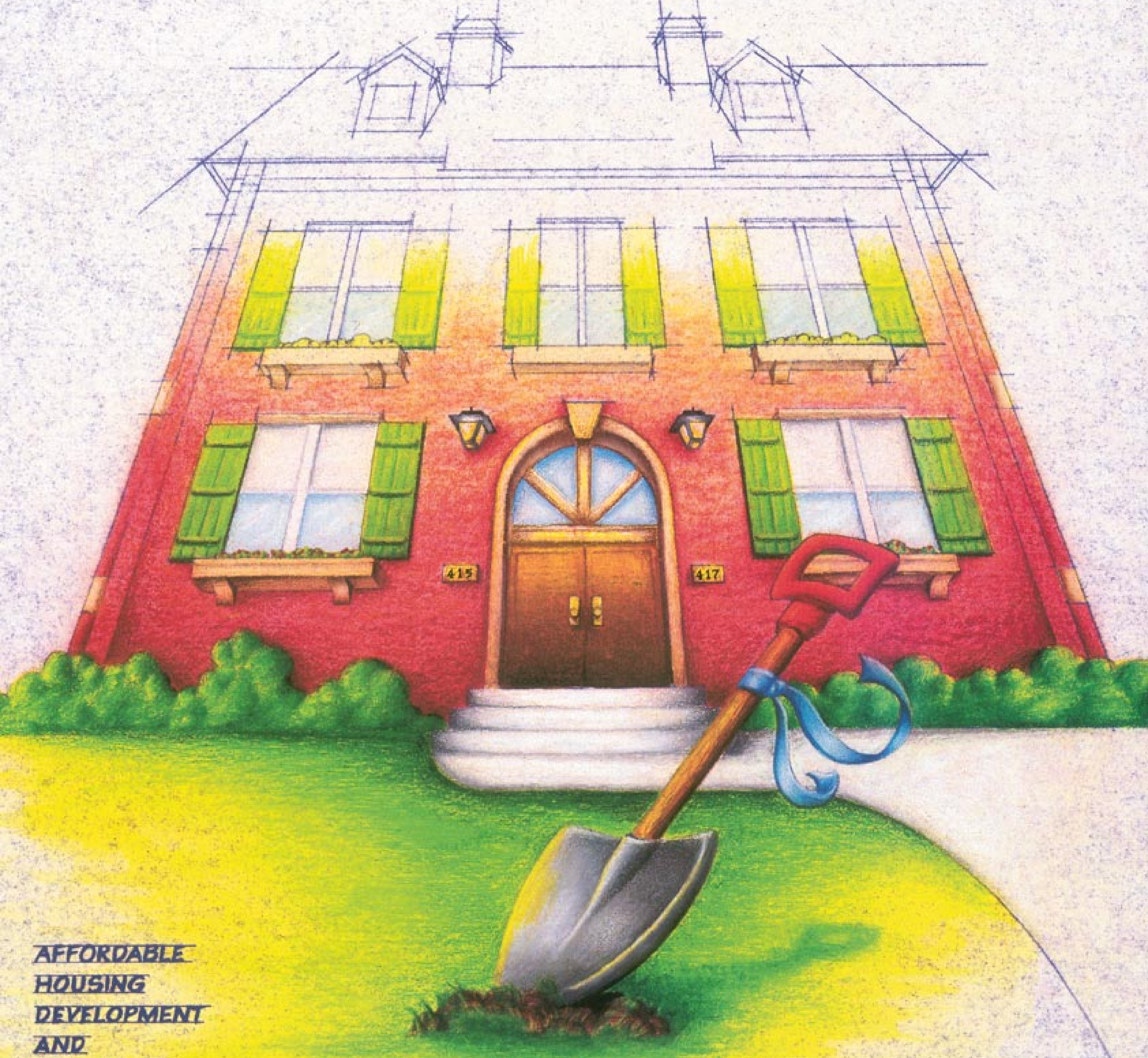
BREAKING GROUND

A BEGINNER'S GUIDE FOR NONPROFIT DEVELOPERS



AFFORDABLE
HOUSING
DEVELOPMENT
AND
FINANCE

FEDERAL RESERVE BANK OF DALLAS

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Acknowledgments

A note of appreciation and gratitude to the following people
for their information and assistance:

Laura Bailey
Edwina Carrington
Barbara Cassel
James W. Feild
James E. Gilleylen
Karen Kollias
Liz Lockwood
Duane McClurg
Judith McCormick
Lester Nevels
Gene Ruckle

Special thanks to Gwynn Eleby-Gilliam
for her research and her work.

Introduction

Communities—both urban and rural—have found that the need for affordable housing increasingly surpasses the supply. Throughout the country, community-based nonprofit organizations have emerged as effective producers of affordable housing—often in partnership with local government, financial institutions, foundations or others. We commend the nonprofit organizations that are producing affordable housing in communities not only in the Eleventh Federal Reserve District but across the country.

This guide is for community-based nonprofit organizations interested in learning more about becoming affordable housing developers, establishing public–private partnerships and helping to meet the housing needs of low- and moderate-income families. Its purpose is to provide basic information that prospective nonprofit developers need to know about planning, financing and developing affordable housing. For more comprehensive information and assistance, consult the resources insert included in the back pocket of this information guide.

Chapter 1

Self-Assessment: Looking at the Organizational Realities

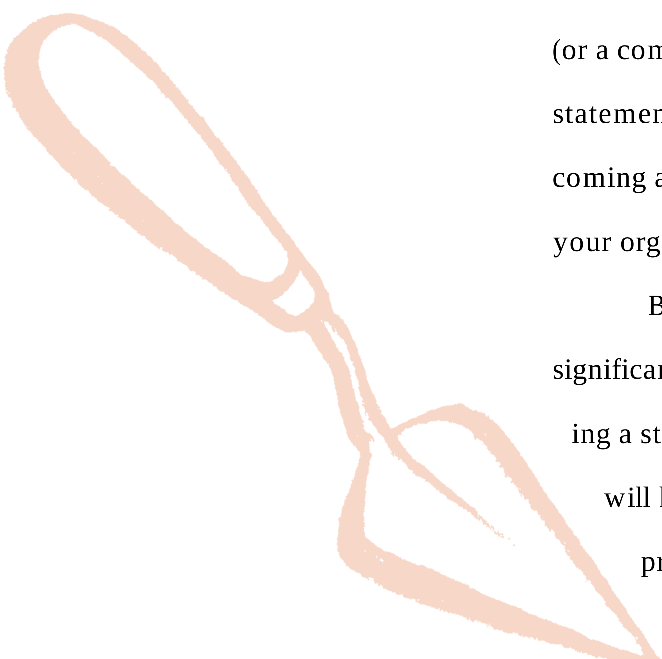
Before the first brick for new housing is laid, the leadership of your nonprofit organization will want to make sure the organization will be around to see the project completed, welcome new neighbors, host the mortgage burning and continue the good works that you've started. To accomplish this, your board of directors must take a close look at the nonprofit's capacity and financial soundness.

The goal of a self-assessment is to determine if developing affordable housing fits into your organization's goals, and if so, if it has the capacity to become a successful nonprofit developer.

Your Mission Statement, Bylaws and Strategic Plan Review

Although developing affordable housing is a good idea, your board of directors may find that it does not fit with the organization's goals. Your board of directors (or a committee) must draw up bylaws and a mission statement or review existing ones to ensure that becoming a housing developer furthers the purpose of your organization.

Becoming involved in housing development will significantly impact your organization's future. Developing a strategic plan that reflects the development goals will help keep your organization on track while the project is under way and after its completion.



Board of Directors Efficiency Checklist

- ✓ Do your chairman and directors strongly support the goal of becoming an affordable housing developer?
- ✓ Does your board of directors reflect the diversity of the community being served?
- ✓ Do your chairman and directors have access to the professional expertise needed to facilitate affordable housing development (e.g., an accountant, banker, attorney and real estate professional)?
- ✓ Do your chairman and directors have the contacts and expertise to secure grants, loans and investments in an affordable housing development?
- ✓ Has your board established an effective system of fiscal checks and balances?
- ✓ Is the membership on your board committed and stable?
- ✓ Are your board meetings well attended and effectively run?
- ✓ Has your board provided good stewardship of the organization in its past endeavors?

Assess the Efficiency of Your Board of Directors

Becoming an affordable housing developer will require your board of directors to assume additional responsibilities, such as increased fund-raising, closer community scrutiny, a larger staff and potentially greater fiscal liability. The board of directors efficiency checklist can be used to help you assess your board's strengths and weaknesses.

Internal Operations

Undertaking a development project requires good planning, accounting and reporting systems to ensure that the development is carried out in a proper and efficient manner and that your organization is complying with the requirements set by funding sources. The three basic systems all nonprofits need are project planning, financial and reporting systems.

