JACQUELINE M. BISKUPSKI
Mayor

DEPARTMENT *of* COMMUNITY
and NEIGHBORHOODS

CITY COUNCIL TRANSMITTAL

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Patrick Leary, Chief of Staff

Date Received: May 4, 2018
Date sent to Council: May 7, 2018

TO: Salt Lake City Council
Erin Mendenhall, Chair

DATE:

FROM: Mike Reberg, Department of Community & Neighborhoods Director

SUBJECT: Renovation Pilot Program

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RECOMMENDATION: That Council review the informational briefing on the Renovation Pilot Program which includes parameters and process established by Staff and the Housing Trust Fund Advisory Board to carry out the program created by City Council.

BUDGET IMPACT: None

BACKGROUND/DISCUSSION:

On the City Council December 5, 2017 meeting, City Council Members adopted an ordinance amending the FY 17-18 budget which included funding for affordable housing. This budget amendment included an allocation of $1 million towards a new Renovation Pilot Program, aimed at providing renovation funds to improve existing affordable housing units in the City in exchange for a guaranteed period of continued affordability. These funds were appropriated to the Housing Trust Fund.

HAND Staff has worked to develop proposed parameters for the pilot program based on current market dynamics, input from the affordable housing development community and input from the Housing Trust Fund Advisory Board.

The Housing Trust Fund Advisory Board reviewed and approved the program parameters attached as Exhibit A at their March 15, 2018 meeting. Staff is sharing these with City Council for review. The next step in terms of administering the program is to make the funds available through an initial funding round. Staff will notify a broad list of stakeholders of the funding availability, including affordable housing developers and service providers. Staff will hold an optional information session for potential applicants on the funding. Once the application is posted, applicants will have a month to complete the materials. Staff will review applications and bring their funding recommendation to the Housing Trust Fund Advisory Board for approval. If there are future allocations for the program, they would either be an annual or bi-annual cycle following a similar process.

Given that this is a pilot program and the concepts are untested, the Housing Trust Fund Advisory Board recommended that City Council approve a reallocation of funds in the event that the pilot is unsuccessful (i.e. no qualified projects apply). Their recommendation in this event was to allocate the funds as general Housing Trust Fund dollars.

There is also an opportunity to combine these funds with HAND's existing Renter Rehab program to increase impact. This program is currently underutilized with about $800,000 available. Should there be qualified applications in excess of the $1,000,000 available in the Renovation Pilot, Staff may propose a budget amendment to allocate the Renter Rehab funding to the Renovation Pilot.

Program Parameters

Exhibit A provides detail on the following:

- Policy goals and guiding principles
- Proposed program minimum threshold criteria, preference/priority criteria and terms
- Current market conditions
- Hypothetical examples
- Reference program models

The sections related to threshold criteria, priorities and terms are also shown below.

Proposed Threshold Criteria: Minimum Requirements

- Eligible applicants: required experience with affordable housing or resident service provision
- Minimum of 25% of units to be restricted at 60% AMI

- No resident displacement
- Applicant must provide a plan and budget for repairs related to life safety, code, deferred maintenance, and energy-efficiency upgrades
- Applicant must provide a resident services plan
- Applicant must provide a property management plan

The Housing Trust Fund Advisory Board expressed a desire to see projects with a higher percentage of affordable units and more deeply targeted units. However, they were comfortable with these minimum standards understanding that it will increase the likelihood of a successful pilot and the preferences below account for both of those objectives. If the program were to move beyond a pilot phase, their recommendation was to revisit the minimum requirements based on the projects that apply for funding and market dynamics.

Proposed Priorities: Preferences in Allocating Funds

- Preserving rental housing at imminent risk of rent increases that could displace existing tenants
- Preservation of currently deed restricted housing nearing the end of its compliance period
- Improving the quality and condition of housing, with a focus on critical life safety, obsolete systems, deferred maintenance, and upgrades related to health and sustainability
- Protect existing residents from displacement
- Targeting units to 40% AMI households
- Restructuring rents to reduce rent burdened households
- Minimizing disruption to tenants during renovation work
- Maximizing leverage of other funding sources
- Preserving units in high opportunity areas
- Preserving units in close proximity to transit, services and amenities
- Providing a robust resident supportive services program
- Requesting the smallest amount of City funding

