

Financing & Developing Your Affordable Co-op

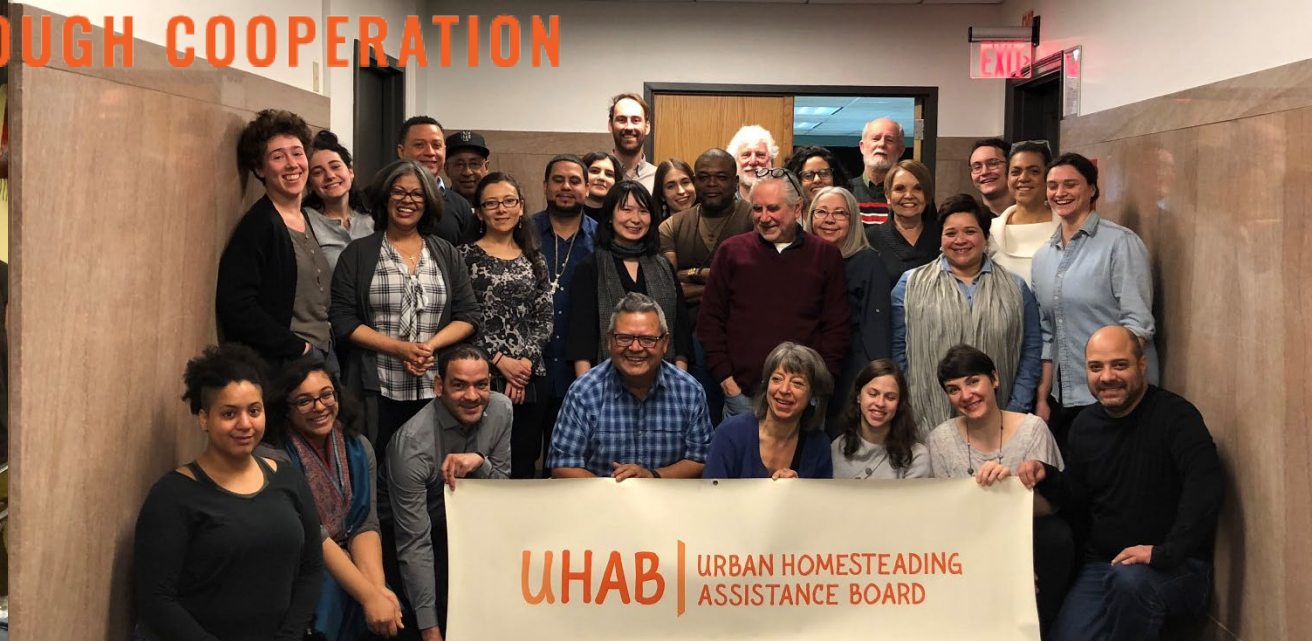
A Solution for Permanently Affordable Co-op Housing
UHAB Co-op Incubator

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COMMUNITY THROUGH COOPERATION



UHAB | URBAN HOMESTEADING ASSISTANCE BOARD

Financing & Developing Your Affordable Co-op

Agenda:

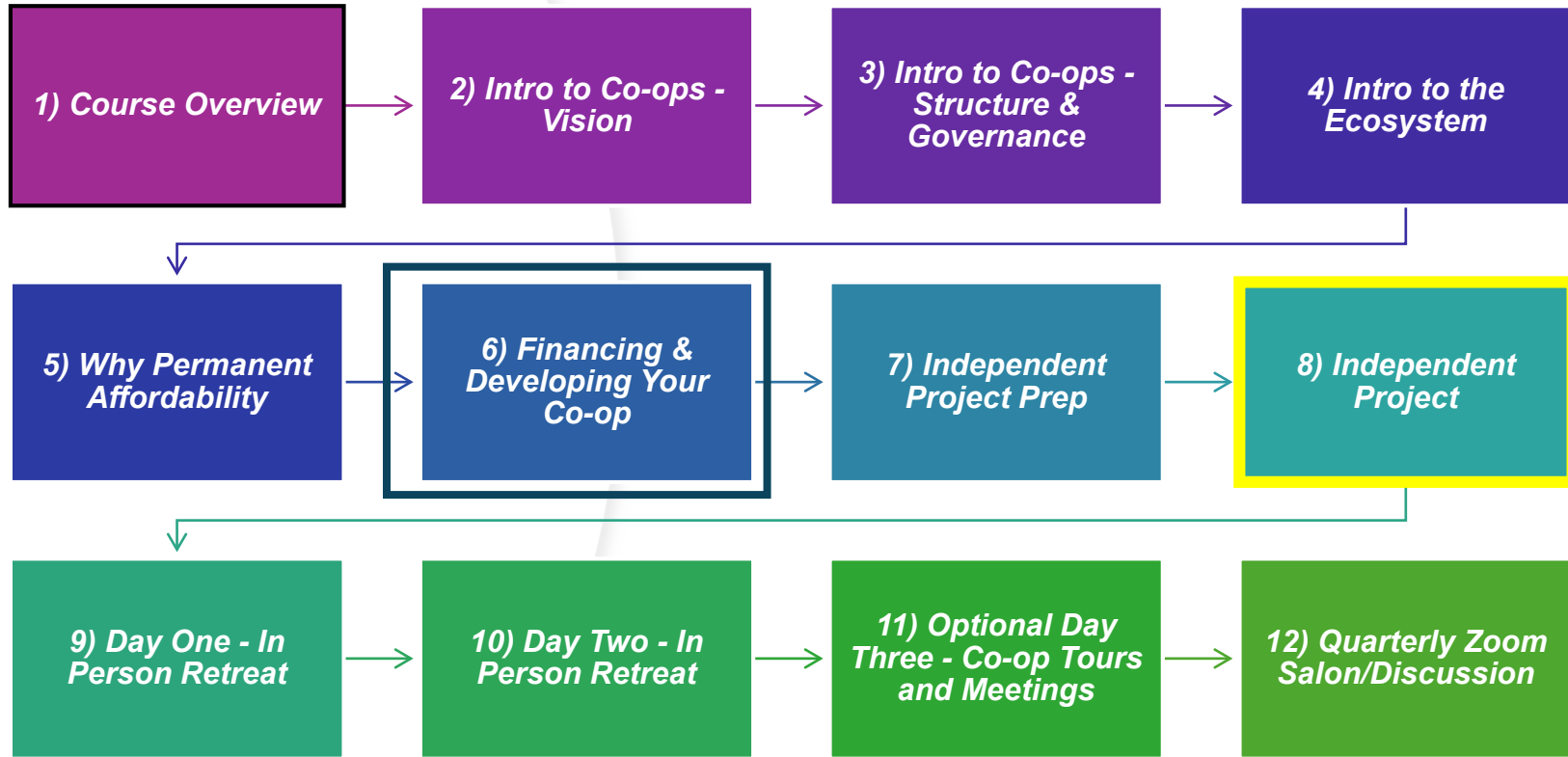
- **Deeper Group Introductions:** Development or Financing Experience?
- **The Development Timeline and Financing**
- **The Development Team**
- **Financing Options and Pathways:** 700 Case Study
- **Summer Preview**
- **Closing and Next Steps**

