Featured Speaker:
MARSHALL E. CRAWFORD, JR., MPA
PRESIDENT & CHIEF EXECUTIVE OFFICER, THE HOUSING FUND
A Private Nonprofit Organization
$32 million in total assets

Created in 1996

501C3

Designated as a Community Development Financial Institution (CDFI)

Serve the entire state of TN

Governed by a 16-member Board of Directors

11-staff members
Mission...

Provide resources and creative leadership to help individuals and communities create and maintain affordable and healthy places in which low- and moderate-income people live.
Since its incorporation in 1996, THF has assisted over...

- **3,700 first time homebuyers** receive over
- **$27 million in downpayment assistance loans**, as well as providing more than
- **$52 million in financing** to assist individuals and organizations purchase, rehabilitate, or construct homes for low- and moderate-income families.

- To put these numbers in perspective, THF has **lent over $80 million**, which has leveraged over **$470 million in private financing** for more than **5,400 units**.
Created in 1996 as the Nashville Housing Fund – *affordable housing crisis* – Downpayment Assistance

Partnered to secure funding through NSP & CDBG to help rebuild, rehab, restore homes and communities impacted by the flood

1996

2002

2010

2013

Strategic Partnership – 2004 built Laurel House as a LIHTC in the Gulch

Expanded mission and products – receives $1.3 million CDFI Fund award to assist homeowners with energy saving retrofit and repair projects
• **2014 – Shared equity model** to create affordable housing opportunities

• **2017 – Surrender admin of the Barnes Housing Trust Fund** to operationalize the Community Land Trust

• Funding - operational support and **15 scattered site properties** for development of CLT

• **2020 – POWER OF TEN** – provided resources to victims and communities impacted by tornadoes and COVID

• **2021 - Strategic partnership with Amazon and $2.25 million** to help homeowners offset property taxes and the **preservation of homeownership**

• **$10 million commitment** to increase shared-equity homeownership by leveraging **$1.8 million grant from the CDFI Fund**
Economics of Housing

• The development of residential housing is a complex, costly, capital-intensive, and risky business –

• Major players:
  ➢ real estate developers;
  ➢ owners of rental & SF buildings; and
  ➢ financers of development projects and long-term mortgages.

• All expect their financial returns to be commensurate with the risks they assume, and all need to cover their investment of time, money, and expertise.
Real Estate Developers

Residential real estate developers make money in one of two ways:

• **Develop and sell:**
  - this means developing, building, and selling a building, or units in a building, and realizing a profit after covering the costs of pre-development, development and construction.

• **Develop and rent:**
  - this means building and retaining ownership, earning a return on their investment from rental income generated over a number of years and ideally from capital gains realized upon sale.
Owners of Real Estate

- Owners of multi-unit rental properties include companies that “develop to rent” as well as companies such as Real Estate Investment Trusts (REITs), which buy and manage existing rental buildings.
Financiers

There are many types of financers and financial intermediaries in real estate development and they differ in areas of specialty, tolerance for risk, and financial returns expected.
The Housing Fund as Developer and Financier

Shared Equity Capital Stack

- Homeowner: 1%
- The Housing Fund: 20% - 25%
- First Mortgage Provider: 74% - 79%
Shared Equity Program

Shared Equity Homeownership is a model where home equity appreciation (and often the risk of decline) is shared among the homeowner, future low-income owners, and/or the larger community.

This is usually done through either recapturing a portion of the appreciation at resale or through limiting the resale price of the home.

Include other restrictions (e.g. leasing the home), pooling of responsibilities and decision-making on land/building improvements.
3.2.7 Sharing the Appreciation between the Owner and THF

The percentage of appreciation that makes up the owner(s) share changes based upon how long the owner(s) have owned the home. See the table below.

<table>
<thead>
<tr>
<th>Time from Sale to Resale</th>
<th>Your %</th>
<th>THF’s %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than first day of 37th month (3 years)</td>
<td>25%</td>
<td>75%</td>
</tr>
<tr>
<td>Less than first day of 361st month (30 years)</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>361 or more months (more than 30 years)</td>
<td>100%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Unless THF elects to share any negative appreciation, THF’s share of the appreciation in the property shall not be less than $0.00.
# Economics of Shared Equity

## 3.2.6 Allocation of Sales Proceeds

When owner(s) sell the home to an Eligible Buyer, the sale proceeds shall be allocated between the owner(s) and THF using the formula below that applies to the version of the Our House legal documents.

<table>
<thead>
<tr>
<th>FORMULA</th>
<th>EXAMPLE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resale Price</strong> (not to exceed the Permitted Resale Price)</td>
<td>$150,000</td>
</tr>
<tr>
<td>- <strong>Original Market Value</strong></td>
<td>$120,000</td>
</tr>
<tr>
<td><strong>Total Appreciation</strong></td>
<td>$30,000</td>
</tr>
<tr>
<td>- Credit for Value Added by Capital Improvements Approved by THF (solely yours)</td>
<td>$10,000</td>
</tr>
<tr>
<td><strong>Appreciation to be Shared</strong></td>
<td>$20,000</td>
</tr>
</tbody>
</table>
| \[
| \text{Appreciation to be Shared} \\
| \times \% \text{ of Appreciation Allotted to Owner} \]
| \[
| \text{Your Appreciation Share (solely yours)} \]
| \[
| \text{Appreciation to be Shared} \\
| \times \% \text{ of Appreciation Allotted to THF} \]
| **THF's Appreciation Share**                                           | $10,000         |
By the numbers...

• Initial Number of Units – 45
• Committed First Mortgage Amount - $6,258,642
• Committed Investment for Subsidy - $1,765,445
• Average First Mortgage - $139,080
• Average Investment Per Unit - $39,232
The Housing Fund as Owner
Nashville – The Gulch
The Housing Fund as Financier
01 SENIOR DEBT
- rates between 4%-8%, normally 60%-65% LTGDV & 80%-90% LTC

02 STRETCHED SENIOR
- rates vary between 8%-10%, normally 70% LTGDV & 90% LTC

03 MEZZANINE DEBT
- rates vary between 14%-18%, normally 75% LTGDV & 90% LTC

04 EQUITY
- cash, normally attracts an interest rate or coupon + a profit share, e.g. 10% interest rate & 40% profit share
Economics of “all-hands-on-deck”

The private sector has long been involved in developing, financing, or operating affordable housing, including non-profit housing.

It has been estimated that more than 95% of the capital cost of non-profit housing is paid to the private sector, because the majority of people involved in the work (developers, architects, lawyers, builders, trades, etc.) come from the private sector.

Private-sector players get involved only when they can make an acceptable return on their investment of time, money, and expertise, at a manageable level of risk.
Questions and Answers