### LOUISIANA'S STATE OF HOUSING

### **#PUTHOUSINGFIRST**



Creating Neighborhood Developers
Andreanecia M. Morris
HousingNOLA Executive Director



# 2019 REPORT CARD

## **EVALUATION OF PROGRESS**

TOWARDS A MORE EQUITABLE NEW ORLEANS





New Soft Second Funding

FANO Green
Mortgage Product

Property Tax
Relief Bills 79/80

Short Term Rental Regulations

## **2019 Policy Victories**

The New Orleans City
Council unanimously passed
the Smart Housing Mix
ordinance!



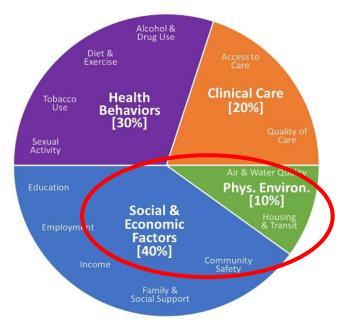


Senate Bill 109, which extends the foster care age from 18 to 21.

## HOUSING IS CENTRAL TO OPPORTUNITY

- Stable and affordable housing is a cornerstone of household financial security and resilience
- Where your housing is located determines many outcomes: school quality, job accessibility, safety and health, and economic mobility
- Housing is increasingly recognized as a critical social determinant of health
- Affordable housing options support collective growth and prosperity of a community

**Figure 1: The Factors Impacting Health Outcomes** 



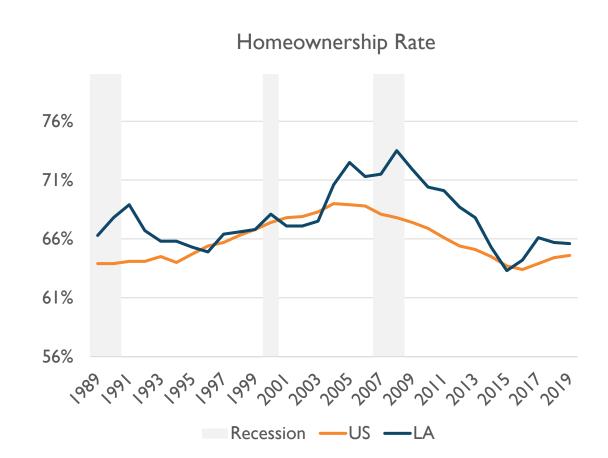
Source: Adapted from the University of Wisconsin's County Health Rankings model (2014)

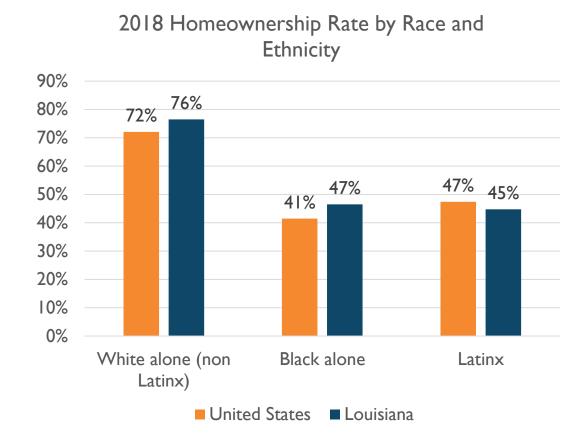
## DISCRIMINATION IS ROUTINE

- Overt discrimination against households of color by the government and private sector was legal for most of the 20<sup>th</sup> century
- Impacts of these practices are still apparent in residential segregation, disinvestment, and the racial wealth divide
- COVID has the potential to widen these disparities



## HOMEOWNERSHIP RATES ARE LOWER FOR BLACK AND LATINX FAMILIES THAN WHITE FAMILIES

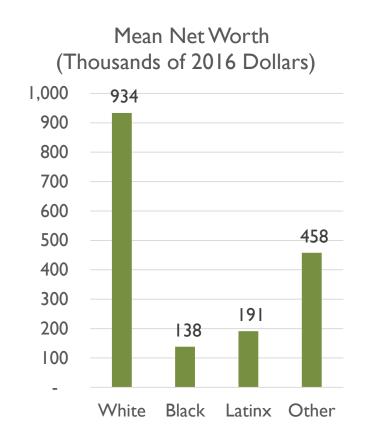


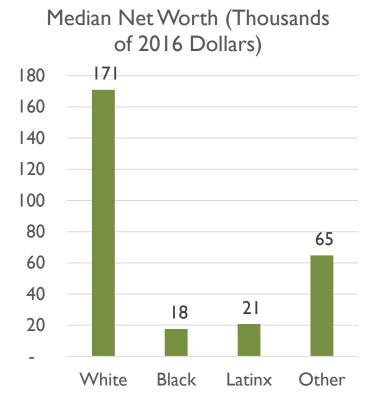


Source: Census CPS/HVS, ACS I-Year estimates

### BLACK AND LATINX WEALTH ALSO LAGS

- 32% of White, 37% of Black, and 39% of Latinx family assets are derived from housing wealth
- White families have an average of \$216K in housing wealth, while Black families have \$94K and Latinx families have \$130K



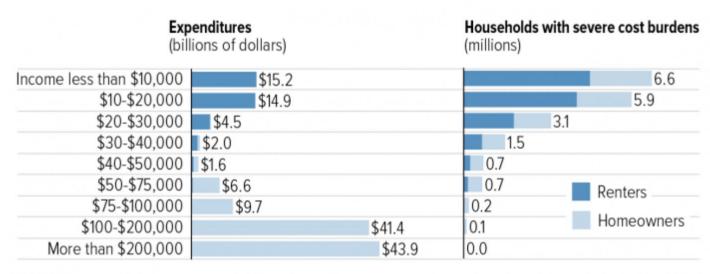


Source: Federal Reserve Board, Survey of Consumer Finances, Net Worth by Race/Ethnicity, 2016 Survey

## CURRENT FEDERAL SUBSIDIES ARE INSUFFICIENT AND HAVE FAVORED WEALTHY HOMEOWNERS

- Only I in 4 renter households that qualify for assistance receive a housing subsidy
- Even after the Tax Cuts and Jobs Act, the Tax Foundation found that highincome households receive the vast majority of mortgage interest deduction benefit

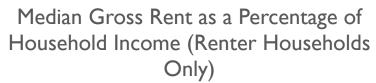
#### Federal Housing Expenditures Poorly Matched to Need

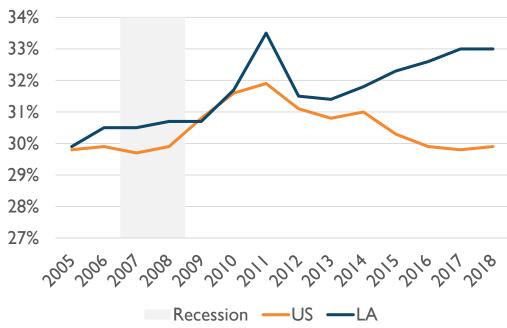


Notes: Data are for 2015. Homeowner expenditures include the mortgage interest and property tax deductions; income figures are for tax filing units. Rental expenditures include total outlays for the Housing Choice Voucher, Section 8 Project-Based, Public Housing, Housing for the Elderly (Section 202), and Housing for People with Disabilities (Section 811) programs; income figures are for households. Data on the income of beneficiaries of various housing expenditures are available only for these programs, which represent about three-fourths of homeownership and rental spending. HUD defines households with severe cost burdens as those paying more than half their income for housing.

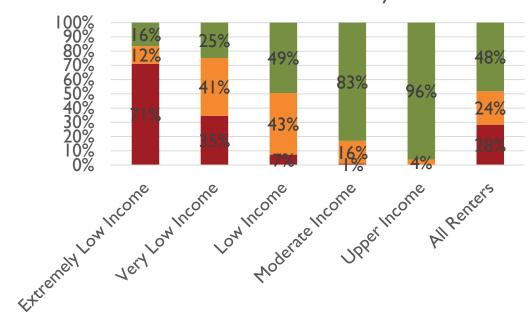
Sources: CBPP analysis of HUD program data, Census data on number of households and cost burdens in each income group, Joint Committee on Taxation tax expenditure estimates, and the Office of Management and Budget public budget database

### RENTERS IN LOUISIANA ARE INCREASINGLY COST BURDENED





#### % Cost Burdened Renter HHs by Income



- Not Cost Burdened (Rent is <30% of Household Income
- Cost Burdened (Rent is 30-50% of Household Income)
- Severely Cost Burdened (Rent is >50% of Household Income

## What is affordable housing in Louisiana?

MIT LIVING WAGE \$23.05

COVID UI RATE \$15.00

POVERTY WAGE \$10.25

RENTAL WAGE \$17.48

## HOUSINGLOUISIANA

Housing LOUISIANA is a statewide network of housing practitioners and advocates whose primary goal is to ensure that all Louisiana's housing needs are met.