Project Planning System

Before the development process can begin, you must have a plan that identifies your goals and the steps you will take to accomplish them. Many organizations use committees to help prepare the plan. Typical tasks include the following:

NEEDS ASSESSMENT Identifying the housing needs in your target area and the best ways to meet them

FINANCE/BUDGET Ensuring financial statements are complete and accurate and preparing the budgets for the project

MARKETING Preparing a communications plan to inform the local community and potential customers

INSURANCE Identifying insurance needs and the most cost-effective ways to meet them

FUND-RAISING/FINANCING Identifying funding resources and developing a plan to access them

CONSTRUCTION/REHABILITATION Planning all phases of the project's physical development

LONG-TERM PROJECT MANAGEMENT Developing a plan for ongoing, long-term management of the development

Financial System

Monthly income statements, balance sheets and cash flow statements are necessary if your organization will have housing-related income and expenses. Financial statements should be reconciled to the budget and reviewed by your executive committee and board of directors on a monthly basis. Once construction is under way, an ongoing comparison of the percentage of the project completed to percentage of budget used should be done.

Becoming involved with affordable housing development will add many layers to your organization's annual audit. It is vital that your records for the housing development activities be complete, in conformity with audit standards and accessible.

Reality

Regardless of the size of your project, be realistic about how long it will take you to begin construction. Experienced nonprofit developers say it often takes two years to go from the planning stage to construction.

IRS Nonprofit Status

Has your organization obtained its nonprofit status from the Internal Revenue Service? To be eligible for tax-deductible donations, foundation grants and public funds, your organization must apply for and receive nonprofit—usually 501(c)(3)—status from the IRS.

Personnel Management Ideas

- Use voice mail rather than hire a receptionist.
- Invest in a computer, which may eliminate the need for a secretary.
- Hire an accounting firm to perform all bookkeeping functions, from writing checks to preparing financial statements.
- Ensure that the accounting firm and bookkeeper are familiar with fund accounting for nonprofit organizations.
- Adequately compensate staffers; this is less expensive than high employee turnover.
- Establish flexible business hours that fit the development process, rather than the standard 9 a.m. to 5 p.m.

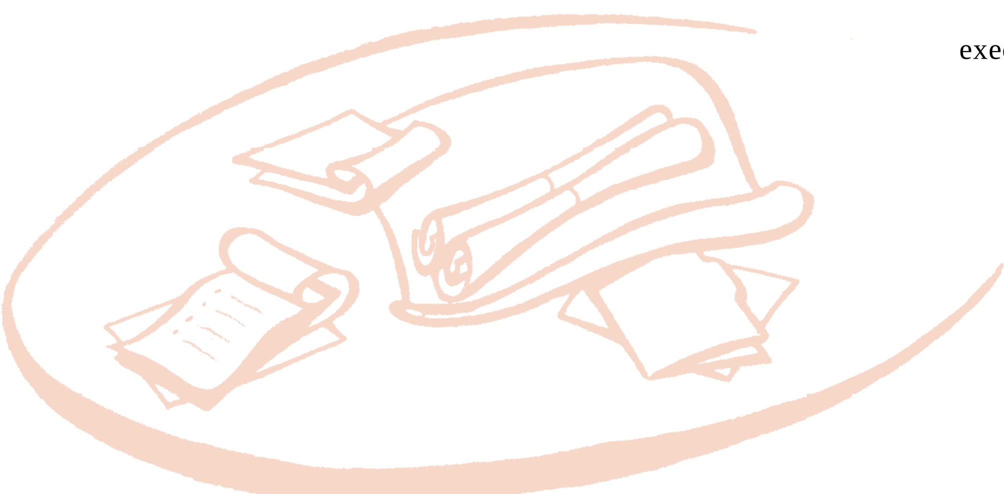
Reporting System

Your board of directors and funding sources will have reporting requirements. Consider reviewing all the reports and who requires them, and establish a calendar of reports by due date. In addition to the reports required by your funding sources, your nonprofit needs to produce board meeting minutes, committee reports, an annual report and an annual audit report.

Staffing Considerations

Using personnel resources wisely is important to the success of any development project. An important question your nonprofit's board of directors must answer is whether the skills of your current staff match the skills and experience your organization needs to become an affordable housing developer.

If the answer is no, your board of directors must hire or contract for the needed expertise. Some organizations hire a director and contract for other services and expertise on an as-needed basis. Other organizations hire a staff that might typically include an executive director, construction/rehab manager, receptionist/secretary and bookkeeper. Each organization must develop a staffing pattern that best meets the goals set by the board of directors.



Chapter 2

Choosing a Role: There Are Many Choices

A nonprofit organization can play many important roles in the affordable housing development process. Becoming a developer may not be your best option. To determine the best role for your nonprofit, your board of directors can begin by asking a few simple questions:

- Can unmet housing needs in the community be best met by our organization becoming a nonprofit affordable housing developer?
- Is our organization the only one that can meet these needs?
- Are there ways to produce affordable housing without our nonprofit becoming the developer?

Consider the following list of development roles to see which one best suits your organization's mission and capabilities. Many organizations that began by playing an advocacy or counseling role have, with experience, become developers.

A Nonprofit Broker

Your organization's strong community ties and knowledge can enable you to develop partnerships with community leaders, public officials, builders, developers and financiers to promote the development of affordable housing.

Home Buyer Counselor

You can maximize your community ties by serving as a home buyer counselor. A natural role for some nonprofit organizations is to identify potential home buyers, conduct home buyer counseling workshops and then help mortgage applicants qualify for a loan.

Attention, First-Time Nonprofit Developers

Find an experienced nonprofit developer to be your mentor.

Home buyer counseling may be conducted on a fee-for-services basis or as a contract service for a financial institution or developer.

Joint Venture Partner

Many nonprofits enter into joint ventures with experienced housing developers (either nonprofit or for-profit) that need the community-based organization's knowledge of the community. Joint ventures are an excellent, lower risk way to learn about housing development.

Land Developer

Your nonprofit could choose to facilitate affordable housing development by buying or getting options on land, subdividing it and adding infrastructure. The land may then be sold to home builders.

Turn-Key Single-Family Developer

The turn-key developer acquires the property, undertakes the building construction or rehabilitation, and sells the housing once construction is complete. As a turn-key developer, your organization makes the decisions and assumes the risk.

Turn-Key Multifamily Developer

The multifamily developer role is the most difficult and carries the greatest risk. The developer acquires the property, arranges predevelopment, construction and long-term project funding, and constructs or rehabilitates the structures, in addition to being responsible for the long-term management of the property.

Chapter 3

Essential Components of a Successful Development

A successful development doesn't just happen—it must be skillfully managed. There are five essential components that require planning, research, decisions and action: team, community, market, product and resources.

Building a Team—Creating a Vision

Your development team should be diverse, committed and able to provide expertise and access to the community and resources. Team members should be involved from the beginning of the project, kept informed and called on to provide input and resources. Your team might include

- *Community representatives*
- *A potential-customer representative*
- *Bankers*
- *A city housing department representative*
- *A city zoning department representative*
- *A real estate broker*
- *A development expert*
- *An attorney*
- *An accountant*
- *An architect*
- *A marketer*
- *Potential funding sources and investors or donors*

Development Team Responsibilities

The members of your development team will have many responsibilities. They will

- Work with your board of directors to develop a strategic plan for the project
- Chair pivotal committees such as the budget, finance, fund-raising, marketing, design, construction, communications and long-term management committees
- Identify and access resources
- Represent the development project at community meetings and in other public forums
- Provide project oversight throughout the development process

The Art of Listening

Listen to what the community is saying so you can assess what the neighbor-hood wants and needs. Your organization must then decide if it can provide what the community needs.

Ensuring Community Involvement

Community involvement and support is critical to the success of your development. Community input is essential for you to understand local housing needs, and it will be needed throughout your project. The community should be involved in planning the development as much as possible. You should seek their feedback and ask for their commitment to the development's goals.

There are many ways to generate community involvement; the following are a few to consider:

- Have community representatives on your board of directors.
- Ask community representatives to serve in leadership positions on your development team and committees.
- Seek community input through focus group meetings or through a door-to-door survey.
- Work with and through other community-based organizations such as churches and chambers of commerce.
- Keep the community informed through a series of community meetings, articles in the local newspaper or other creative ways to communicate.

Know Your Market

The goal of a good market study is to identify potential customers and to learn about their needs and desires. A market study will generally include the following information:

- The demographics of area residents, including their age, income, length of residency, household size, income and if they rent or own
- Current housing conditions, including the number of units of single- and multifamily housing and the age of the housing stock
- An inventory of the competing single- and multifamily housing, such as the number of units that are vacant or for sale and the average length of time it takes for a unit to be rented or sold
- The size of the potential market
- The type of housing needed and wanted
- The housing price range for sale or rental
- Housing unit sizes
- Where the development should be located
- Local cost of materials and construction
- The need for auxiliary services such as home ownership counseling
- The opportunities and risks the project will present to the community and the nonprofit organization
- Other market factors that might impact the success of the development

Market Studies

If your nonprofit is undertaking a small development project, usually under $2 million, you may want to conduct an in-house market study. Demographic and housing information may be obtained from the city, county or state housing departments. Your development team could conduct a market survey or focus group meeting. Large projects may require you to hire an outside firm that specializes in affordable housing market studies.

