



River Pointe Cooperative

Wahpeton, North Dakota

City of Wahpeton Finance Committee
March 28, 2016, 12:00 pm – 1:30 pm

Project Overview:

Why Manufactured Housing?

- ❑ One of the greatest affordable housing challenges is the growing gap between what people can afford to pay for housing and what it costs.
- ❑ Manufactured housing was one of the first thoughts for this property acquired by the City late in 2012.
- ❑ The initial plan for this parcel was double-wide manufactured homes with single-stall garages.



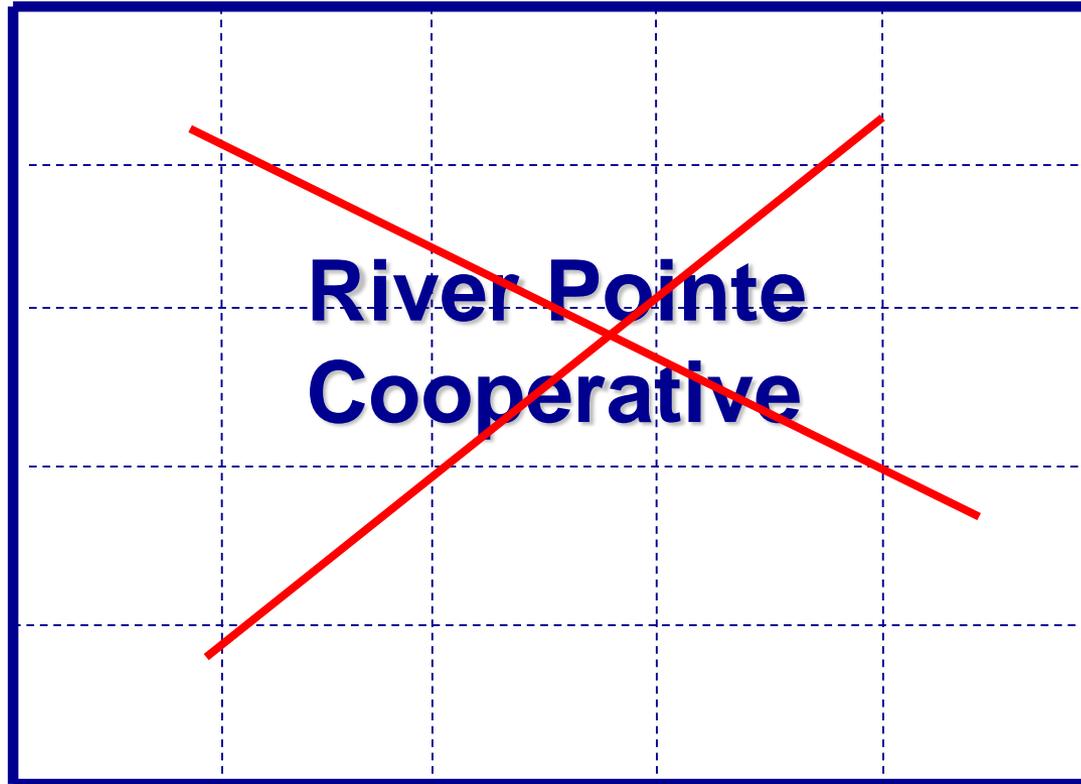
Project Overview

Why a Housing Cooperative

- ❑ The 2010 Housing Study identified co-op housing as another option in diversifying homeownership.
- ❑ Webinar series on Housing Cooperatives Summer 2013
- ❑ Meeting held in Wahpeton January 2014 with Warren Kramer to define project and direction for development
- ❑ Feasibility Study and Plan presented
- ❑ Never developed in North Dakota
- ❑ Minnesota – leader in senior and manufactured housing cooperatives in the Upper Midwest
- ❑ Active sponsorship and support by NDAREC

Project Concept:

Not a cooperatively owned land-lease community



Project Concept:

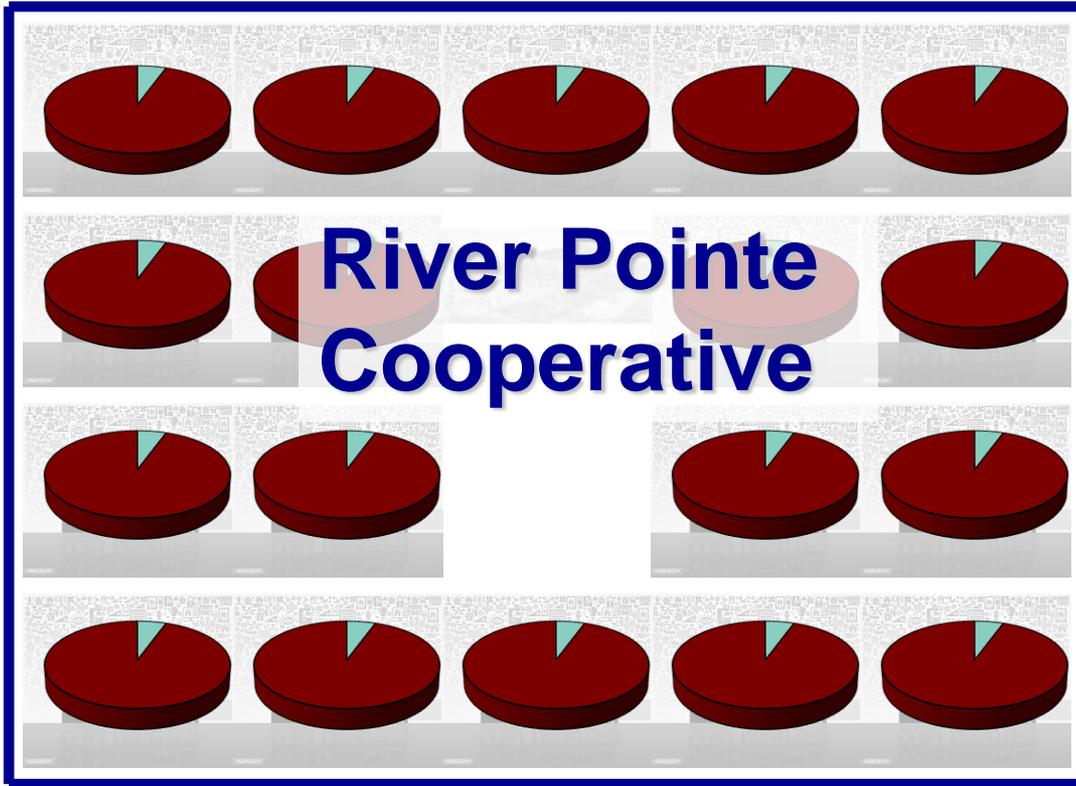
Multifamily detached housing cooperative



- Cooperative will own land, homes, and improvements
- Cooperative will carry mortgage on all assets
- Limited-equity cooperative to preserve affordability and generate lasting demand, liquidity for members

Project Concept:

Multifamily detached housing cooperative



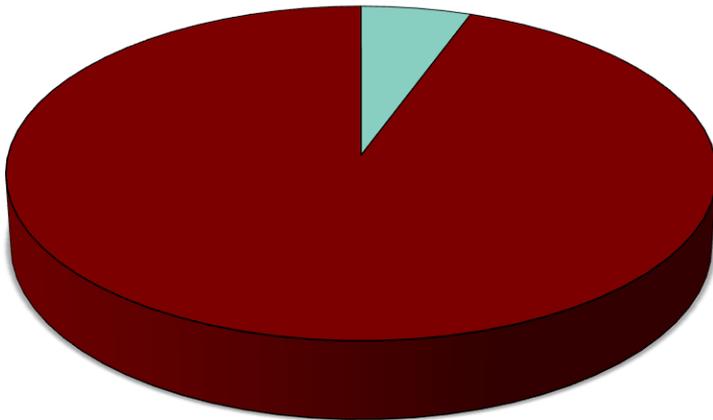
- Cooperative will own land, homes, and improvements
- Buyers purchase shares