Deeper Group Introductions

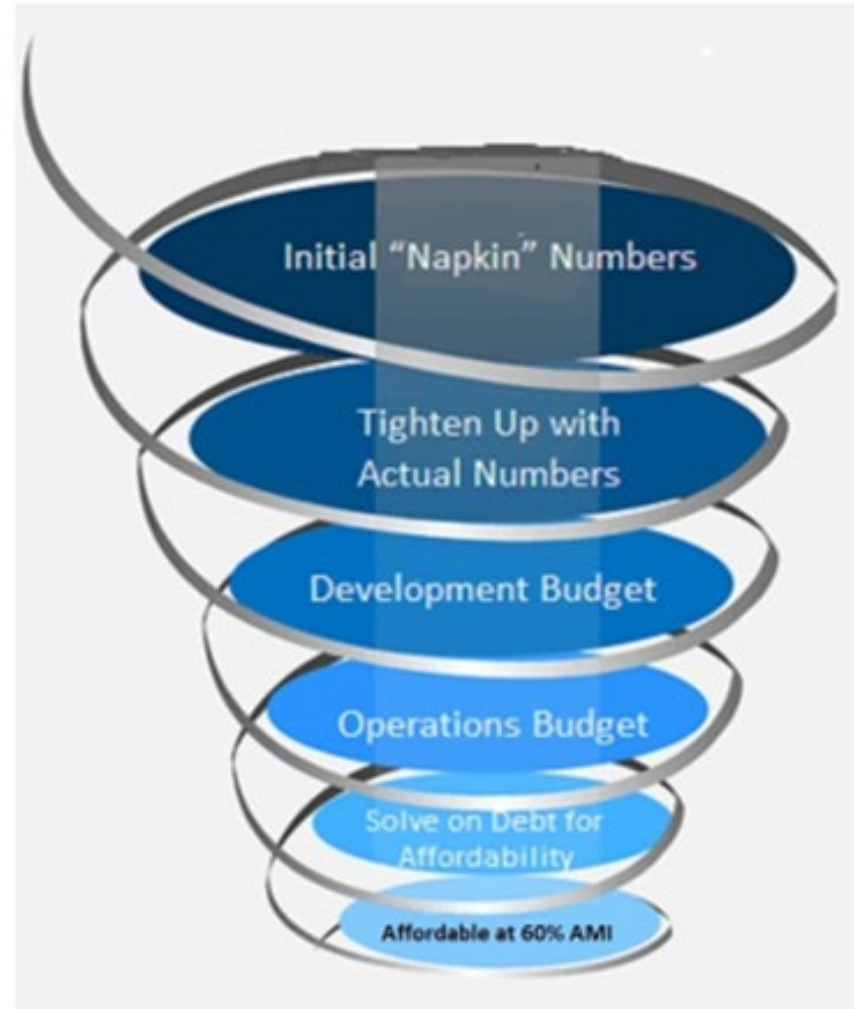
Take **one minute** to respond to the following prompts:

- What experience do you have with development and/or financing?
Are these roles you plan on fulfilling in the ecosystem?
- What is one thing you learned in this process that you think might be useful for co-op development?

Incubator Sessions:



Iterating Toward Affordability



Affordability

- Initial Affordability

Housing Cost (Monthly Charge (“Rent”) + Utilities + Share Loan Debt Service)

≤

30% x Target Income



**Co-op
Development
Timeline**

537 West 156th Street

- Tax foreclosed 20 unit building
- Transferred to UHAB through Neighborhood Restore
- UHAB contracts renovation and relocates residents during construction
- UHAB trains residents and qualifies outside buyers
- 16 units initially occupied
- 15 Section 8 Voucher applications



537 West 156th Street

DEVELOPMENT COST

PER UNIT

\$122,388

20 UNIT TOTAL

\$2,447,752

SOURCES OF FINANCING

CONVENTIONAL BANK LOAN

\$639,289

HPD CITY FINANCING

\$1,388,323

AHC GRANT

\$419,600

APT. SALES EQUITY

\$40,000

TOTAL

\$2,487,752



537 West 156th Street

OPERATING BUDGET	
MAINTENANCE with Vacancy Loss	\$205,167
TOTAL OPERATING COSTS*	143,895
NET OPERATING INCOME	61,271
TOTAL DEBT SERVICE	48,026
NET CASH FLOW	\$9,770

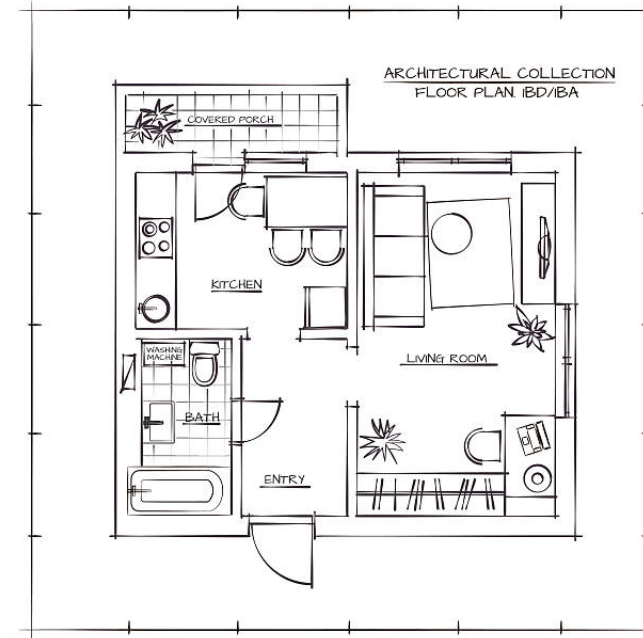
*Property tax exemption is primary subsidy, sometimes able to get reduced rates for water + sewer





