



Affordable Housing – a Discussion.



We Bring America Home.

An Operating Company Concept from



URBAN



LAND RUSH

IT'S ABOUT PEOPLE

For a City to prosper everyone has to participate; not just the "Haves" being serviced by the "Haves Nots" commuting great distances each day.

2005

Metropolitan Washington D.C., has a workforce housing CRISIS.

2016

Population: ↑

Rents: ↑

% Income to Rent: ↑

Wage Growth: —

And this will only get worse...

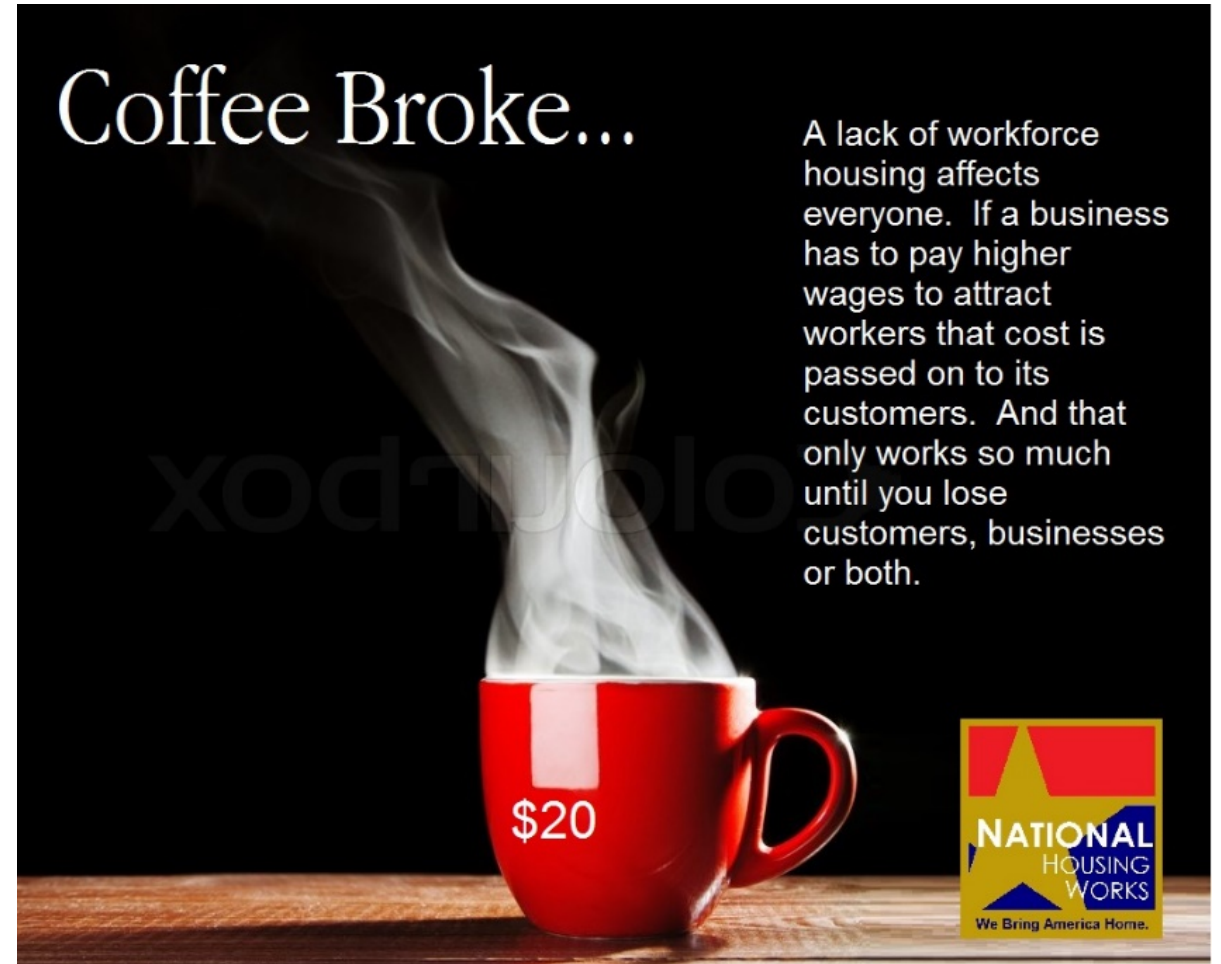
Not enough < \$70K/year income housing; it will get worse.