Know Your Neighborhood

Know every street,
every lot, every vacant house…

Know the demographics,
inside and out…

Know incomes ranges
and size of families…

Know who you are serving,
what they want…
and what they can afford.

This is your area of expertise.

Develop it and use it.

Your market study must match realistic market wants and needs with the need to maintain housing affordability. When choices must be made, the best choices will increase long-term durability and marketability of the housing.

Choosing the Best Product

Once your market research is finished, you should know who your customers will be and what their housing needs are. Depending on customers' needs, you will have a number of development options to choose from—single-family rehabilitation, new single-family construction, multifamily rehabilitation and new multifamily construction.

Single-Family Rehabilitation and New Construction

The rehabilitation or construction of single-family housing is often the initial product for most first-time affordable housing developers. Total project costs are usually lower and the financing is less complex than in multifamily housing development. The cost of developing single-family housing must be compatible with what your market study shows people can pay. The affordable standard for single-family housing is about 30 percent of household income.

If there are vacant homes in need of repairs that are available for donation or sale at a low cost, your organization may choose to purchase and rehabilitate single-family houses for resale. Before your nonprofit invests in a property, the amount and cost of the rehabilitation should be closely evaluated to ensure that the property will remain affordable after the rehabilitation is finished.

If a neighborhood has many vacant lots or tracts of vacant land, you may decide the best option is to acquire the property for new home construction.

Single-Family Rehab and New-Construction Tips

- Rehabilitate or construct housing in stable neighborhoods or as part of a neighborhood-wide redevelopment effort. If a new home is the only livable house on the block, no one may want to buy it.
- Consider allowing home buyers to participate in the construction so they can build equity as well as lower the cost of the house.
- Use local, community-based contractors.
- Ensure that potential home owners have access to home ownership counseling.
- Early in the development phase, conduct a home ownership fair for potential home buyers where they can meet with local bankers who can explain the mortgage application process and help them complete the loan application.
- Invite program representatives, who can assist potential home buyers with down payment and closing costs or provide all or a portion of the mortgage at a low interest rate, to the home ownership fair and other meetings.

Multifamily Rehabilitation and New Construction

Multifamily housing development is rarely a first endeavor for nonprofit organizations. Identifying a good project, financing, and construction, marketing and long-term management of multifamily housing are complicated and potentially expensive. At the same time, project development costs should not cause rental rates to exceed 30 percent of customers' income.

Seasoned nonprofit developers recommend that a multifamily project be large enough to take advantage of economies of scale. When a project is too small, per foot construction costs may be too high, and once it is operating, a small project may not generate enough cash flow to cover management and maintenance costs.

Multifamily housing development requires many partners, all of whom must be reliable. No matter what role your nonprofit plays in the development process, you must choose your partners carefully.

Chapter 4

Developing Resources to Fund Affordable Housing Development

This section of the guide discusses the information funding sources need to make decisions about investing in or financing your affordable housing development. The seven basic areas of development funding that you should become familiar with are

- *Types of available funding*
- *Budgets*
- *Acquisition, construction and permanent financing*
- *Ratio analysis—determining the debt, equity and subsidy mix*
- *Financing gaps and strategies to overcome them*
- *Sources and uses—putting it all together*
- *Additional information funding sources will need*

Bright Idea

Your organization may want to consider establishing a "reality check" committee of outside advisors. The committee will have the responsibility of asking at every stage of the development, Does this project make sense?

There are many projects that can be done, but not necessarily should be done.

Funding vs. Financing

There is a difference between *funding* and *financing*.

Funding is inclusive—it includes investments and grants that do not have to be repaid and loans that require repayment.

Financing refers only to loans that must be repaid.

Types of Funding

The goal of developing affordable housing is to build or rehabilitate quality housing that will be affordable for low- and moderate-income families. To accomplish this, your development funding must be compatible with this goal. To keep a housing development affordable, it is often necessary for you to use many different types of funding.

Grants and Subsidies

Grant money and subsidies are given without expectation of repayment. Grants are usually given to accomplish goals set by the donor, such as the development of affordable housing. Foundations and federal, state and local governments are important sources of grant monies and subsidies for affordable housing.

Loans

Loans are often referred to as *debt financing*. Loans must be repaid according to a fixed payment schedule, generally with interest. There are three categories of debt financing providers.

CONVENTIONAL DEBT FINANCING is most often provided by financial institutions and is generally short-term financing.

PUBLIC DEBT FINANCING SOURCES include state and local governments that loan state and federal money and housing finance agencies that issue bonds. Public funding sources can offer more flexible repayment terms in order to facilitate affordable housing development.

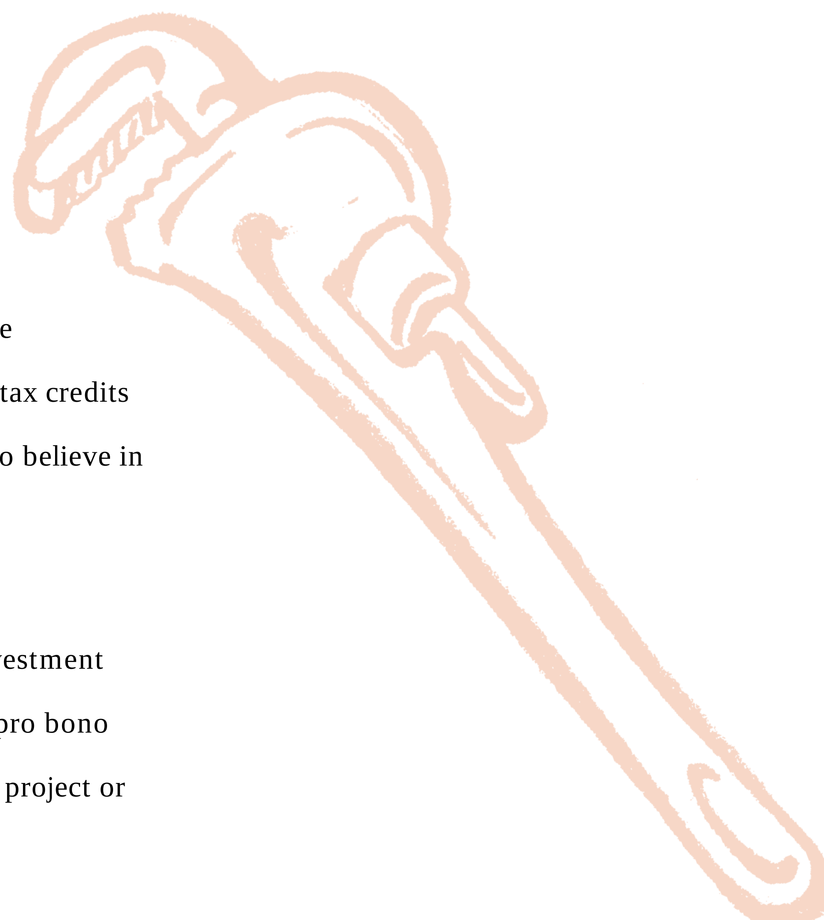
LONG-TERM FINANCING SOURCES include national nonprofit intermediaries, banks, thrifts, mortgage companies, pension funds and insurance companies. Secondary-market agencies (e.g., Fannie Mae and Freddie Mac) that purchase loans are also long-term financing sources.

Loan Guarantees

Loan guarantees are made by a third party that guarantees the loan will be repaid. State and local governments and nonprofit intermediaries are often sources of loan guarantees.

Equity

Equity investments are those made in return for a share of ownership. Equity investors are paid a monetary return on the investment if there is money left after the expenses and loans are paid. Equity can be raised through the sale of affordable housing tax credits or from for-profit or foundation investors who believe in the purpose of affordable housing.



Quasi Equity

Quasi equity is a nonmonetary equity investment such as donated property, volunteer labor or pro bono services. Quasi equity reduces the cost of the project or monthly operating expenses.

Predevelopment Costs

Predevelopment costs are often difficult to finance through a bank because there are no guarantees that the project will actually be developed. Foundations and local government are possible sources for predevelopment grants. The resources insert in the back pocket of this booklet identifies potential sources. Your development team may also help identify services (e.g., market study or legal counsel) that can be obtained pro bono or at a reduced cost.

