WEEK 2 Saturday April 1, 2022 9:00AM-1:00 PM

7TH CREATING SUSTAINABLE NEIGHBORHOOD DEVELOPERS' PROGRAM: Virtual

9:00 am "Entrepreneurship &Business Cycle"

Dr. Donald Andrews- Dean,

College of Business,

Southern University and A&M College

9:30 am "Course Objectives"

Eric L. Porter, Co-Creator of CSND/ComNet LLC

9:35 am "Building Community Prosperity"

Andreanecia Morris, MA, HousingNola

10:20 am "Capacity Building"

Nicole Barnes, MPA, Executive Director,

Jericho Road Housing Initiatives

11:05 am Break

11:10 am: "Funding Sources"

Louis Russell,

Director of Housing, Louisiana Housing Corporation

12:05 pm: "Performance Bonds"

Christopher Parrish,

Assistant Vice President, SOMPO International

12:50 pm: *Closing*

Eric L. Porter & Sung No









Entrepreneurship and Business Cycles in the Real Estate Market"

Donald R. Andrews April 2, 2022

Dean, College of Business
Southern University and A&M College
Baton Rouge, Louisiana

Vision To Create the Future Up From Slavery: Booker T. Washington National Negro Business League



Planning for the Future

The single most important thing to remember about any enterprise is that there are no results inside its walls. The result of a business is a satisfied customer. The result of a hospital is a healed patient. The result of a school is a student who learns something and puts it to work.

The talk you hear today about adapting to change is not only stupid, it's terribly dangerous. The only way you can manage change is to create it. By the time you catch up with change, the competition is already ahead of you.

... Peter Drucker

The New Economy

Change

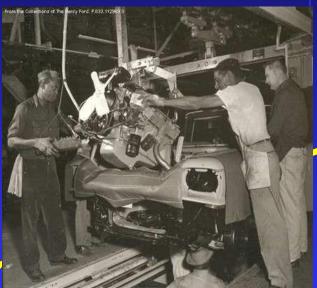
• "When the rate of change outside the organization is faster than the rate of change inside the organization, then the end is near." *Jack Welch, Late Former CEO, GE*

Accelerating Pace of Change

Agricultural Age



Industrial Age



Knowledge Age



1500 1500 1500 1900 1900 1980 1990 2000

From Knowledge Economy to Creative Economy

DESIGN



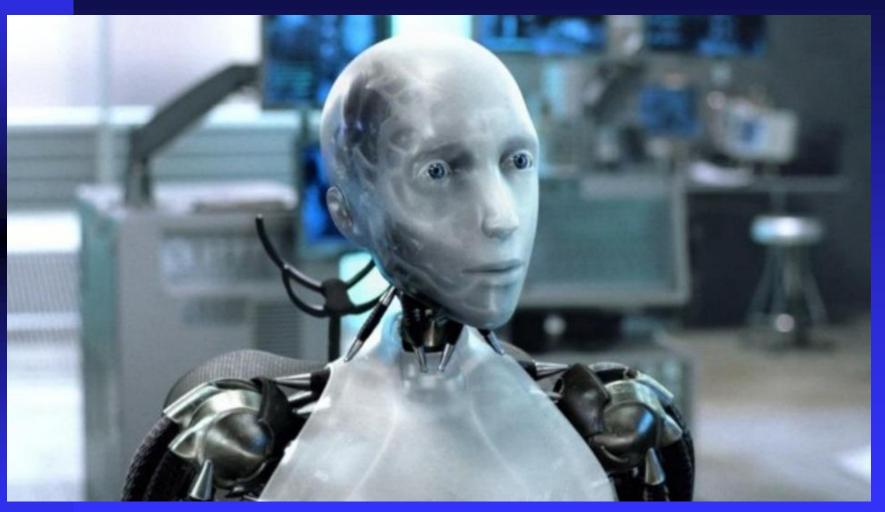
CREATE



IMPLEMENT



Brilliant Machines (Deep Blue and Mr. Watson) Can I Help You Think?



As Outline in *The Second Machine Age* by Erik Brynjolfsson and Andew McAfee 2014

Income Share to Top 10 Percent 1917-2007

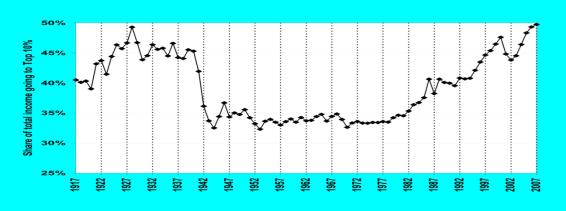
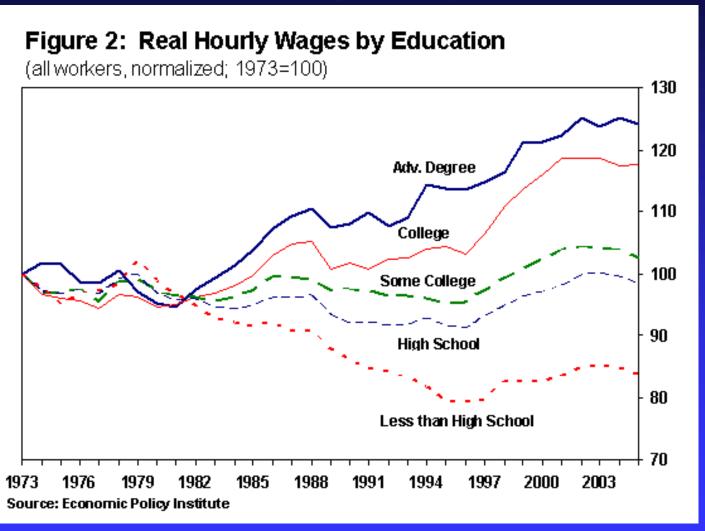


FIGURE 1
The Top Decile Income Share in the United States, 1917-2007

Source: Piketty and Saez (2003), series updated to 2007. Income is defined as market income including capital gains. In 2007, top decile includes all families with annual income above \$109,630.

Growth in Wages by Education



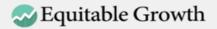
Income and College Education

College completion gaps by income persist and grow

Share of students completing college in the United States by income quartile and year of birth



Source: Martha Bailey and Susan Dynarski, "Gains and Gaps: Changing Inequality in US College Entry and Completion," National Bureau of Economic Research, 2012.



21st Century Institutions of Higher Education Role in Economic Development

Strategic Program Principles of Practice

- Embed Economic Engagement, Innovation, and <u>Entrepreneurship</u> Across Institutional Missions
- Value and Promote Scholarship Across A Continuum of Discovery and Application
- Be Good Community Partners
- Engage in Regional Innovation Ecosystems
- Identify and Strengthen the Institutions Strategic Competitiveness
- Serve Regional Human Capital and Workforce Needs
- Contribute to the Health and Well-Being of the Community and People Served
- Facilitate 21st Century Knowledge Creation at the Intersections, Collisions and Fusions of Academic Disciplines
- Affirm that, in Innovation and Engagement, Humanities, Arts, Social Science and STEM Disciplines are Vital
- Innovate Continuously in Teaching and Learning Practices
- Source: Higher Education Engagement in Economic Development, Association of Public and Land Grant Universities Commission on Innovation, Competitiveness and Economic Prosperity University Economic Development Association

Demand for Entrepreneurship Education

Students have shown an increased interest in understanding business from the entrepreneurs' perspective. According to Stephen Spinelli, Babson College's President

- (1) students who are going to start their own businesses,
- (2) students who are going to seek to work for a small entrepreneurial firm with rapid growth potential,
- (3) students that want to understand entrepreneurship from a finance perspective and become involved in equity investing in new ventures,
- (4) students who are interested in corporate entrepreneurship and new product development and
- (5) those that end up in traditional business careers but feel that an entrepreneurial education gives them an advantage.

SUBR College of Business Mission and Structure



- Mission
- To provide a quality business program that prepares students of diverse backgrounds for global career challenges and makes a positive contribution to the public and private sectors through effective instruction, impactful research and innovative community engagement
- Undergraduate programs in:
 - Accounting
 - Finance (Economic and Insurance Concentrations)
 - Management (HR, MIS & Supply Chain Concentrations)
 - Marketing (with Professional Sales Concentration)
- MBA and JD/MBA programs
- University Center for Economic & Entrepreneurial Development (EDA)
- Accredited in 1998 by AACSB International; the Association to Advance Collegiate Schools of Business.

