



Financing in Community Development

Community Law Center, Inc.

October 16, 2018

Who is Baltimore Community Lending, Inc.

- ▶ Our Mission is to support the revitalization and strengthening of Baltimore Neighborhoods through innovative and flexible financial assistance.
- ▶ Twenty- nine years since inception as a “Quasi-Public” Agency of Baltimore City Government
- ▶ Over \$200 million in financing providing 4200 units of affordable housing, over 4,000 square feet of commercial and community space
- ▶ 2004 received our certification from the U.S. Treasury as a Community Development Finance Institution and officially separated from Baltimore City Government
- ▶ 60% of our lending has gone to companies owned by people of color, 22% to women owned businesses and non profits.
- ▶ In Fiscal Year 2019 approved \$11.5 million in real estate financing
- ▶ Recently created a new loan product for new and emerging small business entrepreneurs

Sample Transaction

- ▶ Acquisition and rehab of 10 properties for sale
- ▶ Properties are being sold to the CDC by V2V or private investor
- ▶ City and State support through some grants
- ▶ Anticipated sales price based on comparable sales is \$150,000

Identifying Costs

▶ Securing reasonable estimate of costs

- ▶ Property Acquisition
- ▶ Architect
 - ▶ Civil Engineer ?
- ▶ Contractor
- ▶ Development Expense
- ▶ Organization Staffing
- ▶ Interest Expense

▶ Identifying potential Sales Price

- ▶ Zillow
- ▶ Realtor CMA
- ▶ Appraisal (\$)
- ▶ Market Study (\$)

Creating Preliminary Sources and Uses.

- ▶ There are two budgets that need to be developed:
 - ▶ Construction- *what is it going to cost*
 - ▶ Sales/long term -*how are costs paid and how are you and the lender/s getting paid back*
- ▶ Work towards the estimated of costs for Construction
 - ▶ Construction @ \$125 a square Foot
 - ▶ 1200 square foot unit = \$150,000 Construction per unit
 - ▶ Development Costs
 - ▶ Architect \$ 1,500
 - ▶ Engineer \$ 500
 - ▶ Legal \$ 500
 - ▶ Permits/bond \$ 2,000
 - ▶ Staff costs Based on a period of time.
- ▶ Total Development Expense

Total Estimated Costs Per Unit (REHAB) Estimate

▶ Acquisition	\$ 10,000
▶ Construction	\$ 150,000
▶ Development Expenses	\$ 2,500
▶ Carrying Costs	\$ 1,200
▶ (Taxes, Maintenance, water,)	
▶ Interest Expense	\$ 7,000
▶ Contingency	\$ 16,250
▶ Total per unit	\$ 186,950
▶ Number of Units (10)	\$1,869,500
▶ Staff Expenses (2 years)	
▶ Project Director	\$ 120,000
▶ Overhead	\$ 30,000
▶ Total	\$2,019,500

Sources and Uses

Uses

▶ Acquisition	\$ 100,000
▶ Construction	\$1,500,000
▶ Development Expenses	\$ 25,000
▶ Contingency	\$ 162,500
▶ Carrying Costs (Fees)	\$ 12,000
▶ Interest Reserve	\$ 70,000
▶ Staff Expense	\$ 150,000
▶ Total	\$2,019,500
▶ Total Cost per Unit	\$ 201,950

Financing Source

▶ Loan (75%)	\$ 75,000
▶ Loan (Less than 80%)	\$ 882,900
▶ Predevelopment	
▶ 10% Contingency Loan(100%)	\$ 162,500 ¹
▶ Fees Loan (80%)	\$ 9,600
▶ Interest Reserve (100%)	\$ 70,000 ²
▶ Staff Expense	
▶ Total (80% Loan to Value)	\$1,200,000
▶ Total Loan per Unit	\$ 120,000

n.b. 1 and 2 non-use results in decrease of note amount

Sources

▶ Total Costs	\$ 2,019,500
▶ Developer Fee? (10%)	<u>\$ 201,950</u>
▶ Total	\$ 2,221,450
▶ Sales	\$ 1,500,000
▶ Realtor/Closing Costs, (10%)	\$ 150,000
▶ Gap	\$ 871,450
▶ Subsidy by unit	\$ 87,145