Proposed Terms

- Goals of this new program:
  - Flexible
  - Fast-moving
  - Apply long term rent restrictions
  - Affordability minimum of 30 years
  - Loan would be structured to fill acquisition gaps with initial 2 year period with options to extend depending on permanent financing plan and timeline
  - Interest: 3% simple
  - Repayment: deferred during acquisition/rehab phase, soft loan post rehab receiving 50% of cash flow

- Full repayment would be triggered at: sale, refinancing, permanent financing, syndication, end of term
- Eligible costs: predevelopment, acquisition, rehab
- Maximum loan amount: not to exceed $50K per unit
- Enhanced marketing/outreach of program

Next Steps

HAND Staff will issue a Notice of Funding Availability for the program, with a goal of awarding funds prior to end of FY 17-18. As described above, the application window will be open for a month at which point HAND Staff will review applications and make a recommendation for funding to the Housing Trust Fund Advisory Board. Upon their approval, HAND Staff will work with the selected applicant(s) to close on funding. HAND Staff will report back to City Council on outcome of the NOFA and provide updates as the pilot program progresses. Should there be no qualified applicants meeting the approved parameters, HAND Staff will inform Council and request that the funds be re-allocated as general Housing Trust Fund dollars.

PUBLIC PROCESS: The Housing Trust Fund Advisory Board held a public hearing to review the program parameters on March 15, 2018. The City Council also discussed the program at several public meetings in late 2017 which included a public hearing on December 5, 2017 (Budget Amendment No. 2 / RDA Budget Amendment No. 3 for FY 17-18).

EXHIBITS:

A. Materials presented to Housing Trust Fund Advisory Board at their March 15, 2018 meeting and reflecting their input

Exhibit A: Renovation Pilot Program Description and Parameters

Renovation Pilot Program
Program Description and Parameters
Housing Trust Fund Advisory Board Meeting
March 15, 2018
Reflects feedback from March 15, 2018 meeting

1. Overview

   City Council has approved allocation of $1 million towards a new Renovation Pilot Program, aimed at providing renovation funds to improve existing affordable housing units in the City in exchange for a guaranteed period of continued affordability.

   These funds are to be administered through Housing Trust Fund. The process will be to define the program parameters and process to carry out the program established by City Council. The Housing Trust Fund Advisory Board reviewed and approved the draft parameters at their March 15, 2018 meeting which will now go to City Council as an informational update on parameters and process. The funds would be awarded through an initial funding round administered by Staff. If there are future allocations for the program, they would either be an annual or bi-annual cycle.

   The proposed parameters reflect current market dynamics and input from the affordable housing development community.

   Given that this is a pilot program and the concepts are untested, the Housing Trust Fund Advisory Board recommended that City Council approve a reallocation of funds in the event that the pilot is unsuccessful (i.e. no qualified projects apply). Their recommendation in this event was to allocate the funds as general Housing Trust Fund dollars.

2. Summary of Council Discussion and Information Received

   Council discussion of:
   - Acquisition/rehab of Naturally-Occurring Affordable Housing (NOAH) and affordable properties leaving compliance
   - Focus on preservation and long term affordability

   Information Provided by HAND to Council:
   Renovation programs would be loans or forgivable loans geared toward the renovation of existing units to create higher quality, more sustainable housing options. It could be used for both existing affordable and market and be blended with acquisition dollars. The dollars would not displace existing households but would be used as a tool for stabilization and preservation. This would only be used for preservation of existing restricted housing stock in cases where the property is being targeted for conversion to market from affordable.

   This program recognizes the current need and the ability to leverage funds. It is worth exploring a more cost efficient option such as acquisition and renovation in addition to promoting new construction. Acquisition is a more cost effective way to add units and often a more sustainable option. Repurposing and upgrading our existing buildings is less resource intensive than new build. In addition, with rehabilitation of older buildings, there are huge opportunities for increased energy-efficiency as well as opportunities to make meaningful improvements to indoor air quality.

3. Connection to City Policy: Growing SLC

   2.4.2 Work with community partners and government entities to acquire hotels, multi-family properties, and surplus land to preserve or redevelop them as affordable housing.

   The most cost-effective means of adding new affordable units may be to purchase existing multi-family structures, either hotels and motels or apartment complexes, renovate or redevelop those units, and partner with a local housing operator to manage the properties. Vacant, abandoned, and underutilized properties pose safety risks to the public, place a strain on the City's resources, and detract from neighboring property values. The City will identify these properties and purchase them for redevelopment, while preserving long-term affordability. The City will also explore opportunities to acquire or partner in the redevelopment of aging public housing facilities and tax credit funded developments that are nearing the expiration of their affordability restrictions.

