

CHRA Halifax 2017

**New Opportunities in Rental Housing Finance:
Development Discussion and Examples**

Presented by

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Terra Housing Consultants

Social Purpose Real Estate Experts

- More than 30 years of experience
 - Worked with 150+ clients in 42 Municipalities
 - Developed over 275 projects and 12,000 units
- Our job:
 - Understand what you want to achieve
 - Bring resources of top-flight industry professionals and government resources to bear on helping you achieve it.



Terra Housing Consultants

Social Purpose Real Estate Experts

- Asset Management
- Business Planning
 - Strategic Asset Evaluation
 - Partnership Planning
 - Deal Structuring
- Development Management
- Life Lease Housing Development
- Property Management

using land and development as powerful tools to create community benefit.

Introduction

The purpose of this presentation is to discuss what non-profits in BC are doing to develop affordable housing using mixed tenure rental and public private partnerships.

BC Context

- Non-Profit Housing Providers: 600+
60,000 + units in 1500 buildings
Much of stock is aging
Generally land rich and cash poor
Mature operators, strong community connections
- Robust consulting sector
- Province very involved through ongoing commitment from BC Housing

We Need a Plan

Goal to identify a feasible project, meaning financially viable in the real world.

Proposed use satisfies a defined **program** matches a specific **site** and **design** which fits a preliminary **pro forma** in an acceptable **time** with an experienced **team**

This is a **dynamic** process.

What comes first

Origination (6 weeks to 6 years)

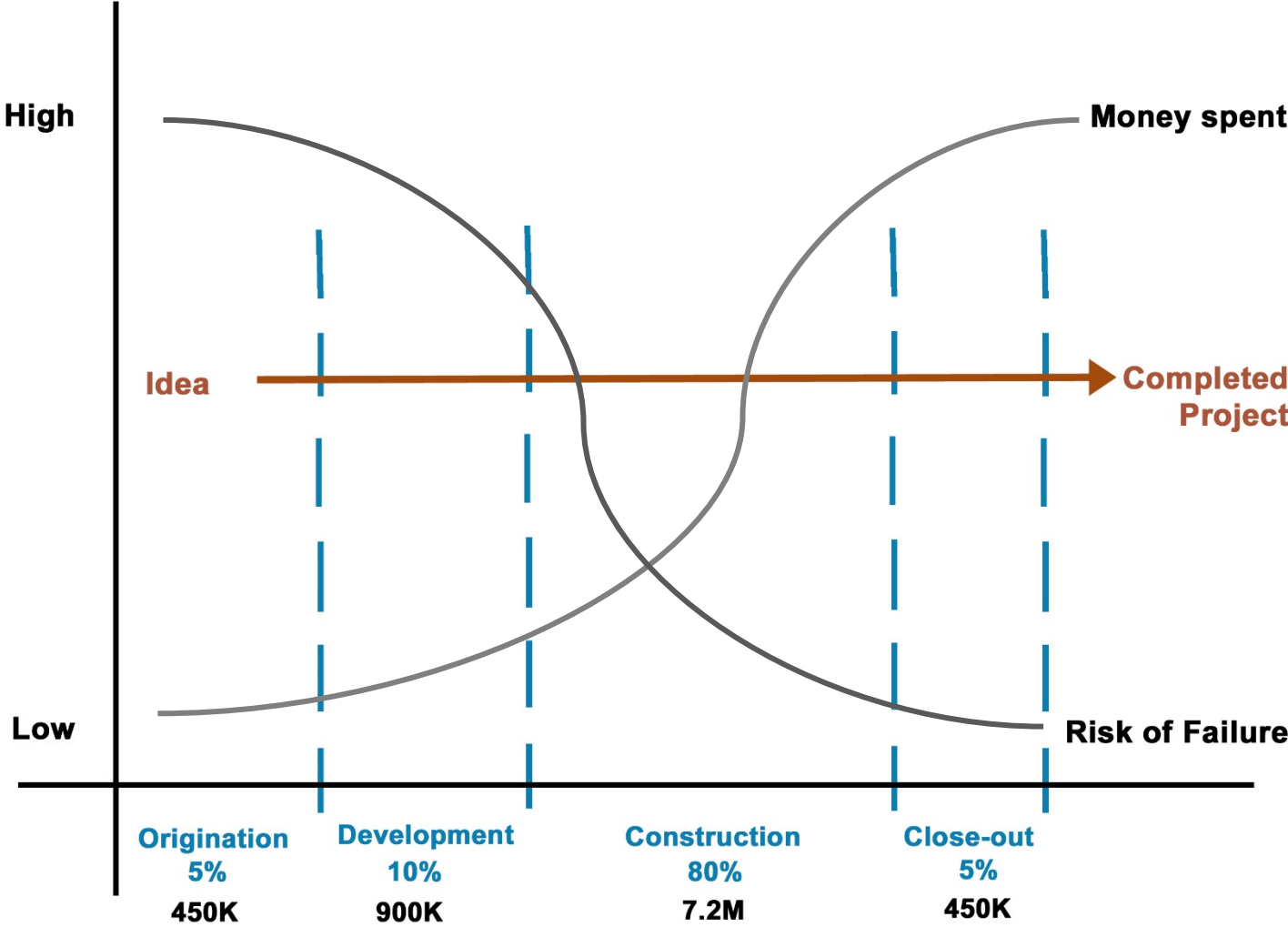
- idea and planning stage viability
 - financial plan
 - resources inventory
 - control of land
 - identify product for market
 - delivery method
 - team and stakeholders
 - concept design
- lending proposal