Some New Business and Government Realities

- **Globalization**
- > IT and Bio Technology Revolution
- **Business Redesign**
 - **Outsourcing**
 - **>**Offshoring
 - **►Increase in Strategic Alliances**
- > E-Commerce/Supply Chain Management
- > Restructured Government Procurement
- Changing Market Demographic

New Realities in Business

- Recommendations
 - ◆ Access New Markets, Develop New Capital Structures, Develop New Business Structures
 - Leverage Government Resources, Develop University Linkages, Support and Encourage Use of Technology, Use of Business Incubators
 - ◆ The new realities in the business world have caused a revolution in thinking with respect to developing *entrepreneurship programs*

Role of the University in Entrepreneurship Development

- > Academic Programs
 - > Orientation of Business Degree Programs
 - > Entrepreneurship Courses and Degrees
- > Research, Grants and Contracting Projects
 - > Small Business Consulting
 - > Value-Added in the Supply Chain
 - > SBIR/STTR
 - > MSI Alliances and Collaborations
- Outreach
 - > EDA University Center
 - Educational Workshops and Training
 - > Entrepreneurship Training
 - > Small Business Development Centers
 - > Business Incubation
 - > Research Parks
 - > Community Development Corporations

What is entrepreneurship?

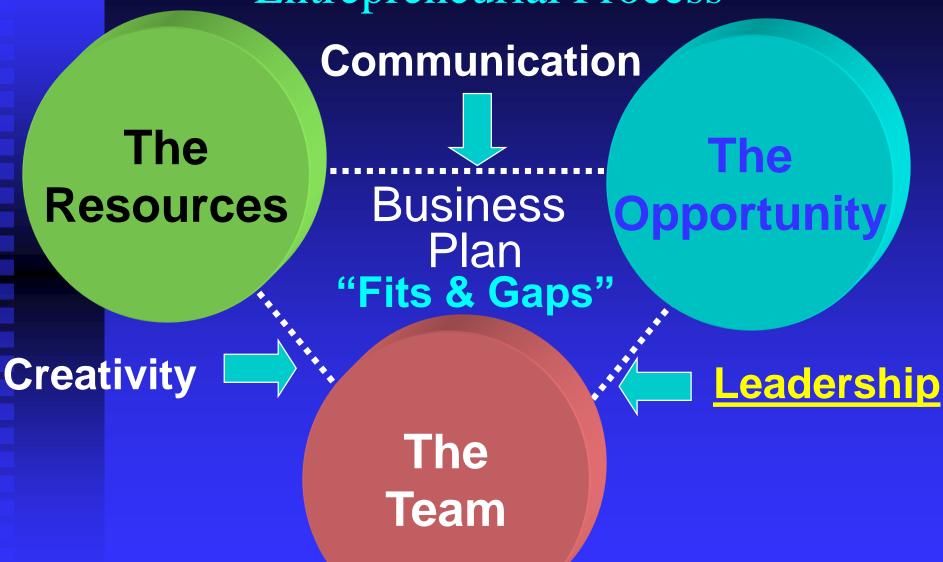
- Creative Destruction Joseph Schumpeter
 New Technology and Innovation Drives Business Investment and Realignment
 Steam Power, Electric Light, Horseless Carriage
- The Breakthrough definition:
- "Identifying an opportunity regardless of the resources currently available."
- Babson definitional (r)evolution:
- "A way of thinking and acting that is opportunity obsessed, holistic in approach and leadership balanced."
- Entrepreneurship is the use of innovative thinking to develop new products, services and processes that lead to the creation of wealth for individuals and society (Donald R. Andrews SEE 20 2004)

The Entrepreneurial Process

The entrepreneurial process will create a better world. It's not just about new company, capital, and job formation, nor innovation, nor creativity, nor breakthroughs. It is also about fostering an ingenious human spirit and improving humankind.

Jeffry A. Timmons, 1996
Price-Babson College Fellows Program

The Timmons' Model of the Entrepreneurial Process



The Entrepreneurial Process

OPPORTUNITY Driven

Economic Analysis
Market size & structure
Economic Profit



RESOURCES

Too much money chasing too few great ideas

Minimize and Control versus

Maximize and Own

Resources

Bootstrapping and Creativity

An Entrepreneurial Team

The Key Ingredient for success!

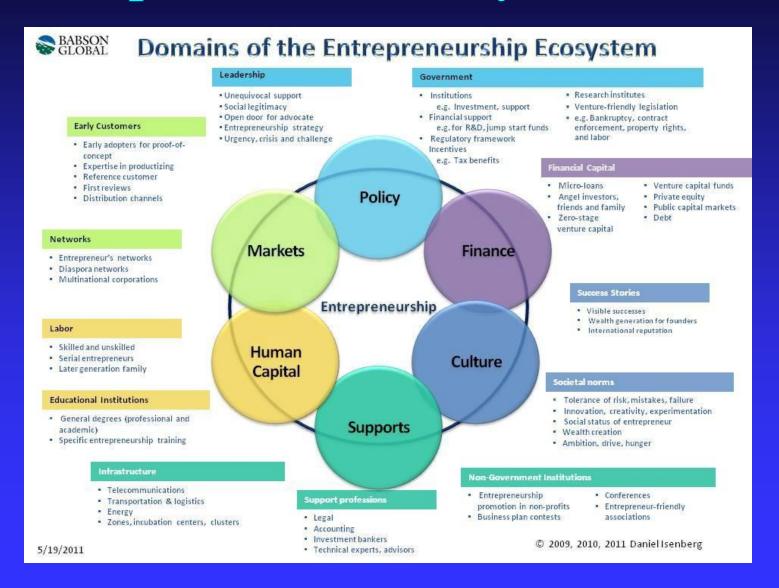
The "lead" entrepreneur Quality of the team Commitment & Determination



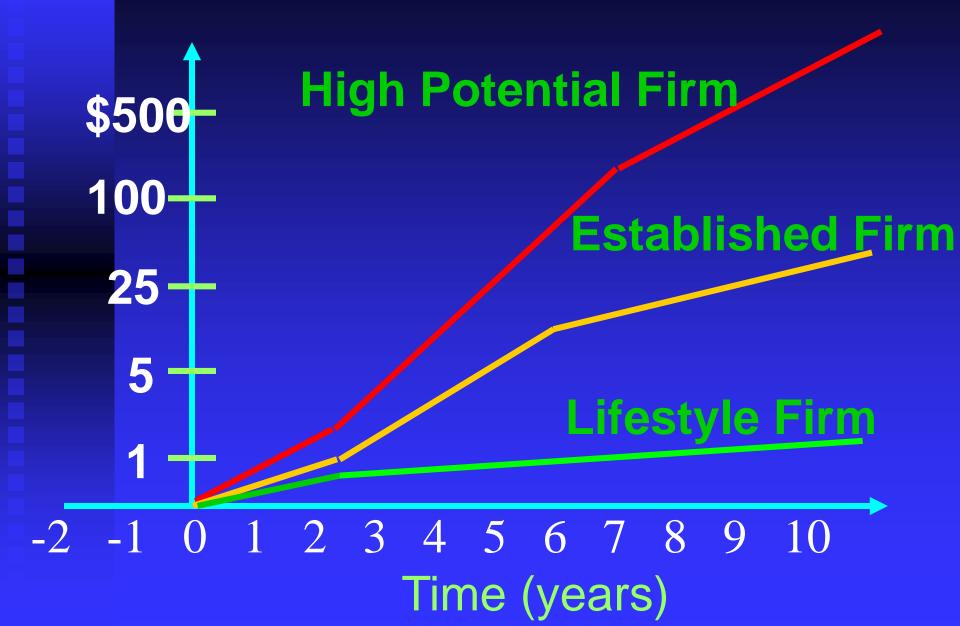
Leadership

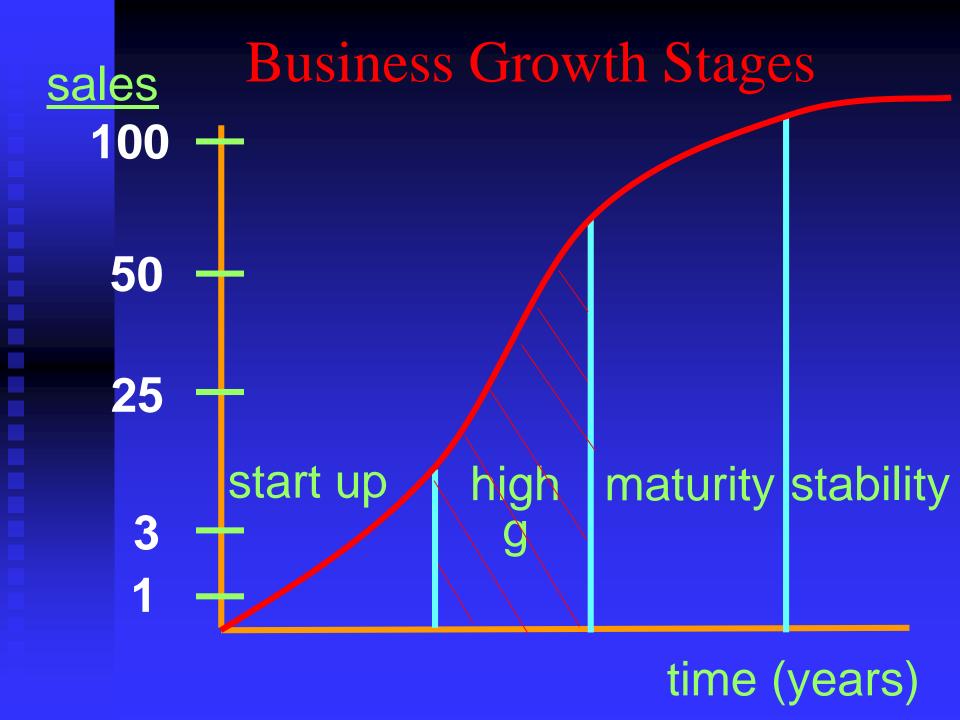
- Good to Great by Jim Collins
- Good the Enemy of Great
- When to Adapt and Change
 - ◆ IBM, GM, Kodak
- Level V Leadership
- The Right People on the Bus will figure out where to go