4. Council Expectations: *Guiding Principles for Evaluating and Appropriating City Funds on Housing Developments* most applicable to this program

   Incentivize the preservation and improvement of existing affordable housing.

   Create a net increase in affordable housing units while:
   i. Avoiding displacement of existing affordable housing to the extent possible, and
   ii. Retaining and expanding the diversity of AMI and innovative housing types.

   Keep publicly-funded housing projects affordable as long as possible.

   Create a spectrum of housing options for people of all backgrounds and incomes.

   Enable residents' success to maintain housing through partnerships with providers of supportive services.

   Identify tools to increase and diversify the total housing supply including housing types that the private market does not sufficiently provide such as family housing in the downtown area, innovative housing types, missing middle housing and middle- to low-income apartments.

5. Proposed Threshold Criteria: Minimum Requirements

   - Eligible applicants: required experience with affordable housing or resident service provision
   - Minimum of 25% of units to be restricted at 60% AMI
   - No resident displacement
   - Applicant must provide a plan and budget for repairs related to life safety, code, deferred maintenance, and energy-efficiency upgrades

- Applicant must provide a resident services plan
- Applicant must provide a property management plan

The Housing Trust Fund Advisory Board expressed a desire to see projects with a higher percentage of affordable units and more deeply targeted units. However, they were comfortable with these minimum standards understanding that it will increase the likelihood of a successful pilot and the preferences below account for both of those objectives. If the program were to move beyond a pilot phase, their recommendation was to revisit the minimum requirements based on the projects that apply for funding and market dynamics.

6. Proposed Priorities: Preferences in Allocating Funds

    - Preserving rental housing at imminent risk of rent increases that could displace existing tenants
    - Preservation of currently deed restricted housing nearing the end of its compliance period
    - Improving the quality and condition of housing, with a focus on critical life safety, obsolete systems, deferred maintenance, and upgrades related to health and sustainability
    - Protect existing residents from displacement
    - Targeting units to 40% AMI households
    - Restructuring rents to reduce rent burdened households
    - Minimizing disruption to tenants during renovation work
    - Maximizing leverage of other funding sources
    - Preserving units in high opportunity areas
    - Preserving units in close proximity to transit, services and amenities
    - Providing a robust resident supportive services program
    - Requesting the smallest amount of City funding

7. Proposed Terms

- Goals of this new program:
    - Flexible
    - Fast-moving
    - Apply long term rent restrictions
    - Affordability minimum of 30 years
    - Loan would be structured to fill acquisition gaps with initial 2 year period with options to extend depending on permanent financing plan and timeline
    - Interest: 3% simple
    - Repayment: deferred during acq/rehab phase, soft loan post rehab receiving 50% of cash flow
    - Full repayment would be triggered at: sale, refinancing, permanent financing, syndication, end of term
    - Eligible costs: predevelopment, acquisition, rehab
    - Maximum loan amount: not to exceed $50K per unit
    - Enhanced marketing/outreach of program

- HAND has an existing renter rehab program that is currently underutilized:
    - Small program, not actively marketed

- Terms: max loan amount up to 90% LTV, 5% interest (exceptions possible for nonprofits who work with low-income households), 20 years
- These funds could be combined with the Renovation Pilot to increase impact (roughly $800K available)

8. Market Data

Property Type	# Properties	%	# Units	%
1-2 Units	4,027	65%	5,490	16%
3-10 Units	1,755	28%	7,736	22%
11-25 Units	250	4%	4,058	12%
26-50 Units	104	2%	3,516	10%
50+ Units	103	2%	13,621	40%
	6,239	100%	34,421	100%
Source: Landlord Business Licenses				

In 2016, there were 52 multifamily properties sold in SLC that contained 4 units or more per Costar data, representing 4,020 units. The median property size was 18 units. Where pricing information is known, the median price per unit was about $93K. The median cap rate (the relationship between NOI and Sales Price) was 5.6.

In 2017, there were 35 multifamily properties sold in SLC that contained 4 units or more per Costar data, representing 2,083 units. The median property size was 24 units. Where pricing information is known, the median price per unit was about $114K (a 23% increase over 2016). The median cap rate was 5.4.

