



NATIVE AMERICAN CONNECTIONS

Affordable Housing



MAG – Affordable Housing Funding / May 2023

ULF



NAC completed ULF in 2019 to serve low-income families – specifically meeting a very large (and every-increasing) lack of affordable housing in downtown Phoenix.

Total Lot Area – 31,500 SF / 0.72 Acres → 63 Units

Overall ~ 88 DUA / 45 Parking Spaces

Zero parking spaces required due to downtown Phoenix planning overlays with “bonus” points associated with the project’s affordability & LEED Platinum certification. Tenants have excellent access to quality transit (light rail and bus options) as well as very walkable neighborhood amenities.





Lien Position		SOURCES	
1st	Construction Loan (BBVA - not a permanent source)		14,100,000
1st	LISC - Permanent Loan		1,600,405
2nd	City of Phoenix - HOME Loan		1,991,241
3rd	NAC/GP - Seller Carryback		1,350,000
4th	FHLBSF AHP - Western Alliance Bank		823,590
	NEF - Low-Income Housing Tax Credit Equity		15,315,253
	NAC Deferred Developer Fee (to be paid via cash flow)		1,045,304
TOTAL SOURCES			22,125,793
		USES	
	ACQUISITION COST		1,350,000
	HARD CONSTRUCTION COSTS		15,399,581
	PROFESSIONAL FEES		1,298,795
	CONSTRUCTION LOAN COST		912,653
	PERMANENT FINANCING COST		32,449
	SYNDICATION COST		85,214
	MISCELLANEOUS SOFT COST		678,605
	DEVELOPER'S OVERHEAD & FEES		2,089,708
	PROJECT RESERVES		278,788
TOTAL USES			22,125,793

NAC leveraged 9% LIHTCs awarded by ADOH to anchor the capital stack for this affordable housing community.

The permanent loan was “sized” to ensure adequate Debt Service Coverage Ratio requirements at construction closing – see next slide.

ULF

Project Name: **ULF - Urban Living on Fillmore**

Operating Pro-Forma Average Monthly Rent Per Unit --> \$686.08 \$699.80 \$713.79 \$728.07 \$742.63

Total Units:	63		Year 1	Year 2	Year 3	Year 4	Year 5
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Income Assumptions

Rate of Increase		2.0%					
Gross Residential Rents-Restricted Income Units			518,673	529,047	539,628	550,420	561,429
Rental Subsidy				-	-	-	-
Less: Vacancy	% of Gross Rents=	7.0%	(36,572)	(37,303)	(38,049)	(38,810)	(39,586)
Scheduled Commercial Rents				-	-	-	-
Less: Vacancy	% of Gross Rents=		-	-	-	-	-
Laundry, Parking, Application & Other Fees			3,780	3,856	3,933	4,011	4,092
Other:							
				-	-	-	
Total Effective Gross Income			485,882	495,599	505,511	515,621	525,934

