



Bank Financing & Developer Proforma

February 2, 2007

Presented by:

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Cut Out the Fat: Making it Lean & Mean Bank Financing & Developer Proformas

Mr. Jim Mayer has over 20 years of experience in the securities and finance industry as an investment banker and as an attorney. He has directed financings for his clients including state governments, Indian tribes, municipalities, utilities and corporate developers. Jim is also active in various non-profit organizations.

Mr. Tim Larkin has worked in the Twin Cities multifamily finance industry for over 15 years. He has originated, underwritten and placed more than 150 multifamily, senior housing, health care and cooperative mortgage loans. Tim has been active in the Minnesota Multi Housing Agency and currently serves on the Economic Task Force.



Evaluating the Risk of a New Development

- ☑ **Market Analysis**
- ☑ **Underwriting Parameters**
 - Loan to Value (LTV)
 - Debt Service Coverage Ratio (DSCR)
- ☑ **Program Types and Terms**
 - GSE's
 - HUD/GNMA
 - Condos
 - Commercial



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Market Analysis

- ☑ Demand
- ☑ Community Development Trends

Underwriting Parameters

- ☑ Loan To Value (LTV)
- ☑ Debt Service Coverage Ratio (DSCR)
 - Cash flow available for debt service divided by debt service
 - Net Operating Income (NOI)
 - ✓ Income after expenses



Program Types and Terms

- Fannie Mae
 - ✓ Multifamily
 - Market Rate
 - Affordable Housing
 - ✓ Seniors Housing
- HUD/FHA and GNMA
 - ✓ 221(d)(4)
 - ✓ 232
- Condos
- Commercial



Fannie Mae

- Multifamily
 - 1.15 – 1.25 Debt Service Coverage (DSC)
 - 80-90% LTV
- Seniors Housing
 - 1.35 DSC Independent
 - 1.45 DSC Assisted
 - 75% LTV
 - 80% LTV, 1.30-1.40 DSC for Variable Rate Tax-Exempt Bond Transactions





FHA/HUD

☑221(d)(4) Multifamily

- 1.11 DSC
- 90% of replacement cost

☑221(d)(3) Non-Profit

- 1.05 DSC
- 100% of replacement cost

☑232 Senior Housing with Services

- 1.11 DSC, 1.05 if Non-Profit
- 90% LTV, 95% if Non-Profit



Commercial and Condos

Commercial

- ☑Lower of 75% of Cost or Value
- ☑1.25 Debt Service Coverage
 - ✓Terms are Adjustable if High Credit Tenant

Condos

- ☑Lower of 80% of Cost or Value
- ☑Calculate the % of Sales Required to Pay Back Loan
 - ✓Typically 70-75% range



What to Look at in a Development Proforma

- Income
 - Rents/Leases
 - Commercial Income
 - Other
- Expenses
 - Proforma vs. Comparable Data
- Construction Costs
 - Determined by the Contract
 - Underwriting will Reflect Comps



What to Look at in a Developer Principal

- Experience
- Financial Information
- Credit History
- Ownership History





Experience

- Development Team
 - General Contractor
 - Architect
- Ownership History



Developer Principal Financial/Credit Information

- Certified Financial Statements
- Credit Report
- Tax Returns
- Payment History
- Bank and Trade References
- Verification of Deposits





Ownership History

- HUD 2530 Previous Participation Process
- Fannie Mae Multifamily Certification



TIF Financing

- TIF Underwriting
- TIF with Other Financing





Taxable Developer Note

- Secured by
 - Pay-Go Note
 - Available Tax Increment
 - Assessment Agreement against Property
 - Developer Guarantee
- Use of Funds
 - Qualified Project Costs
 - Interest during Construction
 - Transaction Costs
- Terms
 - Fixed Rate
 - Five Year Maturity



Tax Exempt Bonds

- Secured by
 - Available Tax Increment
 - Reserve Fund
- Use of Funds
 - Pay Principal of Outstanding Note
 - Capitalized Interest
 - Transaction Costs
- Terms
 - Fixed Rate
 - Twenty-Five Year Maturity





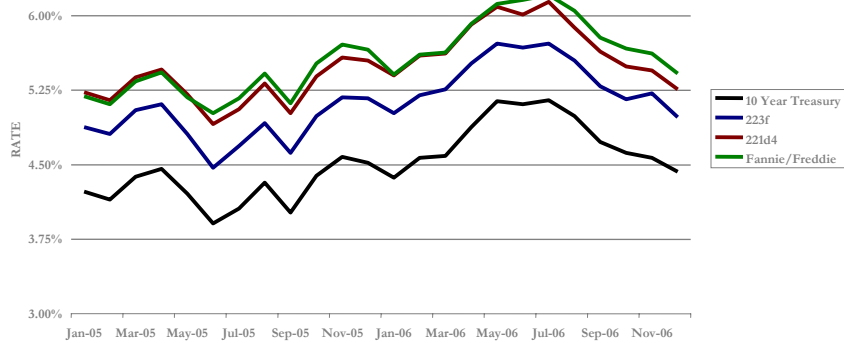
Where Are Rates Headed?

- Historical
- Current
- Projections



Rate Trends

Multifamily Interest Rate Trends





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Current Rate Information

- 10 Year Treasury
 - 4.81%
- 223f
 - 5.41% +.45%MIP
- 221d4
 - 5.78% +.45%
- Fannie Mae/Freddie Mac
 - 5.83%



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Rate Projections

- 10 Year Treasury
- 223f
- 221d4
- Fannie Mae/Freddie Mac





Development Trends

- ☑ Green Design
- ☑ Mixed Use Developments
- ☑ Condos have Cooled – **Not Stopped**



Questions

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