

Hello,

Home Allies is requesting that the grant period for the 913 & 915 Duff Avenue Studio Apartments be extended to June 30, 2024 due to adverse financial conditions that have faced the Story County construction market since the grant was approved in May 2021. We are ready to break ground as soon as we have a commitment from a lender. The apartment should be ready for occupancy 60 to 90 days after, depending on material and labor availability,

Background:

The general contractor and owner of the two lots was estimating 20 months ago the acquisition price at \$150 to 175 per square foot - approximately \$750,00 to \$1 million total cost. Supply chain delays were seen as the major factor affecting cost. Home Allies contacted a construction expert at Iowa Finance Authority to ask if the estimate per square foot represented a fair market price. We were told that builders who had projects already in the works were starting to see costs around \$187 per square foot. The local bank we contacted quoted us a mortgage rate around 5.5 to 6% at a 20-year amortization with a 5-year call, but said that the underwriters wanted proof of ability to make three-years of payments by a combination of having signed leases, guarantees from known agencies and cash reserves. They also preferred a loan to value ratio around 60%. Of course, all expenses, including the mortgage payment and utilities, must be covered by the fair market rate allowed by HUD. The original rent amount used was \$670 per month per unit and there was not a problem meeting this requirement,

Home Allies continued fundraising around these parameters.

After receiving the Story County Housing Trust grant of \$83,916, Home Allies received grants of \$25,000 from the City of Ames (for construction), \$68,299 from Story County, Iowa (construction and rent subsidies), \$5,000 from Mary Greeley Medical Center (general expenses), Kiwanis Club of Ames (\$1,250 construction), and \$10,000 Gannett Foundation (Construction) plus \$52,000 in cash donations and pledges. Two other entities responded to our grant applications with statements saying they would be likely to give us grants totaling around \$15,000 once we begin construction and Lowe's provided us appliance pricing equal to about a 30% price reduction.

On March 8, 2022, the Ames City Council approved our site plans. The approval is good until March 7, 2024. We can request an extension.

On March 12, 2022 the Federal Reserve increased the prime interest rate, the rate it lends money to commercial banks, from 0.25% to 0.50%. It was the first increase since 2019. Last Wednesday, the Federal Reserve's prime rate rose to 5.25%. This was the 10th consecutive increase. The increased costs of borrowing have driven construction material and labor costs up, lengthened delays associated with supply chain issues and hampered sub-contractors' willingness to guarantee quotes on projects that won't break ground right away.

The general contractor/lot owner is now asking Home Allies to get a commitment letter from the bank for a project cost of up to \$1.3 million. The local lender is now quoting 8% mortgage rate at a minimum. The term would still be 20-year amortization with a 5-year call and is willing to look at lending up to 80% of the value. The lender will also consider an interest rate buydown to 6% for payment of a 2% fee (\$20,000 upfront). These terms increase the monthly expenses, including mortgage and utilities, to just over \$9,000 per month. The 2022 HUD fair market rate is about \$7,500 per month, so Home Allies is working on finding a revenue source to pay the difference. One option being considered is acquisition of

the Days Inn motel for use as a combination shelter and weekly or monthly leased low-income efficiency units plus low-cost per-diem motel rooms for special event periods in Ames.

Consumer prices have also risen, shaking likely donors' confidence and making fundraising for non-profit capital projects like ours more difficult. Two months ago, the Ames City Council approved Home Allies's request for an additional \$10,000 grant so that the city's percentage of participation in our project remains the same. Their \$35,000 total commitment is good through June 30, 2024. Home Allies would use the announcement of the SCHT grant extension as a focal point for another community fundraising campaign and apply for more grants. Some financial experts are also predicting that interest rates will drop this fall.

We have no pending bills or committed funds. However, we do want to recoup 10% of the \$15,000 cost of the architects' design and site plan work from the SCHT. We did not realize that was allowed at the time we filed for the 2021 grant.

Thank you,

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Home Allies creates affordable and attainable housing for people whose incomes and life experiences increase their risk of housing instability and homelessness.

501(c)(3) non-profit organization

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To donate online: [PayPal.Me/homeallies](https://www.paypal.com/paytohomeallies)

To donate by check: 1705 Buchanan Dr., Ames, IA 50010