Entrepreneurial Ecosystem



Three Classic Life Cycles







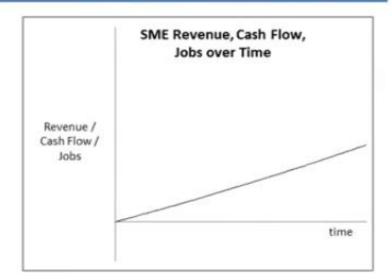
Entrepreneurship



SME (Small Medium Enterprise)

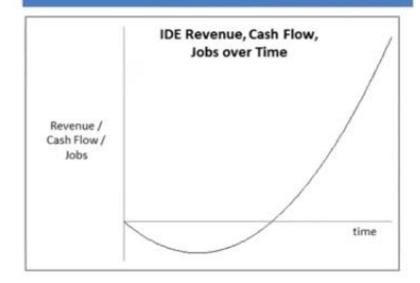
Local Market Focus

Restaurants, Dry Cleaners, Services



- \Delta t is short
- Linear growth (capped)
- Less investment required

IDE (Innovation-Driven Enterprise)
Global Market Focus
Products w/ Innovation at Core



- ∆t is long
- Exponential growth (uncapped)
- A lot of investment required

Entrepreneur Definition

- Entrepreneur someone who identifies and acts on an ides or problem that no one else has identified or acted on
- Small Business Owner someone who owns or starts a business that already has an existing model such as a restaurant, where as an entrepreneur is someone who creates something new.
- What is the Difference. Babson Definition vs. MIT.

Types of Entrepreneurs

- Innovators New Approach, Methods, or Product that Adds Value to Solve a Problem in a unique manner
- Creator Makes Something New or See a Problem that
 Other People have not noticed
- Market Makers- Innovate or reinvent their market from a future perspective by asking what the market could evolve into
- Expanders and Scalers- Seek out opportunities to expand upon previously created methods, processes, or products

Risk vs Uncertainty

- Traditional Business (SME)
 - ◆ Create three to five year business plan
 - Franchise follow the rules
 - ◆ Has **risk** associated with it.
- Startup (Innovation Driven Enterprise –IDE)
 - ◆ Innovation (High Failure)
 - "A startup is a human institution designed to create a new product or service under conditions of extreme uncertainty."
 Eric Ries, Lean Startup.

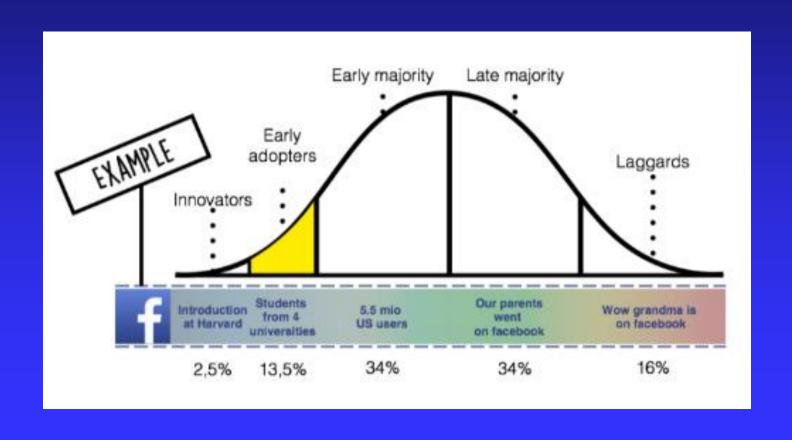
Innovation: <u>Segway</u> Mobility of the Future



Segway Innovation

- Inventor Dean Kamen said Segway "Will do for walking, what the calculator did for pad and pencil, Get there quicker. You'll go further."
- Why Did It Fail
 - ◆ Lack of Safety Regulation
 - Dangerous (Death and Injury)
 - ◆ Expensive (\$5,000)
 - Needed Some Design Changes
 - ◆ Substitutes Available (Scooters, Bikes, etc.)
- Needed a Paying Customer

Innovation and Searching for Customers



Disciplined Entrepreneurship Bill Aulet

- <u>Disciplined Entrepreneurship</u> is a structured approach that guides the starting entrepreneur through specific actions that need to be taken before jumping into developing the product or service. This methodology shows how innovation-driven entrepreneurship can be broken down into discreet behaviors and processes which can be taught in just 24 steps.
- "The spirit of a pirate, the skills of a navy seal"
- "The single necessary and sufficient condition for a startup to succeed is a paying customer"
 - Bill Aulet, MIT Sloan Professor, Disciplined Entrepreneurship author
- https://gcenode.no/news/the-spirit-of-a-pirate-the-skills-of-a-navy-seal/

Bill Aulet 24 Steps

WHO IS YOUR CUSTOMER?

- Market Segmentation
- Select a Beachhead Market
- Build an End User Profile
- Calculate the TAM Size for the Beachhead Market
- Profile the Persona for the Beachhead Market
- Identify Your Next 10 Customers

WHAT CAN YOU DO FOR YOUR CUSTOMER?

- Full Life Cycle Use Case
- High-Level Product Specification
- Quantify the Value Proposition
- Define Your Core
- Chart Your Competitive Position

HOW DOES YOUR CUSTOMER ACQUIRE YOUR PRODUCT?

- Determine the Customer's Decision-Making Unit (DMU)
- Map The Process to Acquire a Paying Customer
- Map the Sales Process to Acquire a Customer

HOW DO YOU MAKE MONEY HOW DO YOU DESIGN & OFF YOUR PRODUCT?

- Design a **Business Model**
- Set Your Pricing Framework
- Calculate the Lifetime Value (LTV) of an Acquired Customer
- Calculate the Cost of Customer Acquisition (COCA)

BUILD YOUR PRODUCT?

- Identify Key Assumptions
- Test Key Assumptions
- Define the Minimum Viable Business Product (MVBP)
- Show That "The Dogs Will Eat the Dog Food"

HOW DO YOU SCALE YOUR BUSINESS?

- Calculate the TAM Size for Follow-on Markets
- Develop a Product Plan

Disciplined Entrepreneurship Canvas

The Disciplined Entrepreneurship Canvas

PRODUCT: DE Toolbox

REVISION: 1.0

DATE: October 20, 2016

Raison d'Être Why are you in business?

Mission: Help more startups around the world to become successful, and improve lives, fix unemployment, and grow economies. Help more people to invest in startups in a smart way.

Founder passions: Startups and innovation, teaching, interacting with smart people.

Values: transparent, competitive, fair play.

Initial Assets: Team (Marius & Vlad), connections (Bill Aulet, MIT, accelerators), current users (5,000+ for current product).

Initial Idea: Online tool to help startups accelerate and get funded.

Competitive Advantage Why you?

Moats: Network effect (both startups/ accelerators use it).

Core: We match the best startups with the best accelerators/investors, and help them work smarter together.

Competitive Positioning: Better productivity than AngelList, F6S. Focused on process more than Visible, FounderSuite, Gust.

Customer Acquisition How does your customer acquire your product?

Decision Making Unit:

A. Founders & Chief Product Officers B. Sponsor: CIO/CTO or Managing Director of accelerator. Decision: managing team.

Decision Making Process:

A. Start trial, share with team, add data, discuss with team before trial expiration. B. Analyze features & cost for tools, contact suppliers, negotiate & sign (4-6 mo).

A. Apply to accelerator, prepare for fundraising B. New generation/new fund (twice per year) or change in leadership

Possible Triggers:

B. Discounts, sales rep meetings or events.

Overall Economics Does your product make money?

Est R&D Exp: \$50,000

Est G&A Exp: \$24,000

LTV/COCA Ratio: 20:1 / 7:1

 Design & Build How do you produce the product?

Key Assumptions:

1. Startups will use the tool recurrently. 2. Accelerators need a better tool to source

startups (than F6S/AngelList/Google Forms) and manage the acceleration process (than Google Docs/Slack/Email).

