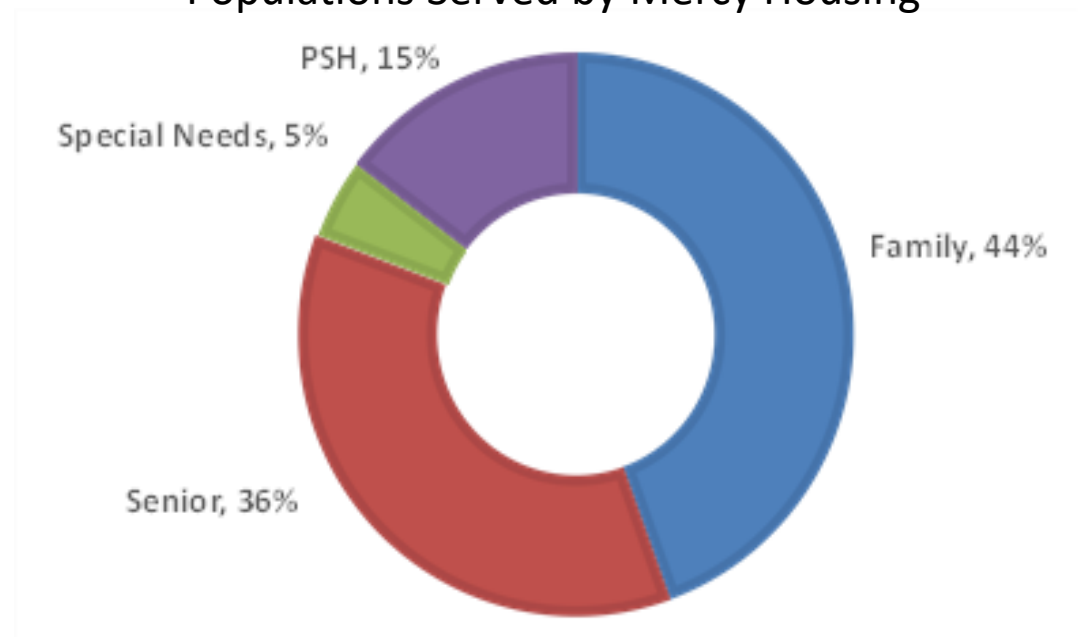
Senate
 14
 16

Mercy Housing – Overview



- ◆ Mercy Housing, a national nonprofit organization, committed to creating affordable homes and inspiring dreams, as we work with residents and partners to establish engaged, strong, and inclusive communities.
- ◆ Founded 1981 by the Sisters of Mercy, Omaha
- ◆ Organized response to concerns for housing justice for persons who are economically poor.
- ◆ Several communities of Women Religious came together to start Mercy Housing.
- ◆ To date, Mercy has developed nearly 25,000 units of affordable housing in 342 properties.

