



# Affordable Housing 101

Opportunities and Challenges in the Development  
and Preservation of Affordable Housing



**DENVER**  
THE MILE HIGH CITY

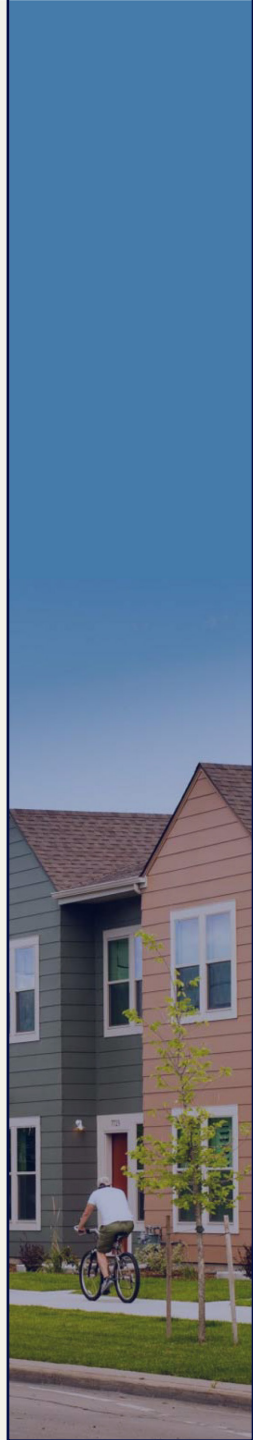
**Ballard Spahr**  
LLP

**CSG** | advisors

Last Updated 4/25/2018

# Table of Contents

- 🏠 Affordable Housing Generally
- 🏠 Definitions & Acronyms
- 🏠 Brief History of Affordable Housing Programs
- 🏠 Fair Housing
- 🏠 Key HUD Programs
- 🏠 Key Players in Affordable Housing
- 🏠 Financing Tools
- 🏠 Highlighting Local Tools and Programs: Denver



# Affordable Housing Generally Limited Affordable Housing Stock in the US

72% of extremely low income renter households pay more than half of their incomes on rent and utilities.

There is a shortage of more than 7.2 million affordable rental homes. Only 35 affordable rental homes exist for every 100 extremely low income renter households.



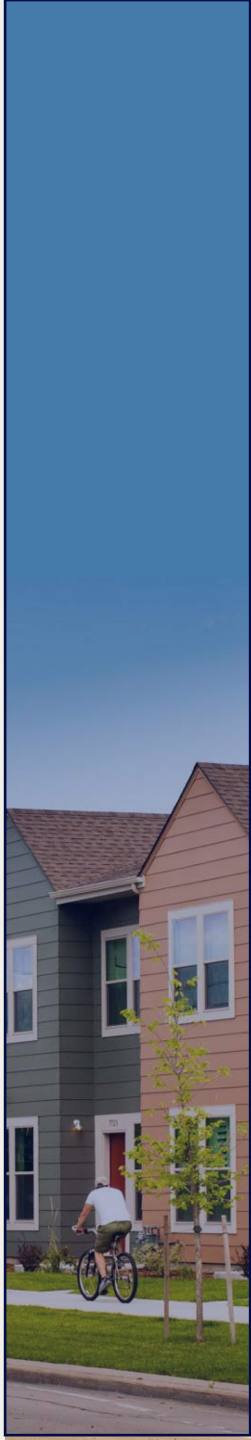
35



100



Source: National Low Income Housing Coalition, "The Gap: A Shortage of Affordable Homes 2018"

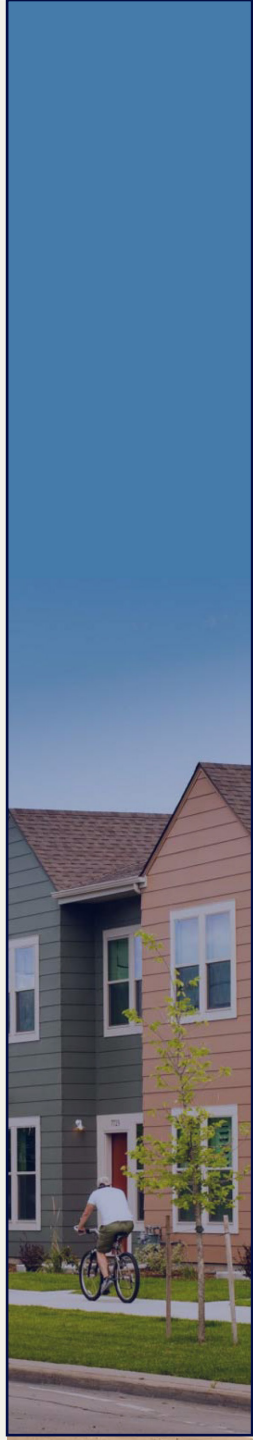


# Affordable Housing Generally

## Who Needs Affordable Housing?

- Families who pay more than 30% of their income for housing are cost burdened.
- An estimated 12 million renter and homeowner households now pay more than 50% of their annual incomes for housing.
- A family with one full-time worker earning the minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the United States.

Source: *HUD.gov*



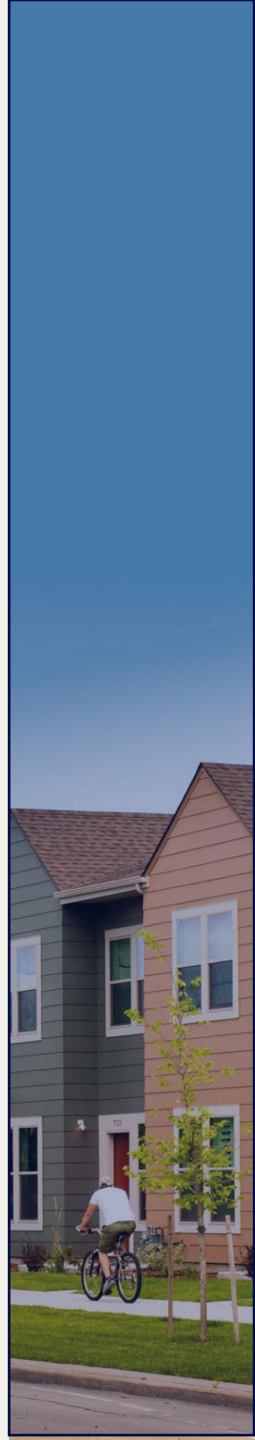
# Affordable Housing Generally

## Who Determines What's Affordable?

- HUD determines the fair market standard using:
  - Decennial Census
  - American Community Census
  - Random Digit Dialing telephone surveys

**HUD establishes income limits for assisted housing every fiscal year.** These income limits are available by family size, and are defined as:

- “extremely low income” (30% of area median income)
- “very low income” (50% of area median income) and
- “low-income” (80% of area median income).