The Co-op Development Team

- Residents/Future Co-op Owners
- Developer, Non-Profit Sponsor, Co-Developer, General Contractor
- Co-op Development Consultant, Organizer/Trainer/Technical Assistance
- Legal
 - Borrowers
 - Lenders
 - Co-op Conversion
- Architects
 - Designing Building/Planning Renovation
 - Supervising Construction
 - Approving Draws and Change Orders
- Engineers - Design
- Environmental - Phase 1
- IPNA PCNA
- Lenders
- Property Manager



Questions?

- What is the significance of involving residents or future co-op owners in the multifamily housing development process?
- Differentiate between the roles of a developer, co-developer, and general contractor.

Case Study

700 E. 134th Street, Bronx



A Landlord 'Underestimated' His Tenants. Now They Could Own the Building.

When a new landlord bought their building in the Bronx and threatened to raise rents and kick them out, tenants banded together. They never expected how far they might get: the chance to buy their apartments for \$2,500 each.



By Ronda Kaysen

Published May 6, 2022 Updated June 22, 2023

On a sunny afternoon in the spring of 2017, a dozen tenants from a small Bronx apartment building met at a trendy Port Morris neighborhood bar with exposed brick walls, craft beer and funky

700 E. 134th Street, Bronx

- Organized Tenant Association challenging the Landlord over Rent Stabilized vs. Market Rents
- Requested UHAB's assistance to settle the case with a tenant purchase
- UHAB negotiated and purchased the building from the owner with a nominal cost loan from a family foundation
- UHAB will train residents and qualify outside buyers and convert to co-op
- Rehab will be done after the co-op conversion with a "refinance" in order to achieve more affordability
- 21 units, 17 initially occupied, currently 14 are occupied



700 E. 134th Street, Bronx

ACQUISITION/PRE-DEVELOPMENT FINANCING

PER UNIT

\$204,762

21 UNIT TOTAL

\$4,300,000*

SOURCES OF FINANCING

FAMILY FOUNDATION (loan)

\$3,000,000

WEATHERIZATION GRANT

\$1,300,000

TOTAL

\$4,300,000



* \$2,600,000 acquisition price from private owner

700 E. 134th Street, Bronx

TOTAL DEVELOPMENT COST

PER UNIT

\$250,869

21 UNIT TOTAL

\$5,268,253

SOURCES OF PERMANENT FINANCING

FHA (223f) Financing (5.18%)

\$1,792,650

NYS FINANCING (1.5%)

\$1,782,203

APT. SALES EQUITY

\$393,400

WEATHERIZATION GRANT

\$1,300,000

TOTAL

\$5,268,253



700 E. 134th Street, Bronx

OPERATING BUDGET	
MAINTENANCE (with vacancy loss)	\$299,250
TOTAL OPERATING COSTS*	172,288
NET OPERATING INCOME	126,962
TOTAL DEBT SERVICE	110,402
NET CASH FLOW	\$16,560

*property tax exemption is primary subsidy, as well as reduced rates for water + sewer



700 E. 134th Street, Bronx

Metropolitan AMI versus Local AMI

Apt. Size	Monthly Maintenance	Income required	% SMSA AMI	Neighborhood Median Income
Studio*	1,250	\$52,600	54%	\$32,000

*The apartments are “mini lofts” constructed as studios, but can be configured as one or two bedroom apartments.