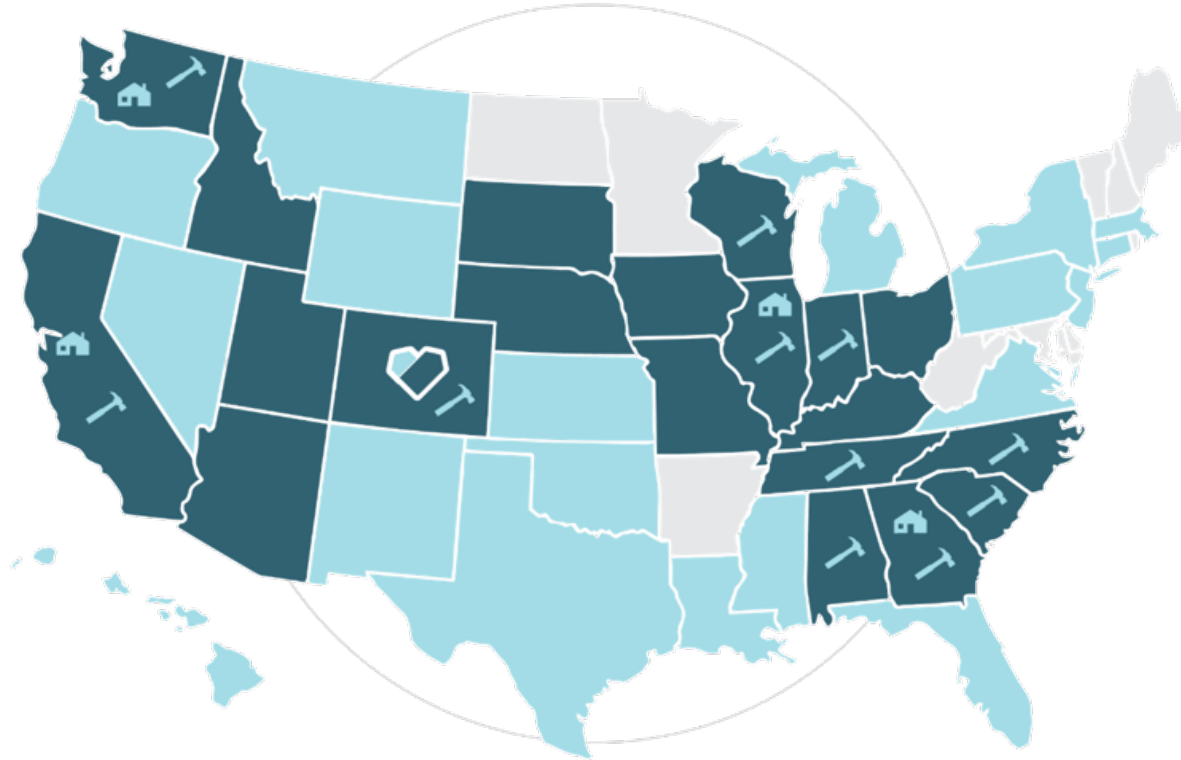
Populations Served by Mercy Housing



Mercy Housing – Overview



Mercy Housing National Presence



■ Mercy Housing Communities
■ Mercy Housing Impact (including Mercy Loan Fund)

◆ National Headquarters
🔨 New Development
🏠 Regional Office

LIVE IN HOPE



Creative Capital Stacks - WHY?

- ❑ Reasons for non-LIHTC/ Gap Capital Diversification Differ
 - ❑ Target Population , Location, commercial vs. residential rental uses, target AMIs, etc.

- ❑ Pros from Developer Perspective
 - ❑ More flexibility in filling gaps /less reliance on traditional gap sources
 - ❑ Potential to maximize density on more urban sites as zoned
 - ❑ Ability to broaden AMIs in a single development (i.e. 30%-100% AMI, if Workforce Housing (<80% AMI) is target



❑ Cons from Developer Perspective

- ❑ More complexity in deal structure (i.e. condo or small communities ownerships, air right parcels, etc.) = higher legal costs
- ❑ More risk exposure on higher AMI – know your market!



Creative Captial Stacks – Example 1



12 Story – 285 Apartments – 75% LIHTC (30%-80%) 25% Workforce (80%-120% AMI)

Development Budget Overview	Residential	Per Unit			% total	
ACQUISITION	\$ -	\$ -			0%	
CONSTRUCTION	\$ 101,223,500	\$ 355,170			77%	Note Narrative on parking
PROFESSIONAL FEES	\$ 17,359,860	\$ 60,912			13%	
CONSTRUCTION FINANCE	\$ 4,818,882	\$ 16,908			4%	
PERMANENT FINANCE	\$ 4,337,254	\$ 15,218			3%	
SOFT COSTS	\$ 2,000,000	\$ 7,018			2%	
RESERVES	\$ 1,763,401	\$ 6,187			1%	
Total	\$ 131,502,897	\$ 461,414			100%	

Permanent Financing	Residential	Rate	Term	Amort.	% total	Notes
Conventional Debt	\$ 45,220,437	5.50%	17	40	34%	1st Mortgage
City of Denver HOST Loan	\$ 9,765,000	1.00%	40	40	7%	\$50K/unit for 60% AMI below
DOH Grant	\$ 8,680,000	1.00%	40	40	7%	\$40k/unit for 60% AMI below
Concessionary Debt	\$ 6,000,000	2.25%	17	TBD	5%	I/O for term - 2nd Mortgage
Deferred Developer Fee (Mercy Loan)	\$ 8,023,642	0.00%	15	N/A	6%	Cash Flow Contingent - 15 year
4% LIHTC EQUITY Investor	\$ 28,911,399	N/A			22%	
9% LIHTC EQUITY Investor	\$ 12,902,419				10%	
Missing Middle/ Prop 123 Equity	\$ 12,000,000		0	40	9%	~5% return over 10 year hold on 100% AMI units
Total	\$ 131,502,897				100%	