Budgets

Your funding sources for subsidies and debt and equity investments require information about the costs and future income of the proposed development to determine the amount and types of funding resources your development will need. Your organization must develop at least three comprehensive budgets for the development—predevelopment, development, and operating income and expense (pro forma) budgets—which will be presented to your funding sources and used throughout the development phase and the operation of the project.

The following budgets focus on a small multifamily development. However, they are adaptable to single-family and larger multifamily developments.

The Predevelopment Budget

Affordable housing development begins with your desire to fill a need and a vision of how it can be accomplished. The predevelopment phase begins when your nonprofit organization makes the decision to begin testing the feasibility of your vision. The predevelopment phase may be accomplished in a series of steps, each requiring a budget and resources. Typical steps include the following:

- Conduct a market study to verify the need for affordable housing and to develop an understanding of the people who will purchase or rent the housing to ensure that what you build will meet their needs.

- Contract with an architect or builder and engineer to develop cost estimates for property acquisition and building rehabilitation and/or construction to determine if your project is economically feasible.
- Contract for a preliminary environmental assessment of the property.
- Take an option on the proposed property.
- Develop project proposals that can be presented to potential funding sources.

Additional budget items may include hiring or contracting with professional development staff, and legal and accounting fees.

The Development Budget

Your development budget must be prepared by a qualified architect or builder and engineer. It includes the cost of property acquisition and cost estimates for construction or rehabilitation of the building(s). A good development budget includes an allocation for contingencies and establishes interest and operating deficit reserves. A developer's fee should be included in the budget. Your nonprofit organization can make a profit as a developer.

Consider the following when developing your budget:

- Be realistic about costs—they are almost always higher than anticipated.

Sample Development Budget

Our Town Apartments

Acquisition Costs	
Land acquisition	$ 70,000
Building acquisition	280,000
Construction or Renovation Costs	
Materials	150,000
Labor	200,000
Fixtures	80,000
Soft Costs/Contingencies/Reserves	
Appraisal	4,000
Architect/engineering fee	10,000
City permits	2,000
Financing fees	10,000
Insurance	2,000
Interest on construction loan	40,000
Legal fees	5,000
Property survey	2,000
Real estate taxes	3,000
Utility hook-up fees	8,000
Title and recording fees	7,000
Developer's fee	57,000
Hard and soft cost contingencies	10,000
Interest and operating deficit reserves	15,000
Development costs	$ 955,000
Predevelopment expenses	65,000
Total project cost	$1,020,000

Notes: This development budget is for 40 units. The average unit size will be 800 square feet, for a total of 32,000 square feet. The cost per square foot is $31.88 ($1,020,000 cost/32,000 square feet). This sample budget is a guide, and depending on the project, categories may need to be added or deleted.

Sample Monthly Operating Budget
(Income/Expenses)

Our Town Apartments
(After Stabilization)
40 Units

Rental Income	
10 units at $400/month	$ 4,000
10 units at $500/month	5,000
15 units at $600/month	9,000
5 units at $650/month	3,250
Rental revenue	$21,250
Less 10-percent vacancy	(2,125)
Total rental income	$19,125
Operating Expenses	
Leasing and administrative	
Property manager/leasing agent	$ 4,000
Maintenance contract	3,500
Advertising	700
Accounting	500
Office Supplies	75
Telephone	200
Insurance	500
Property taxes	200
Utilities	1,600
Replacement reserve	1,500
Total operating expenses	$12,775
Net operating income	$ 6,350[1]

[1] This budget does not include interest expense on loans received to finance the project. The monthly principal and interest payment on the project's financing will be determined later.

- Be realistic about how long it will take you to put the financing in place. Consider any costs that will accrue during this time.
- Be realistic about how long it will take you to complete construction. Project delays can be very expensive and should be anticipated.
- Make sure reserves and contingency money are adequate to absorb unforeseen problems.

The Operating Budget (Income and Expense Pro Forma)

An operating budget shows income and expenses from rental units. As the developer, you should be prepared to present monthly operating budgets for two years and annual budgets for five years. Your budget should reflect all sources of income and operating expenses, including reserves for maintenance.

Preparing the operating budget allows you to examine income and expenses to ensure that your development will have enough income to pay expenses and make monthly loan payments and provide a return to investors and your nonprofit organization.

Lease-Up Period

You should prepare a lease-up period budget when some, but not all, of the units are leased. The lease-up period budget will show lower occupancy and less income than the operating budget will show once the project's occupancy is stabilized.

Acquisition, Construction and Permanent Financing

Obtaining debt financing, attracting equity investments and securing subsidies or grants are the components of development funding. Every project you do will need three stages of funding: acquisition, construction and permanent.

Acquisition

Acquisition funding may be in the form of an equity investment or a short-term loan that is paid off when the permanent financing is closed. Banks and other private lenders are often reluctant to finance property acquisition because vacant land and buildings are not income producing and may not provide adequate collateral for a loan. Your alternative sources for acquisition financing include state and local governments, housing finance authorities, foundations and bank community development corporations.

Construction

Banks are often willing to make a construction loan because it is short-term, usually 12 to 18 months. Because the lender wants to make sure the loan will be paid off when construction is finished, permanent financing commitments must be secured before the loan is made. The amount of the construction loan will be limited by the amount of permanent funding. State and local governments can also provide construction financing.

Why Banks Are Short-Term Lenders

Banks use deposits from customers to fund loans. Customer deposits are generally short-term (in the form of checking and savings accounts), allowing the bank to use them only for a short period. Banks must be careful to match the term of a loan to the term of its deposits. For example, a bank would not want to fund a 30-year mortgage with deposits that could be withdrawn next week. To solve this problem, banks sell loans into the secondary market, which represents long-term investors. Secondary-market resources are listed in the resources insert.

Secondary-Market Process

Borrowers
- Nonprofits
- Developers
- Individuals
- Others

Mortgages ↓ Funds ↑

Mortgage Lenders/ Primary Market
- Commercial banks
- Savings and loans
- Mortgage bankers
- Others

Mortgages ↓ Funds ↑

Secondary-Market Resources
- Fannie Mae
- Freddie Mac
- Private- and nonprofit-sector intermediaries

Securities ↓ Funds ↑

Investors
- Pensions
- Life insurance companies
- Institutional investors

Source: Adapted from a GAO report, *Housing Finance: Expanding Capital for Affordable Multifamily Housing*, October 1993.

Permanent

Permanent funding may be in the form of equity investment or debt financing. Permanent debt financing should be at a fixed rate of interest for a long term—at least 10 years and, more ideally, 15 to 30 years. Both single- and multifamily housing development require permanent financing.

The mortgage loan secured by the home purchaser is the permanent financing source for single-family housing development. The construction financing source will want the home buyer confirmed and mortgage loan commitment secured before the construction loan is made.

Securing permanent financing for multifamily housing development is more difficult. Sometimes a bank will roll over all or part of the construction loan into permanent financing. Often, if a bank provides the permanent loan for a single- or multifamily housing development, the bank will want to sell the loan into the secondary market.

In addition to permanent bank financing and the secondary market, other sources of permanent financing can be used, including multibank lending consortia, pension funds, nonprofit intermediaries, federal funds passed through to state and local governments, and other public financing sources such as state housing finance agencies and trust funds.

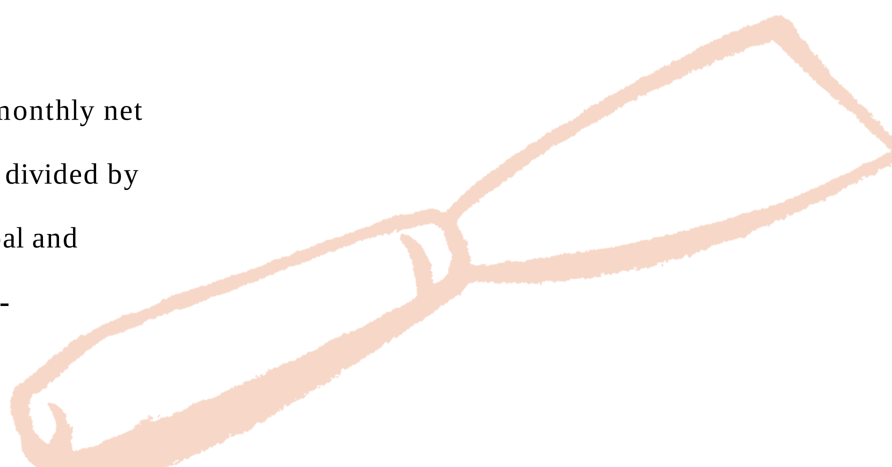
Multifamily affordable housing tax credit investors are a valuable source for permanent equity investment, reducing the amount of permanent financing needed. The resources insert in the back pocket of this booklet identifies affordable housing tax credit resources.

Ratio Analysis—Determining the Debt, Equity and Subsidy Mix

When assessing how much debt your development project can prudently repay, your lenders will be interested in two ratios—the loan-to-value ratio and the debt-coverage ratio. The maximum amount of debt financing will usually not exceed the maximum of either ratio. Once the maximum amount of debt financing is determined, the balance of the project costs will have to be covered by either equity investment or grants and subsidies.