We try to fix this with developer imposed proffers and project subsidies. While commendable, providing a few hundred units a year while demand grows by a few thousand units a year is an un-winnable game.

We need a different kind of “SMART” solution:

- **Scalable**
- **Market Driven**
- **Achievable for a decent Profit**
- **Remote from Bureacracy**
- **Time Respectful**

Think this is a pipe dream?



Coffee Broke...

A lack of workforce housing affects everyone. If a business has to pay higher wages to attract workers that cost is passed on to its customers. And that only works so much until you lose customers, businesses or both.

NATIONAL HOUSING WORKS
We Bring America Home.

Wal-Mart is the “greenest” company on the planet.

Why? It makes them a lot of money...

- Lower energy/operating costs
- Lower packaging costs
- Less waste

Result: Social “Good” – at scale.



And 1.5 hrs each way for affordability doesn't work.

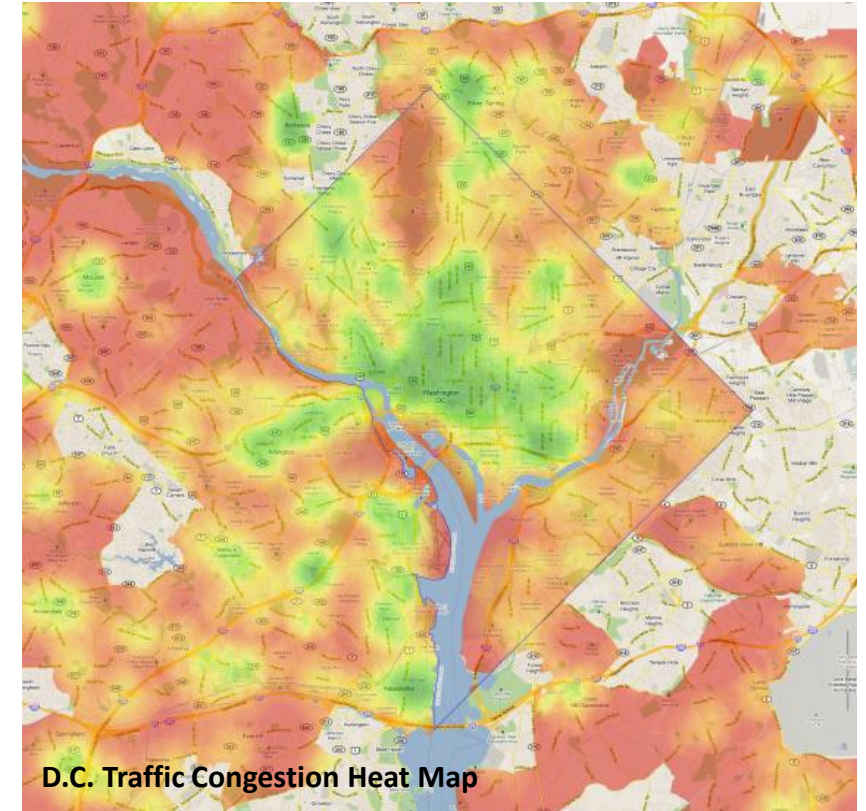
Improvised Solutions:

- Dual incomes (families)
- Overburdened housing costs
- Very long commutes

Results?