# Affordable Housing Generally

## Who is Eligible for Affordable Programs?

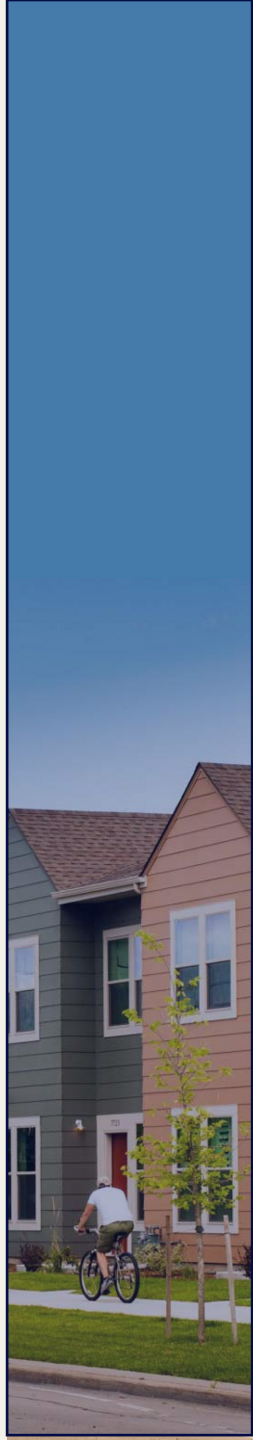


By Income



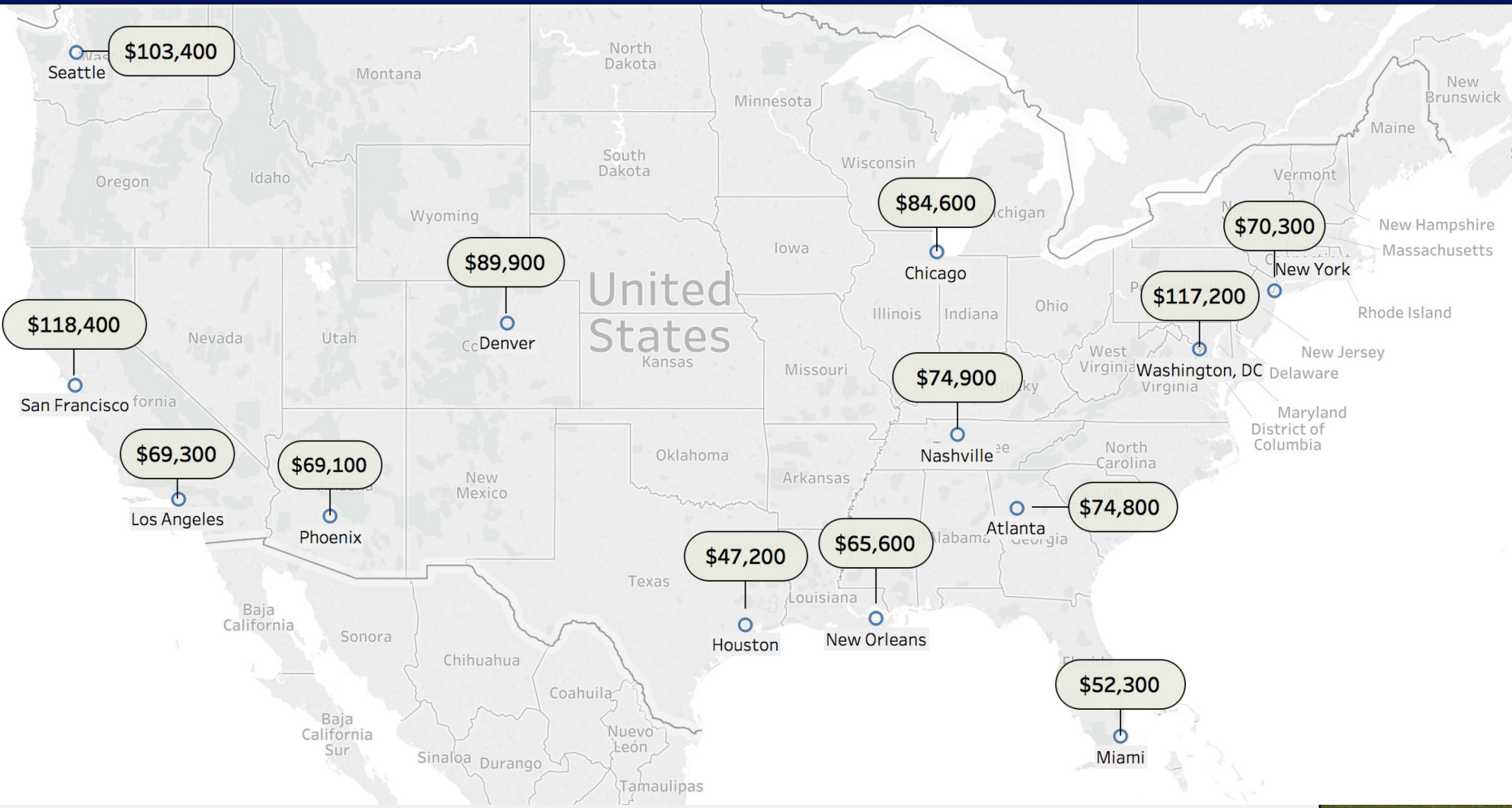
By Tenancy

- **Extremely Low** 0—30% of AMI
  - **Very Low** - 30%-50% of AMI
  - **Low Income** - 50%-80% of AMI
  - **Moderate Income** - 80%-120% of AMI
  - **Middle Income** - 120-250% of AMI
  - **High Income** - 250% and greater AMI
- Homeless Housing
  - Workforce Housing
  - Veteran's Housing
  - Student Housing
  - Special Needs Housing
  - Elderly Housing



# Affordable Housing Generally Affordable to Whom?

## AMI for a Family of Four



# Affordable Housing Generally What do Tenants Pay?



**30%**

of before-tax income spent on  
rent/mortgage + utilities

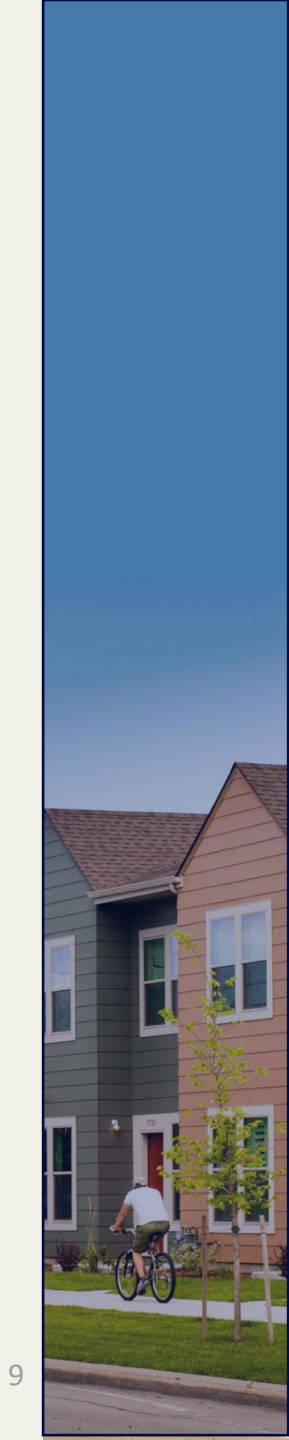
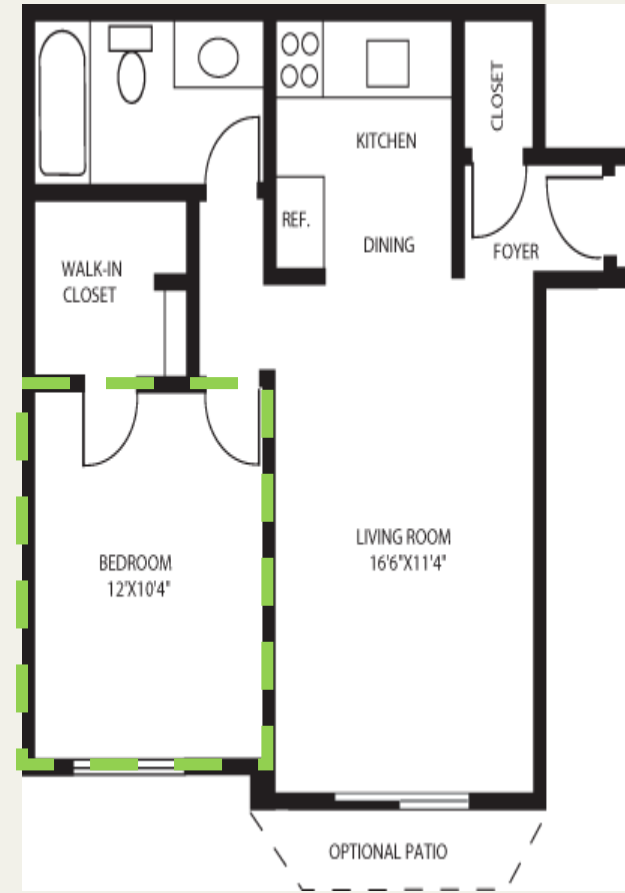




# Affordable Housing Generally Calculating Affordable Rents

In Denver, in a development  
affordable at 30% AMI for a  
**family of one** (\$18,900) an  
affordable monthly rent would  
be