Sample Cost Estimate Sheet

Hard Costs & Related Expenses
Site Development/utilites/Alley Construction Cost
Construction (Inc. Landscaping & P&P Bond)
Construction Contingency (5%)
Local permits/bonds
Storm-Water/Waste Water/Sewer
Water Service-Main Line& New Meter/ Sub-drainage
Electrical Site Sub Structure
Environmental Remediation
Demolition
Developers Agreement Cost - Baltimore City
General Requirements/ Builder Overhead/Profits

SUBTOTAL

Soft Costs & Professional Fees
Architectural Fees (construction adm)
Appraisal/Market Study
Engineer (Civil & Structural)
Reimbursables/Reproductions
Engineering Stakeout

Environmental - special analysis (full report completed)
Legal - Borrower
City Legal
Street and Alley Closings
Accounting/Adminstrative/Audits
Insurance (Liability & Builder's Risk)
Inspection Fees
Soft Cost Contingency (5%)

SUBTOTAL

Sample Cost Estimate Sheet

Financing & Related Expenses

Origination Fee

Construction Interest 7.00% - Total 24 months

Accrued Interest - Equity 1

Accrued Interest - Equity 2

Closing Cost 8%

Financing Contingency

SUBTOTAL

Marketing & Promotions

Model

Other - Marketing Packages/Signage

SUBTOTAL

Development Mgmt.

Developer's fee .15% of project costs

Other

SUBTOTAL

FUNDED PROJECT COSTS

Challenges

- ▶ Staffing and Experience
- ▶ Existing financial resources and financial stability
 - ▶ Predevelopment
 - ▶ Staffing resources
- ▶ Lure of rental versus sales
- ▶ Willingness of competent builders and potential development partners to work with non-profits.
- ▶ Timing of grants and subsidies
- ▶ Timing of Acquisition
- ▶ Pressure to take on too much at once
- ▶ Inability to take on enough units to be “transformative” and attract new residents

Baltimore Community Lending, Inc.

Real Estate Loan Products

Guidance Line of Credit

- ❑ Revolver for construction
- ❑ One year term with extension for a second year
- ❑ Up to 90 % of after rehab value; 75% “as is” for acquisition
- ❑ \$1 million loan limit

Commercial/Multifamily Loan Program

- ❑ Construction to Perm, Refinance, Mini-Perm product
- ❑ 5 to 7 year term; 20 year amortization
- ❑ Up to 90 % of after rehab value; 80% “as is” for acquisition
- ❑ \$1 million loan limit

Baltimore Community Lending Real Estate Loan Products

Pre-development Loan Program

- ❑ Acquisition and soft costs related to pre-construction community development
- ❑ Up to Thirty-six month terms
- ❑ Requires a 40% guarantee from a third party
- ❑ 80% of “as is” or unimproved value, will consider up to 100% LTC
- ❑ \$1 million loan limit

Subordinate Financing Loan Program

- ❑ Twelve month and acquisition and construction
- ❑ Mini-Perm up to sixty months term with a 20 year amortization
- ❑ Combined loan to value up to 90%
- ❑ \$500,000 loan limit

Small Business Baltimore Business Lending

- ▶ Otherwise Credit Worthy Borrower who lacks equity
 - ▶ Business Plan
 - ▶ Successful completion of T/A training
- ▶ Baltimore City only
- ▶ Between \$10,000 up to \$50,000
- ▶ Interest rate 7.25% for woman owned and 9.25% for male owned business
- ▶ Three to five year terms.
- ▶ Some restrictions on types of business.
- ▶ Can apply to BBL or through participating micro-lenders
- ▶ www.baltimorebusinesslending.org



Contacts

Bill Ariano	President and CEO	410-319-0726
Frank Coakley	Chief Lending Officer	410-319-0735
Sean Russell	Vice-President, Senior Loan officer	410-319-0725
Dierdre Pressley	Assistant Vice-President, Loan Officer	410-319-0723
Pat Clements	Operations Administrator	410-319-0720
Bonnie Crockett	Director Baltimore Business Lending	443-326-8315
Don Cutwright	Loan Officer Baltimore Business Lending	443-450-1384

875 Hollins Street
Suite 301
Baltimore Md. 21201