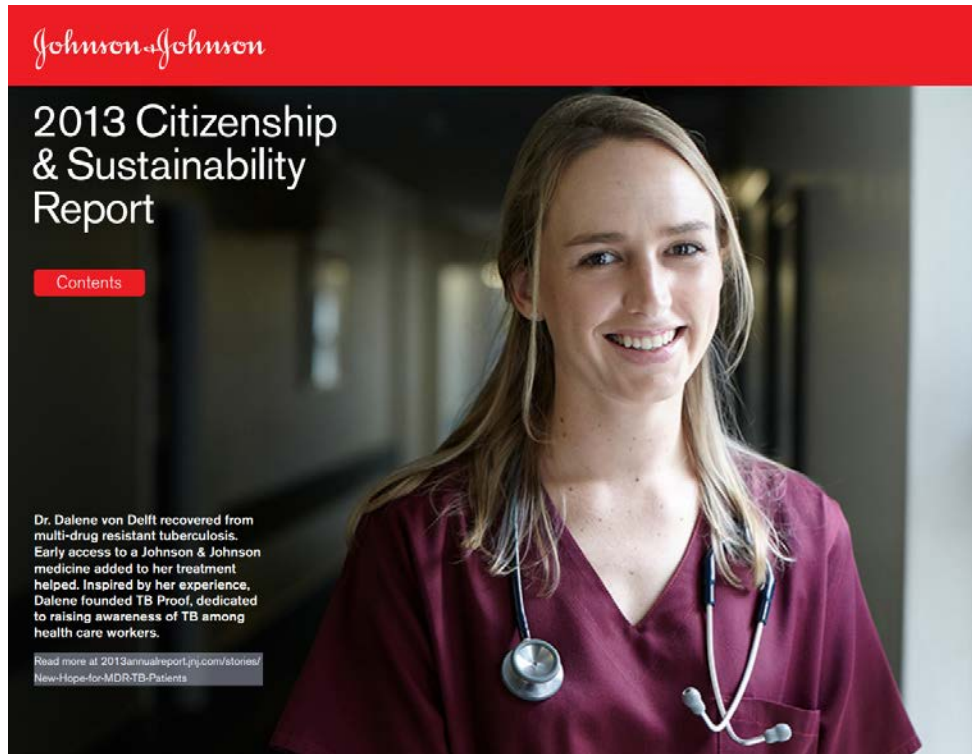
- Diminished health
- Increased Family dysfunction
- Reduced school performance, increased drug use, sexual activity & obesity in “latchkey” kids

Did the cost of virtually everything you consume go up last year? The people affected make up our workforce – and influence our ability to compete in the global marketplace.



“Washington D.C. Has the Worst Traffic in the Country.”
Fortune Magazine
(citing: 2015 Urban Mobility Scorecard)

Capital “Wants” ↔ Social “Needs” ↔ Scale Solutions



“When we do good we’re profitable. The better we remember this the more profitable we are.”

The Johnson & Johnson Credo



“Companies should not have a singular view of profitability. There needs to be a balance between commerce and social responsibility... The companies that are authentic about it will wind up as the companies that make more money.”