**\$472.50**

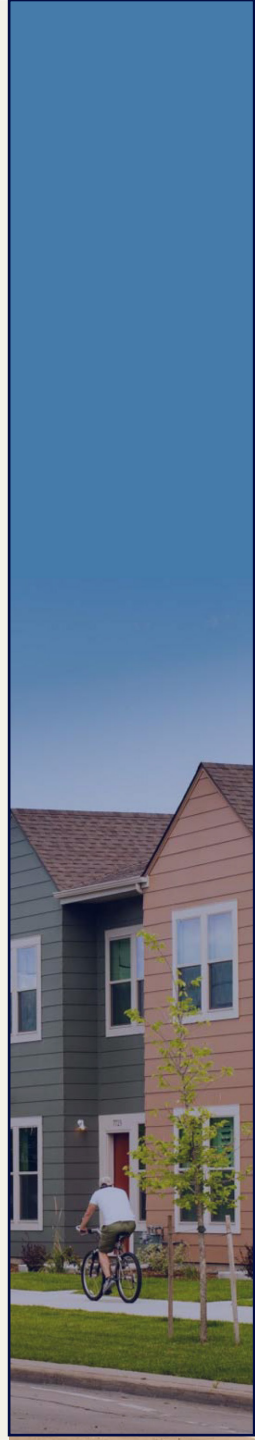


# Affordable Housing Generally Calculating Affordable Rents

In Denver in a development affordable at 60% AMI for a **family of four** (\$53,940) an affordable monthly rent would be



# \$1,348.50



# Definitions & Acronyms

## General

- HUD: Housing & Urban Development
- CNI: Choice Neighborhoods Initiative
- FHLB: Federal Home Loan Bank
- AHP: Affordable Housing Program
- AMI: Area Median Income

## LIHTC

- HFA: Housing Finance Agency
- LIHTC: Low Income Housing Tax Credit
- QAP: Qualified Allocation Plan
- DDA/QCT: Development Areas/Qualified Census Tract

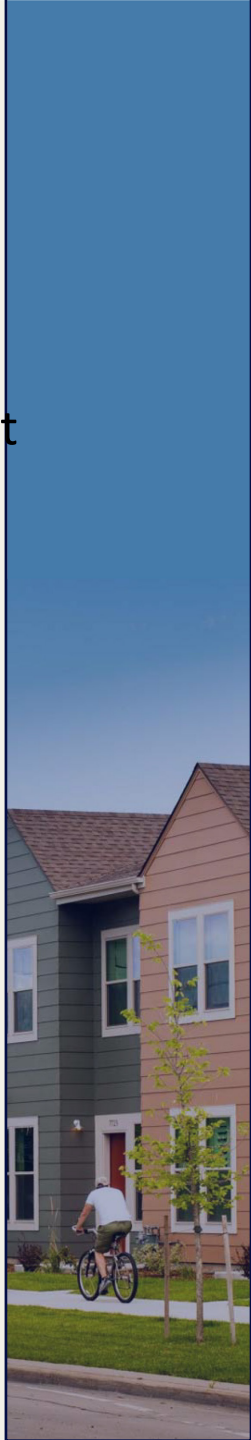
## Public Housing

- PHA: Public Housing Authority
- ACC: Annual Contributions Contract
- Section 8
- HAP: Housing Assistant Payment

## Financing

- NOI: Net Operating Income
- DSCR: Debt Service Coverage Ratio

See also: [www.hud.gov/about/acronyms](http://www.hud.gov/about/acronyms); <https://www.huduser.gov/portal/glossary/glossary.html>; <https://www.novoco.com/resource-centers/affordable-housing-tax-credits/lihtc-basics/lihtc-lexicon>



# Brief History of Affordable Housing Programs

## 1934 National Housing Act

- The Federal Housing Administration is created
- The act lifts lending restrictions and made homeownership widely accessible with the mortgage insurance program.

## 1937 U.S. Housing Act

- The federal government provides funding for the **development of public housing** to address housing needs of low income people.

## 1949 U.S. Housing Act

- Expands mortgage insurance program and increases public housing stock by 800,000 units.

## Act of 1965

- **HUD is created**
- Authorizes subsidy payments to private landlords



## 1986 LIHTC Program

- Low Income Housing Tax Credit (**LIHTC**) Program creates affordable housing opportunities for low-, moderate-income households.

## 1983 Housing and Urban Recovery Act

- Introduces **Section 8 Voucher Program**

## Housing and Community Development Act of 1974

- Expands on subsidy demonstration with **Section 8** program.
- Authorizes Community Development Block Grants (**CDBG/CBDG-DR**) grants and encourages state, local and federal cooperation in community development projects. CBDG-DR is the main source of disaster relief funds from HUD.

1990-Present  
National  
Affordable  
Housing Act;  
Public Housing  
Reform; CNI; RAD

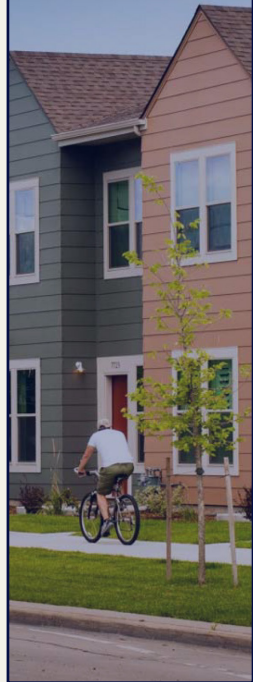
- **HOME** grants encourages public-private partnerships. Grant funds 25% of federal grant funds must be matched.
- Housing Subsidy Programs for targeted populations: **HOPWA** to support housing needs of people with AIDS, Shelter Plus Care programs and **Section 811** for persons with disabilities, and 2008 (**HUD-VASH**) Supportive Housing for Veterans.
- Moving to Work (**MTW**) initiative is created in 1995.
- **HOPE VI** created to provide PHAs flexibility to create mixed-finance and mixed income housing.
- 2010 Choice Neighborhoods Initiative (**CNI**)
- 2013 Rental Assistance Demonstration (**RAD**) allows PHAs to convert units off ACC funding and into Section 8 funding.

# Affirmatively Furthering Fair Housing (AFFH)



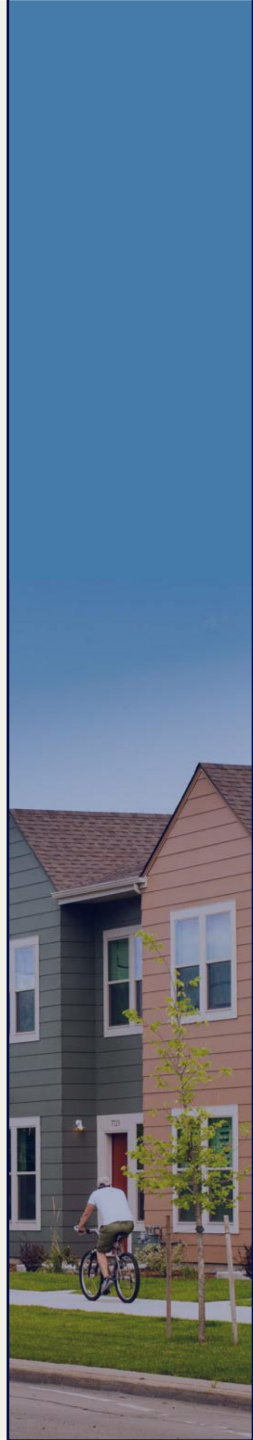
Affirmatively Furthering Fair Housing (AFFH) is a legal requirement that federal agencies and recipients of federal funds further the purposes of **the Fair Housing Act.**

This obligation to affirmatively further fair housing has been in the Fair Housing Act **since 1968.**



# Key HUD Programs

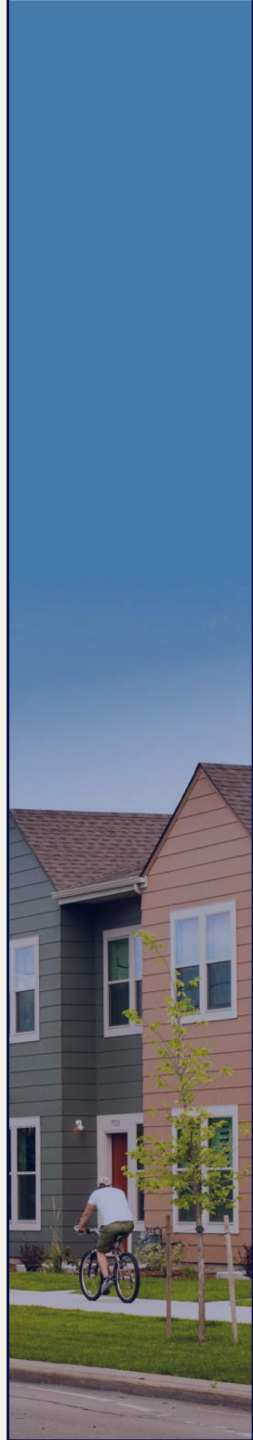
- Public Housing
- Section 8
- Mixed Finance
- Section 18 Demolition & Disposition
- Voluntary and Required Conversion
- Moving to Work
- RAD
- HOME