Through our statewide network of the nine regional housing alliances in Alexandria, Baton Rouge, Houma-Thibodaux, Lafayette, Lake Charles, Monroe, New Orleans, Northshore, and Shreveport, we work to better coordinate efforts and build collaboration across the state on housing issues.



## A Tale of Two Cities: Lake Charles & New Orleans



Orleans Parish



### Lake Charles



- Increase permanent and emergency housing opportunities
- Review zoning ordinances that can prevent the development of affordable housing and/or create more affordable housing opportunities
- Recruit more local developers to partner with and commit to affordable housing development
- Increase homeownership opportunities for low- and moderate income renters (Section 8 homeownership program, mobile homeownership as affordable option, Soft Second Programs)
- Set habitability requirements for landlords and the city to abide by, such as a Rental Registry
- Section 8 Reform

## Lake Charles COVID-19 Housing Crisis

#### **RENTAL HOUSING INSECURITY**

4,777 renter households that pay at least 30% of their income on rent have lost their jobs due to COVID. With a median rent of \$800,

the rent gap is \$479/month.

The rent gap reflects the difference between the median rent in a parish and 30% of a household's income if they are receiving state benefits. \$247/week for state benefits x 4.33 weeks in a month x 30% = \$321. An assumption is made that each household is a single-income household.

#### COMPOUNDING IMPACTS

19%

of rental households are spending more than 30% on housing (rent burdened) **AND** jobless due to COVID.

The number of rent burdened households at risk of losing their homes due to COVID...

4,777

The anticipated monthly rental gap for rent burdened households impacted by COVID...

\$2,288,482

Visit **cpex.org** for more information

#### Lake Charles MSA Rental Assistance Estimate

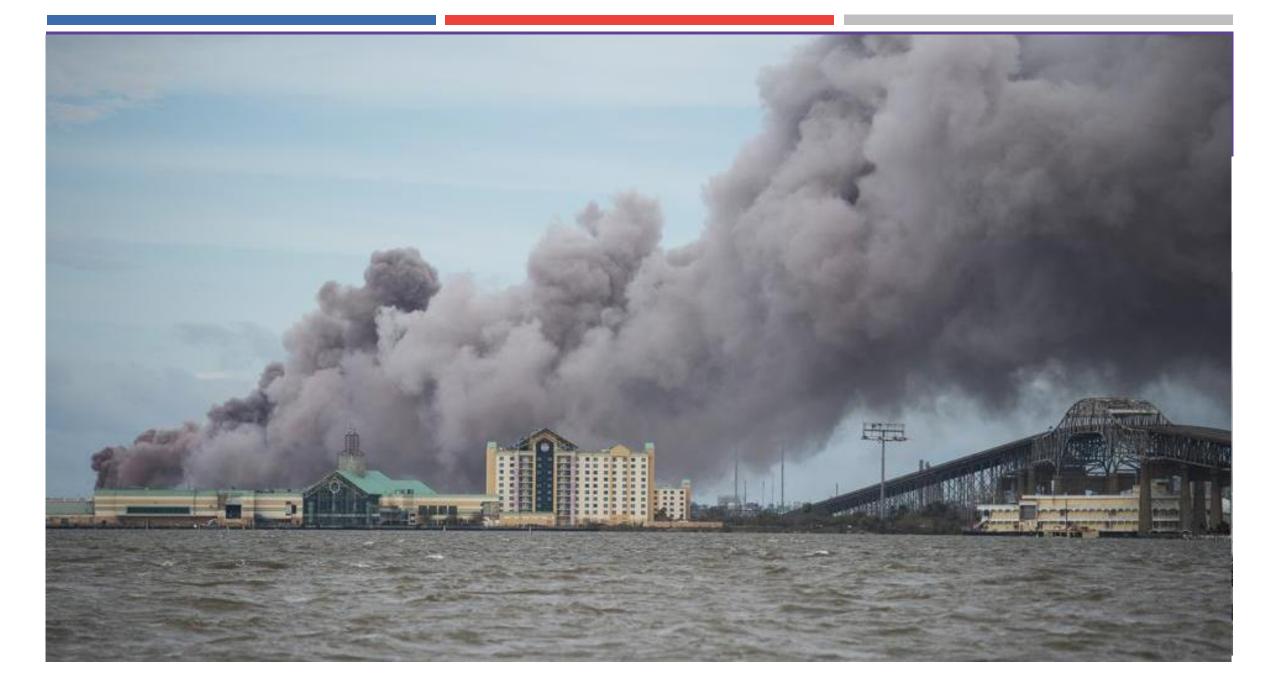
		# of Renter Households			\$ of Rental Assistance			
	Projected Nonfarm	W/Reduced				١	W/Reduced	
	Payroll (1)(2)	Unemployed <sup>(3)</sup>	Income	Unemployed		Income		
January 2020 (Actual)	110,800	-	-	\$	-	\$	-	
April 2020	95,800	7,560	217	\$	-	\$	92,360	
May 2020	95,800	7,560	217	\$	-	\$	92,360	
June 2020	95,800	7,560	217	\$	-	\$	92,360	
July 2020	95,000	7,963	229	\$	-	\$	97,286	
August 2020	95,000	7,963	229	\$	4,004,890	\$	97,286	
September 2020	95,000	7,963	229	\$	4,004,890	\$	97,286	
October 2020	96,000	7,459	214	\$	3,751,416	\$	91,129	
November 2020	96,000	7,459	214	\$	3,751,416	\$	91,129	
December 2020	96,000	7,459	214	\$	3,751,416	\$	91,129	
January 2021	98,000	6,451	185	\$	3,244,468	\$	78,814	
February 2021	98,000	6,451	185	\$	3,244,468	\$	78,814	
March 2021	98,000	6,451	185	\$	3,244,468	\$	78,814	
April 2021	97,000	6,955	200	\$	3,497,942	\$	84,971	
May 2021	97,000	6,955	200	\$	3,497,942	\$	84,971	
June 2021	97,000	6,955	200	\$	3,497,942	\$	84,971	
July 2021	97,700	6,602	190	\$	3,320,510	\$	80,661	

Total Rental Assistance Needed Through December 2020 \$

20,106,352

Total Rental Assistance Needed Through July 2021 \$

44,226,107







## New Orleans



- Implement the Smart Housing Mix
- Increase transit-oriented development and density in high transit corridors to offset
- Increase African American homeownership opportunities
- Invest in sustainable development
- Increase support for aging-in-place policies
- Establish a centralized system for renter's rights and protections and landlord enforcement
- Increase funds to local Housing Trust Fund

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	Projected Nonfarm		W/Reduced			W/Reduced		
	Payroll (1)(2)	Unemployed (3)	Income	Unemployed		Income		
January 2020 (Actual)	586,100	-	-	\$	-	\$	-	
April 2020	500,100	50,224	1,695	\$	-	\$	1,010,729	
May 2020	500,100	50,224	1,695	\$	-	\$	1,010,729	
June 2020	500,100	50,224	1,695	\$	-	\$	1,010,729	
July 2020	500,100	50,224	1,695	\$	-	\$	1,010,729	
August 2020	503,500	48,238	1,628	\$	31,640,758	\$	970,770	
September 2020	507,000	46,194	1,559	\$	30,300,048	\$	929,636	
October 2020	510,100	44,384	1,498	\$	29,112,562	\$	893,203	
November 2020	513,500	42,398	1,431	\$	27,810,158	\$	853,244	
December 2020	517,000	40,354	1,362	\$	26,469,448	\$	812,109	
January 2021	520,000	38,602	1,303	\$	25,320,268	\$	776,851	
February 2021	523,500	36,558	1,234	\$	23,979,558	\$	735,717	
March 2021	527,000	34,514	1,165	\$	22,638,847	\$	694,583	
April 2021	530,000	32,762	1,106	\$	21,489,667	\$	659,325	
May 2021	533,500	30,718	1,037	\$	20,148,957	\$	618,190	
June 2021	537,000	28,674	968	\$	18,808,247	\$	577,056	
July 2021	544,400	24,353	822	\$	15,973,603	\$	490,086	