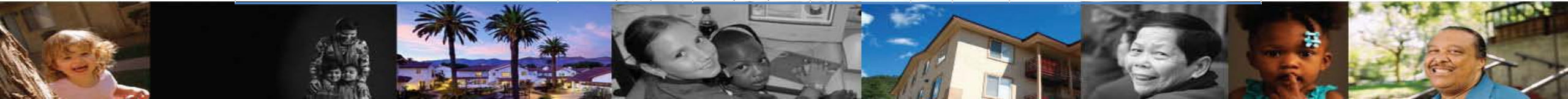


Creative Captial Stacks – Example 2



Non-LIHTC 80 Unit Workforce (80%-120% AMI)

Sources & Uses Summary						
Development Budget Overview	Residential	Total	Per Unit			Notes
SITE IMPROVEMENTS	\$ 2,225,255	\$ 2,225,255	\$ 26,670			
CONSTRUCTION	\$ 21,223,321	\$ 21,223,321	\$ 254,362			3 story walk-up product
PROFESSIONAL FEES	\$ 2,624,767	\$ 2,624,767	\$ 31,458			4% cap Dev Fee
CONSTRUCTION FINANCE	\$ 2,959,522	\$ 2,959,522	\$ 35,470			
PERMANENT FINANCE	\$ 322,694	\$ 322,694	\$ 3,867			
SOFT COSTS	\$ 931,125	\$ 931,125	\$ 11,160			
RESERVES	\$ 1,168,536	\$ 1,168,536	\$ 14,005			Can be lower
Total	\$ 31,455,220	\$ 31,455,220	\$ 376,991			
Permanent Financing	Residential	Total	Rate	Term	Amort.	Notes
Mission Aligned Investor	\$ 9,028,194	\$ 9,028,194				8% CoC Return - average 80% AMI
1st mortgage	\$ 20,264,394	\$ 20,264,394	6.80%	18	35	
501 c3 Bonds	\$ 1,510,000	\$ 1,510,000	5.00%	18		15 year sweep of cash splits
Deferred Developer Fee (Mercy)	\$ 652,632	\$ 652,632	1.00%	15		
GP Equity	\$ -	\$ -	0.00%			
Total	\$ 31,455,220	\$ 31,455,220				



BWE | Company overview



One of the fastest growing, privately held and employee-owned mortgage banking companies in the country

Unique ownership structure

Enterprise
Community Partners

43.5%

owned by Enterprise
Community Partners

Non-profit organization that
advocates for and creates affordable
housing across the country

BWE employees

27.5%

owned by BWE employees

Group of employees with a
vested interest in the company

Fifth Third Bank

29.0%

owned by Fifth Third Bank

Capital partner that owns a minority,
non-controlling interest in BWE,
expanding the variety of lending
products offered by BWE to include
bridge and construction loans

Elevate real estate financing with BWE Affordable Housing



Deal certainty

Delivering seamless executions with optimal financing and streamlined underwriting



Broad and proven capital solutions

Longstanding, direct lender relationships including Fannie Mae, Freddie Mac, FHA, USDA, private placement bond, and more