1. Simplify tool (not linear, iterative/depth)

2. Try selling a prototype/slideware.

1. Current product with subscription

2. Presentation/prototype for accelerator

Tracking Metrics:

1. Retention for startups

2. Number of paying startups

3. Number of paying accelerators

Initial Market Who is your customer?

Beachhead Market:

A. Early-stage founders who want to improve their startup's chances to fundraise. B. Accelerators outside Silicon Valley who want to improve their process and outcomes

A. Tech founders outside major US startup hubs with an idea or product but no revenue. 8. Smaller accelerators who have trouble getting good deals and accelerating them properly

TAM: 1M tech founders outside US (\$100M). 5,000 smaller accelerators (\$30M).

10 Customers: MVP Academy (RO), NUMA (FR), MITEF Poland (PL), IncubatecUFRO (CL), UDD Ventures (CL), Magical Startups (CL), Eleven (BG), HUStart (IL), Madeln, JLM (IL), AccelerateKorea (KR).

Value Creation What can you do for your customer?

A. Learn about the biz side of your startup, apply it using a vetted process (DE24) & online tools. B. Recruit better startups, engage more mentors, accelerate startups faster, get them funded.

Product Description: Process & toolbox for founders & accelerators-marketplace.

A. Founders lack guidance and tools to help them be more disciplined on the business side. B. Accelerators' "spray and pray" strategy does not yield too many successful startups.

Quantified Value Proposition:

A. Move faster. Get funded faster. B. Get better deals. Get better follow-on investments for startups.

Reproduct Unit Economics Can you make money?

Business Model: Subscription model for both startups & accelerators.

Pricing: \$15/mo per startup

Short term LTV: \$200 / \$15,000 Short term COCA: \$10 / \$2,000

Medium term LTV: \$250 / \$25,000 Medium term COCA: \$7 / \$1,750

Long term LTV: \$275 / \$32,000 Long term COCA: \$5 / \$1,500

Sales How do you sell your

product

Preferred Sales Channel: A. Website B. Direct sales

A. Search online -- Read features & testimonials →Create trial →Add data in app →Receive trial end email-Discuss with team-Buy. B. Search tools/get referrals-Analyze features→Discuss with sales reps→Discuss with team→Negotiate→Sign contract→Buy.

Short Term Mix: Email newsletter, event presentations, inbound, direct sales.

Medium/Long Term Mix: Event presentations, inbound direct sales.

Scaling

How do you scale your business?

Product Plan for BHM: ???

Next Market: Universities, Angel groups

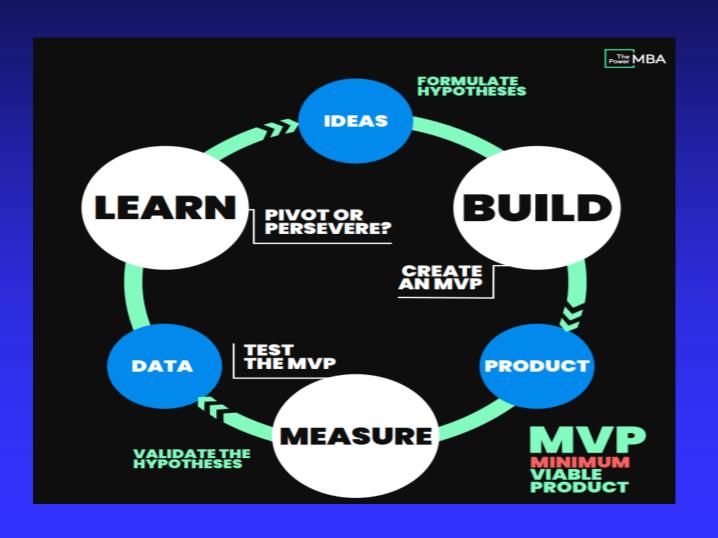
Product plan beyond BHM: Marketplace

Follow-on TAM: 100,000 angels (\$18).

Lean Startup

- Lean Startup is a methodology that encourages you to always ask and never assume. To push forward your minimum viable product, to test things and adjust as required, and to keep your user at the center of it all. The Build—Measure—Learn feedback loop is a core component of this framework. It emphasizes more on having the right attitude and mentality, rather than what steps need taking.
- "The ability to learn faster from customers is the essential competitive advantage that startups must possess."
 Eric Ries, The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses

Lean Startup



Business Model Canvas

- The <u>Business Model Canvas</u> is a chart that allows you to create a more visual representation of what the business should look like. It maps out key features, the product design, and, once completed, it tells you the exact key points that you need to address when building your company. The <u>Value Proposition Canvas</u> comes as a follow-up but is an integral part of the process as it helps you understand your customer first and how you can create value for them.
- "The same products, services or technologies can fail or succeed depending on the business model you choose. Exploring the possibilities is critical to finding a successful business model. Settling on first ideas risks the possibility of missing potential that can only be discovered by prototyping and testing different alternatives."

 Alex Osterwalder, creator of the Business Model Canvas.

Business Model Canvas

OSTERWALDER'S BUSINESS MODEL CANVAS Key Customer Activities Relationships Customer Key Value Segments Partners Proposition (niche/ Channels target) Key of Distribution. Resources Sales and Communication Sources and amounts of Costs Revenue

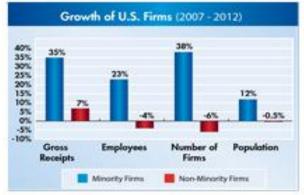
African American Firms Average Gross Receipts \$58,119 vs Non-Minority \$552,079



Fact Sheet

U.S. Minority-Owned Firms

January 2016





QUICK FACTS

- There are 8 million minority-owned firms in the U.S.—a 38% increase since 2007.
- Combined gross receipts of minority-owned firms increased 35% between 2007 and 2012, but average receipts per firm declined 2% during the same period.
- 0 11% of minority-owned firms have paid employees, compared to 22% for nonminority firms.

	Black/African American	American Indian & Alaska Native	Asian	Hispanic	Native Hawaiian & Pacific Islander	All Minority Firms	Non-Minority Firms	Classifiable Firms*	All U.S. Firms
Number of firms	2,584,403	272,919	1,917,902	3,305,873	54,749	7,952,386	18,987,918	27,179,380	27,626,360
Combined gross receipts	\$150.2 billion	\$38.8 billion	\$699.5 billion	\$473.6 billion	\$8.1 billion	\$1,4 trillion	\$10.5 trillion	\$11.9 million	\$33.5 trillion
Average gross receipts	\$58,119	\$142,306	\$364,717	\$143,271	\$148,614	\$173,552	\$552,079	\$440,190	\$1,213,944
Number of firms with employees	109,137	26,179	481,026	287,501	4,706	908,800	4,156,683	5,136,203	5,424,458
Combined receipts of firms with employees	\$103.5 billion	\$31.7 billion	\$627.5 billion	\$380.0 billion	\$6.5 billion	\$1.2 trillion	\$9.7 trillion	\$11.0 trillion	\$32.5 trillion
Average receipts of firms with employees	\$947,905	\$1,209,143	\$1,304,571	\$1,321,717	\$1,374,831	\$1,227,983	\$2,337,043	\$2,134,765	\$5,990,509
Number of paid employees	975,052	208,178	3,572,577	2,329,553	39,001	7,165,151	48,255,649	56,058,563	115,249,007

Source: U.S. Department of Commerce, 2007 and 2012 Survey of Business Owners; and American Community Survey 2012 population estimates.

^{*}Classifiable firms are those for which gender, ethnicity, race, and veteran status has been determined. Classifiable firms do not include business subsidiaries, employee stock ownership plans, cooperatives or clubs, estates, trusts, tribally owned firms, nonprofit arganizations, and businesses with no individual owning 10 percent or more of the rights, claims, interests, or stock. **Other includes repair and maintenance; personal and laundry services; religious and civic organizations; and private households.

Examples of Minority Entrepreneurs



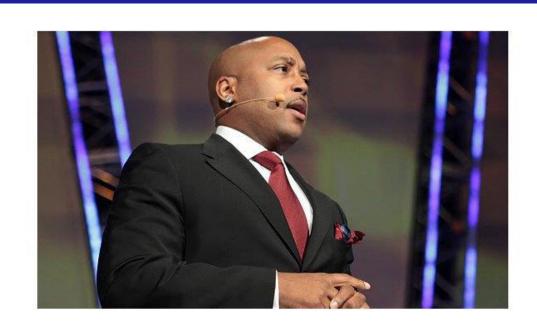
- If we're talking successful black-owned businesses, it makes sense to start with the IT behemoth World Wide Technology. With more than \$10 billion in annual revenue and over 5,000 employees, WWT is one of the largest private companies in the U.S.
- David L. Steward founded the company in St Louis, Missouri, back in 1990, and he's still its chairman today. The company's success is a long way from the poverty and discrimination he grew up with:
- "I vividly remember segregation—separate schools, sitting in the balcony at the movie theater, being barred from the public swimming pool."Today, his net worth is estimated at almost \$4 billion, and his company topped this year's <u>BE 100s list</u> of the nation's largest black-owned businesses.
- https://business.tutsplus.com/articles/successfulcompanies-black-entrepreneurs--cms-32691

Sheila Crump Johnson is an American businesswoman, cofounder of <u>BET</u>, CEO of Salamander Hotels and Resorts, and the first African-American woman to attain a net worth of <u>at</u>

least one billion dollars.



