



Housing for Health Fund

A real estate equity fund dedicated to preserving affordable housing in a health-focused way throughout northern California



LE P. BE ABU • EDUCIES
2020

PRENTICE HALL
WORLD GEOGRAPHY
BUILDING A GLOBAL PERSPECTIVE

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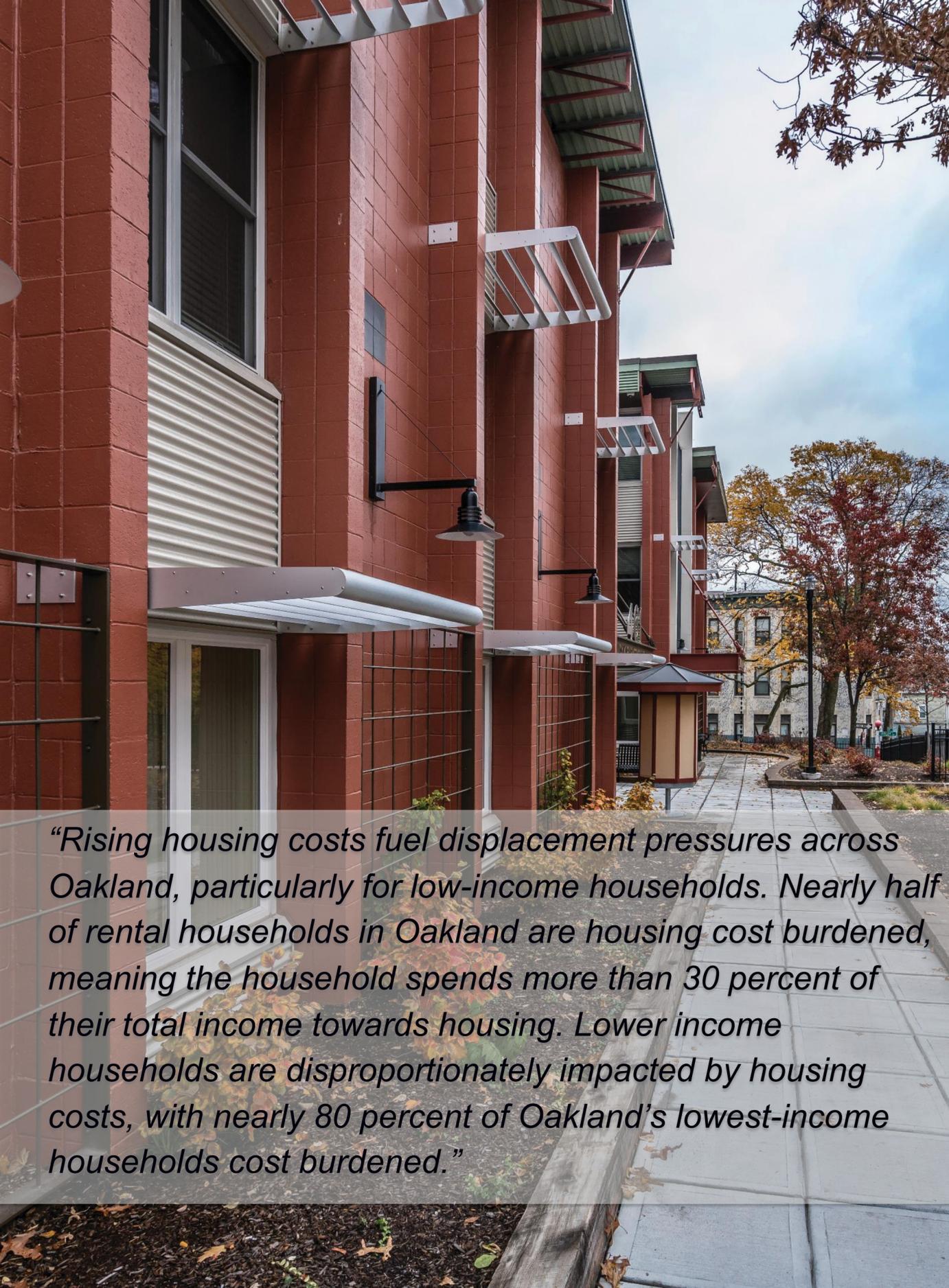


Investment Case Study



Health Action Plan





“Rising housing costs fuel displacement pressures across Oakland, particularly for low-income households. Nearly half of rental households in Oakland are housing cost burdened, meaning the household spends more than 30 percent of their total income towards housing. Lower income households are disproportionately impacted by housing costs, with nearly 80 percent of Oakland’s lowest-income households cost burdened.”