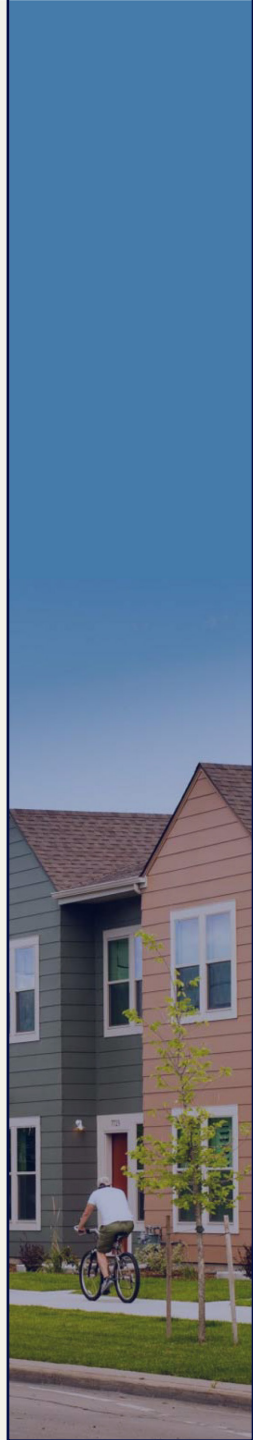
# Key HUD Programs: Public Housing

- Public Housing was established to provide decent and safe rental housing for eligible low-income families, the elderly and persons with disabilities. There are \$1.2M living in public housing, managed by 3,300 Housing Authorities.
- Federal funds used to build housing for families earning 80% of AMI or less and families pay 30% of their income in rent.
- Land has Declaration of Trust restricting use of property and requiring HUD approval for certain actions.
- Absent special HUD approvals, **no debt** can be supported on public housing.
- Congress allocated funds to HUD, who then allocates funding to local housing authorities based on expenses model. Proration due to lack of funding has caused agencies to receive about 90% of the formula needed over the last few decades.
- Funding for operations and capital improvements are separated and cannot be comingled.



# Key HUD Programs: Section 8

- Created in **1974** with the enactment of the Housing and Community Development Act.
- Subsidizes rent for income eligible families in the private market.
- Families pay 30 % of their income in rent.
- Congress allocated funds to HUD, who then allocates funding to Section 8 administrators based on expenses model.
- Funding for administration and housing assistance payments are allocated separately and cannot be comingled.



# Key HUD Programs: Types of Section 8



① Housing Choice Vouchers

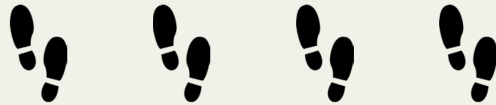


## Tenant Based

Housing Choice Vouchers (HCV) are given to tenants and tenants can take their voucher with them to anyone that accepts vouchers.



② Project Based



## Project Based

Project Based Vouchers (PBV) or Project Based Rental Assistance (PBRA) stay with the building and only income eligible households may live in the building.



# Section 8: How the Voucher Works

Federal Government pays the difference between affordable rent amount and Each HA Payment Standard.

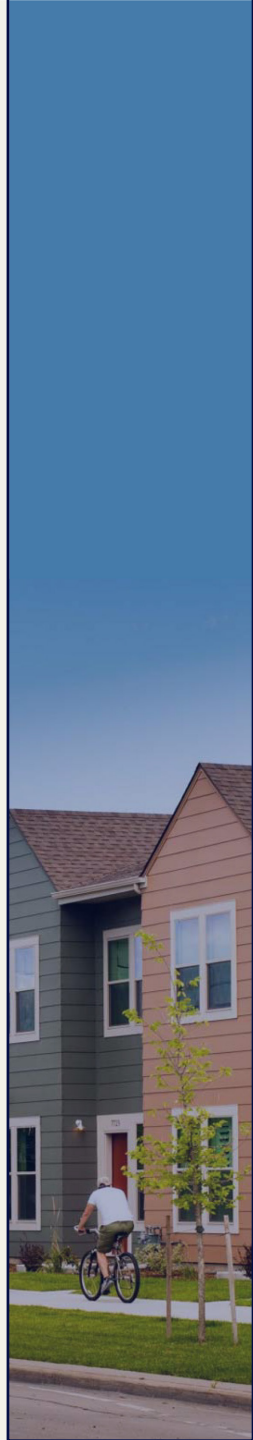


- Eligibility for a housing voucher is determined by the PHA based on the total annual gross income and family size.
- Limited to US citizens and specified categories of non-citizens who have eligible immigration status.
- In general, the family's income may not exceed 50% of the median income for the county or metropolitan area in which the family chooses to live.
- A tenant may receive a utility allowance and reduce tenant paid rent.



# Key HUD Programs: Mixed Finance

- Redevelopment of public housing with LIHTC.
- Partnership with investor and private developers.
- Investors purchase the credits to use them to reduce their tax burden.
- Some units continue to be designated as public housing and **supported by public housing funds** through an agreement between the owner and the PHA.



# Key HUD Programs: Section 18- New Demo/Dispo

- HUD allows for public housing to be demolished or sold (disposition) and possibly rebuilt under certain circumstances.
- If HUD allows Section 18 demolition or disposition, Tenant Protection Vouchers may become available to preserve the existing subsidy available to residents.

## Key Features of the PIH 2018-04 Notice:

- New Disposition/Demolition Justification Criteria
- No escalation included in the Physical Needs Assessment (PNA), fee capped
- TPV's limited to 25%.



# Key HUD Programs: Voluntary Conversion

On September 17, 2003, HUD published a final rule covering the program for voluntary conversion of developments from the stock of public housing.

Voluntary conversion may be undertaken where it would be beneficial to the residents of the development being taken off public housing and not have an adverse impact of the availability of affordable housing in the area.

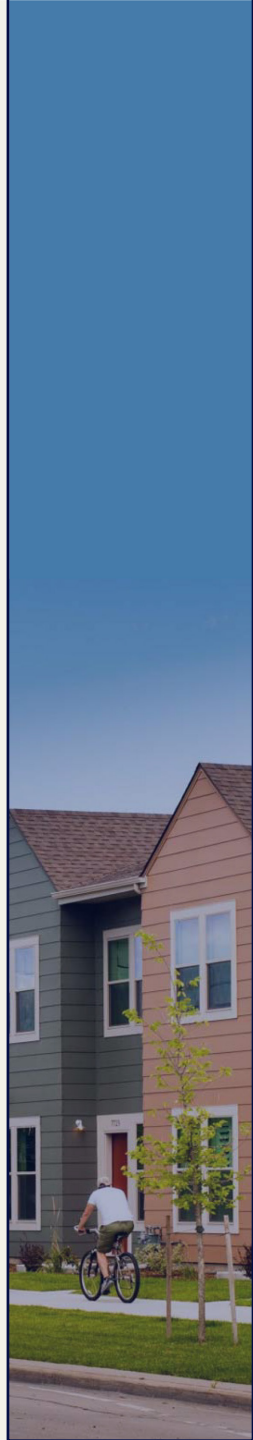
Conversions are permitted only if they are cost-effective meaning that the cost of continuing to operate developments as public housing compared to the cost of operating them as section 8 must be less.



# Key HUD Programs: Required Conversion

On September 17, 2003, HUD published a final rule covering the program for required conversion of developments from the stock of public housing.