Project Concept:

Multifamily detached housing cooperative



- Cooperative will own land, homes, and improvements
- Buyers purchase shares
- Shares are valued at 1/17 of total development cost (TDC)

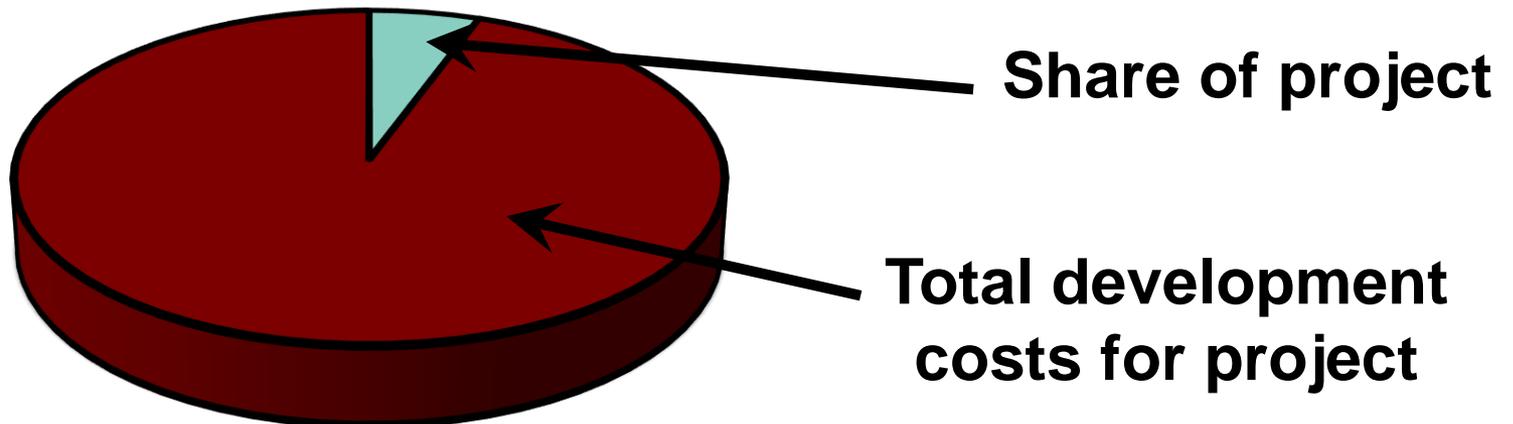


Project Concept:

Multifamily detached housing cooperative



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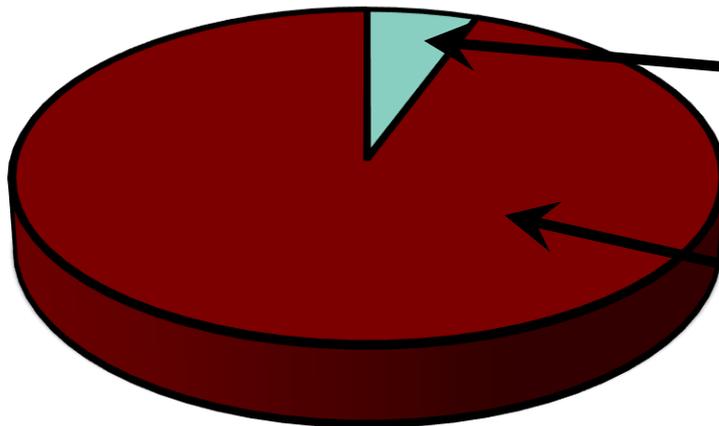


Project Concept:

Multifamily detached housing cooperative



- Cooperative will own land, homes, and improvements
- Buyers purchase shares
- Shares are valued at 1/17 of total development cost (TDC)