Expense Assumptions

Rate of Increase		3.0%						
Management Fee:	Dollars per Unit/Mo. =	\$45	34,012	34,692	35,386	36,093	36,815	
Legal & Audit			9,000	9,270	9,548	9,835	10,130	
Advertising			3,000	3,090	3,183	3,278	3,377	
Gas & Electric			15,120	15,574	16,041	16,522	17,018	
Water, Sewer, Waste Removal			56,700	58,401	60,153	61,958	63,816	
Supplies			3,500	3,605	3,713	3,825	3,939	
Payroll			100,000	103,000	106,090	109,273	112,551	
Insurance			18,900	19,467	20,051	20,653	21,272	
Pest Control			15,120	15,574	16,041	16,522	17,018	
Maintenance / Repair / Supplies			36,225	37,312	38,431	39,584	40,772	
Operating Reserves				-	-	-	-	
Replacement Reserves	% of Hard Costs=	350	22,050	22,712	23,393	24,095	24,817	
Real Estate Taxes (exempt)				-	-	-	-	
Local & State Assessments			4,095	4,095	4,095	4,095	4,095	
Partnership Management Fee (tax credits only)				-	-	-	-	
Other:	Telephone		2,200	2,266	2,334	2,404	2,476	
Other:				-	-	-	-	
Other:	Security Cameras		3,700	3,811	3,925	4,043	4,164	
Other:				-	-	-	-	
Total Expenses			Operating Cost/Unit: \$ 5,136.85	323,622	332,867	342,384	352,178	362,260
Net Operating Income				162,260	162,732	163,127	163,443	163,674
Debt Service (Hard Debt Only)				113,790	113,790	113,790	113,790	113,790
DSC Ratio - first lien				1.43	1.43	1.43	1.44	1.44
Cash Flow				48,469	48,941	49,337	49,652	49,883
Residual Receipts Payment to	NAC - Deferred Fees		48,469	48,941	49,337	49,652	49,883	
Residual Receipts Payment to	COP - CF Payment							
DSC Ratio - combined (w/ Soft Payment)				1.43	1.43	1.43	1.44	1.44
Net Cash Flow				-	-	-	-	-

From construction loan sizing at construction start to stabilization, the maximum rents established by HUD increased to create "cushion" in the DSC Ratio.

Fortunately, NAC can allocate that surplus cash flow to pay the deferred developer fees.

Stepping Stone III

NAC developed the Stepping Stone Campus to serve chronically homeless individuals – many applicants have \$0 income at move-in. Phase III of the Stepping Stone Campus on “surplus” land that had no debt or use restrictions. In addition, the underlying zoning permitted additional multifamily units on the Campus.

Total Lot Area – 130,353 SF / 2.99 Acres

Phase II* - 70,629 SF / 1.62 acres → 83 Units

Phase III – 59,724 SF / 1.37 acres → 42 Units

Overall ~ 42 DUA / 93 Parking Spaces (with approved Parking Use Permit → 139 required)

** Phase I was originally developed by NAC and Mercy Housing 1997 and was an acquisition/rehab of 1920's & 1950's buildings. NAC redeveloped Phase II in 2011 as buildings were in disrepair.*







Stepping Stone Phase III		Sources & Uses Statement	
Lien Position	SOURCES	Permanent	
1	CONSTRUCTION LOAN (JPMorgan Chase / TE Bond - not a permanent source)	7,300,000	
	NAC Equity	1,045,000	
	NAC Seller Carryback (land)	690,000	
	NAC Loan (collaterally assigned to Commonsprit)	1,000,000	
	ADOH - State Housing Fund/National Housing Trust Fund (Federal)	3,500,000	
	COP - HOME (Federal)	1,000,000	
	FHLBSF AHP - Raza Development Fund	448,477	
	TAX CREDIT EQUITY (RJTCF)	3,899,889	
	NAC DEFERRED DEVELOPER FEE (to be paid via cash flow)	83,829	
TOTAL SOURCES		11,667,195	
USES			
	ACQUISITION COST	690,000	
	HARD CONSTRUCTION COSTS	8,021,989	
	PROFESSIONAL FEES	761,272	
	CONSTRUCTION LOAN COST	296,617	
	PERMANENT FINANCING COST	149,881	
	SYNDICATION COST	69,372	
	MISCELLANEOUS SOFT COST	418,626	
	DEVELOPER'S OVERHEAD & FEES	1,050,400	
	PROJECT RESERVES	209,038	
TOTAL USES		11,667,195	

Stepping Stone III

NAC utilized 9 different capital sources to develop Stepping Stone III. Originally planned as a 9% LIHTC project, competitiveness in the Arizona 9% LIHTC program required NAC to switch to a 4% LIHTC Tax-Exempt Bond financing structure.