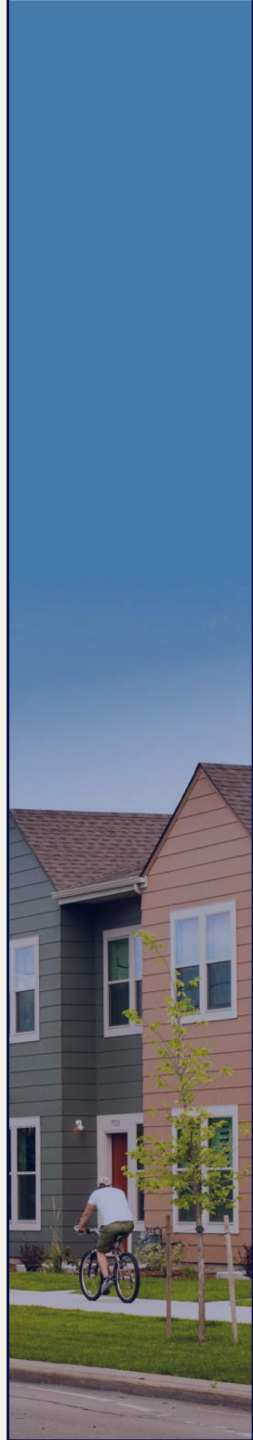
- HUD recommends that PHAs outline the criteria that PHAs must use to identify public housing developments:
  - General occupancy
  - 250 units
  - Same or contiguous sites
  - High vacancy rate – 12%
  - Distressed
  - More expensive to operating a public housing than it is to provide tenant-based assistance to the residents.





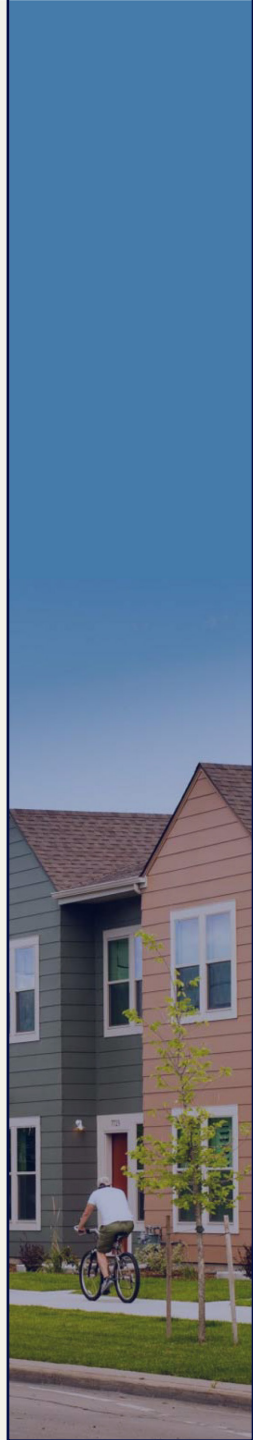
# Key HUD Programs: RAD

- Converts public housing subsidy to blended tenant based & project based Section 8 subsidy.
- Converts both layers of subsidy into a single subsidy.
- Ownership through single-purpose entities allows for pairing with LIHTC.
- Positive NOI attainable, thus, **project has ability to support debt.**
- PHA, as sponsor, can compete for other sources of funding, such as HOME, FHLB/AHP.
- PHA has potential to earn developer fees and property management fees.
- PHA can continue to control ownership of project.

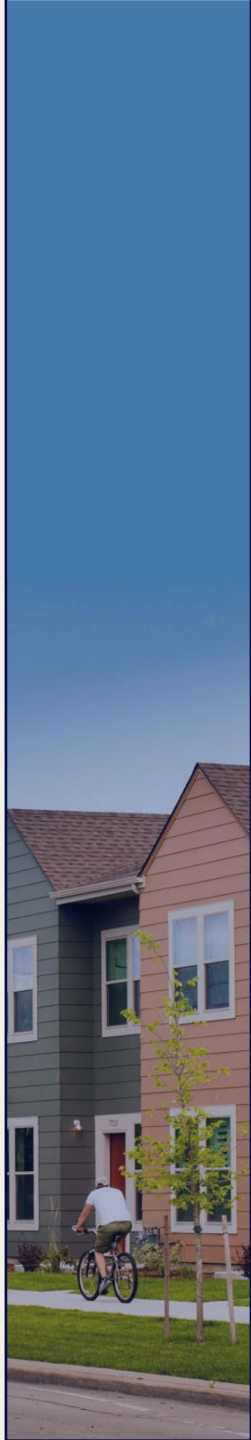


# Key HUD Programs: HOME

- HOME Investment Partnerships Program - a federal block grant to encourage affordable housing development for low-income households.
- Eligible activities include: affordable rental housing and homeownership development, rehabilitation and limited term rental assistance.
- 25% of every dollar of federal HOME funds used must be matched by nonfederal sources.
- HOME-funded housing must remain affordable for 20 years for rental units and 5-15 years for homeownership units.

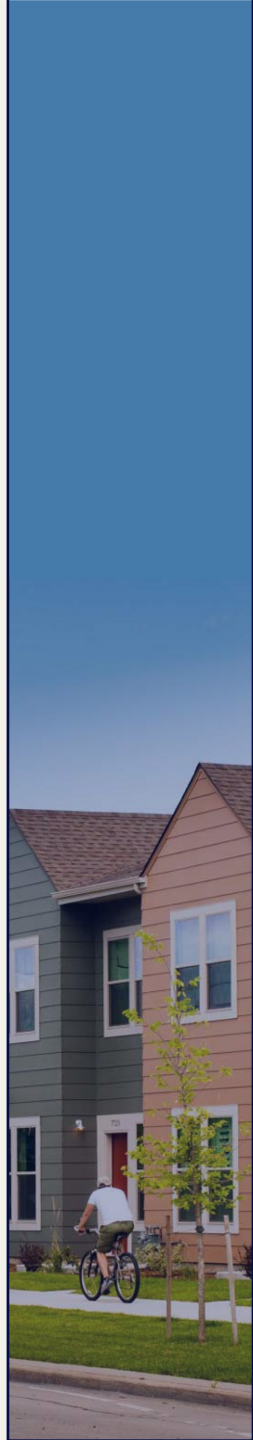


# Key Players in Affordable Housing



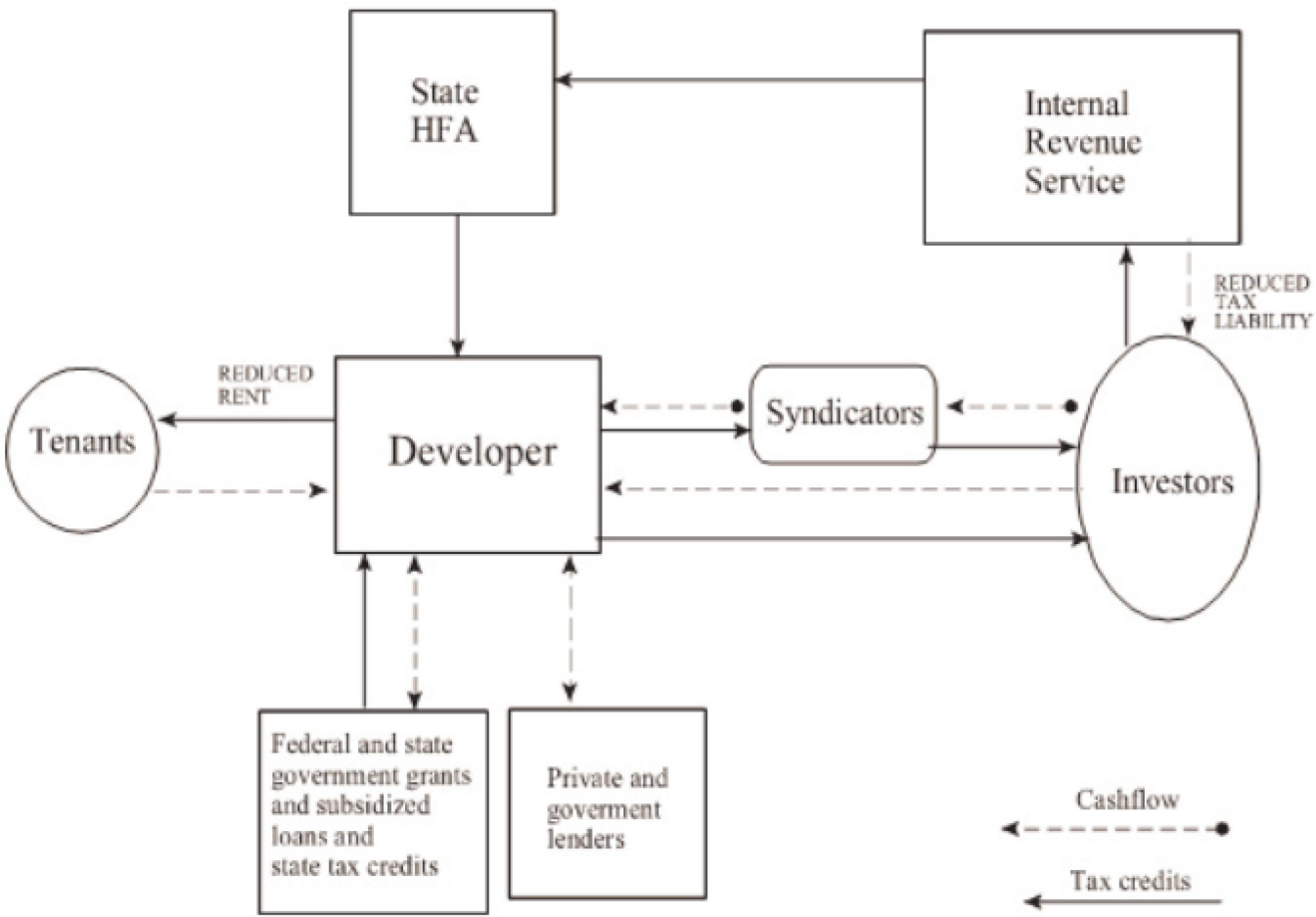
# Low Income Housing Tax Credit (LIHTC)