The *loan-to-value ratio (LTV)* compares the amount borrowed with the appraised value of the project. Most lenders will not lend more than 80 percent of the value. As the developer, your organization will have to seek equity investments or grants and subsidies totaling at least 20 percent of the project's value.

The *debt-coverage ratio* is the amount of monthly net operating income (income minus expenses), divided by the amount of monthly debt service (principal and interest payments on the loan). When underwriting a loan, the bank must make sure that after all operating expenses are paid, there is enough cash to make the principal



Loan-to-Value Ratio—Our Town Apartments

Based on the sample development budget on page 20, the project will cost \$1,020,000. Based on an LTV ratio of 80 percent, the maximum amount a financial institution would consider lending is \$816,000 (80 percent × \$1,020,000 = \$816,000).

Based on an LTV ratio of 80 percent, the minimum amount of equity your organization must have in the project is \$204,000 (20 percent × \$1,020,000 = \$204,000).

Note: Assume that the appraised value, as well as the project's cost, will be \$1,020,000.

Debt-Coverage Ratio—Our Town Apartments

Based on a net operating income (NOI) of $6,350, shown in the sample operating budget on page 21, and a debt-coverage ratio of 120 percent, your project can manage a monthly loan payment of $5,291 ($6,350 ÷ 120 percent = $5,291).

A $5,291 monthly loan payment, which includes payment on principal and interest, could pay off a loan of $602,914 over a 30-year term at 10-percent interest.[1]

Using the debt-coverage ratio as a guide to ensure that Our Town Apartments is able to meet its monthly debt service obligation, the maximum total debt should be no more than $602,914.

Your organization will have to seek $417,086 in equity investments or grants and subsidies to fill the gap between the $1,020,000 project cost and the maximum loan amount of $602,914 ($1,020,000 – $602,914 = $417,086).

[1] To do this calculation, you will need a present value table or a financial calculator. Ask the banker or accountant on your development team to assist in determining the maximum loan amount based on the debt-coverage ratio. The maximum loan amount will also change, depending on the loan term and interest rate.

and interest payment, as well as a cushion for unforeseen circumstances. A commonly used debt-coverage ratio is 120 percent—paying 100 percent of the monthly debt service and an additional 20 percent.

The Funding Gap

The funding gap is the difference between your total development budget and the amount of debt financing available. Filling the funding gap requires you to identify and leverage many resources that can either help lower the cost of your project or increase the amount of equity investment and grants and subsidies. Your options may be different for multifamily and single-family developments.

Multifamily Options

Option 1: Lower Your Development Costs

Identify property, materials and labor that can be donated.

Local city or county officials may have property that was acquired through tax foreclosure that could be donated or sold at a discounted price. Property that was repossessed by banks or local, state or federal government may be donated or sold at a low cost to nonprofit affordable housing developers. Local government officials may also be willing to waive or reduce the cost of permits and other city services.

Identify services that can be donated or obtained at a lower cost.

Your project's development team can assist in identifying donated or lower cost services from architects, engineers, accountants, marketers and others.

Option 2: Raise Net Operating Income by Increasing Income or Lowering Expenses

Increase income by ensuring a high occupancy rate.

You can meet with local housing authority officials to ensure that your development is eligible for renters using rent-assistance programs. This will not only help maintain a high occupancy level but will provide safe and decent housing for those most in need.

Lower expenses.

You can seek property tax abatements from local governments or work with other nonprofit or for-profit housing providers to jointly purchase supplies and share other administrative expenses.

Option 3: Raise Equity

Sell federal affordable housing tax credits.

You can raise equity by selling affordable housing tax credits to investors seeking credits against their federal income tax in return for making equity investments in approved, affordable multifamily housing projects. The resources insert has a listing of tax credit technical assistance providers and investment pools.

Determining the Funding Gap—Our Town Apartments

The total project cost is $1,020,000.

Based on the loan-to-value ratio of 80 percent, the maximum loan amount is $816,000, and based on the debt-coverage ratio of 120 percent, the maximum loan amount that the development can support is $602,914.

Because $602,914 is the lesser loan amount, it becomes the maximum amount of debt available to the project.

The project cost is $1,020,000 and the maximum loan amount is $602,914, leaving a funding gap of $417,086 that must be filled ($1,020,000 – $602,914 = $417,086).

To fill the funding gap, you would have to raise $417,086 in equity investments or grants and subsidies, lower the cost of your development or increase your net operating income.

Golden Rule

The greater the equity, the lower the loan payment and the less likely the development will have future financial difficulties.

Raise as much equity as possible.

Option 4: Secure Grants, Subsidies or Subordinated Deferred Loans to Fill the Funding Gap

Involve nonprofit intermediaries.

State and national organizations with an affordable housing mission may make grants, loans or investments in affordable housing developments. The resources insert in the back pocket of this booklet identifies state and national nonprofit intermediaries.

Apply to foundations.

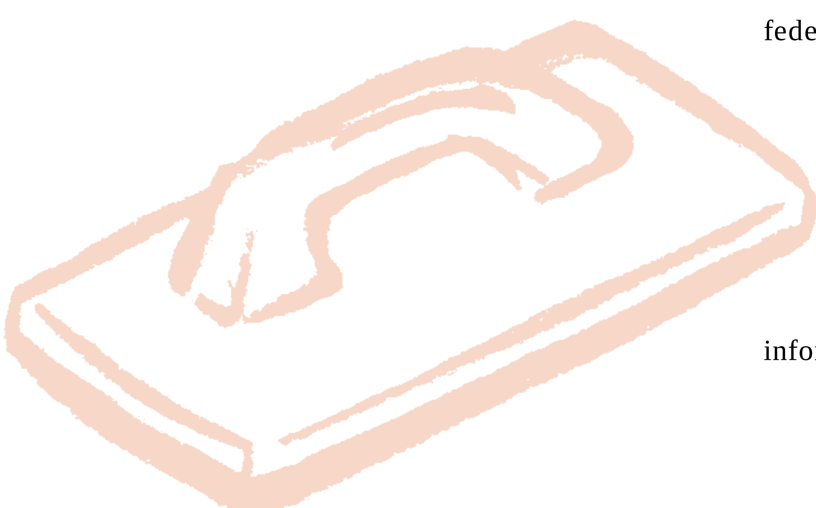
Many foundations make predevelopment and development grants and loans to nonprofit affordable housing providers. See the resources insert for information on identifying local and national foundations.

Seek neighborhood support.

Many nonprofit developers are neighborhood based, with support from the local community. Fund-raising in the neighborhood—a chili cook-off or carnival—will affirm the community's support for your project and help raise money.

Use local, state and national government programs.

City, county and state governments receive federal money that can be used to make grants or subordinated loans to affordable housing developers. State and local governments may also allocate local tax dollars to affordable housing development. Review the resources insert for information on state and local contacts.



The federal government has grant and loan programs that can be accessed directly. Many federal agencies have local or state offices, some of which are listed in the resources insert.

Explore opportunities available through bank community development corporations (CDCs) and lending consortia.

Financial institutions can make investments in single- or multibank community development corporations that make subordinated loans to or equity investments in affordable housing developments. Banks can form a consortium and pool their resources to lend to affordable housing projects.

Financial institutions may also have access, through other entities such as the Federal Home Loan Bank's affordable housing program, to funds that can be used for grants or loans.

Option 5: Lower Monthly Loan Payments

Seek deferred loan-payment programs.

Payment on a deferred loan begins after the primary loan is paid in full. City, county and state governments may have program funds that can be used to make deferred loans for affordable housing.

Seek lower interest rate loans.

Loans from city, county, state and federal government agencies may be made at a very low or zero interest rate.

Defining Lien Position and Subordinated Debt

The lien position of creditors establishes the order in which creditors will be paid if the borrower defaults and the assets are liquidated. The primary lender—usually the bank—will have the first lien on the collateral. Public financing sources are often willing to be in a subordinated lien (second and sometimes third or fourth lien) position.

When there are multiple lenders in different lien positions, it is often referred to as *layered financing*. If the borrower defaults on the loan, the primary lender will be paid off first, and if there is money left over, the lender in the subordinate position will be paid.

Rule of Thumb

Thirty percent of monthly household gross income is a benchmark used to determine the maximum monthly mortgage or rent payment a household can afford. The 30-percent benchmark may vary up or down, as financial institutions consider the financial circumstances of each borrower.

Look for extended loan terms.

A longer loan term will reduce the monthly loan payment. For example, if the source providing permanent financing extends the term of a $100,000 loan from 10 years to 20 years, the monthly payment is reduced from $1,213 to $836.