Project Name: **Stepping Stone Phase III**

15-Year Operating Pro-Forma **Average Monthly Rent Per Unit --> \$363.00 (includes utilities)**

Total Units:	42	Year 1	Year 2	Year 3	Year 4	Year 5	
Income Assumptions		Rate of Increase	2.0%				
Gross Residential Rents-Restricted Income Units		182,952	186,611	190,343	194,150	198,033	
Rental Subsidy							
Less: Vacancy	% of Gross Rents=	7.0%	(12,807)	(13,063)	(13,324)	(13,591)	(13,862)
Scheduled Commercial Rents			-	-	-	-	
Less: Vacancy	% of Gross Rents=		-	-	-	-	
Laundry, Parking			-	-	-	-	
Other:	Operating Subsidy - NAC (HUD SHP)		86,741	90,939	95,297	99,820	104,513
				-	-	-	
Total Effective Gross Income			256,887	264,487	272,316	280,379	288,684
Expense Assumptions		Rate of Increase	3.0%				
Management Fee:	Dollars per Unit/Mo. =	\$ 16.88	8,507	8,677	8,851	9,028	9,209
Legal & Audit			4,500	4,635	4,774	4,917	5,065
Advertising				-	-	-	-
Gas & Electric (common area)			8,500	8,755	9,018	9,288	9,567
Water, Sewer, Waste Removal			26,720	27,522	28,347	29,198	30,074
Payroll (includes ERE)				-	-	-	-
Maintenance/Janitorial Staff			36,400	37,492	38,617	39,775	40,969
Property Manager			34,320	35,350	36,410	37,502	38,627
Insurance			11,900	12,257	12,625	13,003	13,394
Pest Control			5,733	5,905	6,082	6,265	6,453
Landscaping			5,250	5,408	5,570	5,737	5,909
Maintenance / Repair			34,650	35,690	36,760	37,863	38,999
Replacement Reserves	% of Hard Costs=	350	14,700	15,141	15,595	16,063	16,545
Real Estate Taxes (exempt)				-	-	-	-
Local & State Assessments			2,940	2,940	2,940	2,940	2,940
Partnership Management Fee (tax credits only)				-	-	-	-
Other:	Phone		500	515	530	546	563
Other:	Electric (units only)		46,100	47,483	48,907	50,375	51,886
Total Expenses		\$ 5,731	240,720	247,769	255,027	262,501	270,197
Net Operating Income			16,167	16,719	17,289	17,878	18,487
Debt Service (Hard Debt Only - 1st Mtg)			-	-	-	-	-
Expense Coverage Ratio			1.07	1.07	1.07	1.07	1.07
Cash Flow			16,167	16,719	17,289	17,878	18,487
Residual Receipts Payment to	ADOH (min annual payment)		1,000	1,000	1,000	1,000	1,000
Residual Receipts Payment to	Deferred Dev Fee - paid to NAC		5,589	5,589	5,589	5,589	5,589
Residual Receipts Payment to	ADOH		3,592	3,799	4,013	4,234	4,462
Residual Receipts Payment to	City of Phoenix		1,197	1,266	1,338	1,411	1,487
Net Cash Flow			4,789	5,065	5,350	5,645	5,949

Stepping Stone III

participates in the Maricopa Association of Government's Continuum of Care ("CoC") program for all referrals into this Housing First Permanent Supportive Housing Community. Under the CoC program NAC is able to utilize HUD's financial support for operations and services of the property ensuring deep rent skewing serving many households at \$0 income up to 30% AMI.

In addition, NAC accepts all Section 8 and VASH Vouchers as well as private rental assistance source (e.g. Tribes).

