

THOMAS DEVELOPMENT



MARKET-RATE HOUSING IN THE INNER-MOUNTAIN WEST

by Pasha Carroll

THOMAS DEVELOPMENT BUILDS FOR people who are disenfranchised from the real estate market, primarily young and meagerly paid professionals and senior citizens.

Tom Mannschreck, owner of Thomas Development—“because Mannschreck was too long to put on business cards”—is satisfied in the niche, building affordable housing. Mannschreck’s interest in the vocation was piqued when his second development sold as a Section 42 property, which earns a Low-Income Housing Tax Credit (LIHTC).

“I got to know about the program and whom it benefits,” Mannschreck

says of why he builds public-sector housing. During his 17 years in business, Mannschreck has been touched by people who call his complexes home.

He remembers when a single mother of two approached him at an apartment community he developed. She began to cry and told Mannschreck, “I have never lived in a nicer place,” he recalls. “That is when this work is really gratifying,” he adds.

Most of the people who live in a Thomas Development apartment—Mannschreck only develops rental units—earn no higher than 60 percent of the area median gross income

Above: View of the Devon Senior Apartments, Twin Falls, Idaho



“ WE WANT TO MAKE SURE PROPERTIES HAVE GOOD, STRONG CASH FLOW AND CREATE REASONABLE RETURN TO THE OWNER AND INVESTORS. ”

—Tom Mannschreck, Owner

Above: Berkshire Family Apartments' play area, Nampa, Idaho; Tom Mannschreck, Thomas Development owner

(AMGI) for Idaho. Most inhabitants are young families, early in their careers, or professionals whose jobs do not pay much; people in the service industry, schoolteachers, and hospital workers come to Mannschreck's mind.

The typical "Family Community" is comprised of two- or three-story walkups with about 48–90 units, Mannschreck estimates. All one-, two-, and three-bedroom units have central air, gas heat, appliances, outdoor storage, and a patio or deck. Community centers include a business office with free copy and fax machines, computers, and Internet access. "The

families might not have a computer, but the kids can go after school without charge," Mannschreck sympathizes. There is a kitchen and gathering space, "a great place for a birthday party", he suggests. An onsite library and exercise room add to quality of life.

The 40–50 apartments in each "Senior Community" are occupied mostly by single females. The tenants are usually surviving on social security and cannot afford a market-rate apartment, Mannschreck reveals. The units have the aforementioned bells and whistles. In the senior community center, there is a craft room with individual lockers and

a library. Free coffee is always available in the meeting room, where residents have potluck dinners and bingo nights. A community garden off a large patio is wheelchair accessible. "They tend to the garden; we provide the seed," Mannschreck says proudly.

Mannschreck develops affordable housing properties using Section 42 of the Internal Revenue Code. According to the Federal Register, "The LIHTC reduces income tax liability dollar for dollar." The LIHTC is given to each state on a per capita basis. The tax credit is calculated on the construction cost of the development, Mannschreck explains.

"We want to make sure properties have good, strong cash flow and create reasonable return to the owner and investors," Mannschreck says of the equity raised from tax credits. Generally speaking, Mannschreck says, it is approximately \$375–\$750 per



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month for one-, two-, or three-bedroom units.

Job and population growth in Boise are a burden and a blessing. Since Boise has consistently been on the "lists of good places to do business, it has translated into land prices going up," Mannschreck says. It also means higher permit cost, low labor supply, and difficulty finding subcontractors. "Construction prices have leaped 10–15 percent," he says. The rent on affordable housing is determined by the Department of Housing and Urban Development. They have not increased and neither has wage. However, "The tax credit has gone up as well, so it offsets the cost," Mannschreck reasons.

Thomas Development is doing well with the boom. "Sales are up this past year, development is increasing, but we are comfortable with three to four deals per year," Mannschreck confirms.

Currently, Tullamore, a 48-unit senior complex is under construction in Lewiston, Idaho. It has 78 family and 40 senior units. Two more communities are subject for financial approval in 2008, one being a 80-unit family complex in Idaho Falls named Summer Hill and another is a 48-unit senior residence in Chubbuck called Cardona.

Before starting Thomas Development in 1990, Mannschreck was a real estate lawyer in Boise for 11 years. "I decided I wanted to be a business instead of represent them," he says of his career shift. He began the company alone and hired his first employee four months later. Mannschreck has sold 22 of his 28 apartment 18 months ago.

"I have been blessed to have talented, dedicated, hard workers over the years," Mannshreck says of being the sole owner of Thomas Development and only having five employees. "But all the success or lack thereof falls on my shoulders." *APQ*