Total Rental Assistance Needed Through December 2020 \$ 153,834,852

Total Rental Assistance Needed Through July 2021 \$ 306,745,807

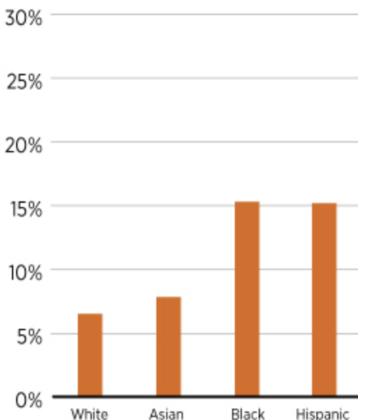
### Lake Charles & New Orleans





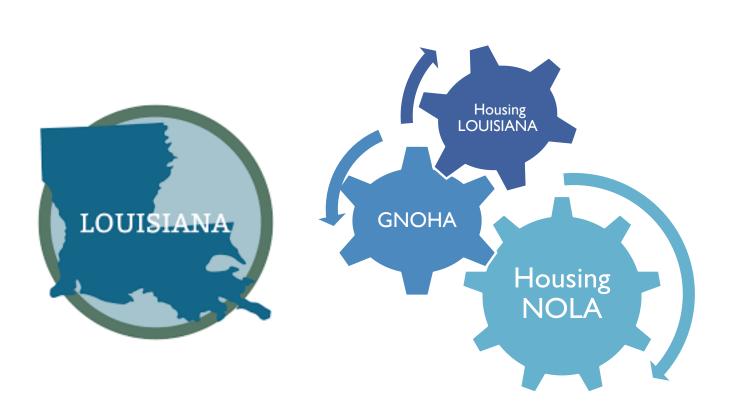
### COVID MAY EXACERBATE DISPARITIES BY RACE AND ETHNICITY

#### **Late or Deferred Mortgage Payments**



### **Late or Deferred Rent Payments** 35% 30% 25% 20% 15% 10% 5% 0% White Asian Black Hispanic (Any Race)

Source: Federal Reserve Bank of St. Louis analysis of U.S. Census Bureau 2020 Household Pulse Survey (Week 12, July 16-21)





PUT HOUSING FIRST

## HEIRS' PROPERTY IS A BARRIER TO INTERGENERATIONAL WEALTH AND DESTABILIZES COMMUNITIES

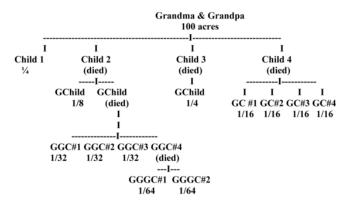
#### WHAT IS HEIRS' PROPERTY?

- Inherited intestate (without a will)
- Heirs are joint owners with undivided interest
- No clear, marketable title
- Vulnerable to disputes and predatory land deals

#### WHY IS IT IMPORTANT?

Heirs cannot access grants or loans for property improvements

- May lead to blight, health and safety concerns, loss of tax revenue, and lower property values
- Disproportionately high among Black, Indigenous, People of Color, and lowincome and low-wealth households



Source: Baab, 2011

## **Statewide Housing Priorities 2020**

- 1. Create designated revenue streams for local and statewide Housing Trust Funds to increase affordable housing production.
- 2. Increase permanent and emergency housing opportunities with wraparound services for special needs populations, including at-risk youth, people who are mentally ill, homeless individuals, people who were formerly incarcerated, and victims of domestic violence.
- 3. Create a comprehensive housing strategy that addresses title and succession issues to create more affordable housing.
- 4. Review zoning ordinances that can prevent the development of affordable housing and/or create more affordable housing opportunities.
- 5. Education and Community Engagement Around Affordable Housing

## **Statewide Housing Priorities 2020**

- 6. Recruit more local developers to partner with and commit to affordable housing development.
- 7. Increase homeownership opportunities for low- and moderate income renters (Section 8 homeownership program, mobile homeownership as affordable option, Soft Second Programs).
- 8. Increase Homebuyer Education & Financial Literacy opportunities.
- 9. Ensure that affordable housing does not equate to substandard housing by setting habitability requirements for landlords and the city to abide by, such as a Rental Registry.
- 10. Section 8 Reform: Procure more funding for Section 8 to open waitlists and invest in more viable housing inventory for Section 8 (HCVP) clients to protect households from losing their vouchers from unavailability of eligible units.

We believe that our communities can provide high-quality, safe and accessible housing that is affordable to individuals and families of all income levels throughout Louisiana

Andreanecia M. Morris
Executive Director, HousingNOLA

www.housingnola.org
www.gnoha.org
www.housinglouisiana.org

HOUSINGLOUISIANA



#### EDA University Center for Economic Development Southern University, BR





# Creating Neighborhood Developers

August 29, 2020



Presented By:
Nicole Barnes
Executive Director



 Since Hurricane Katrina and the subsequent flooding events the region has seen a decline in funding from philanthropic and federal resources. Funding has become more outcomesfocused, and the need for stronger organizations is fundamental.



 As a result, a partnership between the HUD New Orleans Field Office and HousingNOLA has developed a capacity building program to help address these concerns with the goal of strengthening organizations to become stronger assets in the communities they serve.



### **Objectives**

- Provide an opportunity for peer to peer exchange
- Improve identified organizational policies and systems
- Ensure each organization has the needed systems in place for federal funding compliance



Overall Goal

To create stronger organizations that link to other communities, possible new service areas, and funding.



Creating a Strong Future: Together







- The affordable housing landscape has been influenced heavily over the past few years by shrinking support in Washington D.C. and the lack of resources from philanthropy.
- Nonprofit leaders must become strategic and intentional in building profitable, sustainable organizations that last beyond themselves and continue to serve the needs of our communities.



- This requires courage and planning to create new organizational structures and collaborations that consolidate resources and expand capacity and resilience.
- Thus the formation of a strategic partnership, between Jericho Road (JR) and Project Homecoming (PHC), to best meet the current and future affordable housing needs of New Orleans residents, was born.



• The vision of the JR and PHC merger is to combine the construction and workforce development expertise of Project Homecoming with the housing and community development expertise of Jericho Road to create a merged organization with greater capacity and more opportunities to provide housing solutions.



#### What is the Benefit of Combining with an inhouse Construction Crew?

- Cutting Overhead In Half
- Establishing Predictable Capacity When Contractors Are Not Available
- Providing Workforce Development and Training
- Opportunity for earned income



gentrification

<u>noun</u> gen ·tri ·fi ·ca ·tion \ ,jen-trə-fə- ˈkā-shən \

the process of renewal and rebuilding accompanying the influx of middle-class or affluent people into deteriorating areas that often displaces poorer residents



**CASE STUDY:** 

Central City – a New Orleans Neighborhood



Central City, the community from which Jericho Road operates, once offered a myriad of housing options for working class families:

- Single family shotgun homes affordable to lower-middle income families,
- Affordable rentals,
- Plentiful Section 8 housing options.



• Due to its close proximity (within walking distance and multiple bus and streetcar lines) to the hotels, restaurants, and tourist attractions of Downtown, it was the type of neighborhood where families who work in these businesses established roots generations ago.



• For families facing financial hardship, parting with a home passed down through many generations represented bleak Post-Katrina financial reality. As homes were flipped, seemingly overnight, Central City began to offer allure to younger, more affluent renters and prospective homebuyers.



• When market rents rose, families were priced out of homes they had rented for decades. A home in the 1800 block of Martin Luther King Boulevard sold for \$29,000 in 2012. Less than two years later, the same home (a multi-family shotgun double) sold for \$326,000.



• Encouraged by the rapidly increasing market, rents and home prices shot up and more families were squeezed out. Stagnant wages coupled with rapidly appreciating rents and home values have continued to spell disaster for many Central City families, who are predominately low-middle income and minority.