*Howard Schultz
Chairman & CEO, Starbucks*

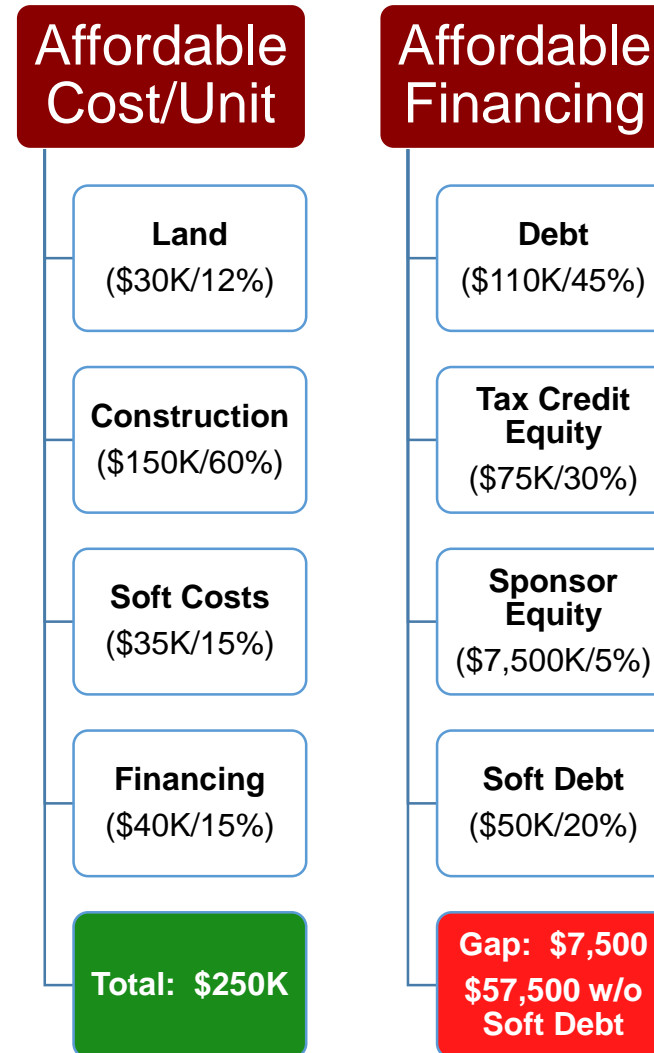
What you think you know is wrong.

- Businesses need labor to survive and prosper. If they can't get it at a reasonable price they move or close.
- Labor can be "Captive", they work the jobs they can afford to get to, or "Selective", they work the jobs with the best reward for the cost and challenge of getting to work and also their personal brand. Who do you think is probably the better employee?
- Employees are also customers. Who benefits the most from the greatest amount of customers & businesses? The municipality where the need is the greatest.



The Math reveals a lot.

- **Land:** 12% of the cost. Does the municipality have surplus or tax lien foreclosure properties? We focus on Metro sites when the bus is cheaper and preferred by residents as such.
- **Construction:** Materials + Labor
 - We buy high cost materials & labor in a high cost market. Is there a better way?
- **Soft Costs:** 20% of these costs ARE PAID TO THE MUNICIPALITY for development related expenses.
- **Financing:**
 - 30% of these costs are performance reserves - for a product with extreme demand.
 - 10% is paid PAID TO THE MUNICIPALITY.



We need to trade our sticks for carrots.

Forcing property owners and developers to include affordable housing is fine but they are now bearing the burden for solving a decades old problem – and their only benefit is to unlock entitlement. The yield for this approach compared to the problem is miniscule. And there is nothing about it that addresses a new SMART approach. We need to think different.



It's not a get rich quick vehicle.

- It is a good fee business.
- If becomes easier it will attract more players.
- Several of the largest real estate companies in the country built their foundation on developing affordable housing.
- It has become so complicated that many property owners and developers avoid it.
- Making it easier will create a profit driven motive.



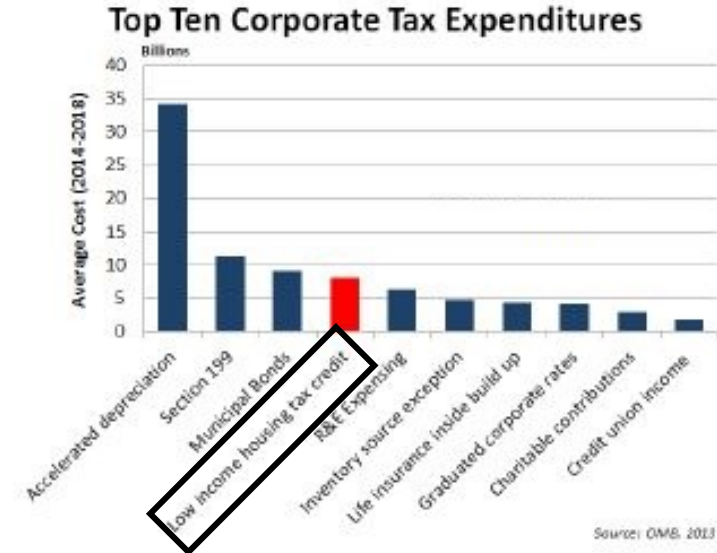
Institutional Capital has unique characteristics to help.