Trusted advisor

Robust team of experts dedicated specifically to affordable housing finance

\$4.8B



Affordable Housing loan volume over last 5 years

428



Affordable Housing deals closed over last 5 years

\$48.8B



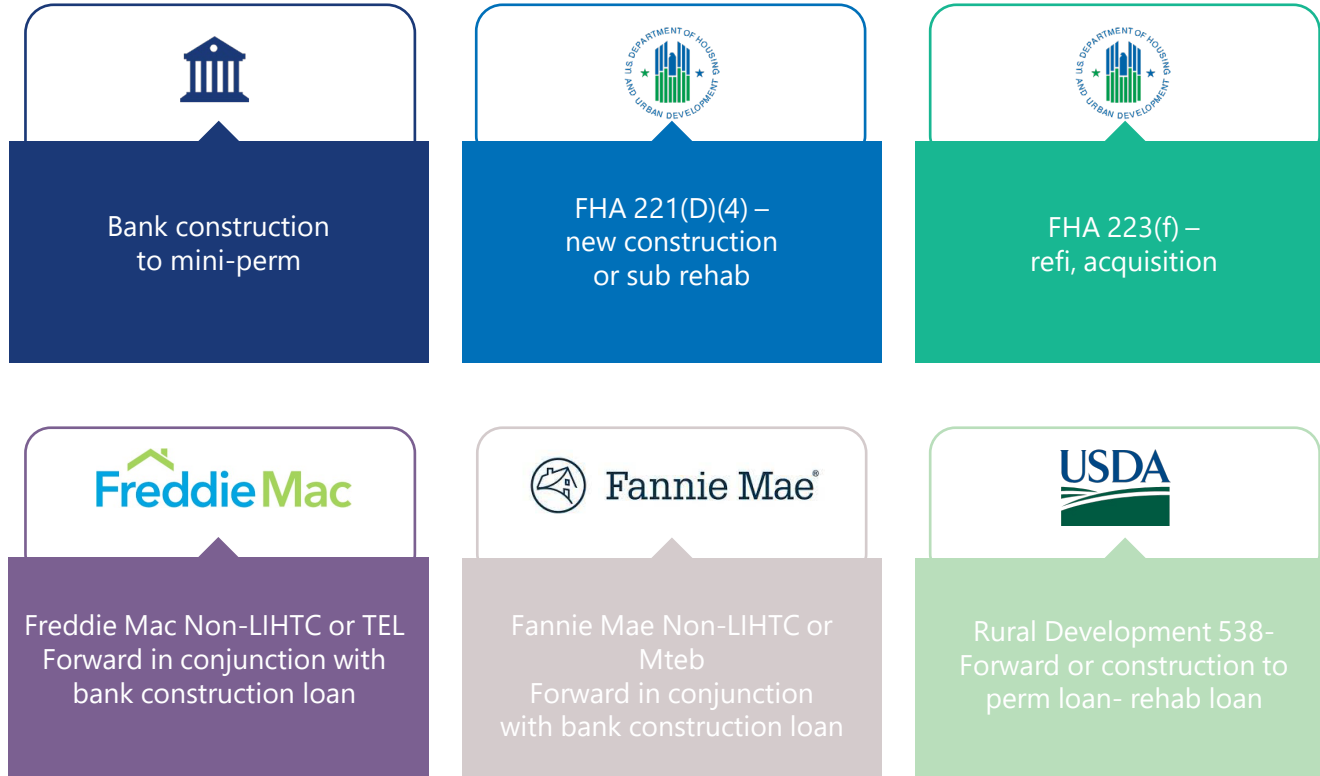
Total servicing portfolio

\$100M+



Distributed to advance and create affordable housing