Single-Family Options

Single-family projects may also face a funding gap. The single-family gap is the difference between what the buyer can afford in down payment and monthly mortgage payments and the cost of the house.

Option 1: Lower the Cost of the House

Acquire donated property, material and services.

Apply for grants from the government or foundations that can be used to lower development and construction costs.

Have home buyers participate in the construction as part of a mutual self-help or "sweat equity" program.

Option 2: Find Subordinated Financing or Subsidies

Reduce the primary mortgage loan with a deferred or low-interest, subordinated mortgage loan from the city, county or state or from a federal agency.

Reduce the home buyer's down payment and closing costs through an affordable housing grant or self-amortizing loan program of a foundation, or state or local government.

Putting It All Together—Funding Sources and Uses Statement

Once you have developed the project's budget and identified potential funding sources, you will need to prepare a statement of sources and uses of funds. The statement will serve as a guide for seeking sources of funding to match your development budget.

As you work with your potential funding sources and secure funding commitments, the funding sources may change. For example, using the sample sources and uses statement, the Our Town Apartments may only be able to raise $375,000 in equity investment from the sale of tax credits. If this occurs, the developer would have to either secure a $25,000 grant or equity investment from another source or ask the bank and city to increase their loan amounts.

The mix of your funding sources will determine the monthly principal and interest payment your organization has to make on the development project loans. The more equity funding the project has, the lower the monthly debt payment will be. When planning the sources of funds, the resulting total monthly debt payment must meet the debt-coverage ratio discussed on page 25.

Sample Statement of Sources and Uses of Funds

Our Town Apartments

Sources	
Foundation grant for predevelopment expenses	$ 60,000
Neighborhood fund-raiser for predevelopment expenses	3,000
Donated architectural services	2,000
Equity investment from the sale of $700,000 in tax credits allocated to the project	400,000[1]
Bank loan for project construction. Bank has first lien and a secondary-market resource has agreed to purchase the loan when the project reaches 80-percent occupancy. The permanent loan will be for 30 years at 10-percent interest.	470,000[2]
Loan from the city—30-year, second lien loan at 3-percent interest; principal and interest payments deferred for 5 years	85,000[2]
Total sources	$1,020,000
Uses	
Predevelopment expenses	$ 65,000
Land acquisition	70,000
Building acquisition	280,000
Renovation/construction costs	430,000
Soft costs, contingencies and reserves	175,000
Total uses	$1,020,000

[1] Tax credits are sold at a discount based on the project's risk and because the tax benefit to the investor is spread over 10 years, even though the investment is made in the first year.

[2] The bank loan plus the loan from the city equals a total debt of $555,000, which is less than $602,914, the maximum amount of debt available to the project identified on page 26.

Chapter 5

Information Needed by Funding Sources

In addition to budget information, your funding sources will want information about your organization and your development project.

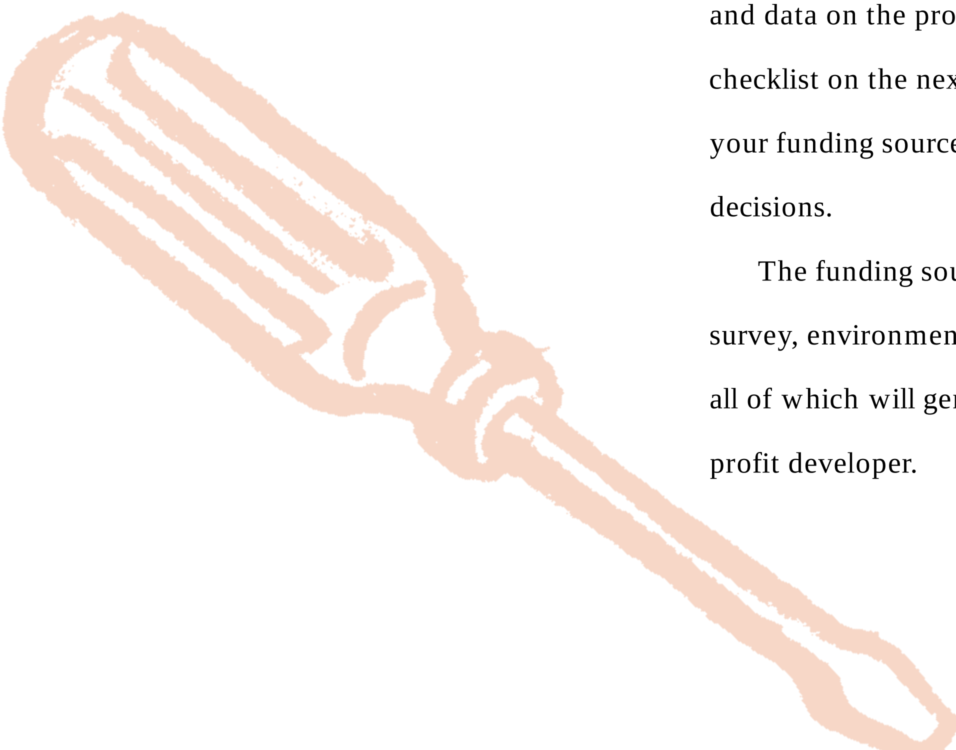
About Your Organization

Funding sources, including financial institutions, will need to assess your organization's stability, resources and experience, as well as its ability to complete the development and, if necessary, provide long-term management. The organization information checklist on page 32 is typical of the organizational information your funding sources will request.

About the Development Project

Your funding sources will need information on the development project itself, including information about the market the project will serve, other funding sources and data on the property. The development information checklist on the next page identifies the information your funding sources will use to make their investment decisions.

The funding source will also order an appraisal, survey, environmental report and property inspection, all of which will generally be an expense to the non-profit developer.



Organization Information Checklist

- ✓ Three years of financial statements, including balance sheet, income statements, cash flow statements and statements of changes in financial position
- ✓ Number of years your organization has been in existence
- ✓ Verification of your organization's nonprofit status with the IRS
- ✓ Your mission statement and board resolution authorizing the development project
- ✓ List of board members
- ✓ Resumes of staff and directors involved in the project and resumes of development professionals your organization hired or contracted with to assist with the project
- ✓ List of your organization's accomplishments
- ✓ Description, status and financial information on similar projects your organization has undertaken

Development Information Checklist

Market

- ✓ Market research on the need for the development and on competing properties
- ✓ Demographics of the market area
- ✓ Housing supply and absorption rate information
- ✓ For multifamily projects, rent comparables; for single-family development, housing sales comparables

Economics

- ✓ Historical operating statements and rent rolls for existing properties
- ✓ Commitment letters and financial information on other funding sources, including the permanent funding source(s)
- ✓ Sales contract(s) or lease commitments

Property

- ✓ Property description, including legal description, street address, size, site conditions, current use and zoning
- ✓ Pictures of improvements on property
- ✓ Site plan, drawings and description of proposed improvements
- ✓ Purchase option agreement
- ✓ Construction contract with contractor and a resume and financial statement from the contractor
- ✓ Contracts with the architect or builder and engineer and their resumes and references
- ✓ Construction work schedule
- ✓ Insurance verification
- ✓ Property tax receipts
- ✓ Title commitment

Ongoing Property Management

- ✓ Plan for ongoing property management
- ✓ Contract with outside management firm

Conclusion

A strong community-based nonprofit organization, solid community support, committed partners, good planning and a sound financial plan are the ingredients for successful affordable housing development. Many nonprofit organizations have put these ingredients together to rehabilitate single-family homes, create new single-family developments, rebuild multifamily housing and even build new multifamily complexes. This important work provides affordable housing for individuals and families, whose lives will be made better by your organization's efforts and those of other nonprofit community-based organizations taking on the challenge of developing affordable housing.

Good luck!

Glossary

Amortization Liquidation of a debt by making periodic installment payments over a set period of time, at the end of which the loan balance is zero.

Annual report A yearly report of an organization's financial statements and accomplishments.

Appraisal The process through which conclusions as to property value are obtained.

Appreciation Increase in the value of property due to improvements made to the property or surrounding area/neighborhood by the owner or other parties, including the government and/or more general market forces.

Articles of incorporation Legal document submitted to a designated officer of the state for permission to commence business as a corporation (for-profit or nonprofit). The articles of incorporation, or charter, state the purpose, rights and duties of the corporation.

Assets Anything owned by an individual or business (including nonprofit corporation) that has commercial or exchange value.

Audit An examination of the financial records of an organization to ensure that they are complete and accurate.

Balance sheet A financial statement showing a "snapshot" of the assets, liabilities and net worth (fund balance) of an organization on a given date.

Bank-owned community development corporation A corporation, either for-profit or nonprofit, that is capitalized by one or more banks for the purpose of making debt and/or equity investments in projects that promote community and economic development, including affordable housing development. It can be a wholly owned subsidiary of an individual bank or bank holding company, or a shared ownership corporation among several banks, or among banks, other financial institutions, community organizations and public and private investors.