Share: \$131,804*

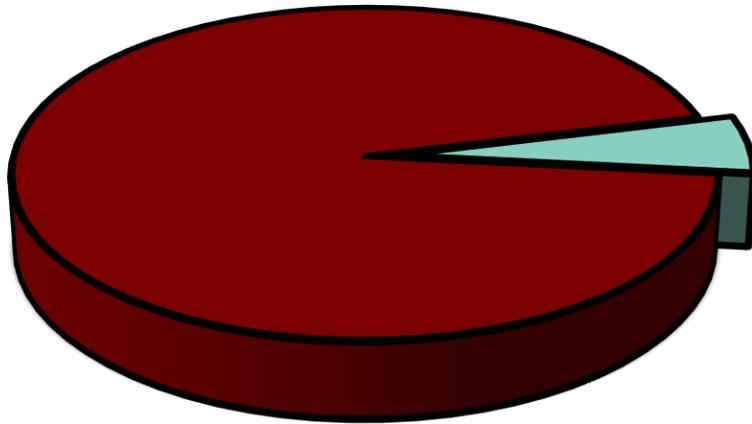
TDC: \$2.24 MM*

**Preliminary estimates only; share value nets out City contribution to project.*

Project Numbers:

Shares: Variable levels of equity and financing

**Share value:
\$131,804***



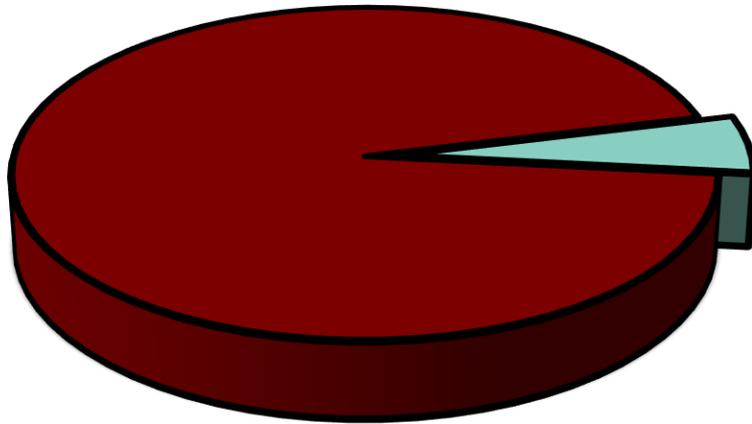
Equity	\$10,000
Master mortgage:	\$121,804

**Preliminary estimates only; share value nets out City contribution to project.*

Project Numbers:

Shares: Variable levels of equity and financing

Share: \$131,804*



Downpayment: \$10,000

Monthly: \$ 1,150

Utilities: \$ 105

Water/sewer: \$45

Elec/gas/

Internet: \$60

**Preliminary estimates only; share value nets out City contribution to project.*

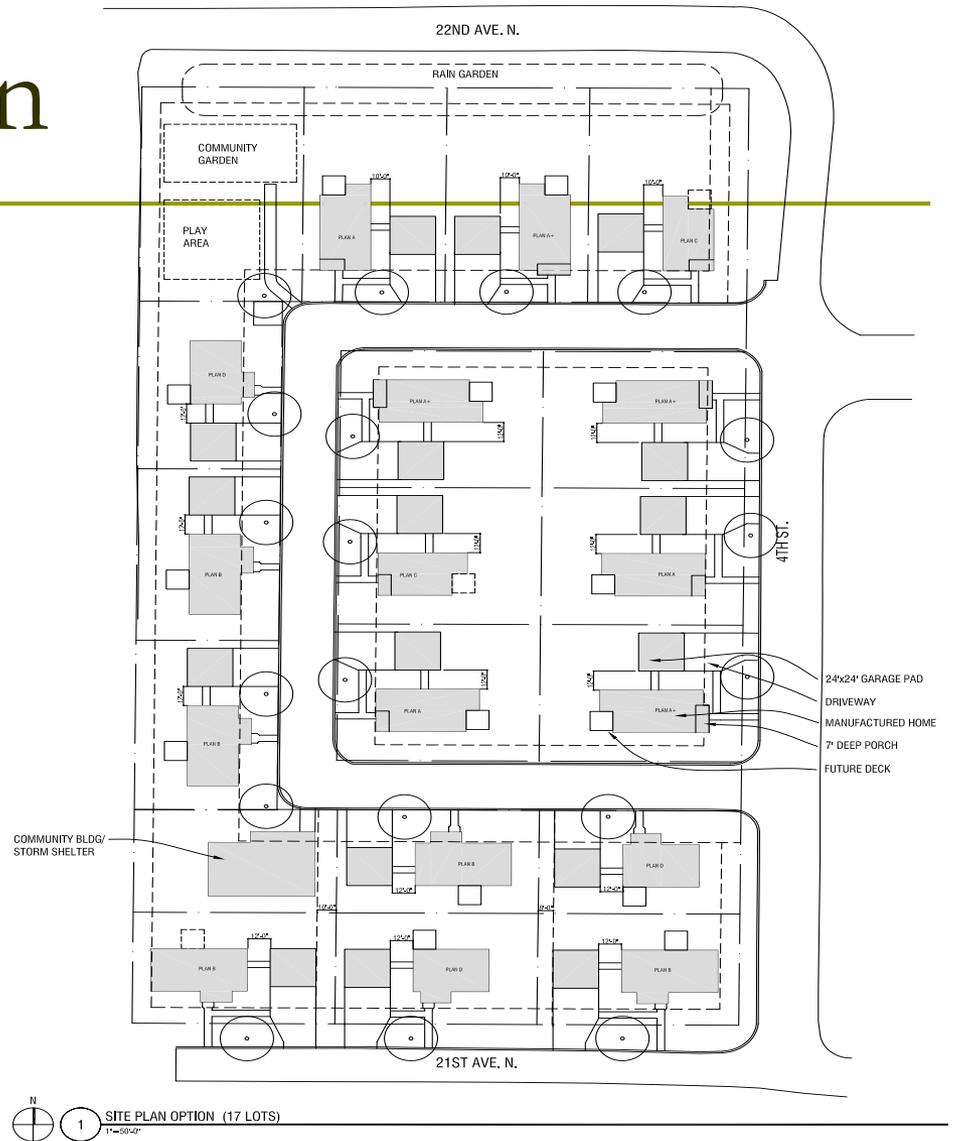
Project Concept:

Minnesota Statute 308B



- Permits two classes of memberships:
 - Patron members (resident-beneficiaries of project)
 - Non-patron members (project sponsors)
- Patron-members play active role in governance
- Non-patron members act as a passive member of cooperative, retaining veto power over some decisions that the cooperative could otherwise make

Updated Site Plan



Notes on Site Concept

1. Pitch is still under discussion; site plan shows 5/12.
Evaluating aesthetics and cost savings of 3/12 pitch.
2. Current thinking: slab-on-grade home design.