### What can we do to stem this tide of displacement?

- Development of intentional land use development and disposition policies by the municipality that prioritizes affordability.
- Cultivating funding sources for affordable development.
- Small developers creating affordable housing opportunities



### Home Development



BUILDING HOMES
AND ACCESSIBLE
COMMUNITIES
FOR ALL
NEW ORLEANS
RESIDENTS.





### The Muses

Role: Co-developer



#### Muses I and II

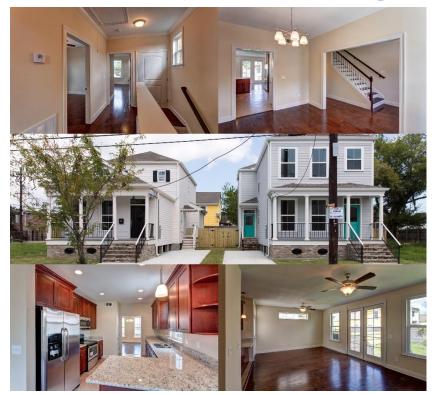
New construction of affordable rental units in Central City New Orleans

Units Size

263 Affordable Units 301,452 SF



### Central City Infill Housing

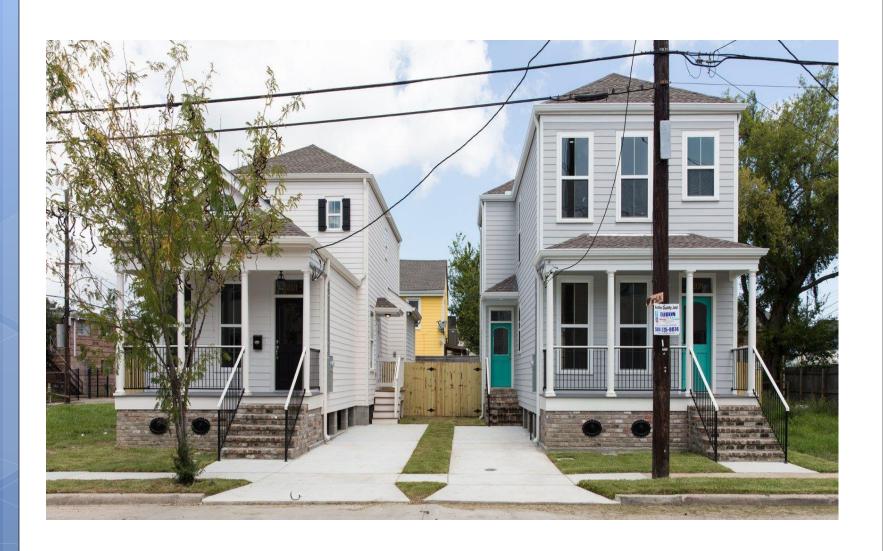




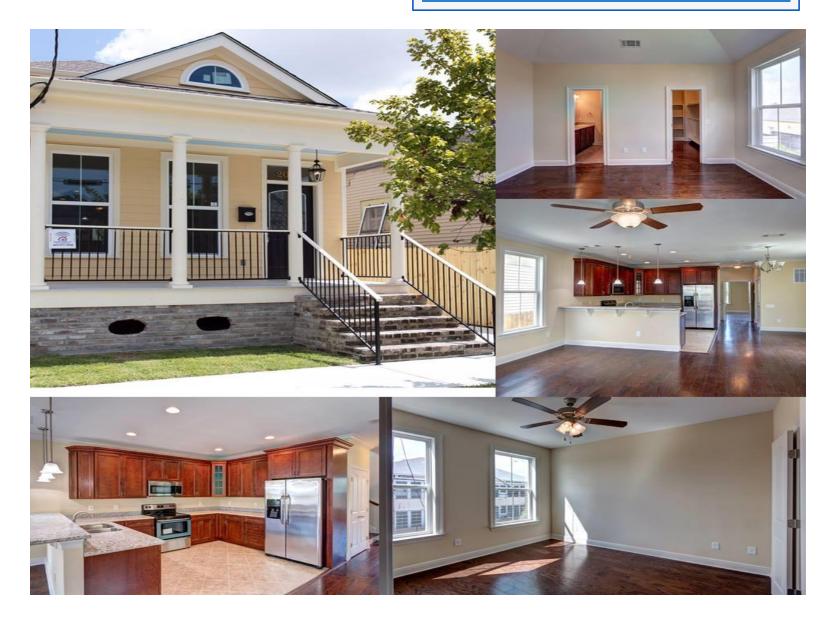
Cost Size

\$15 million + 90,000 sq. ft.+















### Mirabeau Gardens



Cost

Size

\$1.1 million

8,500 sq. ft.





### Mirabeau Gardens















**COVID 19 Curbside Closing for** 1905 Wilton!!!



#### 7th Ward Revitalization Project

Jericho Road served as co-developer with NewCorp Inc.