Daymond John has come a long way from turning a \$40 budget into FUBU, a \$6 billion fashion game-changer. "He achieved that, in part, by mortgaging his house in Queens to raise the money to make and sell his own tietop hats with a group of friends. FUBU is now a global hip hop apparel brand, and its founder has expanded into consulting, speaking, a TV role on the business show *Shark Tank*, while still remaining as CEO of FUBU.



Examples of Minority Entrepreneurs

Dangote Group

- As promised, we're not sticking to the U.S. for this list. So let's head to Nigeria, where industrial conglomerate <u>Dangote Group</u> pulls in over \$4 billion in annual revenue and employs 30,000 people.
- Company founder and CEO, <u>Aliko Dangote</u>, was recently ranked by Forbes as the richest person of African descent in the world. His entrepreneurship started young:
- "I can remember when I was in primary school, I would go and buy cartons of sweets [candy] and I would start selling them just to make money. I was so interested in business, even at that time."

Entrepreneurship and Economics

Economics – Science of Scarcity

- Economic Problem (Limited Resources but Unlimited Wants)
- Limited Resources
 - ◆ Land Rent
 - ◆ Labor Wages
 - ◆ Capital Interest
 - ◆ Entrepreneurship Profit

Capitalist Economic System

- Adam Smith "An Inquiry into the Nature and Causes of the Wealth of Nations"
 - ◆ Private Property
 - ◆ Self Interest (The Invisible Hand)
 - ◆ Competition and Free Markets
 - ◆ Price System (Demand and Supply)
 - ◆ Economic Individualism (Laissez-Faire)
 - ◆ Limited Role of Government

Microeconomics Theory of the Firm: Goal is to Maximize Profit Market Structures

- Pure Competition Many Sellers, Homogenous Product (Commodity) -No Barriers to Entry
- Monopoly One Seller -Weak Substitutes for Product – Maximum Barriers to Entry (Example Patent Protection)
- Monopolistic Competition Many Sellers
 Differentiated Product-Weak Barriers to Entry
- Oligopoly Few Sellers High Barriers to Entry Interdependency in Actions Potential for Collusion (Game Theory)

Macroeconomics

- Goal Full Employment and Price Stability
- Basic Equation C+I+G+NE = Total Output
- Classical Economics Capitalism is Stable Self Correcting
- Keynesian Economics Capitalism Unstable Needs Help
- The Business Cycle Private Spending Fluctuations
 - ◆ Consumption Consumers (C)
 - ◆ Investment Private Business Sector (I)
 - ◆ Net Exports International Sector (NE)
- Role of Government Spending (G)
 - ◆ Monetary Policy Federal Reserve System
 - Fiscal Policy Congress

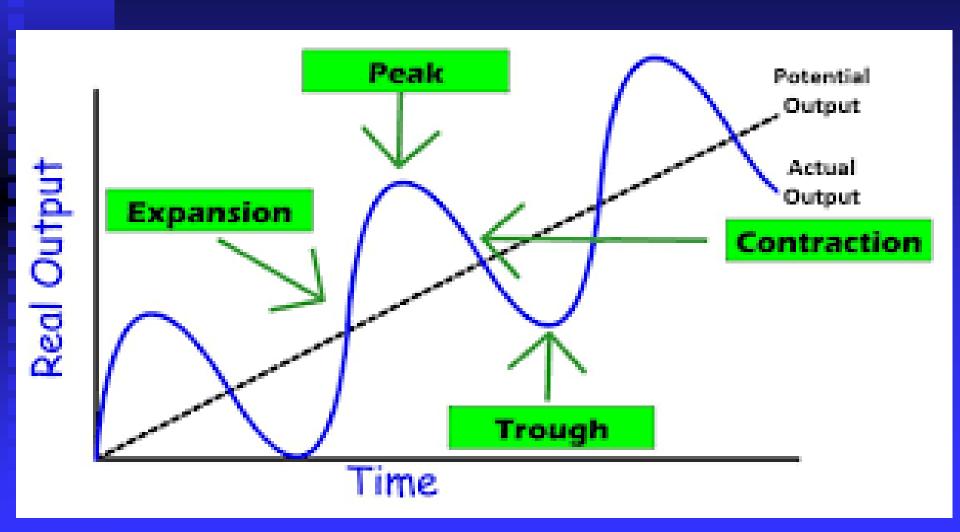
Major Instability in the Economy

- Monetary Panics and Depression
 - Runs on Banks
 - ◆ Establishment of Federal Reserve Bank (Ms)
- Great Depression
 - ◆ Roosevelt New Deal (Big G)
- Post World War II Economy
 - Kennedy Tax Cuts, Johnson Great Society,
 Reagan Tax Cuts, Bush Great Recession
 - ◆ COVID-19 Recession

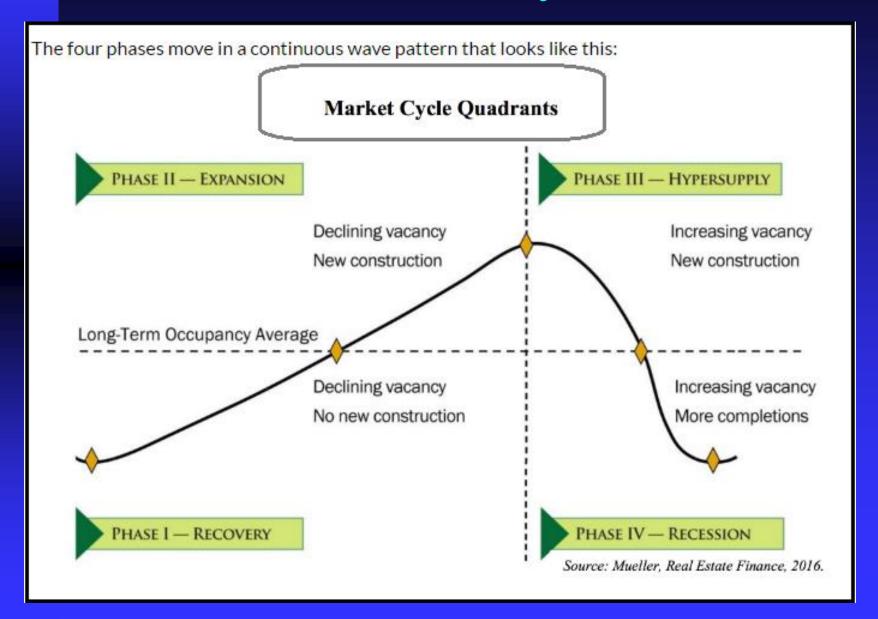
Business Cycles

- The Business Cycle measures changes in gross domestic product (GDP), or economic activity, over time. There are four phases: of the Business Cycle: Recovery, Prosperity, Recession, and Depression.
- Causes of the Business Cycle
 - ◆ Changes in Consumption Spending
 - Changes in Investment Spending
 - Automobile
 - Housing
 - Changes in Government Fiscal and Monetary Policy

The **business cycle** measures gross domestic product, or **economic** activity, over time. In reality, the **cycle** rarely looks this neat, but this simplified **graph** shows its four phases: expansion, peak, recession, and trough