Project Feasibility Analysis

- Pages of the Feasibility Analysis
 - Development Proforma
 - Operating Proforma
 - Rents Proforma
 - Sales Prices Proforma
 - 35 year Resale Chart



LOAN PRO FORMAS					
700 East 134th Street					
DRAFT MORTGAGE SCHEDULE - Sources and Uses					
THE ITEMS IN BLUE ARE MANUAL ENTRIES. OVERWRITE WITH YOUR NOS. BLACK ITEMS CALCULATE.					
PLEASE NOTE: Don't override a formula in a black cell without looking at the formula and determining the impact on linked cells.					
Premises: 700 East 134th Street					
# of units: 21			14 occupied		
Construction period (months): 12			plus 6 to convert = 18		
Bank construction interest rate: LIBOR = plus 2.67% =			4.80%		
(CPC formula)			7.47%		
	Total Cost	Acquisition & Co-op	Rehab & Permanent	Equity	Mortgage
ACQUISITION & REFINANCING					
Acquisition	2,600,000	2,600,000	-	0	2,600,000
TA Legal - Nixon	30,000	30,000	-	0	0
Adjustments - Oil, Rent collected, Security Dep. Etc	90,043	90,043	-	0	0
Operating Account	31,592	31,592	-	0	0
Total	2,751,635	2,751,635		0	2,600,000
CONSTRUCTION COST					
Contractor Price	399,435		399,435	0	399,435
Contingency	39,944		39,944	0	39,944
Weatherization (Owner's Share)	99,000		99,000	0	99,000
Total	538,379		538,379	0	538,379
PROFESSIONAL FEES					
PSA Signing	1,000				
Borrower's Legal	40,000	30,000	10,000	0	40,000
Borrower's Eng/Arch Fees	19,972		19,972	0	19,972
Bank's Engineer -- Prep.	-		-	0	0
Structural Engineering Assessment	1,500		1,500		
IPNA/PCNA	8,000				
Environmental Phase I	1,700		1,700	0	1,700
Radon Testing	2,500				
Lead Based Paint Report	2,500				
Asbestos Testing	2,500				
Co-op conversion legal	200,000		200,000	0	200,000
Permits & Approvals	900				
Total	279,572	30,000	249,572	0	261,672
HUD FEES					
HUD Application Fee	5,461		-	0	5,461
HUD Initial MIP	9,557		-	0	9,557
HUD Inspection Fee	1,500		-	0	1,500
GNMA Placement Fee	1,950		-	0	1,950
Total	18,468			0	18,468
CLOSING AND OTHER FEES					
Appraisal	7,000		7,000	0	7,000
Bank Legal / CMI Legal	30,000		30,000	0	30,000
Centennial Financing Fee	59,612		-	0	59,612
Title	39,742	13,806	25,936	0	39,742
Mortgage Tax-HDFC exemption	-		-	0	0
NYS Transfer Tax	16,214		16,214	0	16,214
Survey	3,000		3,000	0	3,000
FHA/Lender 3rd Party Costs	26,900		26,900	0	26,900
Total	182,468	13,806	168,662	0	182,468

Author: ATH
Date: 9.8.23

Equity from unit sales (this comes from Sales Prices sheet)

Total Equity Needed 0

Equity from occupied unit sales:

No.	Price	Total
Occ. units 14	\$2,500	28,000

Equity from vacant unit sales:

Potential vacant unit sales: \$365,400

Total sales: \$393,400

Total sales: \$393,400

Construction interest est. Blended rate: 2.91%

Soft costs 750,948 32,771.97

Total 150,000.00

CARRYING COSTS					
Short term interest	150,000		150,000	0	150,000
Real Estate Tax				0	0
Water and Sewer Charges	22,659	22,659		0	22,659
Insurance	18,900	18,900		0	18,900
Rent Differential	-			0	0
Relocation consulting				0	0
Developer's Fee	210,000	50,000	160,000	0	210,000
Coop Training	28,500		28,500	0	28,500
Relocation	-		-	0	0
Marketing	32,500		32,500	0	32,500
Operating loss during construction	-		-	0	0
Soft Cost Contingency	51,395	51,395		0	51,395
Other	-		-	0	0
Total	513,954	142,954	371,000	0	513,954
RESERVES (confirm amounts with bank comm. lt.)					
Capitalization of Replacement Reserves	52,500		52,500	0	52,500
Capitalization of Operating Reserves	78,750		78,750	0	78,750
Total	131,250		131,250	0	131,250
TOTAL DEVELOPMENT COST	4,415,725	2,938,396	1,458,862	0	4,246,190
TOTAL LOAN					4,246,190
TOTAL BORROWER EQUITY	0.00%				0
					Projected sales: 393,400 Adjust equity to equal projected sales.
PERMANENT FINANCING					
	Rate	Revised		Per unit	Change
NYS HCR	1.50%	\$1,782,203		48.52%	HCR \$1,782,203 48.52%
FHA 223 (f)	5.18%	\$1,792,650		42.22%	FHA \$2,186,050 51.48%
Sales Equity		\$393,400		9.26%	\$0 0.00%
TOTAL		\$4,246,190		100.00%	\$4,246,190 100.00%
					2.91%

NOTE: THE PERMANENT FINANCING AMOUNTS TRANSFER FROM THE OPERATING PAGE.

700 East 134th Street		0									
DRAFT OPERATING BUDGET		ITEMS IN BLUE ARE MANUAL ENTRIES									
		ENTER NUMBERS OF UNITS HERE (Post-Rehab Nos. impact underwriting).									
		RENTS CALCULATE FROM THE "Rent per zoning room" ENTRY, BELOW.									
		(ENTER A RENT AND APARTMENT SIZE FOR THE SUPER; USUALLY RENT WILL BE ZERO.)									
Premises:	700 East 134th Street	Buildings:		1							
		Pre-Rehab Units (for info. only)		Rental Rooms		Post-Rehab Units		Rental Rooms		Zoning Rooms	
		Vacant	Occupied	Total	Rooms	Vacant	Occupied	Total	Rooms		
Studio		7	14	21	42	0	21	21	42		52.5
One br		0	0	0	0	0	0	0	0		0
Two br		0	0	0	0	0	0	0	0		0
Three br		0	0	0	0	0	0	0	0		0
Four br		0	0	0	0	0	0	0	0		0
Super		0	0	0	0	0	0	0	0		0
Totals		7	14	21	42	0	21	21	42		52.5
Enter no. of assumed persons below and median incomes will be transferred from Sale prices page.											
				Assumed persons		Enter median incomes on Sales price page		Affordable Income		Original Rents	
GROSS RESIDENTIAL INCOME		315,000.00									
VACANCY LOSS	5%	15,750.00		Studio	1	93,400.00	1,250.00	53.53%	50,000		
COMMERCIAL INCOME		0.00		One br	1.5	100,100.00	1,250.00	49.95%	50,000		
VACANCY LOSS	10%	0.00		Two br	3	120,100.00	1,450.00	48.29%	58,000		
EFFECTIVE GROSS INCOME		299,250.00		Three br	4.5	126,755.50	1,550.00	48.91%	62,000		
				Four br	5	144,100.00	1,700.00	47.19%	68,000		
TAXES		0.00									
WATER & SEWER		9,660.00		230	Per room				200.00		
INSURANCE		35,606.47		600	per unit or actual						
PAYROLL		0.00		1000	per unit or actual						
ELEVATOR		0.00		6250	Per elevator	No. elevators =	0				
CLEANING & EXTERMINATING		24,000.00		100	Per rental room						
HEAT		13,000.00		350	Per rental room	based on electric heat estimates					
COMMON AREA ELECTRIC		1,500.00		130	Per rental room	based on electric heat estimates					
MANAGEMENT		20,947.50		7.00%	Effective gross	8% for LIHTC & proj.-based Sec. 8					
REPAIRS AND REPLACEMENT		31,500.00		1500	Per unit						
STEWARDSHIP		7,121.00									
LEGAL		4,725.00		225	Per unit						
ACCOUNTING		10,000.00		10,000	Per bldg.						
HCR ANNUAL FEE		2,992.50		1%	Collected maintenance						
REPLACEMENT RESERVE		5,250.00		250	Per unit						
OPERATING RESERVE		5,985.00	285		Per Unit	2.00% of RR					
TOTAL EXPENSES		172,287.47			Annual amount if funded =	\$6,300.00					
PER RENTAL ROOM		4,102.08									
PER ZONING ROOM		3,281.67									
PER UNIT		8,204.17									
NET OPERATING INCOME		126,962.53									
TOTAL DEBT SERVICE COVERAGE		1.15	(HPD requirement)								
MAXIMUM TOTAL DEBT SERVICE		110,402.20									
MIN. BANK DEBT SERVICE COV.		1.15	(Check with lender)								
MAXIMUM BANK DEBT SERVICE		110,402.20									
ACTUAL BANK DEBT SERVICE		110,402.20									
MINIMUM SONYMA DEBT SERV. COV.		1.05									
ACTUAL TOTAL DEBT SERVICE		110,402.20									
NET CASH FLOW		16,560.33									
REVISED LOAN AMORTIZATION This assumes a 30-year HPD loan as low as interest only if necessary and solves for total debt service to meet the various debt service coverage requirements.											
		Rate	Term	Loan Amount	DS Years 1-20	Balance Year 20	DS Years 21-30	Balance Year 30			
NYS HCR		1.50%	35 years	1,792,649.66	0.00	\$2,419,370.64	0.00	(\$2,810,644.30)			Subsidy per unit
FHA 223 (f)		5.18%	35 years	1,782,203.12	110,402.20	\$1,149,732.79	110,402.20	(\$485,400.00)			\$85,364.27
Sales Equity		0.00%		393,400.00	0.00		0.00				
Total				4,246,190.08	110,402.20		110,402.20				
Bank Loan DSC		1.150	OKAY	SONYMA DSC		1.059	OKAY	Total DSC			1.15