Aerial view



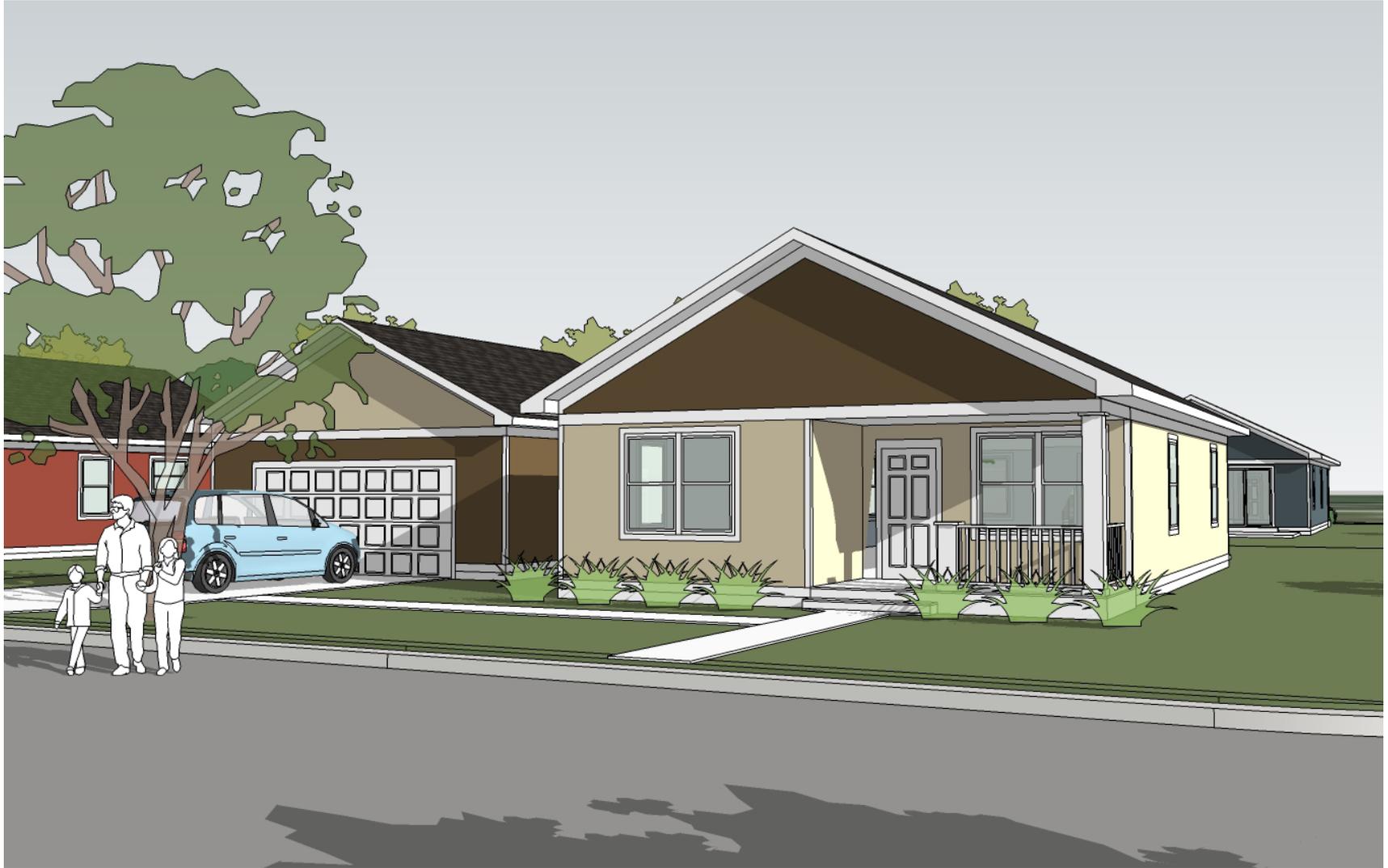
Entry corner



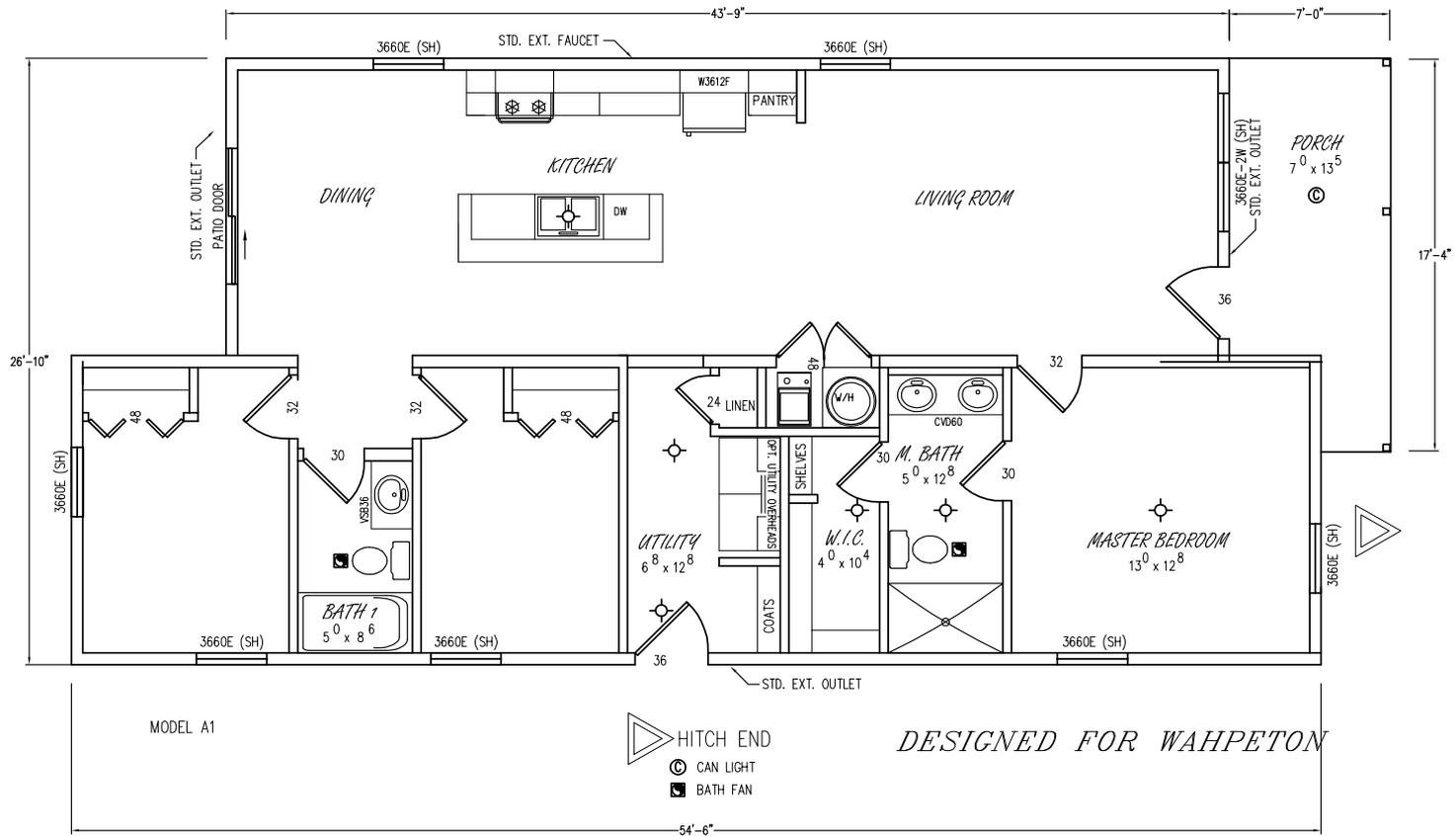
Play area and community garden



Example house – Plan A



House plan A2



Maxfield Research findings

Target price point:	\$110K to \$150K
Market demand: So capture rate of 14%	119 buyers
Profile:	First-time homebuyers, seniors
Typical Wahpeton buyer of new single-family home purchases a home for:	\$213,000
10% down	\$21,000
Monthly payment	\$1,400 to \$1,500 / mo

Example buy-in levels

2-BR UNIT

Equity Level	Monthlies
\$10,000	\$1,070
\$30,000	\$950
\$50,000	\$855
\$80,000	\$740

3-BR UNIT

Equity Level	Monthlies
\$10,000	\$1,180
\$30,000	\$1,075
\$50,000	\$955
\$80,000	\$765

Monthlies include debt service, taxes, insurance, management, maintenance, operations.

Proposed Resale Formula

Maximum equity gain

Formula:

- (1) Initial equity level
- + (2) 1% of share value (Avg \$131K) annually
- + (3) Principal reduction attributable to their debt service payments during occupancy

Total maximum sales proceeds upon resale*

* Subject to market demand.