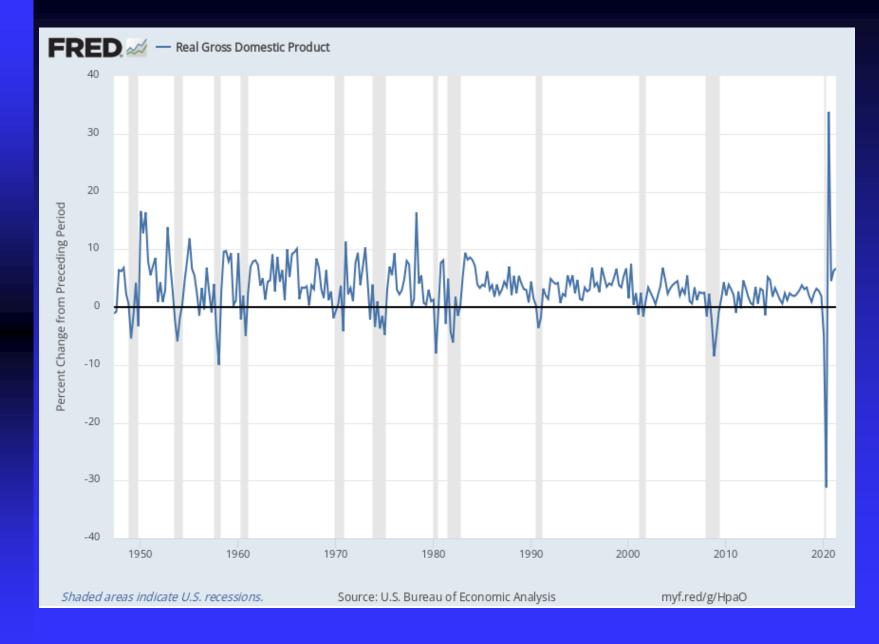
Real Estate Market Cycle

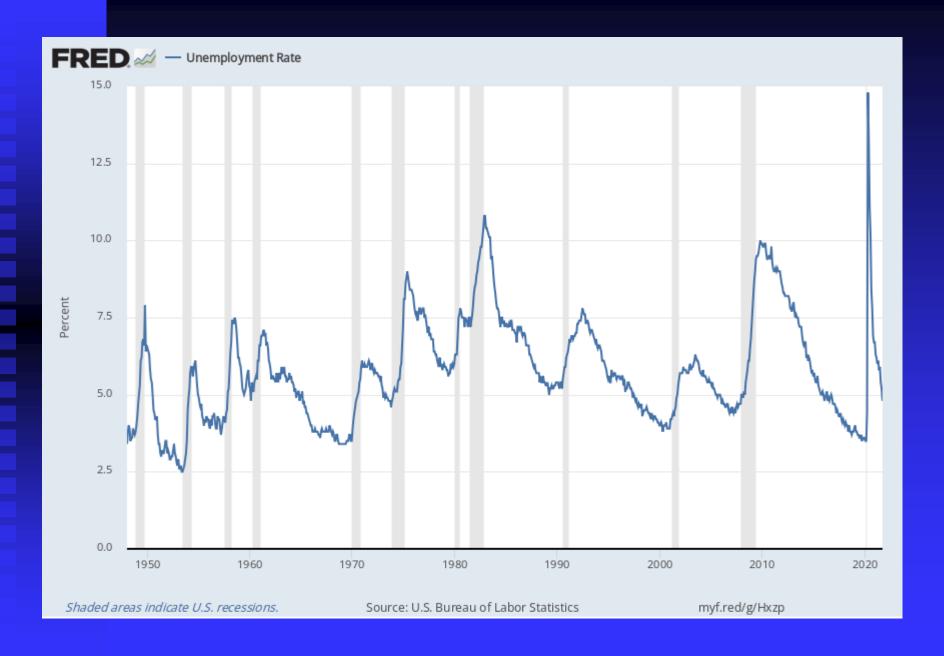


Psychology in the Business Cycle

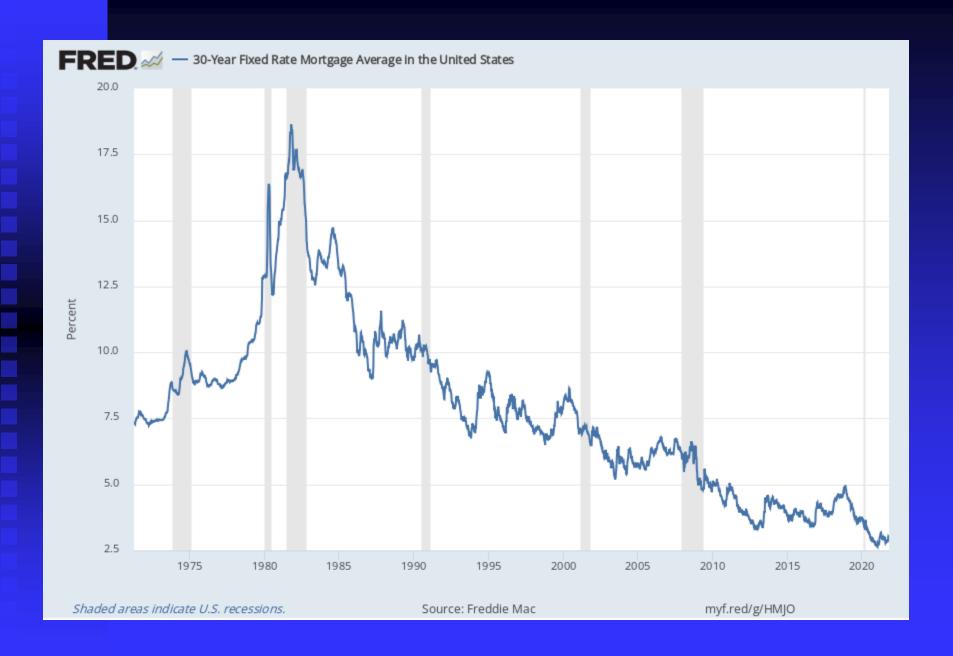


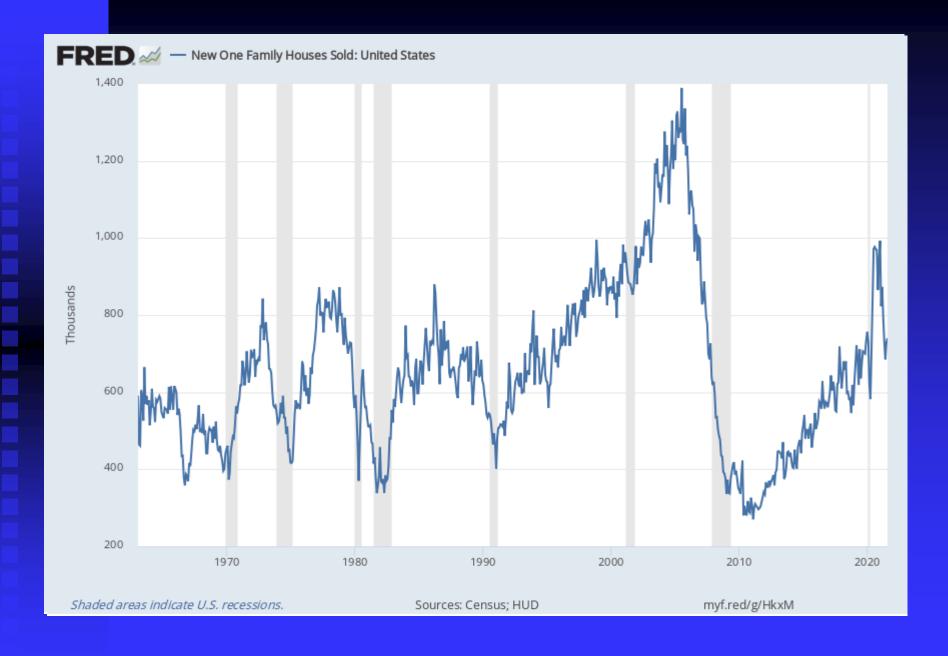


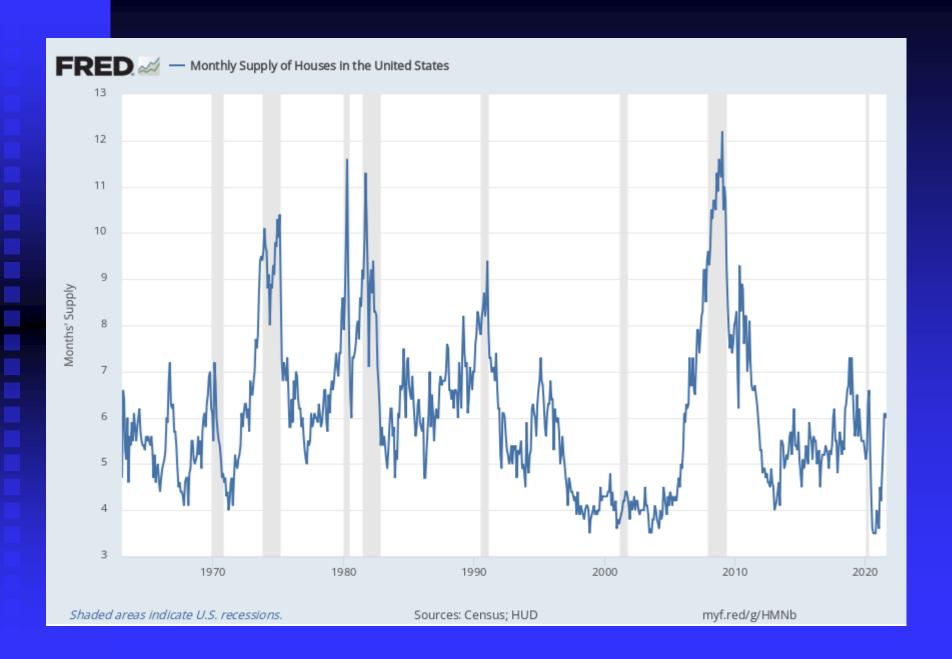


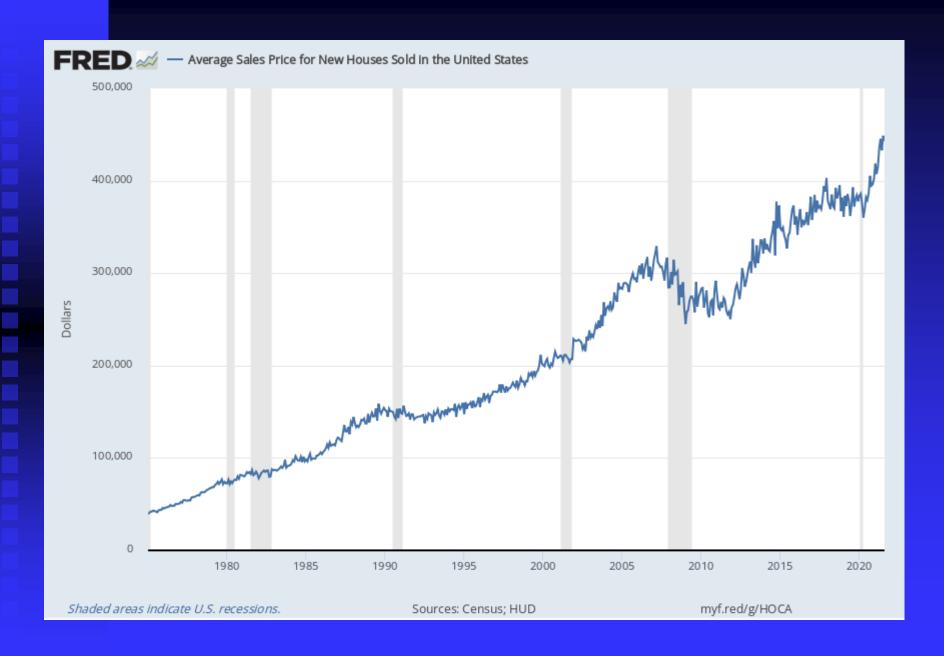


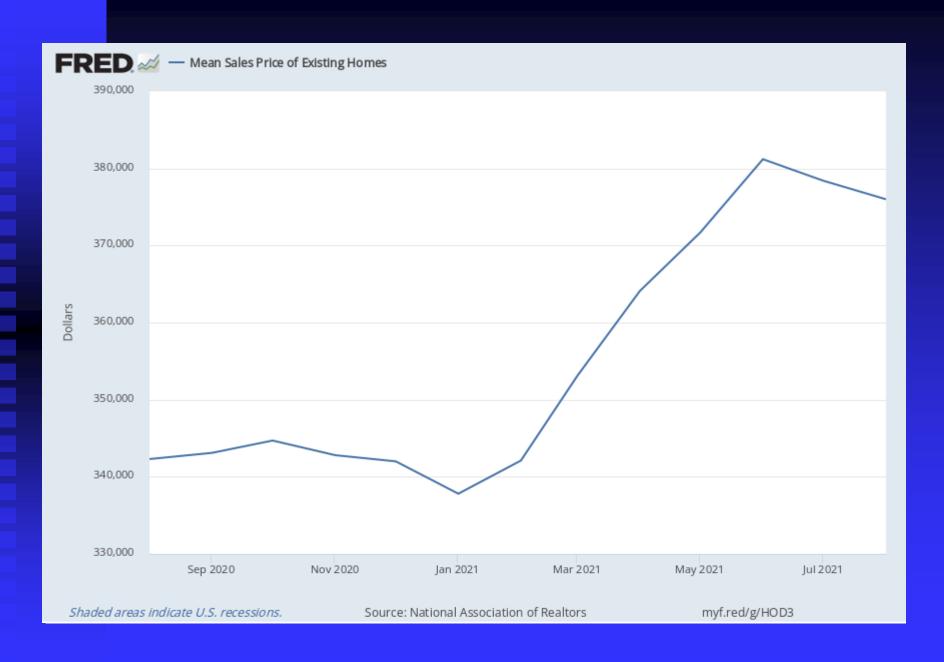




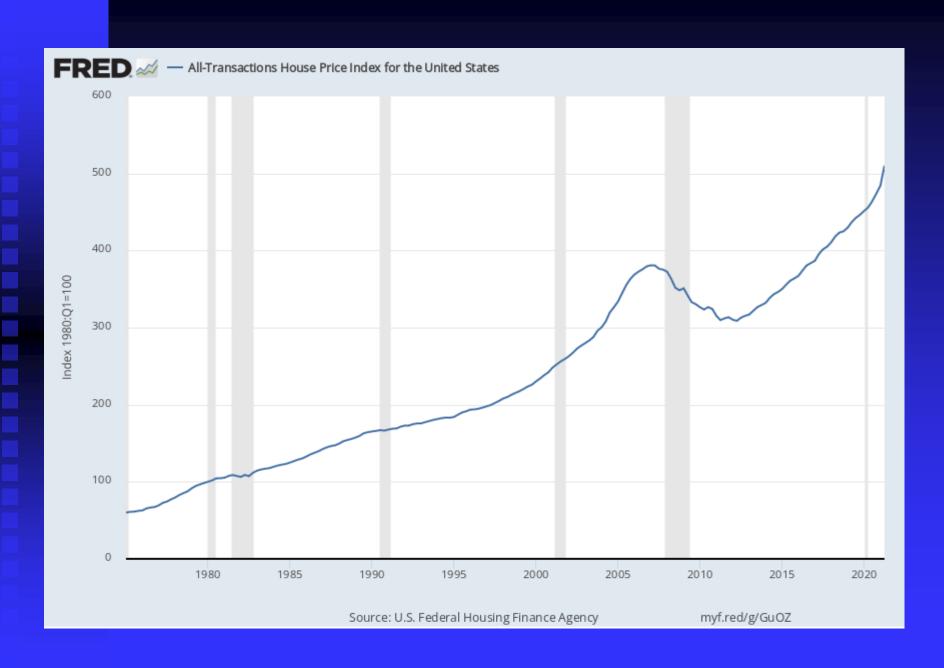


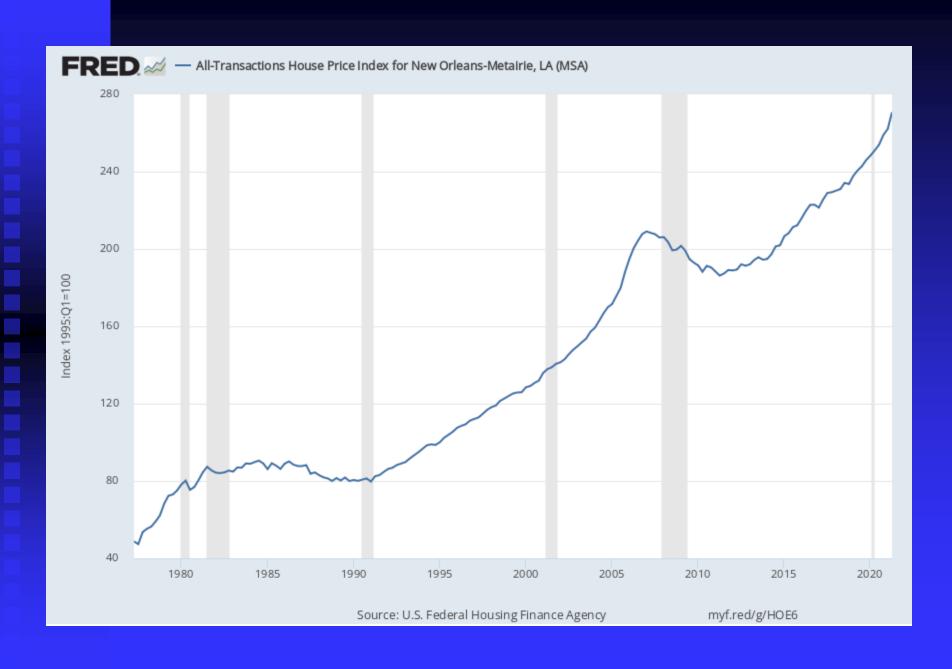






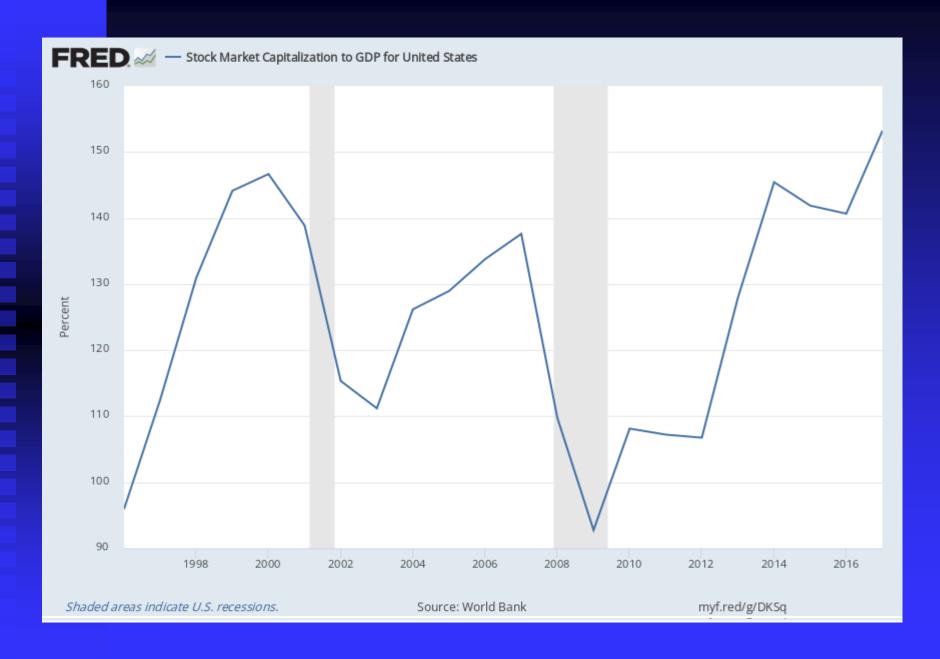












Today's tight housing market is already overbuilt, one analyst says

PUBLISHED TUE, OCT 12 202112:25 PM EDTUPDATED TUE, OCT 12 20213:54 PM EDT

https://www.cnbc.com/2021/10/12/-tight-housing-market-is-already-overbuilt-one-analyst-says.html

Questions?



HOUSING CORPORATION

Multi-Family Housing Production Department











- Low-Income Housing Tax Credit Program
- HOME Program
- National Housing Trust Fund Program
- Community Block Grant Program











- Governed by Section 42 of the Tax Code.
- The LIHTC program represents the largest federal housing program in existence in terms of the number of units developed each year.









HOUSING CORPORATION

Qualified Allocation Plan

- Projects are awarded LIHTCs annually pursuant to allocation guidelines and the state's Qualified Allocation Plan (QAP).
- The QAP sets forth allocation priorities based upon agency's goals and in conjunction with input received from stakeholders such as developers, investors, non-profit organizations and potential tenants.
- Allows for Private Investor Equity. Purchase price per credit dollar
- Public/Private Partnership
- Tax credits provide a dollar-for-dollar credit against income tax liability of investors.









LIHTC Basics

Limited Partner generally owns between 99-99.99% of the tax credits, profits and losses.

Limited Partner pays in capital contributions in multiple installments, based upon negotiated benchmarks.



The Big Picture

Who Are We Serving

	<u>Income Limi</u>	<u>ts</u>	1 Person 2	Person 3	3 Person 4	<u>Person 5</u>	Person	<u> 6 Person</u>
MSA	Baton Rouge	50%	\$26,200 \$	29,950	\$33,700 \$	37,400 \$	40,400	\$43,400
	Fy2018 Family	60%	\$31,440 \$	35,940	\$40,440 \$	44,880 \$	48,480	\$52,080
	Rent Limits		<u> 0 Bedrm</u>	1 Bedrn	n 2Bedrm	3Bedrm	4Bedrm	5Bedrm
		50%	655.00	701.00	842.00	972.00	1,085.00	1,197.00
			<u> 0 Bedrm</u>	1 Bedrn	n 2Bedrm	3Bedrm	4Bedrm	5Bedrm
		60%	786.00	842.00	1011.0	1167 00	1302 00	1437.00

Includes Ascension, EBR, WBR, E. Feliciana, W. Feliciana, Livingston, Point Coupee, St. Helena

Benefits of tax-exempt bonds & 4% LIHTCs

No competition; resource goes largely unused