- A housing subsidy program for low-income rental housing.
- Created within Section 42 of the Internal Revenue Code.
- A federal income tax credit that is allocated by each state's HFA.
- Each state receives an amount of credits annually in tax credits to allocate to projects. Credits are allocated based on population.
- Credits are for 10 years.
- 4% as of right tax credits – about 3.14%- 3.24% of eligible basis.
- 9% competitive – 9% of the eligible basis.
- Investors earn dollar-for-dollar against their federal tax liability, even if they purchase for less.

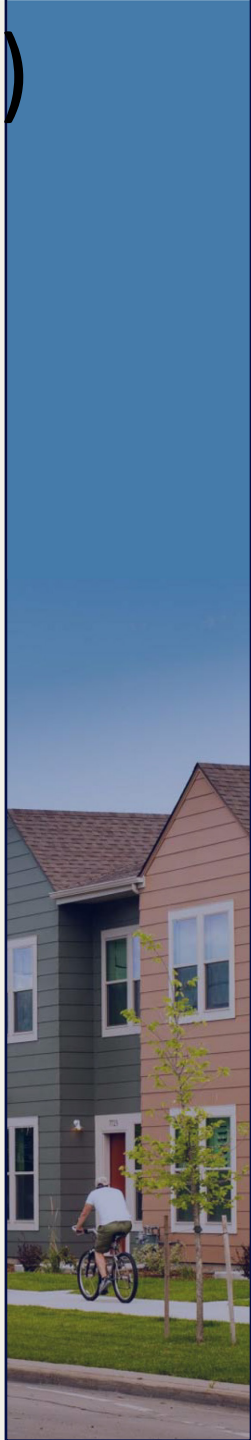


# Low Income Housing Tax Credit (LIHTC)

Figure 3. Flow of Low-Income Housing Tax Credits



CRS Report: *The Low-Income Housing Tax Credit: A Framework for Evaluation*



# Financing Tools

## Hard Debt (e.g: must pay loans)

Net operating income,  
Income less expenses

Apply Debt service  
coverage ratio

Determine interest rate and  
amortization term

## Tax Credit Equity

Based on eligible basis &  
qualified households.  
Amount is negotiated  
between developer/owner  
and investor

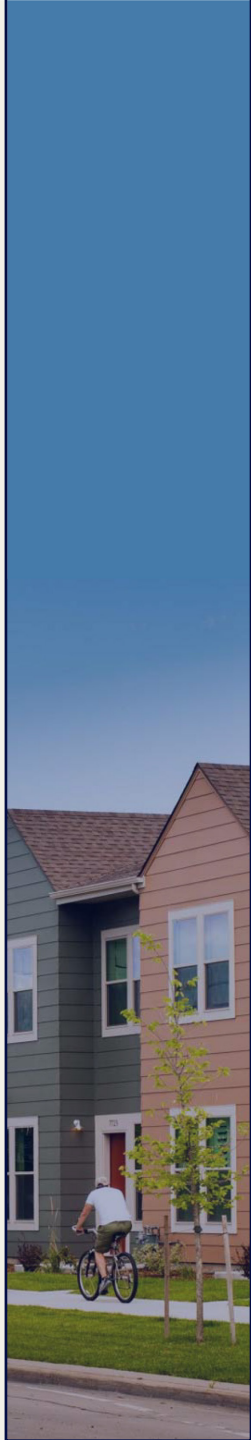
## Soft Sources (e.g: paid from allowable cash flow)

Deferred Dev. Fee

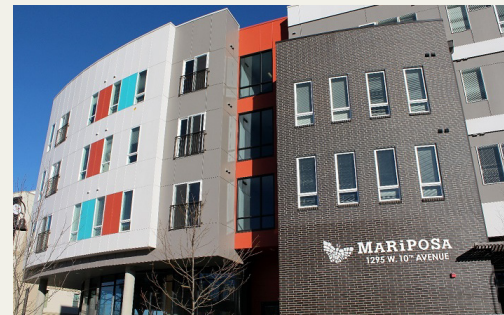
Seller Note

Affordable Housing  
Program

HOME







# Highlighting Local Tools and Programs: Denver



# Affordable Housing Generally Affordable to Whom in Denver?

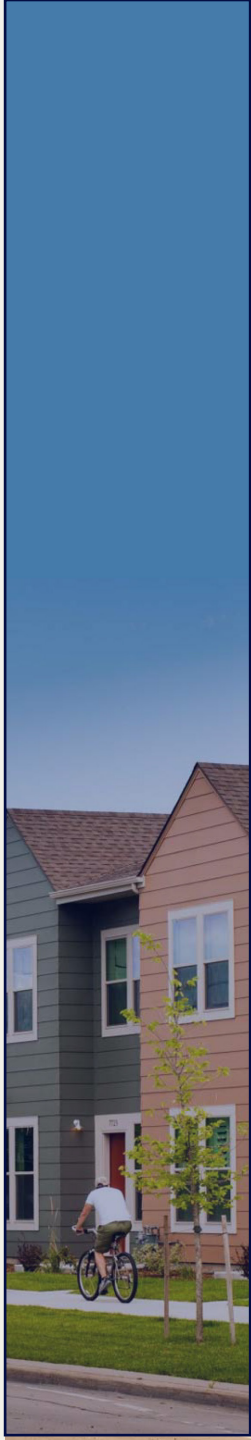
**2018 Area Median Income (AMI) = \$63,000**  
*(one person)*

A single parent working almost full-time at minimum wage

				
<b>x 30%</b>	\$18,900	<b>\$21,600</b>	\$24,300	\$26,950
<b>x 50%</b>	\$31,500	\$36,000	\$40,500	\$44,950
<b>x 60%</b>	\$37,800	\$43,200	<b>\$48,600</b>	\$53,940
<b>x 80%</b>	<b>\$50,350</b>	\$57,550	\$64,750	\$71,900

Average single Denver teacher

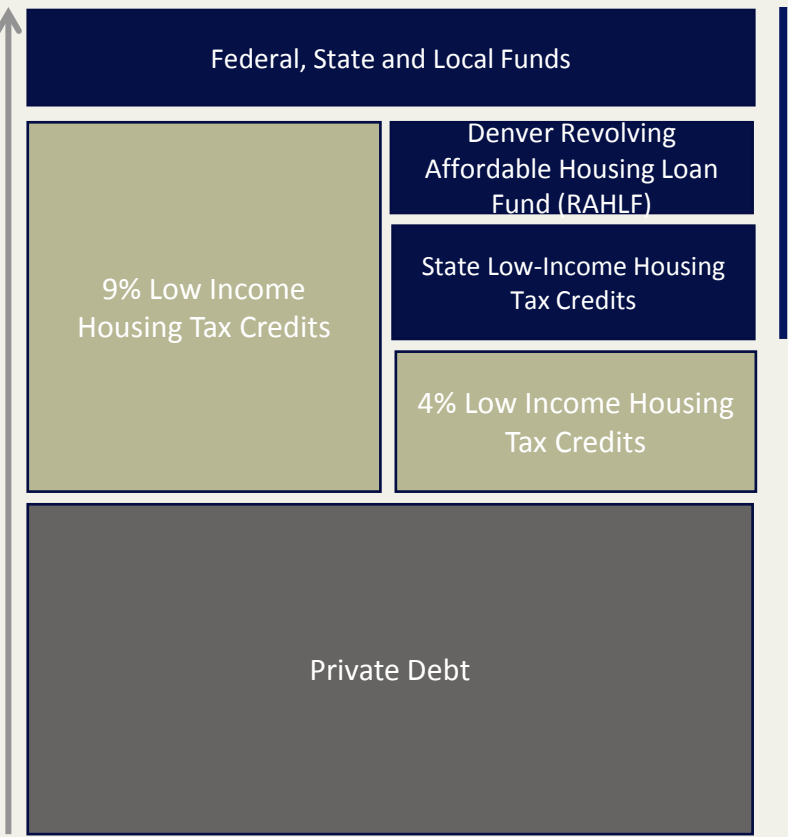
Two parents each working full time at minimum wage