Maximum resale value by formula*

Initial Equity Level	Year 2	Year 4	Year 6	Year 10
\$10,000	\$12,620	\$15,240	\$17,860	\$ 26,700
\$30,000	\$32,620	\$35,240	\$37,860	\$ 43,100
\$50,000	\$52,620	\$55,240	\$63,100	\$ 76,200
\$80,000	\$82,620	\$85,240	\$93,100	\$106,200

* Subject to market demand.

Potential share lenders

- National Cooperative Bank (Washington, DC)
- Shared Capital Cooperative (Minneapolis, MN)
- Bremer Bank (Wahpeton, ND)
- Others

Project Status:

PRELIMINARY - SUBJECT TO CHANGE

Next Steps

- Choose builder based on pricing APRIL 2016
- Write disclosure statement / declaration
- Prepare organizational documents APRIL 2016
- Develop marketing plan MAY 2016
 - Identify marketing staff
 - Collateral
 - Model home
- Review project with lender JUNE 2016
- Secure predevelopment financing JUNE 2016
- Place model home JULY 2016

Project Status:

PRELIMINARY - SUBJECT TO CHANGE

Next Steps

- Marketing period JULY – OCTOBER 2016
- Presales threshold achieved OCTOBER 2016
- Home installation NOV – FEB 2017
- Move-in! FEB 2017

Project Numbers

PRELIMINARY - SUBJECT TO CHANGE

Uses

Subtotal

Per unit

Homes	\$1,106,768	\$65,104
Transport, installation, site preparation	\$324,700	\$19,100
Garages	\$260,185	\$15,305
Community center / shelter	\$80,000	\$4,706
Land / infrastructure	\$250,000	\$14,706
Soft cost allowance	\$263,745	\$15,541
Community house/reserves	\$285,273	\$16,781
TOTAL DEVELOPMENT COST	\$2,490,671	\$146,510

Project Numbers

PRELIMINARY - SUBJECT TO CHANGE

Sources

Subtotal

Per unit

Minimum member equity	\$170,000	\$10,000
City contribution	\$250,000	\$14,706
Financing	\$2,070,672	\$121,804
TOTAL SOURCES:	\$2,490,672	\$146,510

Project Numbers

PRELIMINARY - SUBJECT TO CHANGE

Sources

Subtotal

Per unit

Minimum member equity	\$170,000	\$10,000
Financing	\$2,070,672	\$121,804
TOTAL NET SOURCES:	\$2,240,671	\$131,804

Project Numbers

Operating Budget

PRELIMINARY - SUBJECT TO CHANGE

Property taxes	\$ 45,000
Insurance	\$ 20,000
Management / bookkeeping	\$ 8,000
Repairs / maintenance	\$ 8,000
Third party review / tax filing	\$ 2,100
Legal	\$ 1,000
Office supplies	\$300
Water / sewer	\$ 9,180
Electric / gas	\$ 2,400
Internet / phone	\$ 1,000
Miscellaneous	\$ 1,200
<u>Reserves</u>	<u>\$ 5,500</u>
TOTAL OPERATING AND RESERVES:	\$103,680

Project Numbers

PRELIMINARY - SUBJECT TO CHANGE

Revenue Analysis

ASSUME \$10,000 BUYER

Revenue:

Monthly Carrying Charges	\$1,160
Number Of Sites	17
Gross Monthly Income	\$19,720
Water/sewer income (assume 90% recovery)	\$689
Less Vacancy Loss (2%)	\$(408)
Less Collections Loss (2%)	\$(394)
Gross Effective Monthly Income:	\$19,606

Annual Cash Flow Analysis:

Gross Effective Annual Income	\$235,271	
Less: Operating Expenses	103,680	
NOI:	131,591	
Less: Debt Service	109,860	<u>DCR</u>
Surplus & Debt Coverage Ratio:	<u><u>\$21,731</u></u>	1.20%

Q & A