THE CHALLENGE

Every year, over half a million affordable homes are lost across the United States

- Aging buildings and value-add conversions are leading drivers of declining stock.
- Public funding for affordable housing is a scarce resource that cannot satisfy the demand.
- Traditional private capital focuses on financing market rate housing.
- Low-income populations suffer disproportionately from chronic health problems including asthma, toxic stress and other negative health effects of living in poorly constructed, substandard housing, and inequitable, disinvested communities.

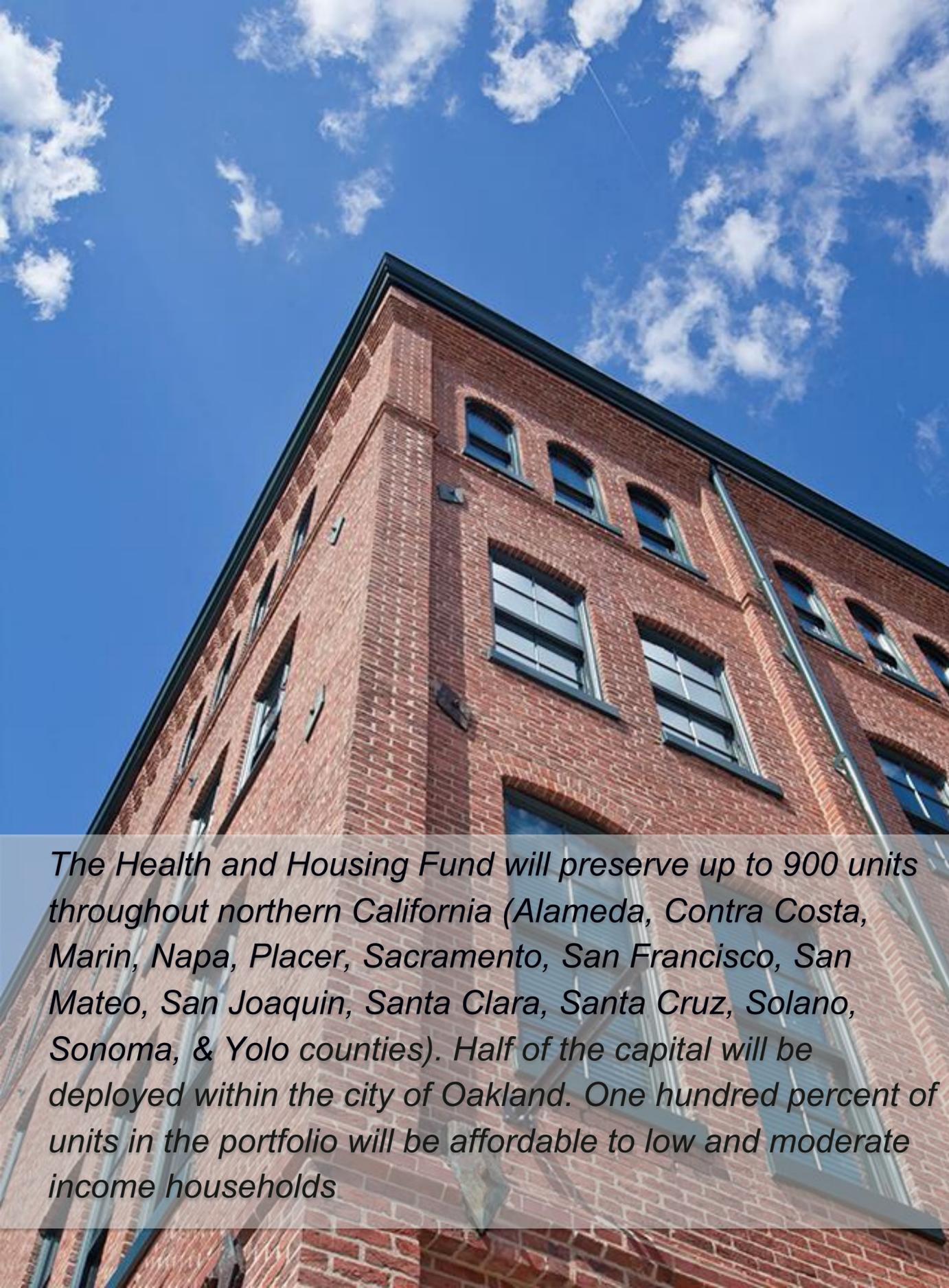


“We have been learning over the years that homelessness and inadequate housing are major health issues. We know that safe and stable housing is a key determinant for both physical and mental health. And really, without a place to live, it’s pretty much impossible for a person to take care of their basic health needs.” - Bechara Choucair, physician and chief community health officer, Kaiser Permanente.

