



Voyager Pacific High Yield Fund III, LLC

AFFORDABLE HOUSING

Can a Developer Do Good and Do Well?



Voyager's principals believe diverse and affordable housing is a key to creating and sustaining thriving communities. Almost every US community has concerns about the creation, expansion and retention of high-quality housing affordable to families, seniors and individuals. Every state, county and local governmental or private organization has its own reasons to support "affordable housing", all of which support the concept that economic diversity is good for the community as a whole.

The federal government, state governments and communities large and small have developed strategic plans to address affordable housing needs, often at great time and expense. The initial planning phase attempts to be highly inclusionary. Project proposals are often costly and time consuming, but the actual affordable units produced, preserved and enhanced are often less than satisfactory. Alternatively, in the Boston–Washington D.C. corridor there is an enormous amount of older multi-family housing that is in disrepair, yet is close to major employment centers, such as educational and medical institutions whose employees are firmly anchored to their communities (i.e., Eds and Meds) and near public transportation. This abundant housing stock is often ripe for timely development of affordable housing.

Historically, the principles of Voyager have approached affordable housing pragmatically and are not committed to any single strategy but contend that a developer can do good and do well in this important property segment. The three primary pathways to develop, enhance and or protect this housing resource follow:

1. Develop-renovate, rehab, restore, reposition and or enhance existing housing stock targeted to meet the needs of families making approximately 80% of area median income, or less.

Lot-by-lot, building-by-building or unit-by-unit, we have made a difference by investing in B and C Class residential multi-family housing in all types of communities. These units are often ready for redevelopment. Properties do not need to be refurbished for millennials with high-end finishes and electric car charging stations. Our decades of experience confirms that improving them for the same population they serve is good business. Favorable effects of this strategy include:

- ✓ *nearly 100% unit occupancy*
- ✓ *low bad debt losses*
- ✓ *in demand on-site parking*
- ✓ *higher laundry revenue from previously small or non-existent laundry rooms*

Our team endeavors to develop these buildings for the existing tenant population which results in an improved quality of life including:

- a. Cleaner and safer building entrances, parking and trash areas
- b. Cleaner, safer and cosmetically improved common areas such as hallways
- c. Particular attention is paid to laundry facilities: well-lit laundry rooms, newer machines, folding tables, flat screen televisions and reasonable washer and dryer pricing
- d. Continuing to accept cash payments, or other alternative methods of payment, for rent rather than requiring money orders which often add 5-10% to the tenants' housing expenses
- e. Upgraded heating facilities, often individually controlled by tenants
- f. Amazon package delivery systems

- g. Cost savings associated with heating, lighting and utility upgrades.
- h. An additional benefit is offering rent payment lotteries for tenants who pay on time each month during the year. Each tenant that pays rent on time is eligible for a January lottery drawing for a free month. Usually, one free month is offered for each 50 units in the building (i.e., buildings <50 units equal one free rent winner, 50-100 unit buildings equate to 2 free rent winners, 101-150 unit buildings translate to 3 free rent winners). The free rent lottery accomplishes two important goals for us as the landlord for a minimal cost:
 1. Rents are paid on time, and
 2. cash rents are always reported as the tenant has a greater incentive to make sure the management office knows they paid.

2. Participate in an established affordable housing program.

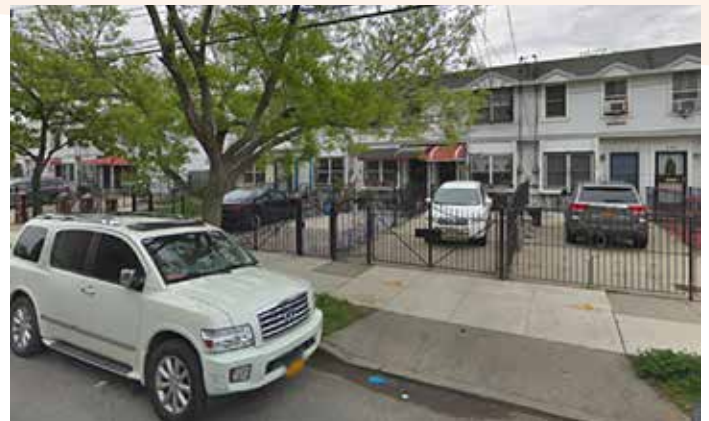
Our team built and sold 148 single family homes in the Coney Island section of Brooklyn as part of a program established by the non-profit group the New York City Housing Partnership (the "Partnership"). With a mission of facilitating the development of 5,000 affordable housing units in NYC per year, the Partnership assists in the development, promotion, and revitalization of affordable homeownership and rental housing through specialized programs and services. It reportedly has been instrumental in creating affordable homes for over 60,000 homes during the last 35 years.

Pros: This is a great program. Developers are removed from the politics of the process. There is one stop shopping for developers as the Partnership acquires land, primarily from NYC, bundles grants and subsidies and selects developers for its projects.

Cons: Many firms participate in the Partnership's programs making getting selected highly competitive. Moreover, the timing of a program may not coincide with the schedule of the developer and the firm's other projects. The neighborhood that is selected for development may be one in which the developer has no experience, contacts or can access easily. The availability of land, grants, subsidies and developer selection is affected by a number of elements, including political considerations outside of the developer's direct control. In our case, being headquartered outside of New York City, at the time of the project, may have made it more difficult to be selected.

Coney Island IV Project Summary

We successfully developed this project after being designated the developer by the Partnership. Working with a local non-profit, Astella Development, the homes were marketed to families making <80% of NYC median income adjusted for family size. Voyager typically targets SFR and MFR "Workforce Housing" opportunities where occupants make between 60% and 80% of household median income. The project contained one large, centrally located site and many small sites, scattered over an approximately 15 block area. We arranged for its own construction financing, with permanent mortgage lenders, familiar with the Partnership program, providing a streamlined application and loan approval process for the applicants.





3. Create an affordable housing program for a community or group

For example, our team built, developed and sold 32 townhouses on 3 acres of land in Dobbs Ferry, NY. The property was owned by a local volunteer fire company which contributed the land to the development in exchange for a priority to purchase the housing when completed. We applied for and obtained state and county grants for qualified median income purchasers. The project was completed in eighteen months from initial planning to unit closings.

Obtained all necessary approvals including:

- ✓ Local Planning, Engineering, Architectural Board of Review, and Wetlands
- ✓ Long form Environmental Assessment Form (EAF)
- ✓ State Historic Preservation Office (SHPO) clearance due to proximity to the Croton Aqueduct, a historic structure
- ✓ After unearthing seashells during excavation, was required to perform an archeological dig to clear the path for construction
- ✓ An infrastructure grant from Westchester County for site work
- ✓ A New York State Affordable Housing grant of \$30,000 per unit for purchasers making <80% of Westchester County median income
- ✓ Prepared and obtained all necessary approvals from the NY State Attorney General's office for the Cooperative Offering Plan





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