Loan products for affordable and middle-income housing

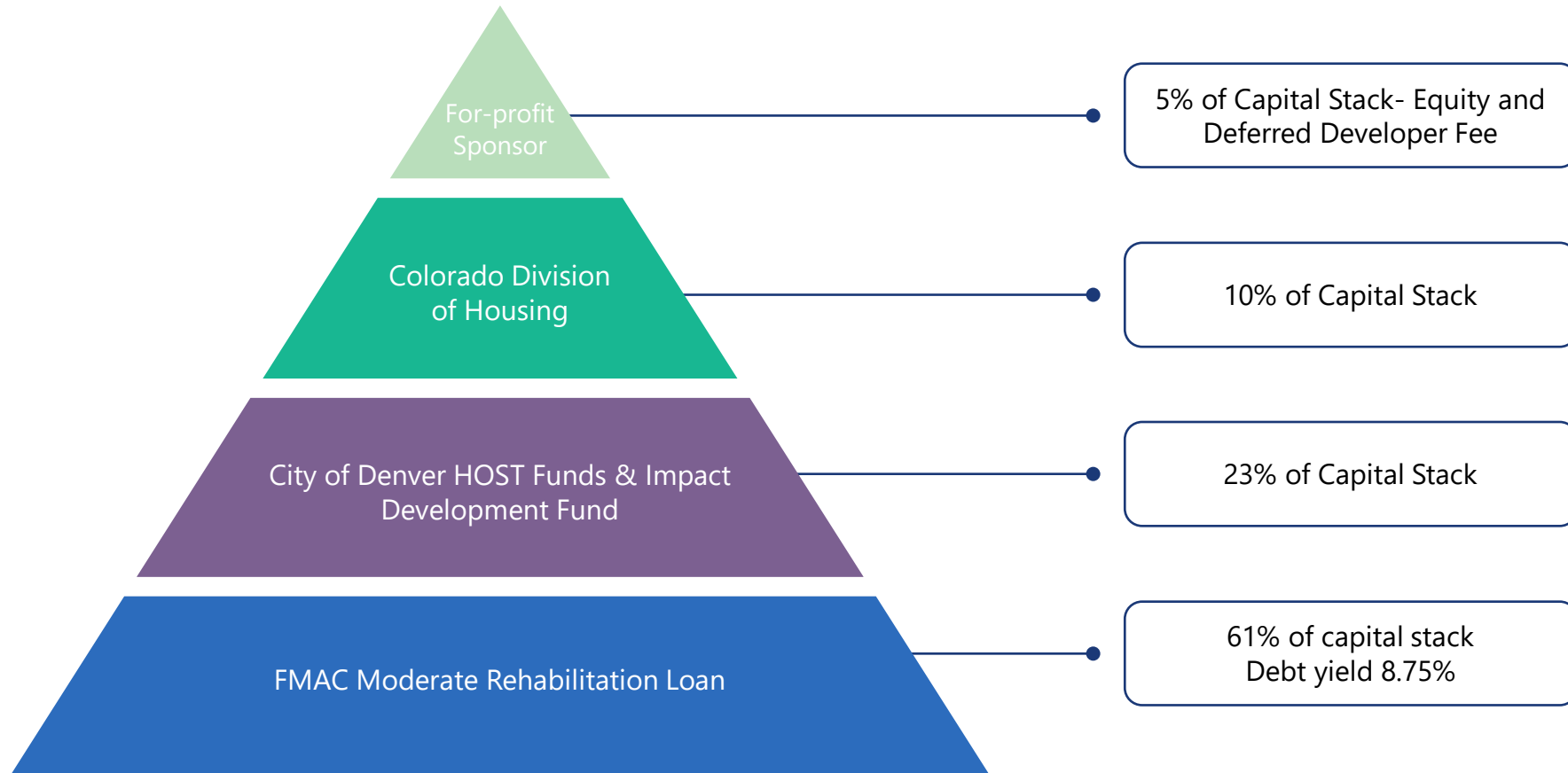


Non- LIHTC Case Study #1

- Age restricted
- 171 units in Denver MSA
- Section 8 RAD conversion
- Moderate rehabilitation acquisition
- Rehabilitation with tenants in place (43,743/unit in hard costs)