“I see this as a total blessing, being able to come back to where I was raised.”

- Barbara, Brooklyn Co-op Shareholder

	A	B	C	D	E	F	G
1	#	First	Last	Unit	Room Size	Actual	Restructured
2	1	Kevin	Stone	1A	3.5	\$999	\$1,250
3	2	Joshua	Flores	1B	3.5	\$1,150	\$1,250
4	3	TaraMarie	Capozello	1C	3.5	\$962	\$1,250
5	4	VACANT		1D	3.5	\$1,039	\$1,250
6	5	VACANT		2A	3.5	\$1,500	\$1,250
7	6	Ann	Nunez	2B	3.5	\$1,039	\$1,250
8	7	VACANT		2C	3.5	\$1,500	\$1,250
9	8	VACANT		2D	3.5	\$1,200	\$1,250
10	9	VACANT		3A	3.5	\$1,070	\$1,250
11	10	Shana	Mertz	3B	3.5	\$1,500	\$1,250
12	11	Iya	Khen	3C	3.5	\$1,515	\$1,250
13	12	Keesha	O'Galdez	3D	3.5	\$1,500	\$1,250
14	13	VACANT		4A	3.5	\$1,468	\$1,250
15	14	Courtland	Hankins	4B	3.5	\$1,052	\$1,250
16	15	Claudia	Waterton	4C	3.5	\$1,215	\$1,250
17	16	VACANT		4D	3.5	\$1,049	\$1,250
18	17	Jimmy	Grant	BB	3.5	\$1,250	\$1,250
19	18	Taima	Aponte	LA	3.5	\$1,065	\$1,250
20	19	Lizzette	Concepcion	LB	3.5	\$1,120	\$1,250
21	20	VACANT		LC	3.5	\$1,400	\$1,250
22	21	Heriberto	Huerta	LD	3.5	\$1,650	\$1,250
23						\$26,243	\$26,250
24							
25	Monthly Gross Income		\$26,250				
26	Annual Gross Income		\$315,000				
27	Vacancy Loss		\$15,750.00				
28	Annual Effective Gross Incom		\$299,250				
29							

[Development](#)
[Operating](#)
[Rent Roll](#)
[Sale prices](#)
[35-yr Sales Price Chart](#)

700 East 134th Street

PROJECTED SALE PRICES

This sheet provides two options for vacant unit sale prices: either sale prices that provide just enough revenue to meet equity requirements or sale prices based on a program formula. Enter the preferred option in the box on the development budget page.