# Denver State LIHTC & Local Loan Programs

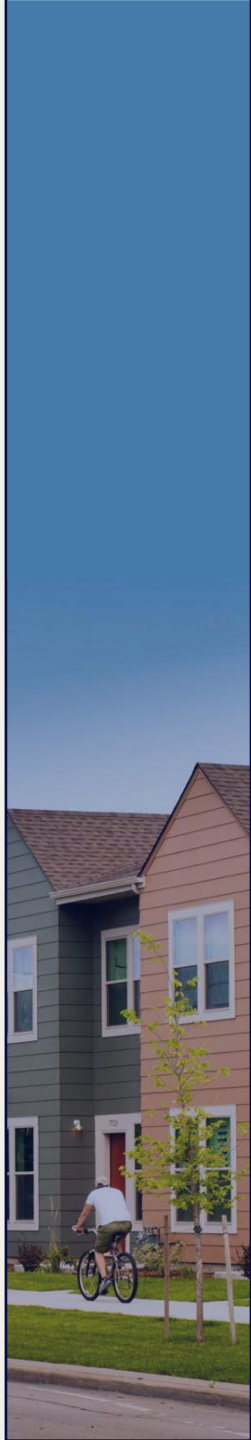
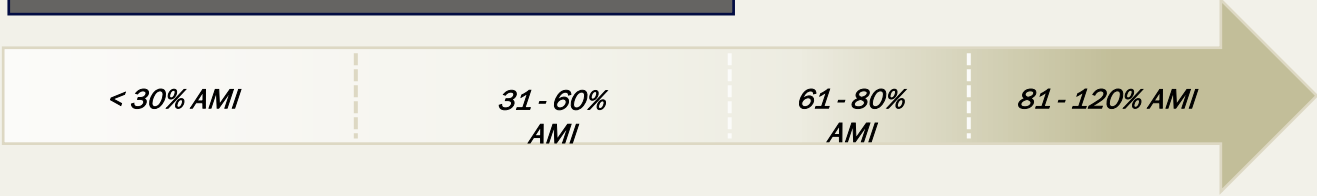
Total project cost



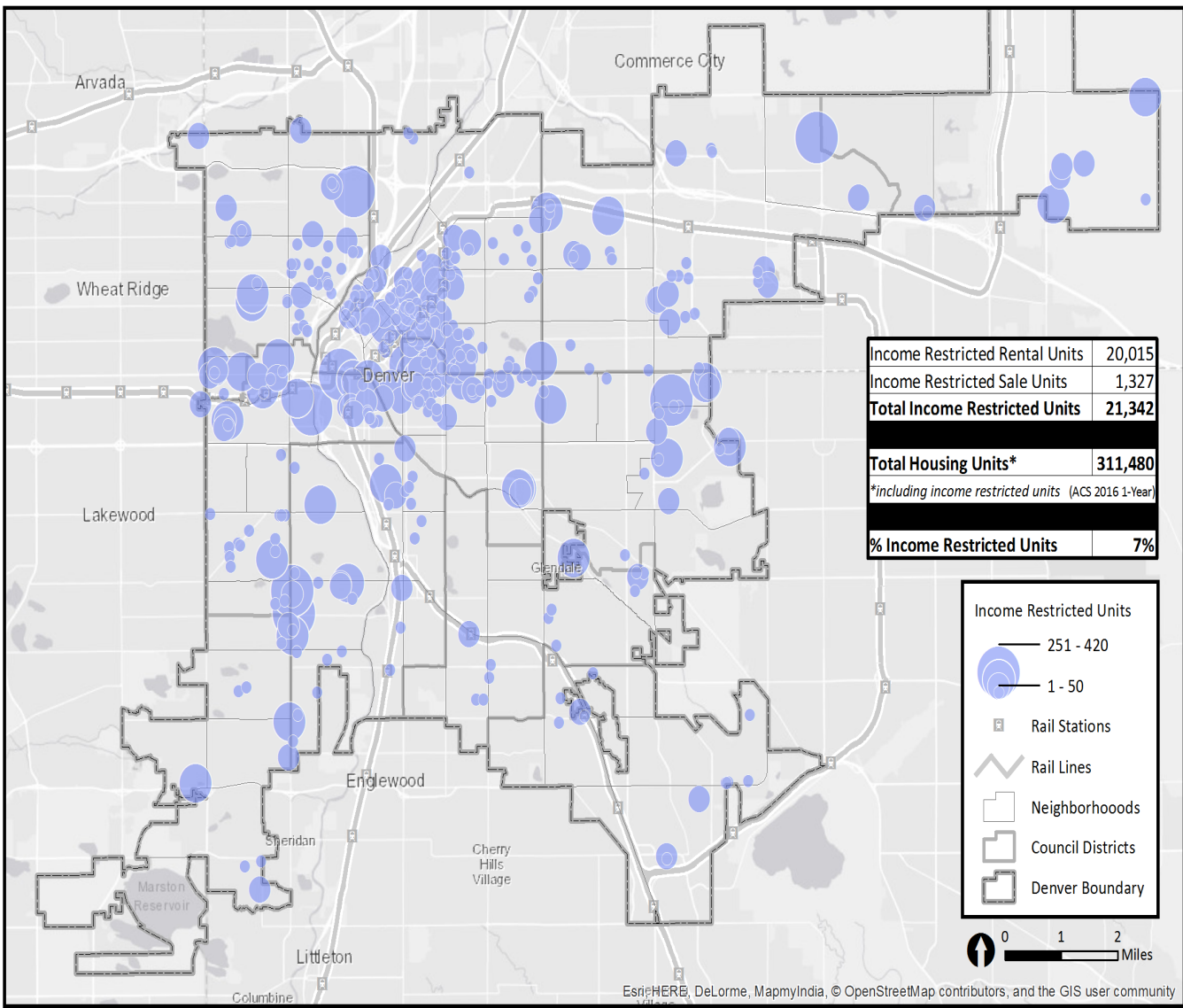
**Denver Revolving Affordable Housing Loan Fund** - provides low-interest loans to projects serving families earning 80% AMI or less.

**State Low-Income Housing Tax Credits** - awarded competitively by CHFA to projects that are also seeking 4% federal LIHTC.

**HOME** and **CDBG** funds, in affordable housing projects. (CDBG funds cannot be used for new construction.) These funds play an important part in making affordable housing projects happen, but are subject to appropriations every year.



# Income Restricted Housing Units in Denver (2018)



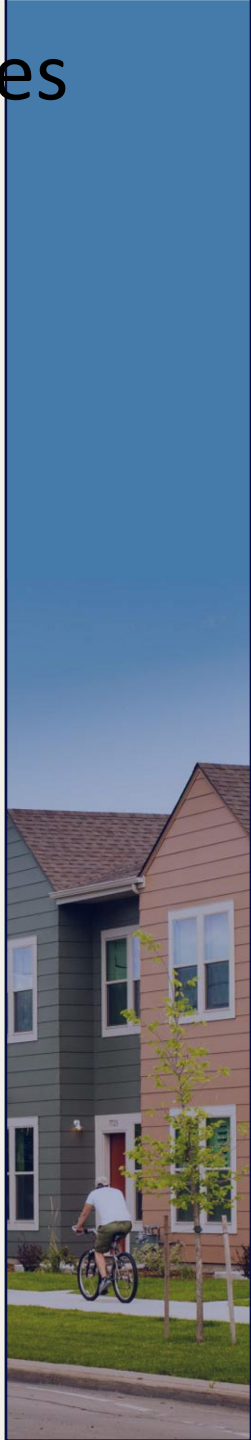
City and County of Denver Disclaimer: The City and County of Denver shall not be liable for damages of any kind arising out of the use of this information. THE INFORMATION IS PROVIDED "AS IS" WITHOUT WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE FITNESS FOR A PARTICULAR USE. NOT FOR ENGINEERING PURPOSES.