Non- LIHTC Case Study #1

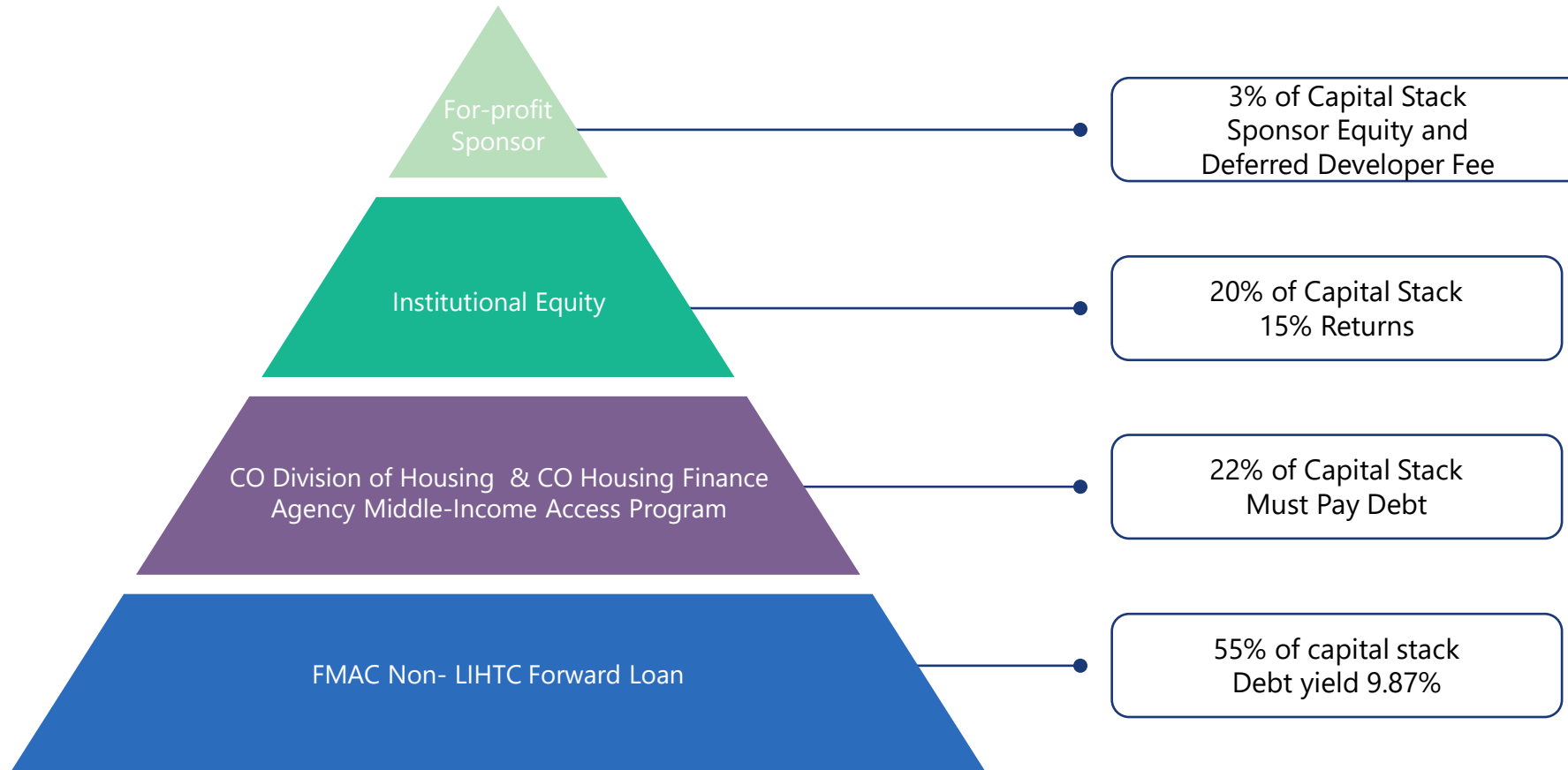


Non- LIHTC Case Study #2

- Modular construction
- 77 units in Denver MSA
- Located in an opportunity zone
- Rent and income restrictions at 20% @ 80% AMI and 75% below 120% AMI
- Total estimated hard construction equal \$16,325,876 (\$212,024/unit)