Key takeaways:

- The multi-family market is heating up, with properties becoming increasingly valuable to investors
- Cap rate declining shows that investors are valuing assets based on potential rents not in place rents
- These factors put pressure on the NOAH and at-risk restricted properties which are viewed as “value add” by buyers whose plan would be to significantly raise rents

MF Sales	# Properties	%
4-10 Units	20	23%
11-25 Units	30	34%
26-50 Units	10	11%
50+ Units	27	31%
	87	100%
Source: CoStar, last two years		

9. Hypothetical Transaction

Modeling a hypothetical transaction assuming the median size, price per unit and cap rate from 2017 multi-family sales (24 units, $114K/unit, 5.4% cap rate), shows the hypothetical acquisition/rehab gap needed to preserve affordable rents. With a projected NOI of about $148K, the property could support a conventional first loan of about $1.9M, leaving an acquisition gap of about $820K ($34K per unit), not accounting for upfront repair work needed. Assuming a relatively minimal upfront need of $20K per unit rehab ($480K), the gap increases to $1.3M, $54K per unit. Very little of that could be supported by an equity investment based on cash flow.

Acquisition			
Units	24		
Sale Price	$2,736,000		
$/Unit	$114,000		
In Place NOI	$147,744		
Proforma NOI	$148,142		
Income for 1st Loan	$123,452		
Supportable 1st Loan	$1,916,396		
Max Loan Per LTV	$2,052,000		
Acquisition Gap	$819,604	*$34,150*	*per unit*
Initial Rehab	$480,000	*$20,000*	*per unit*
Total Gap	$1,299,604	*$54,150*	*per unit*

Based on feedback from the Housing Trust Fund Advisory Board, Staff also ran a scenario showing the impact of adding more deeply targeted units. As can be seen, restricting 25% of the units at 40% AMI instead of 60% AMI adds about $14K per unit to the gap.

The final scenario modeled is 100% market rate showing how the financing works for investors to pursue this strategy. As can be seen, with market rents, the equity investment pencils.

See attached financing models for three scenarios:

1. Half affordable at 60% AMI, half market scenario
2. More deeply targeted scenario with 25% of units at 40% AMI
3. All market scenario showing what would happen without this program

10. Program Models for Reference

Example NOFA:
http://housing.smcgov.org/sites/housing.smcgov.org/files/ARAPP%20NOFA%20FINAL%202016-10-31.pdf

Acquisition/Preservation/Rehab – Blended Capital Funds – Short-Term Loans
https://www.sfhaf.org/borrow-overview/
http://www.housingtrustsv.org/tech-fund/

http://newgenerationfund.com/

Focus on Preservation/NOAH – Mostly Equity
https://www.enterprisecommunity.org/financing-and-development/conventional-equity
https://www.pnc.com/en/corporate-and-institutional/financing/lending-options/pnc-real-estate/affordable-housing-preservation-investments.html
http://hpequitytrust.com/target-investments/
https://www.cdt.biz/equity-program/
https://turnerimpact.com/investment-models/workforce-housing
http://gmhf.com/finance/noah-impact-fund/
http://noahimpactfund.com/

Hypothetical Transaction Based on 2017 Median Transaction in SLC MF Market
a. Renovation Pilot example - 50% at 60% AMI, 50% at Market

Acquisition			
Units	24		
Sale Price	$2,736,000		
$/Unit	$114,000		
In Place NOI	$147,744	*Cap Rate*	*5.4%*
Proforma NOI	$148,142	*DSCR*	*1.2*
Income for 1st Loan	$123,452	*See detailed breakdown*	
Supportable 1st Loan	$1,916,396	*Max LTV*	*75%*
Max Loan Per LTV	$2,052,000		
Acquisition Gap	$819,604	*$34,150*	*per unit*
Initial Rehab	$480,000	*$20,000*	*per unit*
Total Gap	$1,299,604	*$54,150*	*per unit*

Stabilization		
Unit Rents	$270,000	*See rent assumptions*
Vacancy	($13,500)	*5.0%*
Gross Rent	$256,500	
Operating Expenses	($99,958)	*See detailed breakdown*
Replacement Reserve	($8,400)	*$350 PUPA*
NOI	$148,142	