Cedar Crossing



Cedar Crossing was completed in 2015 and serves low-income families with a mix of studio, one, two and three bedroom apartment homes. The community is in midtown Phoenix with a Walk Score of 71 (i.e. Very Walkable)

Total Lot Area – 99,487 SF / 2.28 Acres → 74 Units

Overall ~ 32 DUA / 125 Parking Spaces (w/ shared parking easement to adjacent NAC property)

** Cedar Crossing is part of the Virginia Campus that includes Patina Wellness Center, a 70-bed residential treatment center. The Campus was developed in partnership with ASU's Herberger Institute for Design and the Arts*



Cedar Crossing		SOURCES & USES STATEMENT	
Lien Position		SOURCES	
1st	WELLS FARGO - CONSTRUCTION LOAN		7,100,000
1st	LISC - PERM LOAN		1,127,465
2nd	COP - HOME		1,942,000
3rd	NAC - FHLBSF AHP		723,200
	NEF - TAX CREDIT EQUITY		13,696,310
	NAC - DEFERRAL OF DEVELOPER FEE		84,059
TOTAL USES			17,573,034
		USES	
	ACQUISITION COST		1,127,801
	HARD CONSTRUCTION COSTS		12,171,119
	PERMITS		256,054
	PROFESSIONAL FEES		924,816
	CONSTRUCTION LOAN COST		351,078
	PERMANENT FINANCING COST		38,217
	SYNDICATION COST		64,617
	MISCELLANEOUS SOFT COST		406,882
	DEVELOPER'S OVERHEAD & FEES		1,805,011
	PROJECT RESERVES		427,440
TOTAL USES			17,573,034

Cedar Crossing

NAC leveraged 9% LIHTCs awarded by ADOH to anchor the capital stack for this affordable housing community.

Stable construction costs at the time of this development permitted minimal deferred developer fee by NAC.

Cedar Crossing

Deep rent skewing permits households to be served at 30%-40% Area Median Income which permits monthly rent as low as approx. \$400/month for Studio units up to \$600/month for Three Bedroom units.

City of Phoenix HOME Loan is structured as both a “hard” and “soft” loan payment.

Project Name:	Cedar Crossing
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Operating Pro-Forma	Average Monthly Rent Per Unit -->	\$568.74	\$580.12	\$591.72	\$603.55	\$615.63	\$627.94	\$640.50	\$653.31
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Total Units:	74		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
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Income Assumptions		Rate of Increase	2.0%							
Gross Residential Rents-Restricted Income Units			505,044	515,145	525,448	535,957	546,676	557,609	568,762	580,137
Gross Residential Rents-Non-restricted Income Units			-	-	-	-	-	-	-	-
Less: Vacancy	% of Gross Rents=	8.0%	(40,759)	(41,574)	(42,405)	(43,253)	(44,119)	(45,001)	(45,901)	(46,819)
Scheduled Commercial Rents				-	-	-	-	-	-	-
Less: Vacancy	% of Gross Rents=		-	-	-	-	-	-	-	-
Laundry, Parking			4,440	4,529	4,619	4,712	4,806	4,902	5,000	5,100
Other:				-	-	-	-	-	-	-
Total Effective Gross Income			468,725	478,100	487,662	497,415	507,363	517,511	527,861	538,418

