



More than Housing

Introduction to McDowell County, WV

- McDowell County has ranked last in Education in West Virginia for most of the past decade.
- McDowell leads the nation in overdose deaths from Narcotic pain medications.
- 72% of students live in a household without gainful employment.

The McDowell Story

http://link.brightcove.com/services/player/bcpid599526925001?bckey=AQ~~,AAAAC3mzbE~,dCIK-jAZidrqIXoP3xP6xVB7vkxQmtW_&bctid=1327863541001

(6.35 is the interview with the Philadelphia teacher's experience with housing)



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FAHE's Scope of Services

Objective: Assess the Financial Feasibility of a
Teacher Village in Welch, McDowell Co., WV

Elements:

- Apartments
- Commercial Space – option
- Rehab of existing structure
- New Construction
- Need versus Demand



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Need

Need

- Rental Housing: Clear need for housing. 90% of teachers surveyed said standard housing needed.
- Commercial space: Unclear need since vacant buildings are in the community



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Demand

Demand

The quantity of a good or service that consumers are willing and **able** to buy at a given price in a given time period.

Need is Evident; Demand is not demonstrated



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Community's Challenge

Assuming first year teachers in McDowell County earn \$37,500, a single person household earns approximately 115% of area median income.

Income limits for subsidy programs such as HOME, LIHTC, AHTF, Section 8, PHA, which are typical resources utilized to develop affordable housing are much lower.

- \$25,850 – 80% of area median income
- \$19,387 – 60% of area median income



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Comparison - Baltimore

In comparison, first year teachers in Baltimore, MD, earn \$43,000, a single person household earns approximately 76% of area median income.

Income limits for subsidy programs such as HOME, LIHTC, AHTF, Section 8, PHA, which are typical resources utilized to develop affordable housing are a little higher.

- \$45,100 – 80% of area median income
- \$33,825 – 60% of area median income



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Comparison

	<u>Welch, WV</u>	<u>Baltimore, MD</u>
Starting salary	\$37,500	\$43,400
30% of monthly income	\$937	\$1,075
Scale	23 units	282 units
Teacher units	23 units	90 units
One-bedroom rents	\$650	\$850 - \$2,200
Two-bedroom rents	\$750	\$1,400-2,500



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Resources Available

Debt – 30 year fixed rate

Equity – Federal and State Historic Tax Credits

Equity – New Market Tax Credits

Grants – To Be Determined



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New Construction – no Commercial Space

Advantages:

- Lower Soft Costs
- Fewer partners needed
- Straight forward transaction

Disadvantages:

- No resources for Equity
- Gap of approximately \$2.5 million



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Rehab with Commercial

Advantages:

- Federal and State Historic Tax Credits generate Equity = 30% net
- NMTC generate Equity = 20% net
- VISIBLE
- Housing and services together

Disadvantages:

- Higher transaction costs
- More players in the transaction
- More complicated
- 30% of revenue from Commercial – demand is uncertain



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Pro-forma

	<u>Apartments</u>	<u>Apartments Commercial</u>
Operating income	\$184,200	\$265,000
Operating expense	\$103,500	\$153,500
Net Operating Income	\$ 80,700	\$111,500
Cash flow	\$ 16,140	\$ 22,300
Available for Debt Service	\$ 64,560	\$ 89,200
	\$ 5,380	\$ 7,433
	\$1,080,000	\$1,500,000



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Development Budget

	<u>Apartments</u>	<u>with/Commercial</u>
Construction Hard Costs	\$2,541,000	\$4,300,000
Soft Costs	\$ 505,000	\$1,800,000
Contingency	\$ 250,000	\$ 927,000
Fees	\$ 300,000	\$ 700,000
Total Development Costs	\$3,596,000	\$7,727,000



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Financing Gap

Apartments with/Commercial

Total Development Costs	\$3,596,000	\$7,727,000
Debt Service	\$1,080,000	\$1,500,000
Equity - federal historic	\$	\$1,290,000
- state historic	\$	\$1,330,000
- NMHTC	\$	\$1,500,000
Gap Needed	\$2,516,000	\$2,107,000

New Construction - no Commercial Space

Toms Mountain Road

- 10 foundations in place
- Not visible - outside of city

Downtown

- limited parking available
- additional cost of demolition
- McDowell Street – located in 100 year flood plain.
- Vacant lot across from Martha H. Moore Riverfront Park – located in 100 year flood plain – currently DMV parking lot.