#### BeechGrove Properties Westwego, LA





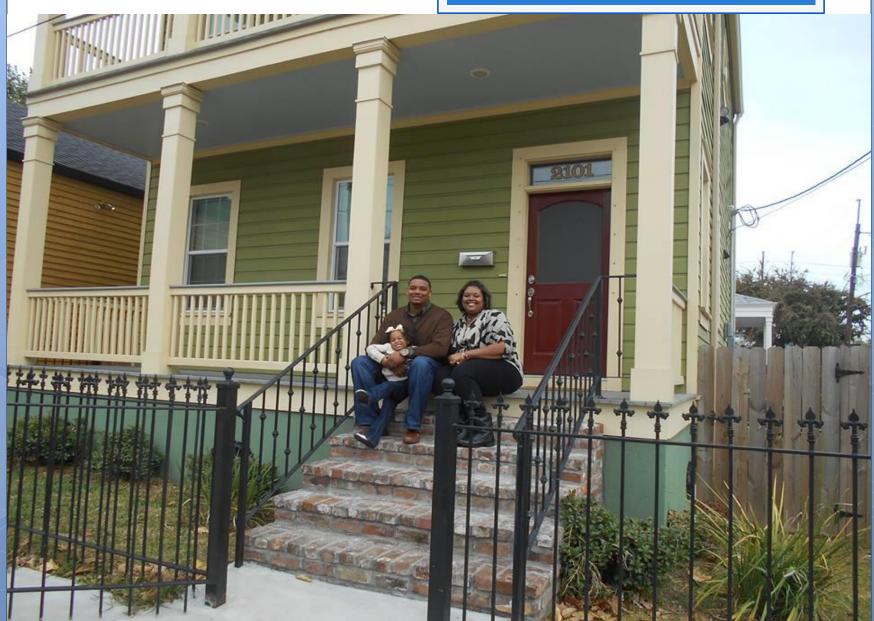


### Historic Renovations















## Land Stewardship





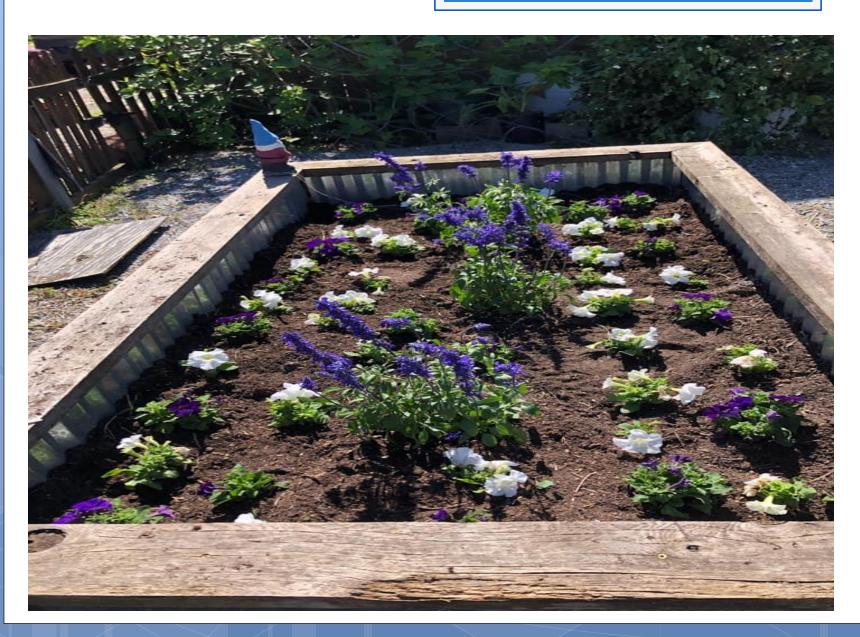














### Community Engagement





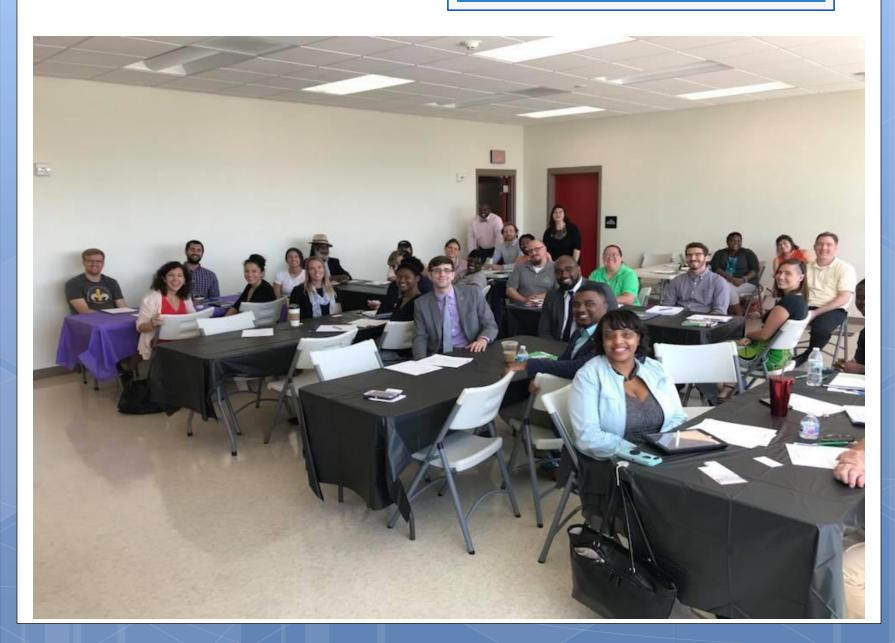
















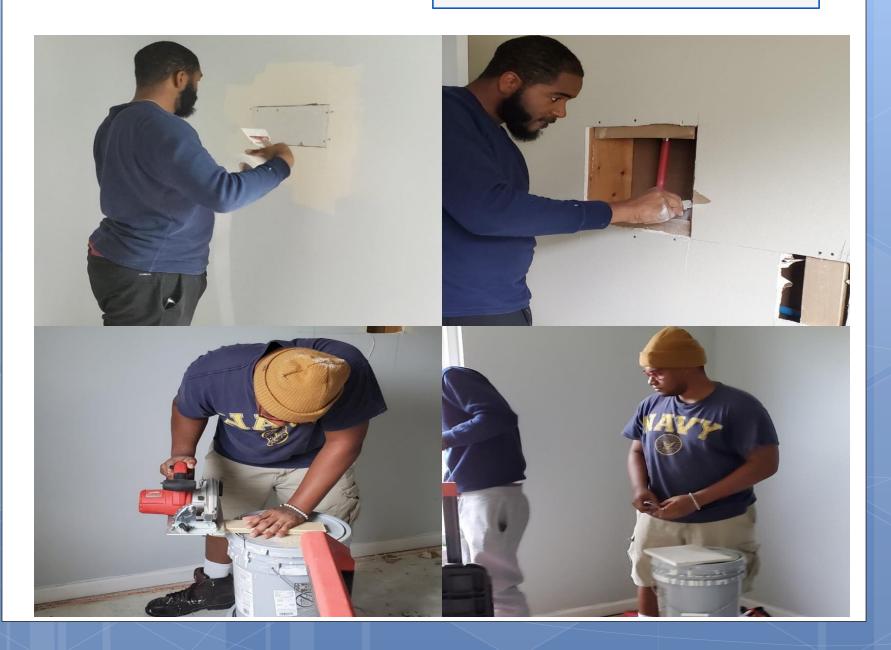


## Workforce Development

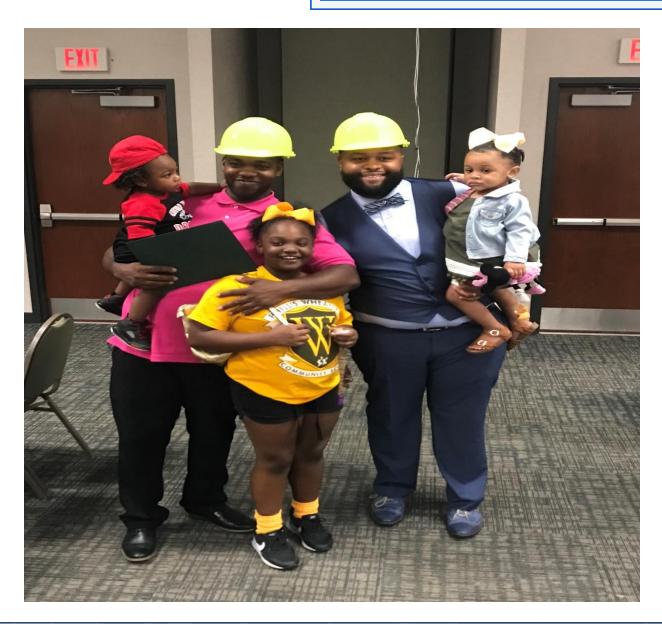














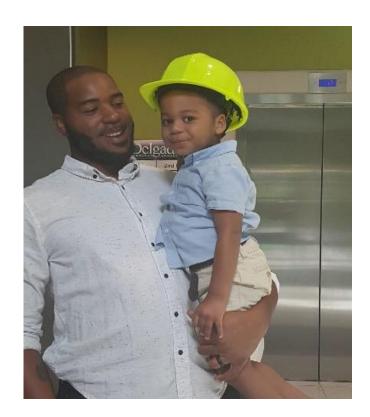




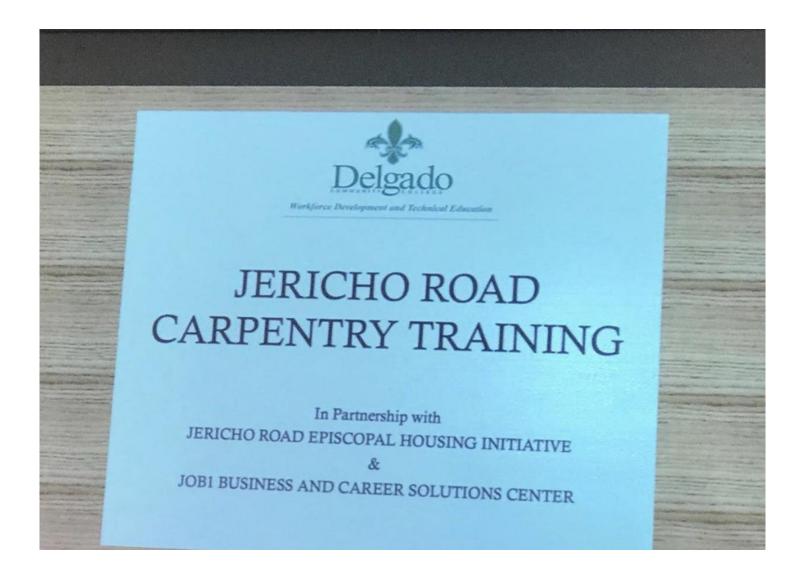














#### Our Impact









## Learn more about Jericho Road: www.jerichohousing.org

Instagram: @jerichohousing

Facebook: @jerichoroadepiscopalhousinginitiative

Twitter: @jerichohousing



#### Matthew T. Sims

#### Bio

Matthew T. Sims is a Senior Vice President of Liberty Bank's Middle Market Lending Segment. Matthew entered the banking profession at Hibernia National Bank, now Capital One, as a loan officer development candidate after graduating from Tulane University's Master of Business Administration program. While at Hibernia, Matthew ascended to positions of increasing responsibility in Credit Analysis, Loan Review, Loan Approval, and Small Business Lending Departments. In his role as a small business lender, Matthew amassed a portfolio of more than \$23 million during the four years he held that position. As a small business lender, Matthew was twice recognized as the top loan producer for the quarter and was always in the top 5 in loan production during his tenure.