Expense Assumptions		Rate of Increase	3.0%									
Management Fee: (Payable to NAC)	Dollars per Unit/Mo. =	\$ 36.95	32,811	33,467	34,136	34,819	35,515	36,226	36,950	37,689		
Legal & Audit			19,500	20,085	20,688	21,308	21,947	22,606	23,284	23,983		
Advertising			5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149		
Gas & Electric (Tenant pays unit utilities)			33,000	33,990	35,010	36,060	37,142	38,256	39,404	40,586		
Water, Sewer, Waste Removal			12,000	12,360	12,731	13,113	13,506	13,911	14,329	14,758		
Supplies			7,500	7,725	7,957	8,195	8,441	8,695	8,955	9,224		
Payroll			108,000	111,240	114,577	118,015	121,555	125,202	128,958	132,826		
Insurance			29,600	30,488	31,403	32,345	33,315	34,315	35,344	36,404		
Pest Control			8,880	9,146	9,421	9,703	9,995	10,294	10,603	10,921		
Maintenance / Repair			43,620	44,929	46,276	47,665	49,095	50,568	52,085	53,647		
Operating Reserves		Dollars per Unit=		-	-	-	-	-	-	-		
Replacement Reserves		% of Hard Costs=	\$350.00	25,900	26,677	27,477	28,302	29,151	30,025	30,926		
Real Estate Taxes (exempt if in CA)			-	-	-	-	-	-	-	-		
Local & State Assessments (ADOH Compliance Fees)			4,810	4,810	4,810	4,810	4,810	4,810	4,810	4,810		
Partnership Management Fee (tax credits only)				-	-	-	-	-	-	-		
Other:	Telephone		3,500	3,605	3,713	3,825	3,939	4,057	4,179	4,305		
Other:				-	-	-	-	-	-	-		
Other:	Security		10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299		
Other:				-	-	-	-	-	-	-		
Total Expenses			Operating Cost/Unit:	\$ 4,650	344,121	353,972	364,112	374,550	385,294	396,353	407,737	419,456
Net Operating Income				124,605	124,128	123,550	122,865	122,069	121,157	120,124	118,962	
Debt Service (Perm Loan Hard Debt Only)				81,909	81,909	81,909	81,909	81,909	81,909	81,909	81,909	
Debt Service Coverage Ratio (Perm Loan Debt Only)				1.52	1.52	1.51	1.50	1.49	1.48	1.47	1.45	
Debt Service (City of Phoenix Hard Debt Only)				18,169	18,169	18,169	18,169	18,169	18,169	18,169	18,169	
Debt Service Coverage Ration (ALL HARD DEBT)				1.25	1.24	1.23	1.23	1.22	1.21	1.20	1.19	
Cash Flow				24,526	24,049	23,471	22,787	21,991	21,079	20,045	18,884	
Residual Receipts Payment to		NAC Supportive Services		12,263	12,025	11,736	11,393	10,995	10,539	10,022	9,442	
Residual Receipts Payment to		City of Phoenix		12,263	12,025	11,736	11,393	10,995	10,539	10,022	9,442	
Net Cash Flow				-	-	-	-	-	-	-	-	

Dunlap Pointe & Patina Mountain Preserve



Dunlap Pointe



NAC developed Dunlap Pointe in 2021 as part of Dunlap Campus that includes Patina Wellness Center, a 55-bed residential treatment center. Dunlap Pointe serves chronically homeless individuals, with a special focus on serving homeless veterans.

Total Lot Area – 73,617 SF / 1.69 Acres → 55 Units

Overall ~ 32 DUA / 55 Parking Spaces





Dunlap Pointe

Sources & Uses Statement

SOURCES

Construction Loan (Wells Fargo - not a permanent source)	8,200,000
NAC - Equity (via grants to NAC)	425,000
ADOH - State Housing Fund	2,000,000
FHLBSF AHP	463,735
National Equity Fund (LIHTC Equity)	9,553,147
NAC - Deferred Developer Fee (to be paid via cash flow)	319,073

TOTAL SOURCES

12,760,955

USES

ACQUISITION COST	749,061
HARD CONSTRUCTION COSTS	8,600,009
PROFESSIONAL FEES	730,120
CONSTRUCTION LOAN COST	396,882
PERMANENT FINANCING COST	-
SYNDICATION COST	110,000
MISCELLANEOUS SOFT COST	535,019
DEVELOPER'S OVERHEAD & FEES	1,230,028
PROJECT RESERVES	409,836

TOTAL USES

12,760,955

Dunlap Pointe

NAC was able to leverage planning grants with local & national foundations to begin feasibility studies of the Dunlap Campus.

ADOH provided the only “hard” loan payment financing for the Project due to the service population and required supportive services provided by NAC and other agencies.