New Construction - no Commercial Space

Downtown:

- limited parking available;
additional cost of demolition
- Vacant buildings, McDowell Street – located in 100 year flood plain – parking on bottom; units on upper floors



New Construction - no Commercial Space

Downtown:

- limited parking available; additional cost of demolition
- Parking lot across from Martha H. Moore Riverfront Park – located in 100 year flood plain – currently used by DMV





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Rehab with Commercial

Best Furniture Building

- Wyoming Street
- Six floors including basement
- Working elevator
- Located out of the 100 year floodplain
- Potential for historic credits and new market tax credits



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Rehab with Commercial

Merchant and Miners Bank Building/Peoples Bank/Rhodes Realty

- Located in 100 year floodplain
- All smaller than Best Furniture Building
- Elevator needs would have to be evaluated



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Merchant's Bank Building

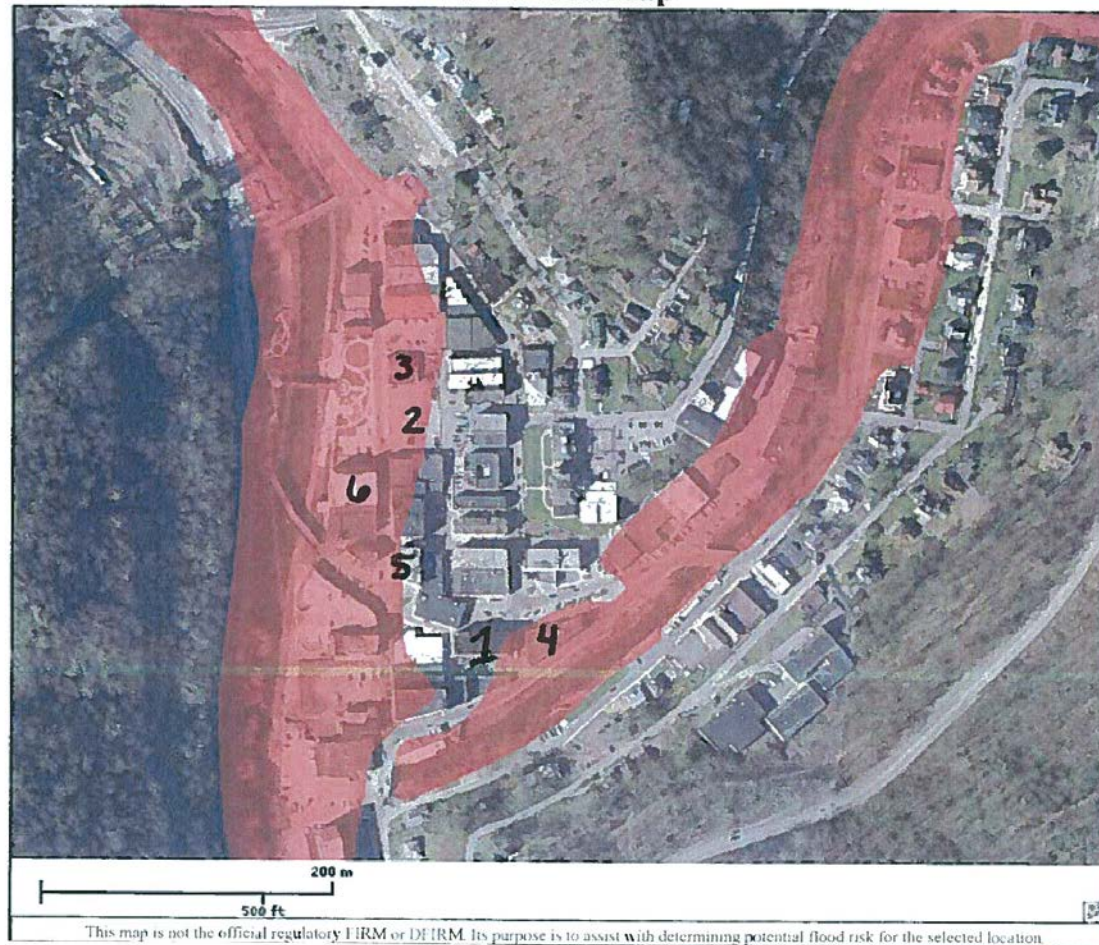




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Further Challenge

WV Flood Map





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Housing Plus Education

Hillary Clinton mentions Reconnecting McDowell at the CGI in Chicago in June.

"In a place like McDowell County, West Virginia, the problems didn't start with the latest recession and no single program or investment is going to turn things around. The schools, jobs, infrastructure, public health, it's all connected, and you have to work on all of them at the same time. That's what this new partnership is designed to do," Clinton said.

"In a larger sense, that's what CGI [Clinton Global Initiative] America is designed to do, too. To bring together the best ideas, wherever they come from, to find the most innovative solutions and most committed partners, to take on our country's biggest challenges in an integrated, collaborative way."



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Housing Plus Education

Reclaiming the Promise in Public Education

<http://www.youtube.com/watch?v=HZb2SEJoQA8>

(5 minute version)

(Fast-forward to 3:48 for Hillary Clinton segment)

<http://www.youtube.com/watch?v=rb8htdQv0rc>

(2 minute version)

(outlines AFT's vision for public education)



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Housing Plus Education

If AFT, with FAHE as a partner in Reconnecting McDowell, can make a positive move in education attainment for it's youth by providing housing for young teachers wiling to commit to McDowell County, FAHE will be a part of something that can be replicated across the country in rural communities. We have an opportunity to be part of some very important work that will challenge us, cultivate new opportunities, and continue our goal of strengthening communities.

Thank you!