OUR RESPONSE

Enterprise is mobilizing investors, developers, and service providers to preserve & improve affordable stock.

- Provide acquisition capital with modest return requirements.
- Joint-venture with experienced, mission-driven developers.
- Renovate to improve the physical condition for the long-term.
- Implement programs & policies to improve health outcomes and quality of life for residents.



The Health and Housing Fund will preserve up to 900 units throughout northern California (Alameda, Contra Costa, Marin, Napa, Placer, Sacramento, San Francisco, San Mateo, San Joaquin, Santa Clara, Santa Cruz, Solano, Sonoma, & Yolo counties). Half of the capital will be deployed within the city of Oakland. One hundred percent of units in the portfolio will be affordable to low and moderate income households

PRODUCT TERMS

Housing for Health Fund

Eligible Sponsors:	Not-for-profit and for-profit housing developers with substantial experience, financial strength, and a track record in affordable housing.
Eligible Projects:	Preservation projects that are: <ul style="list-style-type: none">• Market Affordable (<80% AMI)• Year 10+ LIHTC• Project-Based Section 8
Target Project Cost:	\$5 million - \$50 million <ul style="list-style-type: none">• 50% - 80% Private Debt (Bank, Agency, HUD)• 20% - 50% Equity Capital (HFHF & Sponsor)• Soft Financing Encouraged
Investment Structures:	<ul style="list-style-type: none">• Joint Venture Equity• Preferred Equity• Mezzanine Debt
Target Returns:	<ul style="list-style-type: none">• 8% overall IRR (includes cash and residual)• Tolerance for low cash / cash returns (3 – 5%)
Term of Investment:	1 – 10 Years
Social Impact Strategy:	<ul style="list-style-type: none">• Long Term Preservation• Energy Efficiency & Life Safety Improvements• Health Action Plan Required• Annual Resident Surveys

INVESTMENT CASE STUDY

Kensington Gardens

- Joint venture equity investment w/ EBALDC, one of the central partners in creating the Housing for Health Fund.
- Preserves and improves 41-units of market affordable housing in Oakland's San Antonio neighborhood.
- Acquisition includes an adjacent parcel of parking garages that has future development potential.
- Rehab budget of \$32k per unit capitalized as part of project financing.
- Financing restricts affordability to 80% AMI on a going forward basis and qualifies for welfare tax exemption.
- Target exit is a syndication with new low-income housing tax credits in 10-years or sooner.



INVESTMENT CASE STUDY

Kensington Gardens

Overview:

Property Type:	Market Affordable
Number of Units:	41
Business Plan:	<ul style="list-style-type: none"> -Restrict units at < 80% AMI to preserve affordability in a rapidly increasing market. -Obtain property tax exemption to reduce operating expenses. -Make critical physical investments to ensure long term viability of property. -Leverage using First Republic, fixed-rate debt with interest only to ensure strong cash flow.

Source & Uses:

Purchase Price:	\$8,700,000	\$212,195
Renovations:	\$1,321,184	\$32,224
Soft Costs:	\$943,822	\$23,020
Sponsor Acquisition Fee:	\$758,283	\$18,495
Escrows:	\$52,500	\$1,280
Total Uses:	\$11,775,789	\$287,214
Fannie Mae Debt:	\$5,460,000	\$133,171
Sponsor Equity:	\$315,789	\$7,702
Investor Equity:	\$6,000,000	\$146,341
Total Sources:	\$11,775,789	\$287,214