Matthew subsequently joined Liberty Bank and Trust Company in June 1998. At Liberty, Matthew manages a portfolio of over \$69,000,000 which is more than 25% of the bank's commercial loan portfolio. Clients include notable local businesses as well as national and international concerns.

In addition to his Master of Business Administration from Tulane University's A. B. Freeman School of Business, Matthew holds a Bachelor of Science in Accounting from the University of New Orleans.

Aside from his role in banking, Matthew retired in 2015 as Colonel after 38 years of service in the United States Army Reserve. Matthew was awarded the Legion of Merit, Bronze Star Medal, and two Meritorious Service Medals during his exceptional service to the country.

Since 2005, Matthew has also completed 8 single or multi-family redevelopments throughout the Greater New Orleans area.

# Investment Real Estate Lending

#### **Purpose:**

Provide course participants with an overview of Investment Real Estate Lending Products

#### Agenda:

- Selecting your property
- Determine your borrowing need
- Know the language
- Loan Types
- Prepare your loan application package
- Loan approval and commitment letter
- Construction monitoring/funding
- Questions/Comments

# Selecting your property

### **Choose your property**

- Find your sweet spot
- Decided on buying and holding or flipping
- Decide on a dollar amount for project

# Determine your borrowing need

### Determine your borrowing need

- Complete a detail estimate of the total cost of your project
- If planning on holding the property, perform a cash flow analysis to forecast cash available for debt service
- If planning on flipping the property, perform market analysis
- Perform personal debt to income analysis

## **Know the Language**

### Speak the Language

<u>l erm</u>	
Loan to value/cost	

<u>Standard</u> 70%/80%

**Debt Service Coverage** 

1.20x - 1.30x

Debt to income

40 - 45%

**Amortization** 

15 - 20 years

Balloon

3 - 7 years

**Payments** 

P&I/Int. Only

Commitment/Origination Fee

1%

# **Loan Types**

### **Loan Types**

- Construction loan
  - New construction
  - Acquisition and renovation
- Permanent term loan
- Real estate investment Line of Credit

# Prepare Your Loan Package

### Prepare your loan package

- Complete a full disclosure personal financial statement
- Gather 3 years of personal & business, if available, tax returns
- 5-year cash flow projection for property being acquired
- Provide the purchase contract along with a detailed description of property being acquired
- Provide your construction contract or detailed construction/renovation budget

# Loan Approval and Commitment Letter

# Loan Approval and Commitment Letter

- Complete package will result in a quicker decision
- Even with a well-prepared package, the lender will likely have additional questions/requests for information
- Depending on size and complexity, approval should take
   2 to 3 weeks
- After approval, the lender will issue a commitment letter
- After the deal is consummated, the appraisal will be ordered and closing attorney engaged

# Construction monitoring/funding

## Construction monitoring/funding

- A construction inspector will be engaged to perform progress inspection with each draw request
- Draws are recommended no often than bi-weekly
- Owners often inject on cash then are reimbursed
- After completion and receipt of occupancy certificate, the permanent loan, if applicable, is closed

## **Questions/Comment**

Matthew T. Sims
Liberty Bank and Trust Company
SVP, Commercial Lending
msims@libertybank.net
504-722-0255 Cell

#### Liberty Bank's Residential Draw Schedule

- 20% site cleared for development, piers installed, continuous footings installed, sills, floor joists, and floor decking installed or slab poured
- 20% house framed, roof on, windows installed, exterior doors installed, exterior walls sheathed
- 20% trades have completed the rough ins, exterior siding completed, insulation, sheetrock, base coat of paint inside, exterior paint complete, close-wall inspections passed
- 20% kitchen cabinets and countertops installed, plumbing fixtures installed, interior painting done, trades have trimmed out the house, exterior building completed, driveway installed, drainage completed, handrails installed, crown molding, shelving materials, interior doors, base boards, shoe molding and other trim material on site
- Final 20% hardwood/carpet flooring completed, tile work done, house fully trimmed out, appliances installed, garage doors and lifts completed, gutters installed, all decks/patios completed, landscaping done, final lien releases for all subs, and Certificate of Occupancy issued



#### **Commitment Letter**

November 29, 2019

Robert Warner 1155 Valley Street Jackson, MS 39203

Dear Mr. Warner,

On behalf of Liberty Bank and Trust Company, I am pleased to extend the following loan commitment to you subject to the basic terms and conditions set forth below:

#### **BORROWERS**

Warner Investments, LLC

#### **GUARANTOR**

Robert Warner

#### **TYPE**

Interim acquisition and renovation Line of Credit/Permanent take-out

#### **PURPOSE**

Residential investment real estate acquisition and renovation

#### **REQUEST**

\$401,250

#### **RATE**

5.75% fixed for initial 9 months; thereafter, 5.25% fixed for 5 years

#### **REPAYMENT**

Interest monthly during initial 9 months; thereafter, principal and interest monthly based on 20-year amortization

#### **AMORTIZATION**

See above

#### **MATURITY DATE**

5.75 years from closing

#### COLLATERAL

1<sup>st</sup> Multiple Indebtedness Mortgage on residential real estate located at 1916-18 Amelia Street, New Orleans, LA 70115

#### **TERMS & CONDITIONS**

All loan documents and the transaction shall be prepared, reviewed and approved by Lender's counsel and by Lender and Borrower prior to closing. In addition to the following covenants and requirements, the loan documents will contain all the customary representations, warranties, and covenants and default provisions for this type of transaction.

#### **CLOSING**

Lender shall not be required to close the Loan or make any advances on the Loan until all of the conditions and requirements of this commitment Letter have been fulfilled or completed to the satisfaction of Lender, and upon receipt of satisfactory credit and public reports. Unless extended in writing by Lender, closing of the loan shall occur no later than the following date:

#### **December 15, 2019**

#### NO MATERIAL ADVERSE CHANGE

It is a condition to closing the Loan that there shall not have occurred in the opinion of Lender any material adverse change in Borrower's financial condition, or any facts, circumstances or conditions upon which Lender has relied or utilized in making its decision to make the Loan. Furthermore, as of the date of closing there shall exist no event of default (or event with which notice or lapse of time or both could constitute an event of default) under the Loan Documents.

#### FEES & EXPENSES

A non-refundable commitment fee will be charged in connection with signing the commitment. The commitment fee will be considered earned and non-refundable upon acceptance of this commitment.

The Borrower shall pay all fees of Lender's Counsel and all other fees and expenses incurred by Lender or Borrower in connection with this commitment or the Loan, whether or not the Loan closes, including without limitation, legal fees, construction inspection fees and appraisal fees

#### **REQUIREMENTS & CONDITIONS**

ш	account maintained by Borrower.
	Borrower to maintain a \$20,000 interest reserve account with Liberty Bank for automatic debit of month interest payments during construction.

A title insurance policy on the subject property by a title insurance company acceptable to Lender must be provided. The title policy must be issued for the full amount of the loan and indicate that the Lender's mortgage is a valid first lien with no exceptions other than those that Lender approves.
Receipt of signed IRS tax form 4506-T
Borrower to provide annual evidence of paid property taxes and insurance prior to closing.
Borrower to maintain sufficient builder's risk insurance during life of loan to cover potential loss due to insurable hazard. Bank to be listed as loss payee.
Borrower to maintain sufficient flood insurance, if required, during life of loan. Bank to be listed as loss payee.
Borrower to escrow property taxes and insurance as part of monthly payment when the loan is converted to a permanent term loan.
The borrower must provide to lender an updated financial statements and tax returns, if available, within 120 days of each fiscal year end.
An acceptable survey of the property to be mortgaged must be provided to Liberty Bank and Trust Company prior to closing evidencing that there are no encroachments on the property to be mortgaged and the mortgaged property improvements do not encroach upon other property. Such survey must be certified to Lender.
Loan to Value Not to exceed 80% of the appraised value.
Appraisal to be conducted by bank-approved appraiser prior to funding.
Bank to hire construction inspector at borrower's expense to determine percentage of completion prior to releases construction draws.

#### **CONFIDENTIALITY**

All correspondence from Lender to Borrower, Lender's written communication and comments, and this Commitment Letter are to be held in strict confidence. Violation of this provision by borrower will cause this commitment to be cancelled.