ITEMS IN BLUE ARE MANUAL ENTRIES

700 East 134th Street

2022	
Assumed	Income-HUD
Persons	website
1	93,400
2	106,800
3	120,100
4	133,411
5	144,100
6	154,800
7	165,500
8	176,100

Please note that the unit numbers are entered on the Operating page.

	Post-Rehab. Units			Total Rental Rooms	Total Zoning Rooms	Vacant Zoning Rooms	Occupied Purchasers
	Outsider	Insider	Total				
Studio	7	14	21	42	52.5	17.5	11
One br	0	0	0	0	0.0	0.0	0
Two br	0	0	0	0	0.0	0.0	0
Three br	0	0	0	0	0.0	0.0	0
Four br	0	0	0	0	0.0	0.0	0
Super	0	0	0	0	0.0	0.0	0
Totals	7	14	21	42	53	17.5	11

SALES PRICE ASSUMPTIONS

Assume **90%** financing at **3.5%** for **15 years**

SALES PRICES AS PER STANDARD TPT (OR OTHER) FORMULA:

Formula: \$4,651 per zoning room Base price **\$2,500.00** per zoning room. Increase by 3% per year.
 (Adjust formulas if not per zoning room.) Conversion year: **2024** Projected price per zoning room: **\$4,650.74**

	Unit Sale Price	AHC	Unit Sale Price w/ AHC	Total Sale Price	Total AHC	Total Sales w/o AHC	Purchaser Mortgage Amount	Share Loan Payment	Unit Maintenance Charge	Monthly Utilities	Total Annual Housing Costs	Implied Income	% AMI
Studio	\$52,200		\$52,200.00	\$365,400.00	\$0.00	\$365,400.00	\$46,980.00	\$335.85	\$1,250.00	\$65.00	\$19,810.22	\$66,034.07	70.70%
Total				\$365,400.00	\$0.00	\$365,400.00							

\$29,350 at 53 AMI for 2022 numbers
 \$52,200 at 60 percent AMI for 2022 numbers

Resale Price Chart

Year No.	Year Sold	Studio
1	2025	\$52,200
2	2026	\$53,766
3	2027	\$55,379
4	2028	\$57,040
5	2029	\$58,752
6	2030	\$60,514
7	2031	\$62,330
8	2032	\$64,199
9	2033	\$66,125
10	2034	\$68,109
11	2035	\$70,152
12	2036	\$72,257
13	2037	\$74,425
14	2038	\$76,657
15	2039	\$78,957
16	2040	\$81,326
17	2041	\$83,766
18	2042	\$86,279
19	2043	\$88,867
20	2044	\$91,533
21	2045	\$94,279
22	2046	\$97,107
23	2047	\$100,021
24	2048	\$103,021
25	2049	\$106,112
26	2050	\$109,295
27	2051	\$112,574
28	2052	\$115,951
29	2053	\$119,430
30	2054	\$123,013
31	2055	\$126,703
32	2056	\$130,504
33	2057	\$134,419
34	2058	\$138,452
35	2059	\$142,605



Questions?

- Does anything stick out to you when thinking about building #700 and its evolution as a project?
- What changed and why, especially in regards to affordability, the development process, and financing?
- How does building 700 and some of the challenges this project faced compare to projects in your context? Why or why not?
- What other questions emerge?

Incubator Sessions:



Independent Project Preview:

- Independent or with small groups geographically or topically
- Goals:
 - Learn about the existing and potential Co-op Ecosystem in your area
 - Find/prepare for your role(s) in that ecosystem
 - or advance your project
 - Everything is a possible for your project(s)
 - Make a 5-minute video to report to the cohort
- Next step: Develop a summer project topic(s)/plan
 - Meet with Peter/Andy to finalize plan (could be groups)
- Expanded Ecosystem Description
- Topic of the Week with suggested readings/videos
- Weekly Zoom Discussions – topics will evolve to meet needs
- Canvas Discussion Boards

Questions?

uhab

URBAN HOMESTEADING ASSISTANCE BOARD

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www.uhab.coop