

Martha Barberio

From: David Cordes <djcmanagementinc@outlook.com>
Sent: Wednesday, July 10, 2019 2:05 PM
To: Martha Barberio; Rochelle Rollenhagen; Jeremy O'Neil; Christopher Moulton; Dennis Fleming
Cc: scott@cordesdevelopment.com; 'Dr. Cordes'; Eric Spangler; 'Mike Chevalier'; Diane Cordes
Subject: Outline of Process to Obtain Equity Funding

Hello to All,

Once again, I want to thank each of you for the warm welcome Eric Spangler AIA and I received while visiting Valdez. I was asked to present an outline of the process that is required to obtain the equity funding to build additional affordable housing in Valdez. The funding agency in Alaska is Alaska Housing Finance Corporation (AHFC). AHFC has only one (1) funding round per year.

In addition to funding affordable units with tax credits and other funds regular market rate units can be added to the proposed affordable units and financed as conventional market units as they usually are financed, but under one project / owner/ management umbrella.

Step 1. Pre -application

Each late July or early August AHFC solicits “pre-applications” for their sole consideration as to which pre-applicants that will be invited to submit a full application. The full application is due before Thanksgiving. AHFC determines from the pre-applications which projects are viable and competitive based upon 2 major factors: Community need for housing and the proposed development team. Valdez has the need for 2 projects and if the first is successful, the second would easily follow within 2 years. My various applications over the past 25 years have always not only “made the cut” for full applications but thus far have a 100% success rate – although a number of times a project has been submitted more than once, before success. AHFC will announce selected full application projects prior to Labor Day.

Step 2. Full Application

Since AHFC has a defined award amount that no one development team can exceed (more than 1 million dollars in tax credits) most applications have a maximum sized of 30 or less affordable units. The application requires multiple studies: environmental, market, survey, appraisals, cost estimates, basic architectural design, engineering, initial financing, energy studies, tax credit investor analysis and letter stating that they will invest contingent on AHFC's award. The application itself is somewhat long and very complicated. It will take 2 persons heavily dedicated to the process to put the application together in time.

My two (2) associates Shawne Mastronardi, MBA and Scott Niblack have done successful applications under these time constraints for many years. My role would be coordination, final review and guarantor of financing.

Step 3 Build Out Financing

After an award is received (usually first week of January), the Architect and full engineering proceeds with full involvement of the City of Valdez's planning, public works, and economic development personnel.

This often takes up to 3-4 months and would involve City staff's final approval of all aspects of the project with City staff providing progress reports to Council and ultimately everyone's approval: City, Fire Marshall, AHFC, investor and the financing agency's- bank/AHFC. Once approval is complete, mobilization by contractor is 30-60 days and construction begins. The average time to build is 9 months. My team has worked together for 25 years (and includes Bezek, Durst and Seizer Architects based in Anchorage, Sundance Construction of Kaisolf, AK or Criteria Construction in Anchorage (depending on availability), all Alaska licensed engineers, Enterprise or CREA as investors, construction financing by Northrim or Wells and often AHFC for the gap permanent financing since tax credits usually provide only 70% equity financing.

Step 4. Management and Close Out

We have always used North Star Management, the premier management company in Alaska. As you know, they have very successfully managed our Soundview Apartments these past 20 years.

Close out consists of a very large mound of paperwork to satisfy the City, the investor, establishing a 6 month – 1 year operating and mortgage reserves, and most importantly satisfying AHFC and the IRS both needed to concur for tax credit authorization. The owner and development team must commit to 30 years of financial responsibility, 30 years of affordability, and annual inspections by investor and AHFC to verify maintenance and affordability.

Hopefully, this outline gives you sufficient details to consider. The City's participation would be significant: land and infrastructure. Since this will be affordable housing, the City is eligible for CDBG grants (also from AHFC). Many of our projects both in Alaska and other states have received CDBG grants and we have worked with both Cities, towns and Counties to obtain these infrastructure funds. Since time is short for this year, my team is committed to present the process, previous Alaska successful projects and the initial Architectural rendering to your Council at your preference. An absolute requirement for the pre-application is a firm contract for the land. We have the capacity to submit the pre- application this year or next. The duration from the pre-application through Close out is generally just short of 2 years. Unfortunately, Alaska's small population means a once a year chance but my analysis is that Valdez has the need and it is up to Council to choose.

Thank you for your interest and hospitality,

David J. Cordes, M.D.
President of the Cordes Companies