#### REPRESENTATIONS AND WARRANTIES

Lender shall not be required to close the Loan or make any advance until all of the conditions and requirements of this Commitment Letter have been fulfilled. This includes receipt by Lender of all necessary documents in satisfactory form to Lender and Lender's attorney.

Borrower represents and warrants that all of the documents borrower provides in connection with borrower's loan request constitute a complete and accurate presentation of all facts material to Lender's issuance of this Commitment Letter.

#### **TIME**

Time is of the essence with respect to the Commitment Letter, Termination Date, and all other terms and conditions set forth, and in the event that any respective term or condition is not fully complied with by the designated date, Lender may declare this commitment null and void.

#### ASSIGNMENT

This Commitment Letter is not assignable.

#### **UNENFORCEABILITY:**

If any part of this Commitment Letter is held to be unenforceable or invalid then the remaining terms and conditions remain in full force and effect.

#### **MODIFICATION:**

The modification or waiver of any provision of this Commitment Letter shall not be effective unless set forth in writing and signed by the parities hereto.

#### **SCOPE:**

The foregoing is intended to provide a substantive outline of terms and conditions rather than a complete statement of all term's, conditions, and documents which would be required in connection with the Loan described above.

It is possible that substantive terms or conditions may be changed in order to account for or reflect, among other things, changes in statutory or regulatory authorities governing the subject matter of the transaction or subsequent negotiations.

#### **GOVERNING LAW:**

Louisiana Law will govern all matters relating to this Commitment Letter and the loan transaction.

We hope this commitment meets with your approval. This Commitment will be deemed null and void if not accepted by the following date:

#### **December 4, 2019**

Thank you for giving Liberty Bank and Trust Company this opportunity to assist you with your financial needs.

To indicate acceptance, please sign below in acceptance of the terms and conditions of this Commitment Letter and acknowledgment of the commitment fee in the amount of:

\$4,102

Sincerely,	Sincerely,
	Matthew Johns
Rhonda McMillan	Matthew T. Sims
Senior Vice President	Senior Vice President
Acceptan	ce of Terms of Commitment
	То
War	rner Investments, LLC
Accepted this	day of 2019
	Robert Warner
Rober	rt Warner, Guarantor Date

#### **Cash Flow Projection**

Prepared by Analys	t:			Date:	2/21	/2020	
Sims Investments, LLC Business Cash Flow	1601-03 S. Saratoga	CF Year1	CF Year2	CF Year3	CF Year4	CF Year5	
	a Revenue	<b>AT</b> 000		<b></b>	<b>*</b>	<b>*</b>	
	<b>b</b> Rental Unit 1601	\$7,200	\$14,400	\$14,400	\$14,400	\$14,400	
	Rental Unit 1601A	\$5,250	\$10,500	\$10,500		\$10,500	
	Rental Unit 1603	<u>\$10,500</u>	<u>\$21,000</u>	<u>\$21,000</u>		<u>\$21,000</u>	
	Potential Income	\$22,950	\$45,900	\$45,900		\$45,900	
	Vacancy at 5%	\$1,148	<u>\$2,295</u>			<u>\$2,295</u>	
	Effective Gross Income	\$21,803	\$43,605	\$43,605	\$43,605	\$43,605	
	Expenses						
	c Insurance Expense	\$2,560	\$2,688	\$2,822	\$2,964	\$3,112	
	Real Estate Taxes	\$1,100	\$1,100	\$1,155	\$1,213	\$1,273	
	Water & Sewer	\$350	\$350	\$350	\$350	\$350	
	Entergy	\$250	\$100	\$105	\$110	\$116	
	Repairs & Maintenance Lawncare	\$1,550	\$1,705	\$1,876	\$2,063	\$2,269	
	Replacement Reserve	\$480 \$436	\$480 \$872	\$480 \$872	\$480 \$872	\$480 \$872	
	Total Operating Expenses	\$6,726	\$7,295	\$7,660	\$8,052	\$8,472	
	Total Operating Expended	ψ0,720	Ψ1,200	ψ1,000	ψ0,002	ψο, π Σ	
	Net Income	\$15,076	\$36,310	\$35,945	\$35,553	\$35,133	
	Debt Service						
	Liberty Loan	\$0	\$0			\$0	
	d -Proposed Term Loan	\$16,800			. ,	\$16,800	
	-Proposed LOC	\$0	* -		<b>+</b> -	\$0	
	Total Debt Service DSC	\$16,800	\$16,800	\$16,800		\$16,800	
	Net Cash Flows	0.90 (\$1,724)	2.16 \$19,510	2.14 \$19,145	\$18,753	2.09 \$18,333	
	Net Gasii i lows	(ψ1,124)	ψ13,310	ψ13,143	ψ10,733	ψ10,333	
Proforma Assumptions:							
Property is anticipated being placed in service in July.							
	а						
	Projected annual rent is based on \$1.25/s.f. monthly for 1601 and 1603 and \$875/month for						
	<b>b</b> unit 1601A.						
	Revenue and expenses are	recorded on a	cash basis.				
	С						
	Debt service is based on \$\$	205,000 at 5.7	5% for 20 yea	ars.			
	d						
Comments:							

#### SIMS CONSTRUCTION

New Orleans LA 70113 504-722-0255

**SUBMITTED TO:** 

**Matthew Sims** 

#### PROPOSAL I COST EST/MATION

Proposal Number

**Expected completion Period:** 

07262015-025

State Lie

**Jobsite** 

Same

New Orleans, LA 70114  All work will comply with current NAHB (Name of Name of		ssociatio	(			
Code, and or local building, Electrical and Price include both material and labor. All r	lational A	ssociatio	( ) ] -			
Code, and or local building, Electrical and Price include both material and labor. All r		ssociatio	(			
done in a quality and workmanlike manner ablease find an itemized summary of cost.		s guarant	vith ins eed to	pections be as s	s, permits pecified.	as applicable. All work to be
Description	Qty	Sheets	LF	Per SF	U n it	Total Price
Single Family NewConstruction				2067		\$160,800.00
Professional Contractor Service Fee/ Mobilization/ GL & Workers Comp. Ins/ Overhead etc.						
JOB COST						\$ 160,800.00
onstruction. (4 to 5 draws) his proposal is subject to acceptance within 3 ndersigned.	<u>0 Days</u> ar	nd it is void	thereaf	ter at the	option of	the
is understood and agreed by both contracting bove which entail addition acosts for labor and ame, and will result in additional compensation	or materi	als will be e	execute	d only up	on written	orders for
uthorized Signature Modhaw	Da Da	ate: 5/30/1	6 - Rev	v. 4/5/17	Phone:	504-722-02
ACCEPTA	NCE C	F PRO	POSA	<u>AL</u>		
he above prices, specifications and condition tract agreement outlining all terms which		-	-			
5						
	gnature:					

Item Name	Total
Foundation, Piers, Flatwork,	25,000.00
Rough Carpentry,Frame, sheathing,etc	35,000.00
Stairs, Hand Rails	3,500.00
Insulation	3,500.00
Exterior Finish & Trim	10,000.00
Doors	3,500.00
Windows	3,500.00
Finish Hardware	1000
Roofing, Flashing, turbine	6,000.00
Gutters	2,250.00
Finish Carpentry	5,000.00
Interior drywall Finish	6,500.00
Painting	3,500.00
Wiring	8,500.00
Lighting Fixtures	1,500.00
Flooring	10, 000.00
Carpeting	1,500.00
Bath Accessories	800.00
Shower & Tub Enclosure	3,000.00
Countertops	1,500.00
Cabinets	3,250.00
Plumbing Rough-in and Connection	9,000.00
Plumbing Fixtures	2,500.00
Heating and Cooling Systems	9,000.00
Debris removal & final Cleanup	2,000.00
Direct Job Costs	\$160,800.00