Board of directors The policy-making unit of the organization that is legally responsible for the corporation.

Business plan A document prepared by an organization that guides the development, operation, marketing and financial management of the organization.

Bylaws The rules governing the internal affairs of an organization.

Cash flow Incoming cash to the organization less the outgoing cash during a given period.

Closing The final procedure in a real estate sale, in which property ownership is transferred in exchange for an agreed upon payment.

Collateral Assets pledged to secure a loan.

Comparable Real property that can be used to establish the value of a specific property by comparison.

Debt service Loan principal and interest payments.

Deed A legal instrument that identifies property ownership.

Delinquency Failure to make timely payments under a loan agreement.

Demographic data Information about the characteristics of human populations, including size, income, age, wealth, race/ethnicity, gender, housing conditions, and so on.

Equity Ownership interest in a project after liabilities are deducted.

Fair market value The price that a willing buyer will pay and that a willing seller will accept for real or personal property.

Financial statements Written record of the financial status of an individual or organization. Statements commonly include income statement, balance sheet, cash flow statement and, if the organization is a nonprofit, a funds balance statement.

Financing fee A fee charged by a lender to originate a loan. The fees are based on a percentage of the loan amount, and one point is equivalent to 1 percent.

501(c)(3) Internal Revenue Service designation for nonprofit, tax-exempt status.

Foreclosure The legal process used to enforce the payment of debt secured by a mortgage whereby the property is sold to satisfy the debt.

Grants Gifts of money given by foundations, government or others.

GLOSSARY

INCOME STATEMENT (PROFIT AND LOSS) Summary of revenues, costs and expenses for a business over a period of time.

INTEREST A fee for a loan, usually a percentage of the amount loaned.

INVESTOR An organization, corporation, individual or other entity that acquires an ownership position in a project, thus assuming risk of loss in exchange for anticipated returns.

LEASE-UP PERIOD The amount of time it takes for a building to reach a stable occupancy rate and income stream.

LEVERAGE The ability to use a small amount of funds to attract other funds, including loans, grants and equity investments.

LIABILITIES Money owed by an individual or organization.

LIEN A creditor's claim against a property, which may entitle the creditor to seize the property to satisfy the lien.

LOAN-TO-VALUE RATIO The loan amount(s) as a percentage of the property's appraised value or sales price, whichever is less. A lender will use a loan-to-value ratio to determine the maximum amount it will lend on a property.

MISSION STATEMENT A statement of purpose, or the assignment the organization is to carry out.

MORTGAGE A temporary and conditional pledge of property to a creditor as security for the repayment of a debt.

NET OPERATING INCOME (NOI) Gross profits minus operating expenses and taxes.

NONPROFIT CORPORATION A corporation established under state law for purposes other than making profits that would be distributed to the owners, directors, members or officers.

PRINCIPAL The currently unpaid balance of a loan, not including interest.

PRO FORMA FINANCIAL STATEMENTS Projected financial statements for a given period in the future in which certain amounts are hypothetical or estimated.

PROPERTY TAX ABATEMENT Reduction or exemption from property tax for a specified time period.

PURCHASE OPTION The right to buy a property at a specified price within a specified time.

REAL PROPERTY Land, including all things permanently attached to the land, such as buildings and infrastructure.

RESERVES Funds held to pay future liabilities. Typical reserves include replacement reserve for major repairs, operating reserve for covering negative cash flow and contingency funds.

SECONDARY MARKET Markets into which originating lenders sell their loans to investors who are seeking longer term investments.

STRATEGIC PLAN A plan of action that guides how a goal, such as developing affordable housing, will be accomplished.

SUBORDINATED DEBT If more than one lender has a lien on a property, the subordinated debt is paid after the debt of lien holders in superior positions.

SUBSIDY Financial assistance granted by a government to an individual or organization.

SWEAT EQUITY The equity that is added to a property when the owner or potential owner saves labor costs by putting his or her own labor into its improvement.

TAX CREDIT A credit against the amount of tax owed, reducing the overall tax payments.

TERM The period of time from when the loan is made until maturity.

TERMS Provisions specified in a loan agreement.

TITLE The documented evidence that a person or organization has ownership of real property.

TITLE INSURANCE POLICY A policy insuring an owner or mortgage lender against loss by reason of defects in the title to a parcel of real estate, other than those encumbrances, defects and matters that are specifically excluded by the policy.

UNDERWRITE To agree to lend money after a lender has assessed the risk of the proposed loan.

UNSECURED A loan that has no collateral pledged as security.

(The definitions contained in this glossary are for terms used in the text of this guide.)

This publication was produced by
the Community Affairs Office
of the Federal Reserve Bank of Dallas.

Federal Reserve Bank of Dallas
Public Affairs Department
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Dallas, Texas 75201
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RESOURCES

Eleventh Federal Reserve District

(Northern Louisiana, Southern New Mexico and Texas)

The following includes a listing of resources for national, state and local public agencies that can provide grants, debt and equity investments, or technical assistance; national and state nonprofit intermediaries and associations that can provide grants, debt and equity investments, or technical assistance; secondary-market investors; tax credit purchasers; foundation directories that can be used to identify foundation resources; and bank community development corporations.

This resource guide is not intended to be all-inclusive; there are many additional national, state and local resources that can be used to assist affordable housing development.

Public Agencies That Can Provide Grants, Debt and Equity Investments, or Technical Assistance

National

Fannie Mae Foundation
3900 Wisconsin Avenue N.W.
Washington, D.C. 20016
(202) 752-7000

Federal Home Loan Bank of Dallas
(serves Louisiana, New Mexico, Texas, Mississippi and Arkansas)
Community Investment Department
P.O. Box 619026
Dallas, Texas 75261-9026
Main: (214) 714-8500

U.S. Department of Housing
and Urban Development (HUD)
451 7th Street N.W.
Washington, D.C. 20410
General information: (202) 708-1422
Affordable Housing Information Center:
1-800-998-9999

State

Louisiana

Louisiana Housing Finance Agency
200 Lafayette Street, Suite 300
Baton Rouge, Louisiana 70801
(504) 342-1320

Rural Economic and
Community Development (RECD)
(formerly Farmers Home Administration)
Louisiana State Office
3727 Government Street
Alexandria, Louisiana 71302
(318) 473-7920

State of Louisiana
Division of Administration
Office of Community Development
Policy and Program Manager
P.O. Box 94095
Baton Rouge, Louisiana 70804-9095
(504) 342-7412

U.S. Department of Housing
and Urban Development (HUD)
Louisiana State Office
Hale Boggs Federal Building, 9th Floor
501 Magazine Street
New Orleans, Louisiana 70130-3099
(504) 589-7200

New Mexico

New Mexico Mortgage Finance Authority
Program Development/
Public Information Officer
P.O. Box 2047
Albuquerque, New Mexico 87103
(505) 843-6880

Rural Economic and
Community Development (RECD)
(formerly Farmers Home Administration)
New Mexico State Office
Federal Building, Room 3414
517 Gold Avenue S.W.
Albuquerque, New Mexico 87102
(505) 766-2462

State of New Mexico
Economic Development Department
New Mexico State Housing Division
1100 St. Francis Drive
Santa Fe, New Mexico 87503
(505) 827-0258

U.S. Department of Housing
and Urban Development (HUD)
New Mexico State Office
625 Truman Street N.E.
Albuquerque, New Mexico 87110-6443
(505) 262-6463

Texas

Rural Economic and
Community Development (RECD)
(formerly Farmers Home Administration)
Texas State Office
Federal Building, Suite 102
101 South Main Street
Temple, Texas 76501
(817) 774-1301

Texas Department of Housing and
Community Affairs
P.O. Box 13941
Austin, Texas 78711-3941
1-800-792-1119

U.S. Department of Housing
and Urban Development (HUD)
Texas State Office
1600 Throckmorton
Fort Worth, Texas 76113-2905
(817) 885-5401

Dallas Area Office
525 Griffin Street, Room 860
Dallas, Texas 75202-5007
(214) 767-8359

Houston Area Office
Norfolk Tower
2211 Norfolk, Suite 200
Houston, Texas 77098-4096
(713) 834-3274

Lubbock Area Office
George H. Mahon Federal Building
1205 Texas Avenue
Lubbock, Texas 79401-4093
(806) 743-7265

San Antonio Area Office
Washington Square
800 Dolorosa Street
San Antonio, Texas 78207-4563
(210) 229-6800

Local

Cities with populations of 50,000 or more receive Community Development Block Grant (CDBG) and HOME funds directly from the Department of Housing and Urban Development for local use.

Communities with populations under 50,000 receive CDBG and HOME funds from state departments of housing.

Larger communities—generally those with populations over 100,000—have created housing finance corporations (HFC) that can issue tax-exempt bonds that can be used by participating banks to lower interest rates and/or extend the term when financing affordable single-family and multifamily housing. The city manager or administrator will have information on the local HFC.