Map date: April 2018  
 Map created by: Denver Office of Economic Development  
 Data sources: DenverGIS, Denver Office of Economic Development, Census American Community Survey 2016 1-Year Survey



# Housing an Inclusive Denver: Fundamental Values

- Leverage and enhance housing investments to support inclusive communities
- Identify ways to foster communities of opportunity
- Housing as a continuum that serves residents across a range of incomes
- Embrace neighborhood diversity




# Housing an Inclusive Denver: Core Goals

 **Create affordable housing in vulnerable areas AND in areas of opportunity**

 **Preserve affordability and housing quality**

 **Promote equitable and accessible housing options**

 **Stabilize residents at risk of involuntary displacement**



# Housing an Inclusive Denver: Target Outcomes



**CREATE**  
**AFFORDABILITY**  
Five-Year Goal:  
**2,000 units**



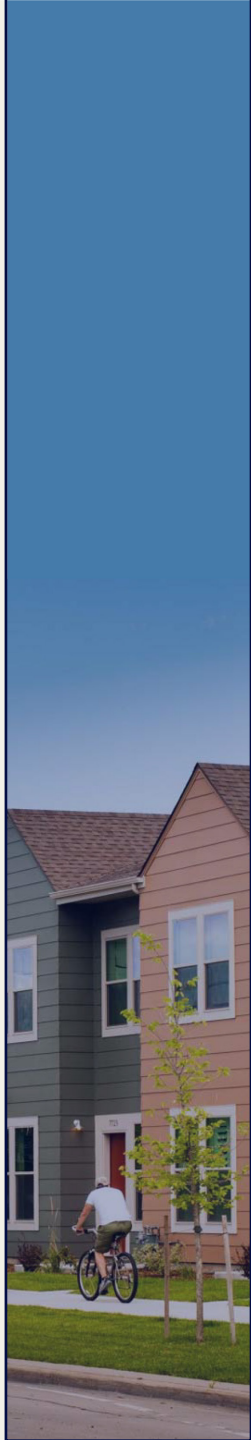
**PRESERVE**  
**AFFORDABILITY**  
Five-Year Goal:  
**1,000 units**



**PROMOTE ACCESS**  
Five-Year Goal:  
**20,000**  
**households**



**STABILIZE RESIDENTS**  
Five-Year Goal:  
**10,000**  
**households**



# Housing an Inclusive Denver: Priorities along income spectrum

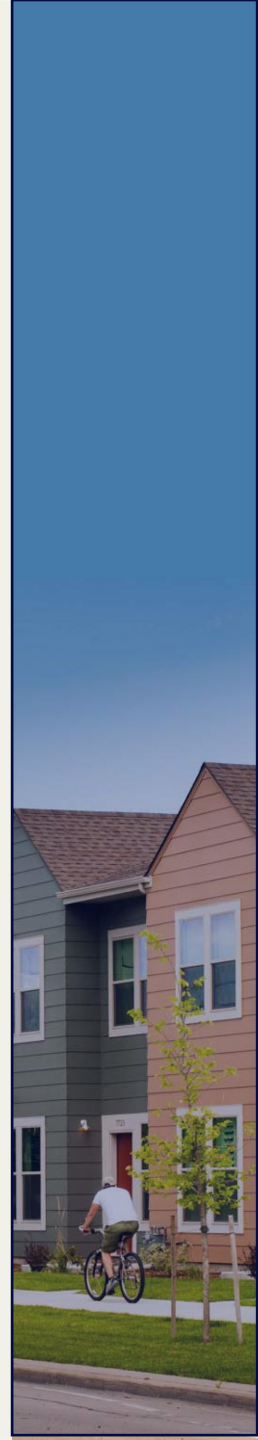
**40-50% of housing resources** will be invested to serve people earning below 30% of Area Median Income (AMI) and those experiencing homelessness who are seeking to access or maintain rental housing, including:

**20-25% of housing resources** to serve residents experiencing homelessness

**20-25% of housing resources** to serve residents earning below 30% AMI

**20-30% of housing resources** will be invested to serve people earning 31% to 80% AMI who are seeking to access to rental housing or to maintain rental housing.

**20-30% of housing resources** will be invested to serve residents seeking to become homeowners or remain in homes they already own.



# AFFH means?

Taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics.

Addressing significant disparities in housing needs and in access to opportunity, replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with civil rights and fair housing laws.

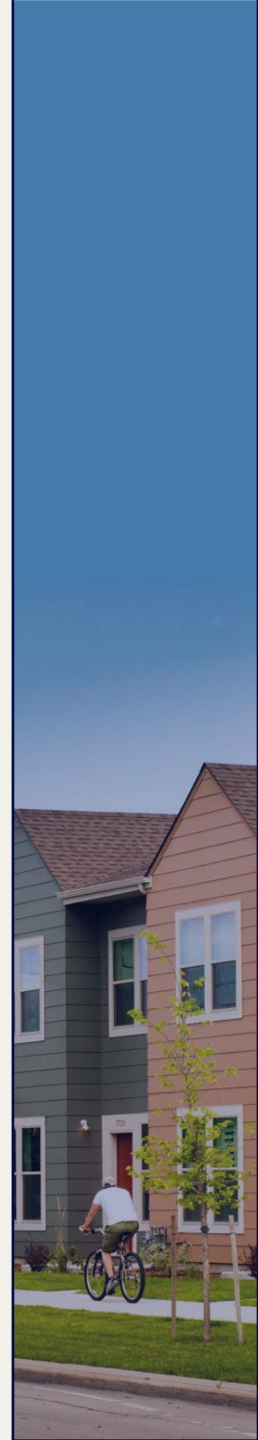


# Regional AFFH Actions

- An Analysis of Impediments (AI) or Assessment of Fair Housing (AFH) are used to analyze the local fair housing landscape and set fair housing priorities and goals.
  - A regional plan is currently underway and expected to be completed by summer 2018
- **Denver Metro Fair Housing Center (DMFHC)** is a non-profit organization dedicated to eliminating housing discrimination through comprehensive education, advocacy, and enforcement of the Fair Housing Act. For more information, **visit [dmfhc.org](http://dmfhc.org) or call 720-279-4291**



**DENVER METRO**  
**FAIR HOUSING CENTER**





# Visit [Denvergov.org/housing](https://denvergov.org/housing) for more information on:

- Help with rent, utilities, and eviction prevention
- Tenant-landlord counseling
- Affordable rental housing
- Emergency home repairs, improvements, and access modifications for homeowners
- Foreclosure prevention
- Property tax relief
- Help for people experiencing homelessness
- And more...

Translate This Page    
 Powered by Google

## HOUSING RESOURCES

**WHAT DO YOU NEED?**

- Emergency shelter
- Landlord/tenant legal help
- Temporary rent and utility assistance
- Help with home repairs
- Property tax relief

- 5 Year Comprehensive Housing Plan
- Denver's Dedicated Fund
- Housing Advisory Committee
- 2018 Housing Summit
- Developers and Builders

### FIND MORE RESOURCES BELOW

#### RENTERS

We can help you stay where you are, provide landlord/tenant assistance, or guide you to other options.

#### HOMEOWNERS

Resources exist to help you stay in your home—or help you realize the dream of buying a home.

#### HOMELESS HELP

We are committed to ensuring that every person experiencing homelessness has alternatives, support and options.

# Contact Information

---

## **Tanya Dempsey**

Vice President

[Tdempsey@csgadvisors.com](mailto:Tdempsey@csgadvisors.com)

## **Amber Mohr**

Associate

[MohrA@ballardspahr.com](mailto:MohrA@ballardspahr.com)

## **Melissa Thate**

Housing Policy Officer

[Melissa.Thate@denvergov.org](mailto:Melissa.Thate@denvergov.org)