Tremendous need across the state

LA has extensive developer capacity – more than 50 development groups involved in the 9% process annually

Difficult but certainly not impossible to make the numbers work

Developers all understand LIHTCs, which is the most difficult part





LHC Review Criteria for Bond/4% Deals

Requirements essentially the same as the 9% pre-app

- –site score, although no competition
- -site thresholds still apply
- -market study is the same
- –need an option or contract on the real property







- THE HOME PROGRAM
- Largest federal block grant to state and local governments designed exclusively to create affordable housing for low-income households
- 40% of HOME funds go to states and 60% to local participating jurisdictions (PJ)











- Entitlement Areas:
 - City of Baton Rouge, Unincorporated Areas of EBR Parish, City of Lafayette, Unincorporated Areas of Lafayette Parish, Houma-Terrebonne, Cities of Alexandria, Lake Charles, Monroe, New Orleans, Shreveport and the Jefferson Parish Consortia
 - At least 15% of the HOME allocation must go to funding housing to be owned, developed or sponsored by experienced, community driven non-profit organizations designated as CHDOs











HOUSING CORPORATION

THE HOME PROGRAM: HOME INVESTMENT PARTNERSHIPS

- ➤ Affordable Homeownership Activity
 - > down payment assistance and closing costs assistance
- ➤ New Construction rental and homebuyer
- >Acquisition/Rehabilitation rental, homebuyer units and owner-occupied units
- ➤ Tenant-based Rental Assistance











FY 2021 HOME Allocation and Budget		
FY 2021 HOME Allocation	\$10,594,775	FY 2021 HUD Allocation
Program Income (FY 2020)	\$4,384,835	
FY 2021 HOME BUDGET	\$14,979,610	
Administration	\$1,497,961	10.0000%
CHDO Development	\$1,589,216	15.0000%
CHDO Operating	\$529,738	5.0000%
Sub-total	\$3,616,915	24%
Funds Available for Other Projects/ Activities	\$11,362,695	76%
Homeownership/ Single Family	\$3,000,000	20%
Rental Housing (Tax Credit)	\$7,862,695	52%
Owner-Occupied Rehabilitation	\$ 0	
Tenant Based Rental Assistance	<u>\$500,000</u>	3%
Sub-total	_	76%
Total Amount Available for Other Projects/ Activities	\$11,362,695	
Total Estimated Budget	\$14,979,610	100%
Louisiana Housing	un)	www.lhc.la.gov





HOUSING CORPORATION

Housing Trust Fund

- \$8M available to Louisiana for the production or preservation of affordable housing to extremely-low income households
 - Coupled with the LIHTC program (30 AMI requirement)
- A HUD approved allocation plan must be established for HTF that is included in the Annual Consolidated Plan

FY 2021 Housing Trust Fund Allocation and Budget					
Total Allocation	\$8,124,196.00				