Nonprofit Intermediaries and Associations That Can Provide Grants, Debt and Equity Investments, or Technical Assistance

National

(Many of the national nonprofit intermediaries have offices in local communities.)

Center for Community Change
1000 Wisconsin Avenue N.W.
Washington, D.C. 20007
(202) 342-0519

Center for Housing Training
1012 N Street N.W.
Washington, D.C. 20001-4297
(202) 667-3002

Enterprise Foundation
10227 Wincopin Circle, Suite 500
Columbia, Maryland 21044
(410) 964-1230

Housing Assistance Council (HAC)
1025 Vermont Avenue N.W., Suite 606
Washington, D.C. 20005
(202) 842-8600

Local Initiatives Support Corp. (LISC)
1825 K Street N.W., Suite 1100
Washington, D.C. 20006
(202) 785-2908

Low Income Housing
Information Service
1012 14th Street N.W., Suite 1200
Washington, D.C. 20005
(202) 662-1530

McAuley Institute
8300 Colesville Road, Suite 310
Silver Spring, Maryland 20910
(301) 588-8110

National Association of
Affordable Housing Lenders
1726 18th Street N.W.
Washington, D.C. 20009-2525
(202) 328-9171

National Association of Community
Development Loan Funds (NACDLF)
924 Cherry Street, 3rd Floor
Philadelphia, Pennsylvania 19107-2405
(215) 923-4754

National Center for
Neighborhood Enterprise
1367 Connecticut Avenue N.W.
Washington, D.C. 20036
(202) 331-1103

National Center for Nonprofit Boards
2000 L Street N.W., Suite 510
Washington, D.C. 20036
(202) 452-6262

National Council of La Raza
810 First Street N.E., Suite 300
Washington, D.C. 20002
(202) 785-1670

National Cooperative Bank
1401 Eye Street N.W., Suite 700
Washington, D.C. 20005
(202) 336-7700
1-800-955-9622

National Rural Development
and Finance Corp.
711 Navarro Street, Suite 350
San Antonio, Texas 78205-1721
(210) 212-4552

Neighborhood Reinvestment Corp.
1325 G Street N.W., Suite 800
Washington, D.C. 20005
Main: (202) 376-2400
Neighborworks: (202) 376-2437
Training Institute: 1-800-438-5547

Support Centers of America
2001 O Street N.W.
Washington, D.C. 20036-5955
(202) 296-3900

State

Louisiana

Baton Rouge Area Foundation
(LISC affiliate)
One American Place, Suite 1740
Baton Rouge, Louisiana 70825
(504) 387-6166

New Orleans LISC Field Office
203 Carondelet Street, Suite 817
New Orleans, Louisiana 70130
(504) 522-0506

New Mexico

National Council of La Raza
Phoenix Program Office
111 W. Monroe, Suite 1610
Phoenix, Arizona 85003
(602) 252-7101
(includes New Mexico, Arizona, Colorado, Idaho, Nebraska and Utah)

Neighborhood Reinvestment Corp.
Rocky Mountain District
1776 South Jackson Street
Denver, Colorado 80210
(303) 782-0299
(district includes New Mexico, Colorado, Montana, Idaho, Nevada, Utah, Arizona and Wyoming)

Texas

Enterprise Foundation
100 North Central Expressway
Suite 1299
Dallas, Texas 75201
(214) 651-7789

Enterprise Foundation
World Trade Center Building
118 Broadway, Suite 609
San Antonio, Texas 78205
(210) 225-6969

National Council of La Raza
Texas Program Office
115 E. Travis, Suite 320
San Antonio, Texas 78205
(210) 212-4454

Neighborhood Reinvestment Corp.
South Central District
4204 Woodcock Drive, Suite 250
San Antonio, Texas 78228
(210) 731-3350
(district includes Texas, Louisiana, Oklahoma and Arkansas)

New Foundations for Neighborhoods
(LISC affiliate)
Four Houston Center
1331 Lamar, Suite 570
Houston, Texas 77010-3026
(713) 759-6057

Texas Community Development
Association (TxCDA) and
Texas Development Institute (TDI)
824 W. 10th Street, Suite 110
Austin, Texas 78701-2039
(512) 478-6067

Secondary-Market Investors

Federal Home Loan Mortgage Co.
(Freddie Mac)
Affordable Housing
Initiatives Department
8200 Jones Branch Drive
McLean, Virginia 22102
(703) 903-2000

Federal National Mortgage Association
(Fannie Mae)
3900 Wisconsin Avenue N.W.
Washington, D.C. 20016-2899
(202) 752-7000

Federal National Mortgage Association
(Fannie Mae)
Southwestern Regional Office
P.O. Box 650043
Dallas, Texas 75265-0043
(214) 773-4663

Government National
Mortgage Association *(Ginnie Mae)*
451 Seventh Street S.W.
Washington, D.C. 20410-9000
(202) 708-0926

Local Initiatives
Managed Assets Corp. (LIMAC)
733 Third Avenue
New York, New York 10017
(212) 455-9882

Tax Credit Purchasers

Each state receives an annual allocation of multifamily affordable housing tax credits. Using a competitive process, the state assigns tax credits to specific projects. Financial institutions and other investors purchase the tax credits that are assigned to a project, and that money is used as equity for the project. For more information about tax credits, contact your state department of housing.

The Enterprise Social Investment Corp.
(Enterprise Foundation affiliate)
10227 Wincopin Circle, Suite 810
Columbia, Maryland 21044-3405
(410) 964-0552

National Equity Fund *(LISC affiliate)*
547 W. Jackson Blvd.
Chicago, Illinois 60661
(312) 360-0400

Texas Housing Opportunity Fund
100 Congress, Suite 1570
Austin, Texas 78701
(512) 322-8075

Foundation Directories and Information Centers

Foundation directories may be available through your local library or by contacting the following:

The Foundation Center
79 Fifth Avenue, Dept. SH
New York, New York 10003-3076
1-800-424-9836

The Funding Information Center
(identifies Texas-based foundations)
P.O. Box 15070
San Antonio, Texas 78212-8270
(210) 227-4333

The Taft Group
12300 Twinbrook Parkway, Suite 520
Rockville, Maryland 28052
(301) 816-0210
(1-800-877-8238 to order a catalog)

Bank Community Development Corporations (CDCs)

(The following CDCs will consider financing affordable housing.)

Louisiana

First Commerce Community
Development Corp.
(a multibank CDC)
400 Murray Street
P.O. Box 31
Alexandria, Louisiana 71309
(318) 487-2759

Houma-Terrebonne Community
Development Corp.
(a multibank CDC)
c/o First National Bank of Houma
600 East Main Street
P.O. Box 6096
Houma, Louisiana 70361
(504) 868-1660

New Mexico

Bank of America
Community Development Bank
1431 Greenway Drive
Suite 820
Irving, Texas 75038
(214) 444-5403

Boatmen's Community
Development Corp.
(a wholly owned CDC)
P.O. Box 236
St. Louis, Missouri 63166-0236
(314) 466-5170

Texas

Banc One CDC
(a wholly owned CDC)
100 East Broad Street
Department 0155
Columbus, Ohio 43271-0155
(614) 248-9521

Bank of America
Community Development Bank
1431 Greenway Drive
Suite 820
Irving, Texas 75038
(214) 444-5403

Boatmen's Community
Development Corp.
(a wholly owned CDC)
P.O. Box 236
St. Louis, Missouri 63166-0236
(314) 466-5170

CNB Community Development Corp.
(a wholly owned CDC)
Citizens National Bank
201 W. Main Street
Henderson, Texas 75652-3106
(903) 657-8521

Comerica Community
Development Corp.
(a wholly owned CDC)
P.O. Box 75000
Detroit, Michigan 48275-3361
(313) 222-3606

First Victoria Community
Development Corp.
(a wholly owned CDC)
First Victoria National Bank
One DeLeon Plaza
P.O. Box 1338
Victoria, Texas 77902
(512) 573-6321

Greater Brownsville
Community Development Corp.
(a multibank CDC)
1150 East Adams
2nd Floor
Brownsville, Texas 78520
(210) 541-4955

NationsBank Housing Fund Investment
Corp./NationsBank CDC
(a wholly owned CDC)
901 Main Street, 51st Floor
Dallas, Texas 75202-3417
(214) 508-0362

Port Lavaca Community
Development Corp.
(a multibank CDC)
First National Bank in Port Lavaca
P.O. Drawer 7
Port Lavaca, Texas 77979
(512) 552-6726

Richardson Development Corp.
(a wholly owned CDC)
Canyon Creek National Bank
330 West Campbell Road
Richardson, Texas 75080
(214) 231-1488

Texas Commerce Bank CDC
(a wholly owned CDC)
712 Main Street
Houston, Texas 77002
(713) 216-5160