This is easy, right?

Key risk consideration:

- Land
- Inexperience of development team
- Municipal requirements
- Cost to build
- Cost of money
- Marketability
- Financing conditions
- Schedule

Risk-Cost Profile of Development



**NON-PROFIT DEVELOPMENTS ARE LIKE ANY OTHER REAL ESTATE DEVELOPMENTS...
IF THEY DO NOT MAKE GOOD BUSINESS SENSE YOU SHOULD NOT DO THEM**

Pro forma	
Costs	
Land	Often already owned and paid for
Soft	Can be higher than market
Construction	Market
Other	Lower - tax, contingency, profit can be lower
Finance	
Equity	Often land rich and cash poor
Sales	Often outside normal business
Debt	Covenant can be an issue unless government involved
Revenue	Often below market levels
Expenses	Similar to market
Net Operating Income	Has to be positive
Debt Service	
Debt Cover Ratio	1.1 after replacement reserve

CASE STUDY #1

ANAVETS SENIOR CITIZENS HOUSING SOCIETY - NORTH VANCOUVER



ANAVETS SENIOR CITIZENS HOUSING SOCIETY- NORTH VANCOUVER JOHN YEOMANS PLACE – NEW BUILDING



ANAVETS SENIOR CITIZENS HOUSING SOCIETY- NORTH VANCOUVER



CASE STUDY #1

ANAVETS SENIOR CITIZENS HOUSING SOCIETY - NORTH VANCOUVER

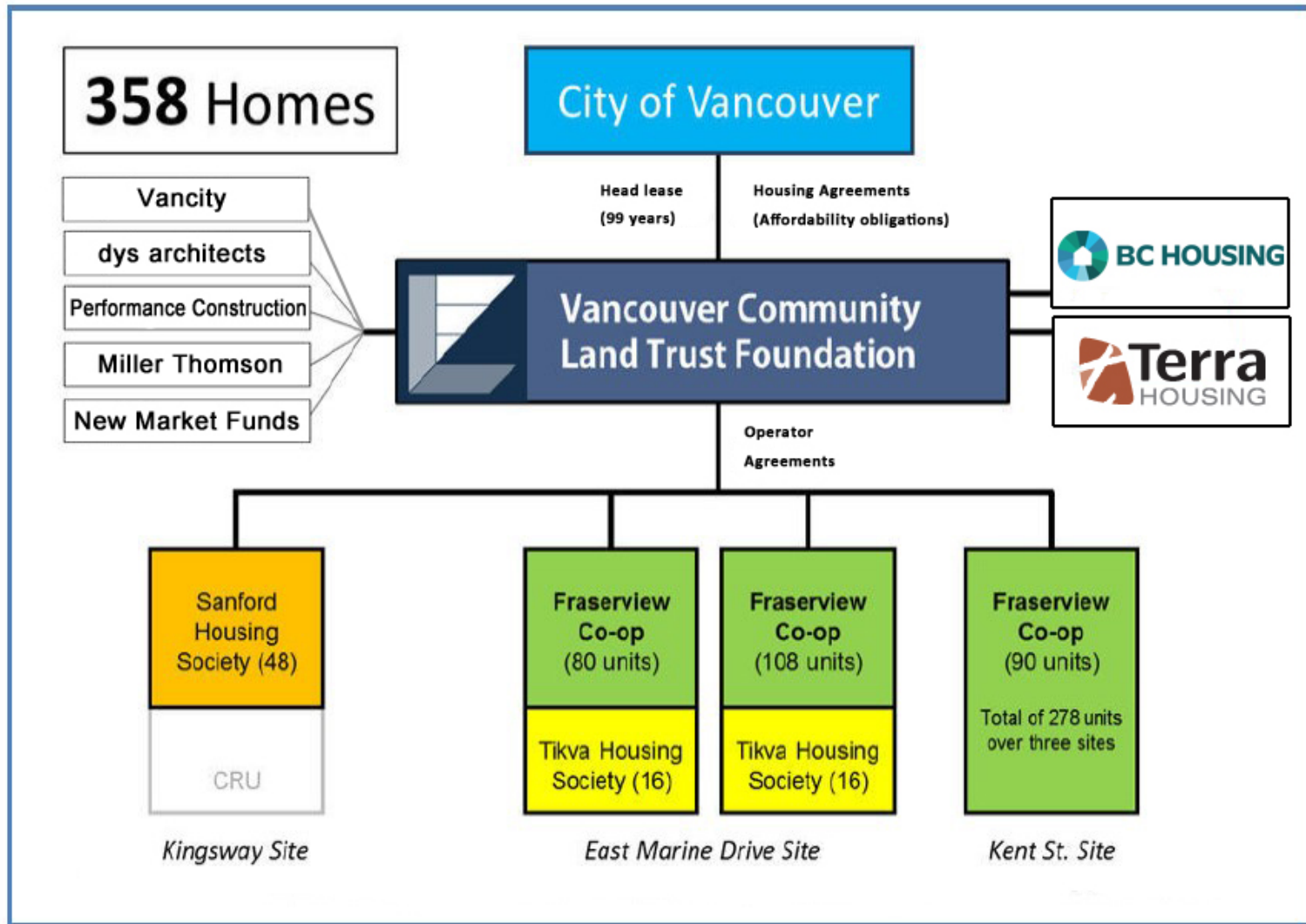
Pro forma	76 senior rental units – replacing 76 old units – took 13 years to find the right deal
Costs	
Land	value 5.0 million
Soft	lower – construction lending through BCH – CPI program
Construction	design-build turnkey by Intracorp
Other	lower- tax, contingency – profit none
Finance	
Equity	land sale to Intracorp 9.3 million – after replacement
Sales	none
Debt	3.5 million through BCH
Revenue	\$700 per month – SAFER level
Expenses	Same as market
Net Operating Income	sufficient for debt at modest DCR
Debt Service	low interest rate
DCR / CFADS	1.2 provides surplus over time to further aims of society

CASE STUDY #2

VANCOUVER COMMUNITY LAND TRUST FOUNDATION



CASE STUDY #2