Current: Low Income Housing Tax Credit (“LIHTC”)

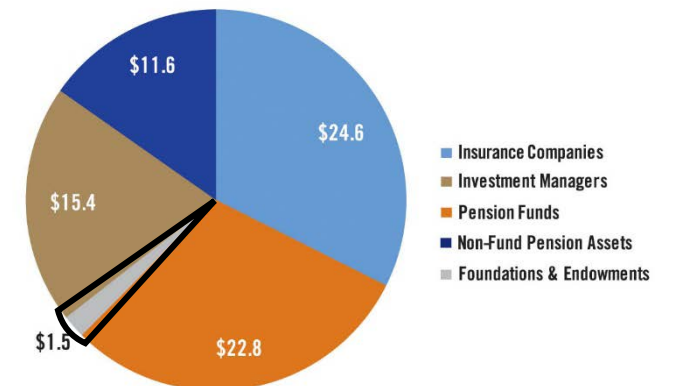
- Serves Banking Industry Community Reinvestment Act (“CRA”) “Want”
- Gives C-Corps. a tool to reduce Federal Tax liability & leverage balance sheet

Future: Program Related Investment (“PRI”)

- “Impact Investing” outlet for **\$1.5 Trillion** Endowment & Foundation Investor pool
 - “Strategic Capital” tool for housing crisis
 - Market based solution for scale change through “Path of Growth” appreciation
- Long Term (15-20 years), Low Yield (~2%), High Multiple (~3x), Core+ IRR Returns (~11%)



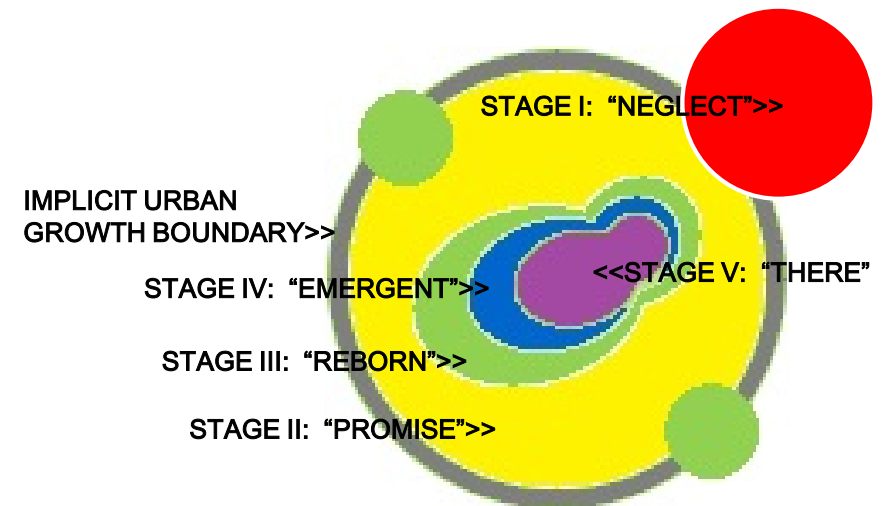
TOTAL ASSETS BY TYPE OF INSTITUTIONAL INVESTOR (IN TRILLIONS OF 2010 USD)
GLOBAL TOTAL OF \$75.9 TRILLION



Recognize these pioneers for what they do.

The impact first time, low income homeowners have is grossly under appreciated.

- They stabilize challenged areas.
- That results in less crime.
- It gets the resident out of a cycle of poverty.
- Less welfare participation.
- That raises low income higher education participation.
- And results in greater voter turnout



DOING GOOD & DOING WELL IS POSSIBLE.