Administration (10% Maximum)	\$812,419.60				
Operating Costs	\$0.00				
Multifamily Development	\$7,311,776.40				
Single Family Ownership (Maximum of 10%)	\$0.00				











Housing Trust Fund LOUISIANA

- <u>HTF</u> funds may be used for the production or preservation of affordable housing through the acquisition, new construction, and/or rehabilitation of non-luxury housing with suitable amenities. All HTF-assisted units will be required to have a minimum affordability period of 30 years.
- Eligible activities and expenses include: Real property acquisition; Site improvements and development hard costs; Demolition; Financing costs; Relocation assistance; Operating cost assistance for rental housing; Reasonable administrative and planning costs











HOUSING CORPORATION COMMUNITY BLOCK GRANT FUNDS (CDBG)

ABOUT THE PROGRAM

The LHC offers the Community Development Block Grant (CDBG), a **flexible** program that provides communities with resources to address a wide range of unique community development needs.

- The annual CDBG appropriation is allocated between states and local jurisdictions called "non-entitlement" and "entitlement" communities, respectively.
- LHC uses CDBG as a Piggy-Back Program with 4% LIHTCs
 - Gap Financing and Resiliency Developments











COMMUNITY BLOCK GRANT FUNDS (CDBG)

ABOUT THE PROGRAM

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- Eligible activities and expenses include:

Real property acquisition; Site improvements and development hard costs;

Demolition; Financing costs; Relocation assistance. Operating cost assistance for rental housing; Reasonable administrative and planning costs. The larger



COMMUNITY PLANNING AND DEVELOPMENT PROGRAMS

Uses HOME FUNDS

- NOAH PROGRAM
 - The LHC offers the Nonprofit Open Cycle Affordable Housing Program (NOAH). Under this program, the LHC distributes HOME Funds to experienced nonprofit housing development organizations on an open noncompetitive basis.
 - up to 4 units Max \$600 K per project
 - Homeownership development
 - Rental development











COMMUNITY PLANNING AND DEVELOPMENT PROGRAMS

Uses HOME FUNDS

- CHAAP PROGRAM
 - The LHC offers the CHDO Annual Awards Program (CHAAP) for awarding funds for CHDO set-aside activities and Operating Cost Assistance. Under this program, the LHC will reserve 25% (but not less than \$2,000,000) of its HOME allocation for use in funding eligible projects proposed by state certified CHDOs on an annual basis.
 - up to 7 units Max \$800 K per project
 - Homeownership development













QUESTIONS?





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