Non- LIHTC Case Study #2

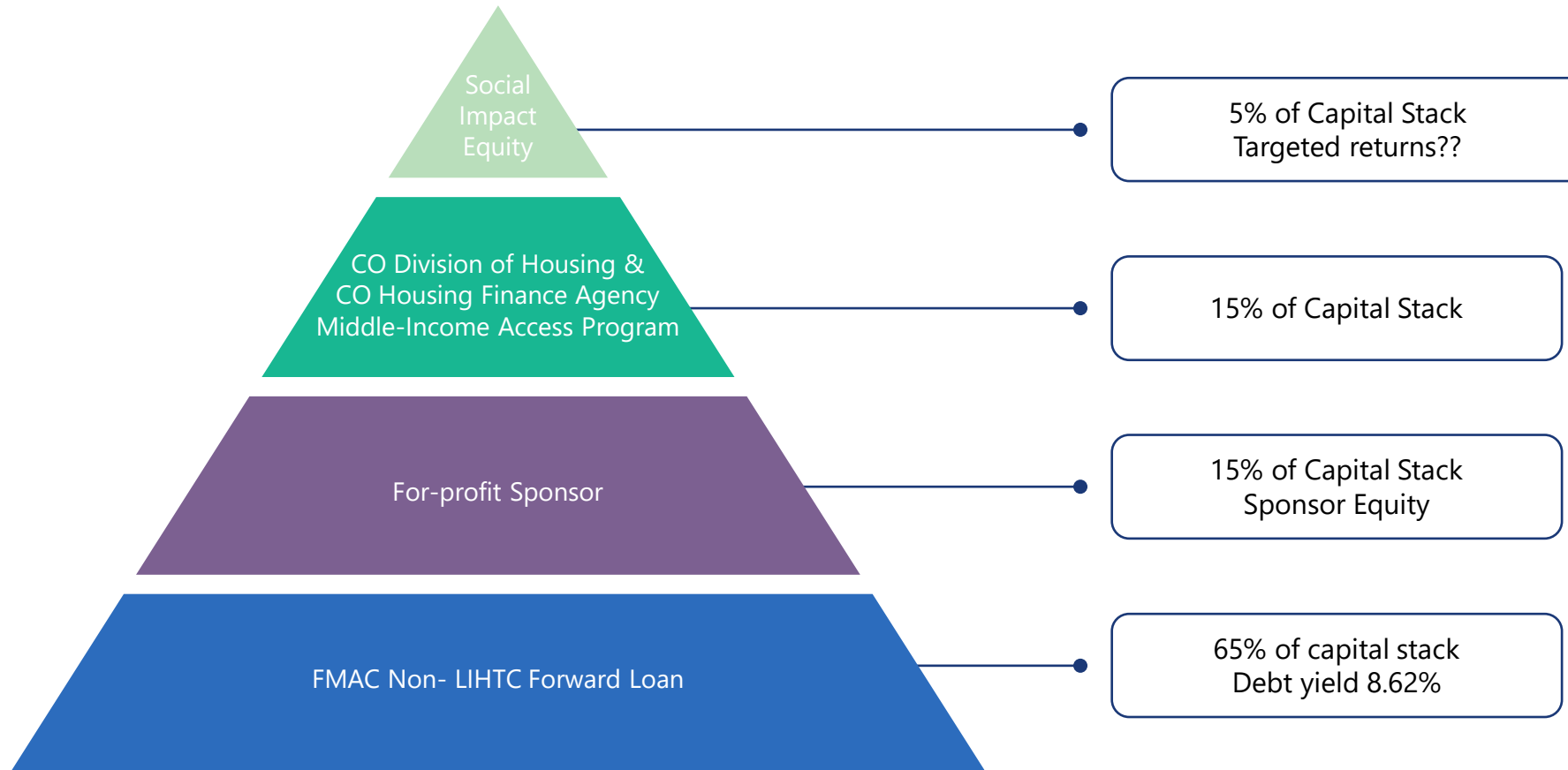


Non- LIHTC Case Study #3

- New construction
- 120 units- all 4 bedrooms
- Located in Commerce City in Denver MSA
- Rent and income restrictions average 80% AMI



Non- LIHTC Case Study #3



Non- LIHTC Toolkit

Tax exemption (partial or full)

Apply for City or state gap funding

Tax Increment Financing with Urban Renewal Authority

Social Impact Equity Investments (below-market)

Low-interest subordinate debt from government agencies or CDFIs

Twin a non-LIHTC deal with a LIHTC project to share infrastructure costs

Request from local jurisdiction that development fees be reduced or waived

Utilize lowest-cost construction via modular or alternative construction methods

Maximize permanent debt proceeds by getting the best rate and terms via agency loan programs



Current Market Outlook



Advocacy For More Resources



Contact Information



Julie Rees

Principal
Triadvocates, LLC

julie@triadvocates.com



Kuhl Brown

Director of Real Estate Development
Mercy Housing

kuhl.brown@mercyhousing.org



Anthea Martin

Senior Vice President
Bellwether Enterprise

anthea.martin@bwe.com



Melanie Brewer

Rental Programs Administrator
ADOH

melanie.brewer@azhousing.gov