CASE STUDY #2

VANCOUVER COMMUNITY LAND TRUST FOUNDATION

Pro forma	358 rental units (\$120M)
Costs	
Land	City land leased for \$1 – won RFP
Soft	BCH construction finance \$90M
Construction	Total about \$76M
Other	
Finance	
Equity	City land \$25M; Non-Profit Partner Equity total \$3.8M; BCH \$4.5M; New Market \$11M (post completion)
Sales	9 CRU units about \$5M
Debt	\$68,000,000 take out through BCH
Revenue	Market based – 90 @ 90%, balance at 76%
Expenses	Normal
Net Operating Income	\$600,000 projected
Debt Service	\$3.7M at 4.15%
DCR / CFADS	1.15 - Equity to be paid back over 15-20 years with surplus over time shared City and Land Trust

CASE STUDY #3

CATHERINE GARDENS LIFE LEASE – VERNON - SCHUBERT CENTRE SOCIETY



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CASE STUDY #3

CATHERINE GARDENS LIFE LEASE – VERNON - SCHUBERT CENTRE SOCIETY

Pro forma	56 seniors units (53 life lease, 3 rental) – goal retain land and cash flow
Costs	
Land	cost \$100,000 – value 1 million
Soft	development partners carried including marketing (50% presales) – construction loan at market
Construction	design-build turnkey by Yellowridge Construction
Other	GST to purchasers – profit low
Finance	
Equity	\$3.8 million from LP Partners
Sales	\$16,000,000
Debt	construction lending covenant by private partners
Revenue	Maintenance fees and taxes (@\$425 pupm)
Expenses	Standard – HOG for taxes
Net Operating Income	low
Debt Service	N/A
DCR / CFADS	

Things to Think About

- Create your plan early
- Be open to opportunity
- Use your community power
- Understand your appetite for risk and need for control
- Profit follows risk
- Create financial sustainability
- Do your due diligence
- Know your market
- Get value for your money
- Complete and well done design is excellent cost control

Thank You!



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