Cash Flow	
Income Escalator	2.0%
Cost Escalator	3.0%

	1	2	3	4	5	6	7	8	9	10
Gross Income	$270,000	$275,400	$280,908	$286,526	$292,257	$298,102	$304,064	$310,145	$316,348	$322,675
Vacancy Loss	($13,500)	($13,770)	($14,045)	($14,326)	($14,613)	($14,905)	($15,203)	($15,507)	($15,817)	($16,134)
Net Income	$256,500	$261,630	$266,863	$272,200	$277,644	$283,197	$288,861	$294,638	$300,531	$306,541
Operating Expenses	($108,358)	($111,609)	($114,957)	($118,406)	($121,958)	($125,617)	($129,385)	($133,267)	($137,265)	($141,383)
NOI	$148,142	$150,021	$151,905	$153,794	$155,686	$157,580	$159,475	$161,371	$163,266	$165,158
Debt Service	$123,452	$123,452	$123,452	$123,452	$123,452	$123,452	$123,452	$123,452	$123,452	$123,452
Cash Flow	$24,690	$26,570	$28,454	$30,342	$32,234	$34,128	$36,024	$37,919	$39,814	$41,707
Equity Scenario										
Rate of Return - with rehab	1.9%	2.0%	2.2%	2.3%	2.5%	2.6%	2.8%	2.9%	3.1%	3.2%
Rate of Return - no rehab	3.0%	3.2%	3.5%	3.7%	3.9%	4.2%	4.4%	4.6%	4.9%	5.1%

Conclusion: equity not a feasible source to completely fill the gap - return too low. Could potentially fill a small portion of the gap.

Repayment to City										
50% of Cash Flow	$12,345	$13,285	$14,227	$15,171	$16,117	$17,064	$18,012	$18,960	$19,907	$20,853
10 Year Projection	$165,942									

Likely Full Repayment Scenarios:
Refinance
Syndication
End of Term Balloon

Loan Terms	
Interest Rate	5.0%
Amortization	30
DSCR	1.2
LTV	75%

Rent Assumptions	*Units*	*Rents*	*Annual*
Half Units Restricted at 60% AMI	12	$775	$111,600
Half Units Unrestricted, Market Rents	12	$1,100	$158,400

Operating Expenses	*Total*	*Per Unit*
Property Tax	$21,368	$890
Utilities	$30,000	$1,250
Maintenance	$18,000	$750
Prop Mgmt	$15,390	$641
Legal/Insurance	$8,000	$333
Resident Services	$7,200	$300
Total OpEx	$99,958	$4,165

Hypothetical Transaction Based on 2017 Median Transaction in SLC MF Market

b. Renovation Pilot example - 25% at 40% AMI, 25% at 60% AMI, 50% at Market

Acquisition			
Units	24		
Sale Price	$2,736,000		
$/Unit	$114,000		
In Place NOI	$147,744	*Cap Rate*	*5.4%*
Proforma NOI	$122,746	*DSCR*	*1.2*
Income for 1st Loan	$102,288	*See detailed breakdown*	
Supportable 1st Loan	$1,587,871	*Max LTV*	*75%*
Max Loan Per LTV	$2,052,000		
Acquisition Gap	$1,148,129	*$47,839 per unit*	
Initial Rehab	$480,000	*$20,000 per unit*	
Total Gap	$1,628,129	*$67,839 per unit*	

Stabilization		
Unit Rents	$249,624	*See rent assumptions*
Vacancy	($12,481)	*5.0%*
Gross Rent	$237,143	
Operating Expenses	($105,997)	*See detailed breakdown*
Replacement Reserve	($8,400)	*$350 PUPA*
NOI	$122,746	

Cash Flow	
Income Escalator	2.0%
Cost Escalator	3.0%

	1	2	3	4	5	6	7	8	9	10
Gross Income	$249,624	$254,616	$259,709	$264,903	$270,201	$275,605	$281,117	$286,740	$292,474	$298,324
Vacancy Loss	($12,481)	($12,731)	($12,985)	($13,245)	($13,510)	($13,780)	($14,056)	($14,337)	($14,624)	($14,916)
Net Income	$237,143	$241,886	$246,723	$251,658	$256,691	$261,825	$267,061	$272,403	$277,851	$283,408
Operating Expenses	($114,397)	($117,829)	($121,363)	($125,004)	($128,755)	($132,617)	($136,596)	($140,694)	($144,914)	($149,262)
NOI	$122,746	$124,057	$125,360	$126,653	$127,936	$129,208	$130,466	$131,709	$132,936	$134,146
Debt Service	$102,288	$102,288	$102,288	$102,288	$102,288	$102,288	$102,288	$102,288	$102,288	$102,288
Cash Flow	$20,458	$21,769	$23,071	$24,365	$25,648	$26,919	$28,177	$29,421	$30,648	$31,857
Equity Scenario										
Rate of Return - with rehab	1.3%	1.3%	1.4%	1.5%	1.6%	1.7%	1.7%	1.8%	1.9%	2.0%
Rate of Return - no rehab	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	2.5%	2.6%	2.7%	2.8%

Conclusion: equity not a feasible source to completely fill the gap - return too low. Could potentially fill a small portion of the gap.