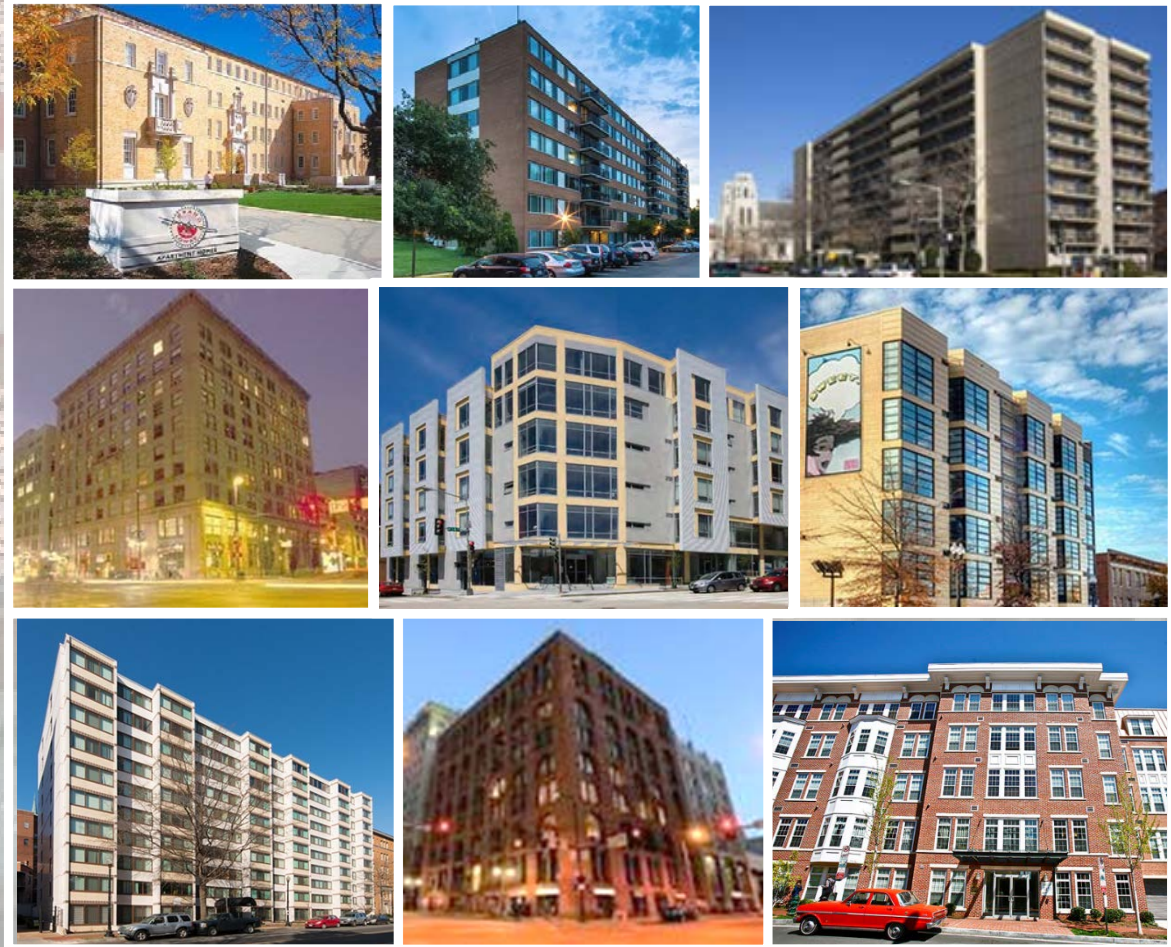
30+ Years/100+ Projects/\$3BB+
Total Investment Basis including:

- Mixed Income(/Mixed Use) Rental
- 100% Affordable
- Inclusionary Zoning (IZ)
- Senior Affordable
- LIHTC (30-50-60%)
- Section 8/PBRA
- Affordable Ownership

*Success Rate: 97%**

*Pre-Tax Levered IRR on Sponsored
Investments: 14%**

**Past performance is no guaranty of future results
Projects/Investments shown are by PINDAR or
Principal at prior company*



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