Project Name:	Dunlap Pointe
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Operating Pro-Forma Average Monthly Rent Per Unit (includes utilities) --> \$53.48 \$54.28 \$55.10 \$55.92 \$56.76

Total Units:	54	Year 1	Year 2	Year 3	Year 4	Year 5
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Income Assumptions		Rate of Increase	1.5%					
Gross Residential Rents-Restricted Income Units				34,656	35,176	35,703	36,239	36,783
Rental Subsidy (HUD PBV)				585,600	594,384	603,300	612,349	621,534
Less: Vacancy % of Gross Rents=			5.0%	(31,013)	(31,478)	(31,950)	(32,429)	(32,916)
Scheduled Commercial Rents				-	-	-	-	-
Less: Vacancy % of Gross Rents=				-	-	-	-	-
Laundry, Parking				-	-	-	-	-
Other:								
Total Effective Gross Income				589,243	598,082	607,053	616,159	625,401

Expense Assumptions		Rate of Increase	3.0%					
Management Fee: Dollars per Unit/Mo. =			\$ 45.47	29,462	29,904	30,353	30,808	31,270
Legal & Audit				7,500	7,725	7,957	8,195	8,441
Advertising				500	515	530	546	563
Gas & Electric (common area)				17,000	17,510	18,035	18,576	19,134
Water, Sewer, Waste Removal				22,500	23,175	23,870	24,586	25,324
Supplies & Mileage				2,000	2,060	2,122	2,185	2,251
Payroll (includes ERE)					-	-	-	-
Maintenance/Janitorial Staff				53,125	54,719	56,360	58,051	59,793
Property Manager				53,125	54,719	56,360	58,051	59,793
Insurance				14,850	15,296	15,754	16,227	16,714
Pest Control				9,720	10,012	10,312	10,621	10,940
Landscaping				7,776	8,009	8,250	8,497	8,752
Maintenance / Repair				36,455	37,549	38,675	39,835	41,031
Operating Reserves Dollars per Unit=					-	-	-	-
Replacement Reserves % of Hard Costs=			350	18,900	19,467	20,051	20,653	21,272
Real Estate Taxes (exempt if in CA)					-	-	-	-
Local & State Assessments				3,780	3,780	3,780	3,780	3,780
Partnership Management Fee (tax credits only)					-	-	-	-
Other: Services (as permitted by HAP Agreement for Supportive Housing)				140,000	137,900	135,832	133,794	131,787
Other: Electric (units only)				57,240	58,957	60,726	62,548	64,424
Other: Security Cameras & Phone				1,800	1,854	1,910	1,967	2,026

Total Expenses		\$ 8,810	475,733	483,150	490,877	498,922	507,294
Net Operating Income			113,510	114,932	116,176	117,237	118,108
Debt Service (ADOH - 1st Mtg)			67,970	67,970	67,970	67,970	67,970
Debt Service Coverage Ratio (1st)			1.67	1.69	1.71	1.72	1.74
Cash Flow			45,540	46,962	48,206	49,267	50,138
Residual Receipts Payment to		NAC - Deferred Developer Fee	21,272	21,272	21,272	21,272	21,272
Residual Receipts Payment to		NEF - Asset Mgmt Fee	5,000	5,150	5,305	5,464	5,628
Residual Receipts Payment to							
Net Cash Flow			19,268	20,540	21,630	22,532	23,239

Dunlap Pointe

Participates in the Maricopa Association of Government’s CoC program for all referrals into this Housing First Permanent Supportive Housing Community.

Dunlap Pointe also has 32 VASH Vouchers to serve homeless veteran populations. Referrals work through the United States Department of Veterans Affairs.



NATIVE AMERICAN CONNECTIONS

Insights & Tips

- Patience – Understanding that your funding & development partners have more than your project to manage
- Creativity & Flexibility – capital markets can change quickly, as can the construction/labor/supply markets so look to alternate solutions. Time is the most expensive “line-item” in your budget
- Don’t Let Perfect be the Enemy of the Good

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