Repayment to City										
50% of Cash Flow	$10,229	$10,884	$11,536	$12,183	$12,824	$13,460	$14,089	$14,710	$15,324	$15,929
10 Year Projection	$131,167									

Likely Full Repayment Scenarios:
Refinance
Syndication
End of Term Balloon

Loan Terms	
Interest Rate	5.0%
Amortization	30
DSCR	1.2
LTV	75%

Rent Assumptions	*Units*	*Rents*	*Annual*
25% Units Restricted at 40% AMI	6	$492	$35,424
25% Units Restricted at 60% AMI	6	$775	$55,800
50%Units Unrestricted, Market Rents	12	$1,100	$158,400

Operating Expenses	*Total*	*Per Unit*
Property Tax	$21,368	$890
Utilities	$30,000	$1,250
Maintenance	$18,000	$750
Prop Mgmt	$14,229	$593
Legal/Insurance	$8,000	$333
Resident Services	$14,400	$600
Total OpEx	$105,997	$4,417

Hypothetical Transaction Based on 2017 Median Transaction in SLC MF Market
c. Market transaction example

Acquisition			
Units	24		
Sale Price	$2,736,000		
$/Unit	$114,000		
In Place NOI	$147,744	*Cap Rate*	*5.4%*
Proforma NOI	$200,734	*DSCR*	*1.2*
Income for 1st Loan	$167,279	*See detailed breakdown*	
Supportable 1st Loan	$2,596,743	*Max LTV*	*75%*
Max Loan Per LTV	$2,052,000		
Acquisition Gap	$684,000	*$28,500 per unit*	
Initial Rehab	$480,000	*$20,000 per unit*	
Total Gap	$1,164,000	*$48,500 per unit*	

Stabilization		
Unit Rents	$316,800	*See rent assumptions*
Vacancy	($15,840)	*5.0%*
Gross Rent	$300,960	
Operating Expenses	($91,826)	*See detailed breakdown*
Replacement Reserve	($8,400)	*$350 PUPA*
NOI	$200,734	

Cash Flow	
Income Escalator	3.0%
Cost Escalator	3.0%

	1	2	3	4	5	6	7	8	9	10
Gross Income	$316,800	$326,304	$336,093	$346,176	$356,561	$367,258	$378,276	$389,624	$401,313	$413,352
Vacancy Loss	($15,840)	($16,315)	($16,805)	($17,309)	($17,828)	($18,363)	($18,914)	($19,481)	($20,066)	($20,668)
Net Income	$300,960	$309,989	$319,288	$328,867	$338,733	$348,895	$359,362	$370,143	$381,247	$392,685
Operating Expenses	($100,226)	($103,233)	($106,330)	($109,519)	($112,805)	($116,189)	($119,675)	($123,265)	($126,963)	($130,772)
NOI	$200,734	$206,756	$212,959	$219,348	$225,928	$232,706	$239,687	$246,878	$254,284	$261,913
Debt Service	$132,187	$132,187	$132,187	$132,187	$132,187	$132,187	$132,187	$132,187	$132,187	$132,187
Cash Flow	$68,547	$74,569	$80,772	$87,161	$93,741	$100,519	$107,500	$114,691	$122,097	$129,726
Equity Scenario										
Rate of Return - with rehab	5.9%	6.4%	6.9%	7.5%	8.1%	8.6%	9.2%	9.9%	10.5%	11.1%
Rate of Return - no rehab	10.0%	10.9%	11.8%	12.7%	13.7%	14.7%	15.7%	16.8%	17.9%	19.0%

Conclusion: equity is a feasible source based on return

Loan Terms	
Interest Rate	5.0%
Amortization	30
DSCR	1.2
LTV	75%

Rent Assumptions	*Units*	*Rents*	*Annual*
All Units at Market Rents	24	$1,100	$316,800

Operating Expenses	*Total*	*Per Unit*
Property Tax	$21,368	$890
Utilities	$30,000	$1,250
Maintenance	$14,400	$600
Prop Mgmt	$18,058	$752
Legal/Insurance	$8,000	$333
Resident Services	$0	$0
Total OpEx	$91,826	$3,826