#### PROPOSAL/COST ESTIMATION

Proposal Number

06162015-001

State Lie

SUBMITTED TO:	Jobsite					
Matthew T. Sims	Same			Expected completion Period:		
605-607 Opelousas St			210 days			
New Orleans, LA 70114						
	Cc:					
All work will comply with current NAHB (Na Code, and or local building, Electrical and Price include both material and labor. All n done in a quality and workmanlike manner please find an itemized summary of cost.	Plumbing naterial is	codes wi guarante	th inspe	ections e as sp	, permits ecified. <i>A</i>	as applicable. All work to be
		Per				
Description	Qty	Sheets	LF	SF	Unit	Total Price
Double Family New Construction				2452		\$180,550.00
Professional Contractor Service Fee/						
Mobilization/ GL & Workers Comp. Ins/						
Overhead etc.						
JOB COST						\$ 180,550.00
accepted. Customarily draws are requested construction. (4 to 5 draws)  This proposal is subject to acceptance within undersigned.  It is understood and agreed by both contracting above which entail additional costs for labor a same, and will result in additional compensation.	30 Days and parties the nd/or mate	nd it is voice at any alte	d therea	r deviati uted onl	on from th y upon wr	e tasks specified itten orders for
Authorized Signature Modhaw (	Ams	5/30	0/16			
ACCEPTA	ANCE (	)F PRO	)POS	<u>AL</u>		
The above prices, specifications and condicontract agreement outlining all terms whi						
S Date:	Signature:					
	Signature:					

Item Name	Total
Foundation, Piers, Flatwork,	27,000.00
Rough Carpentry,Frame,Ramp,Post etc	38,500.00
Hand Rails	2,500.00
Insulation	3,500.00
Exterior Finish & Trim	10,000.00
Doors	3,500.00
Windows	3,500.00
Finish Hardware	1000
Roofing, Flashing, turbine	7,500.00
Gutters	2,250.00
Finish Carpentry	7,500.00
Interior drywall Finish	8,500.00
Painting	4,500.00
Wiring	9,000.00
Lighting Fixtures	2,500.00
Flooring	12,000.00
Carpeting	0.00
Bath Accessories	800.00
Shower & Tub Enclosure	3,500.00
Countertops	2,000.00
Cabinets	3,500.00
Plumbing Rough-in and Connection	10,000.00
Plumbing Fixtures	3,500.00
Heating and Cooling Systems	12,000.00
Debris removal & final Cleanup	2,000 .00
Direct lob Costs	\$ 180,550 .0 0



\$\$\$\$\$\$\$\$



There are many ways to get the cash you need

- Traditional banks
- Credit Unions
- Family and folks
- Non-traditional lenders

There are many sources of capital out there if you know where to look. If you don't know where to look, you need to hire someone who knows where the money is.

Sometimes you can use your savings or retirement but WHY?

USE: OPM Other People's Money

## ARE YOU REALLY READY FOR THIS?

### **GETTING PREPARED** Legal

This is a business being a developer. You need to meet with an attorney to discuss the proper legal entity you should have. Should it be an LLC, Corporation?

#### **GETTING PREPARED Financial**

You must have a good CPA.
 This person will help you with developing the proper financial structure for your business. She will also assist you in putting together your financial statements.

## ARE YOU REALLY READY FOR THIS?

### **Banking**

- You should establish a banking relationship with a commercial loan officer.
- You will need to have a commercial checking account which you use STRICTLY for your business.

### **Being Bankable**

 Before you get started sit with a banking professional or a broker to ask them the following: a.) What are their lending options for small real estate development. b.) what are their lending limits. c.) How do you qualify?

# In development TIME IS MONEY

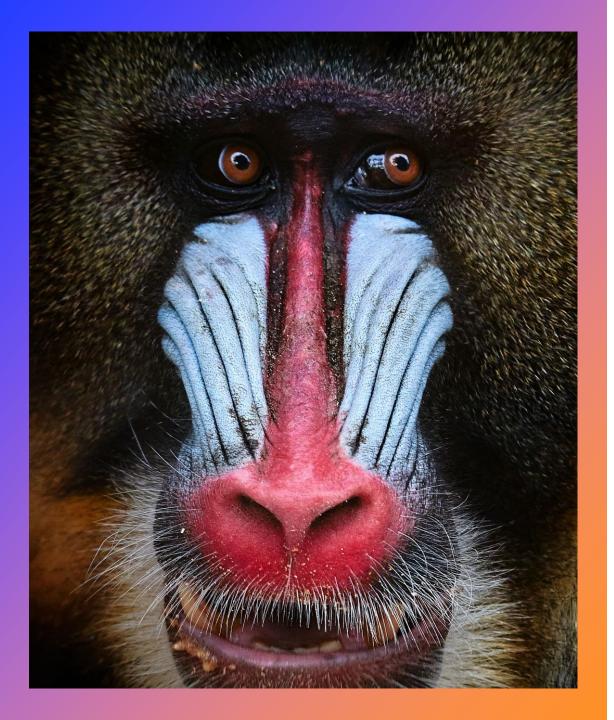
• Currently there is a popular TV commercial which they have all kinds of stars saying NO! You might feel after visiting banks that you could be in that commercial. To avoid this trap of rejection, spend your time getting prepared BEFORE you apply for a loan. Do your homework. Good research will better your chances.





## Have your financial team do an examination of your current financial position

- You can use many options for getting a loan. In most cases, not all loans you will need adown payment. If someone tries to sell you that they can get you 100 % financing; RUN FOREST RUN!
- There is now such animal for commercial project. You will need to have what is called "skin in the game"
- This exam will look at your credit. Your available cash(like 401K \$)
- Are you still employed. Some folks make the mistake of quitting their jobs. How are going to pay the money back.



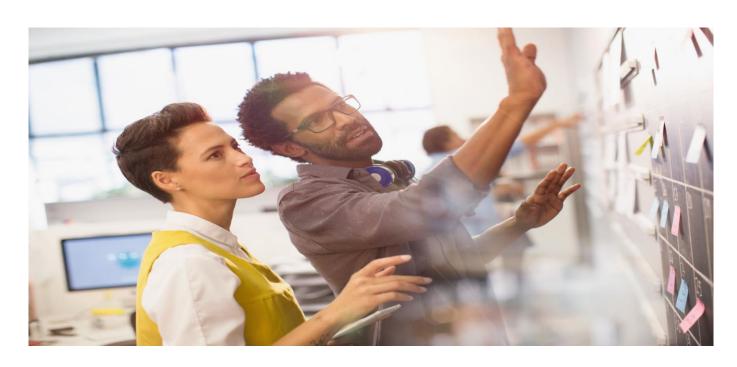
## The other dead animal, GRANTS

- Do not waste your time looking for grants for commercial real estate.
   These grants usually go to non-profits like the Scotlandville CDC.
- The other option would be the use of housing tax credits. The problem here is; one, The cost of the application can be as much as \$25K with no guarantees it will get funded. Two, there is a floor of 3-5 million dollar for the projects.



"START BUILDING YOUR TEAM: YOU WILL NEED A RELIABLE REALTOR TO FIND YOU GOOD DEALS. YOU NEED TO BE PROPERLY REPRESENTED JUST LIKE WITH YOUR LEGAL TEAM"

Plan your project with several LICENSED Contractors or Estimators. They will give you the real cost to build or to renovate a project. Just because it sounds like a good deal the number will tell the truth



## WHY OR WHY NOT INVEST IN REAL ESTATE NOW?

#### THE REAL ESTATE MYTH

• The Great Depression humorist Wil Rogers said, "Buy all the land you can cause they aren't making no more" Funny but true. Before the virus real estate was one of the safest long-term investments. In the last 30 years there have been 3 collapse in the Real Estate Market.

#### THE NEW REALITY POST VIRUS

 THE REALLY REAL ABOUT REAL ESTATE: Many people like landlords are going to need to off load their investments. The interest rates are some of the lowest in history. Opportunity Zone funds are looking for places to park their money to ride out the storm.

## Why go at it alone? Consider Partnering

- Instead of going at a project by yourself for the first few, consider partnering with an experience developer. In doing so yes you will make less money. You can save yourself from loosing all your money.
- Partners can give you knowledge and wisdom form their failures. Learn from other mistakes not making your own.
- Partners can help you bridge the experience gap. This will be helpful when approaching lenders



## Closing remarks

- You will need to have a team approach
- Make sure that you do your homework when it comes to your personal situation of credit, financial matters, taxes and others.
- Develop relationship with bankers and other investors to join with you to prepare you for success.
- Don't be afraid to get into the water.
   But make sure you know how to swim first.
- Questions?