Operating Proforma:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Total Income:	\$795,557	\$841,578	\$889,402	\$939,092	\$990,711	\$1,019,033	\$1,045,861	\$1,072,073	\$1,098,875
Total Expenses & RR:	\$428,374	\$308,298	\$439,614	\$452,127	\$465,003	\$478,255	\$491,894	\$505,930	\$520,375
Net Operating Income:	\$367,183	\$533,280	\$449,789	\$486,965	\$525,707	\$540,778	\$553,967	\$566,143	\$578,500
Debt Service:	\$265,295	\$322,319	\$322,319	\$322,319	\$322,319	\$322,319	\$322,319	\$322,319	\$322,319
Distributable Cash Flow:	\$101,888	\$210,961	\$127,470	\$164,646	\$203,388	\$218,459	\$231,648	\$243,824	\$256,181

Equity Return Analysis:

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Equity Investment:	(\$6,315,789)	\$0	\$0	\$0	\$0	\$0	\$0	\$1	\$2	\$3
Cash From Operations:	\$0	\$101,888	\$210,961	\$127,470	\$164,646	\$203,388	\$218,459	\$231,648	\$243,824	\$256,181
Cash From Disposition:	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,507,421
Net Cash Flow:	(\$6,315,789)	\$101,888	\$210,961	\$127,470	\$164,646	\$203,388	\$218,459	\$231,649	\$243,826	\$10,763,605
Cash-on-Cash Return:		1.61%	3.34%	2.02%	2.61%	3.22%	3.46%	3.67%	3.86%	4.06%
Cash-on-Cash Average:		3.35%								
Overall IRR:		8.22%								



HEALTH ACTION PLAN

For each investment, we will create a Health Action Plan that identifies & responds to community needs.

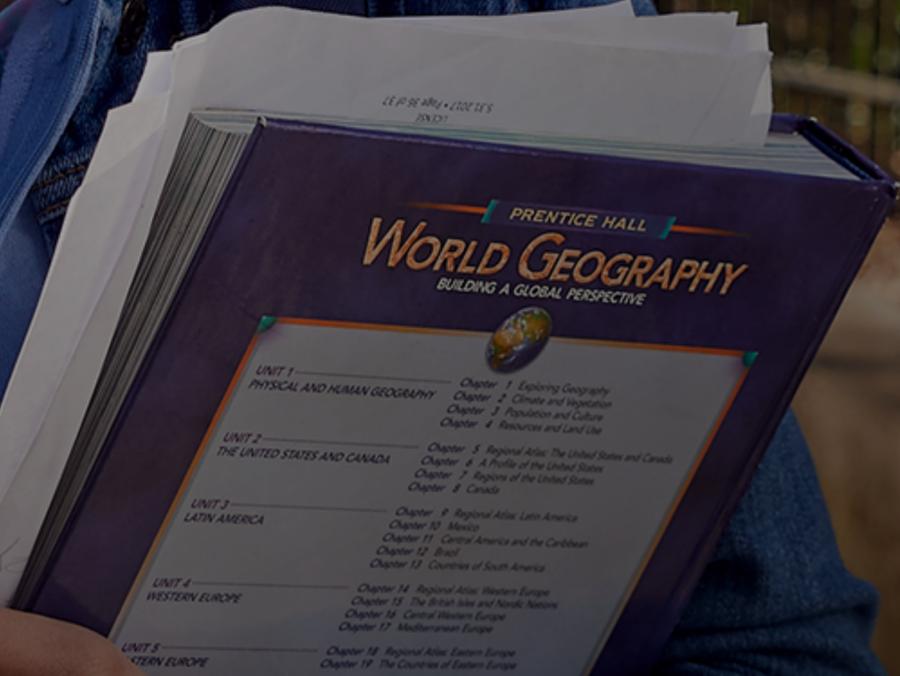
- Launched in 2015 as part of *Enterprise Green Communities*, the Health Action Plan is a framework that equips developers renovate and operate in ways that support resident stability, quality of life and measurable health improvements.
- A public health professional will collect and analyze data, survey residents, then work with the developer to develop tailored solutions. Fund Management fees will cover the costs.
- Throughout the investment term, Success Measures, an evaluation group affiliated with NeighborWorks America, will monitor progress.
- The Fund will report annually on modifications made to the project in response to the Health Action Plan and the related outcomes.

“As developers, we are not service providers so we don’t think about what kind of a room could be best for delivering services or how a space can welcome people. Before this pilot, we didn’t realize that place and design can intersect to increase the health and wellness of our residents” – Mercy Housing Southeast



Enterprise®

THANK YOU



LE PIRELLA GÖTTSCHE LOWE

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