

8th Annual Western Housing Conference



Pre-Conference Session

Housing 101

Tanya Dempsey, CSG Advisors

Amber M. N. Mohr, Ballard Spahr

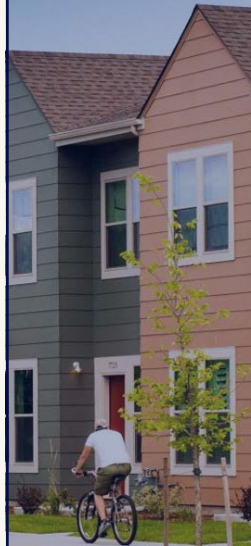


Affordable Housing 101

Opportunities and Challenges in the Development
and Preservation of Affordable Housing

Table of Contents

- 🏠 Who Needs Affordable Housing?
- 🏠 Affordable to Whom?
- 🏠 Who is Eligible for Affordable Housing?
- 🏠 Definitions & Acronyms
- 🏠 Brief History of Affordable Housing Programs
- 🏠 Key HUD Programs
- 🏠 Key Players in Affordable Housing
- 🏠 Financing Tools



Who Needs Affordable Housing?

- Families who pay more than 30 percent of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care.
- An estimated 12 million renter and homeowner households now pay more than 50 percent 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 to Whom?

MFI

The U.S. Census Bureau's 2010-2014 ACS **median family income** (MFI) estimates are used as a basis for calculating HUD's FY2017 MFIs.

FMR

Fair Market Rents (FMR) are used to determine the payment standard amount for some HUD programs.



Affordable to Whom?

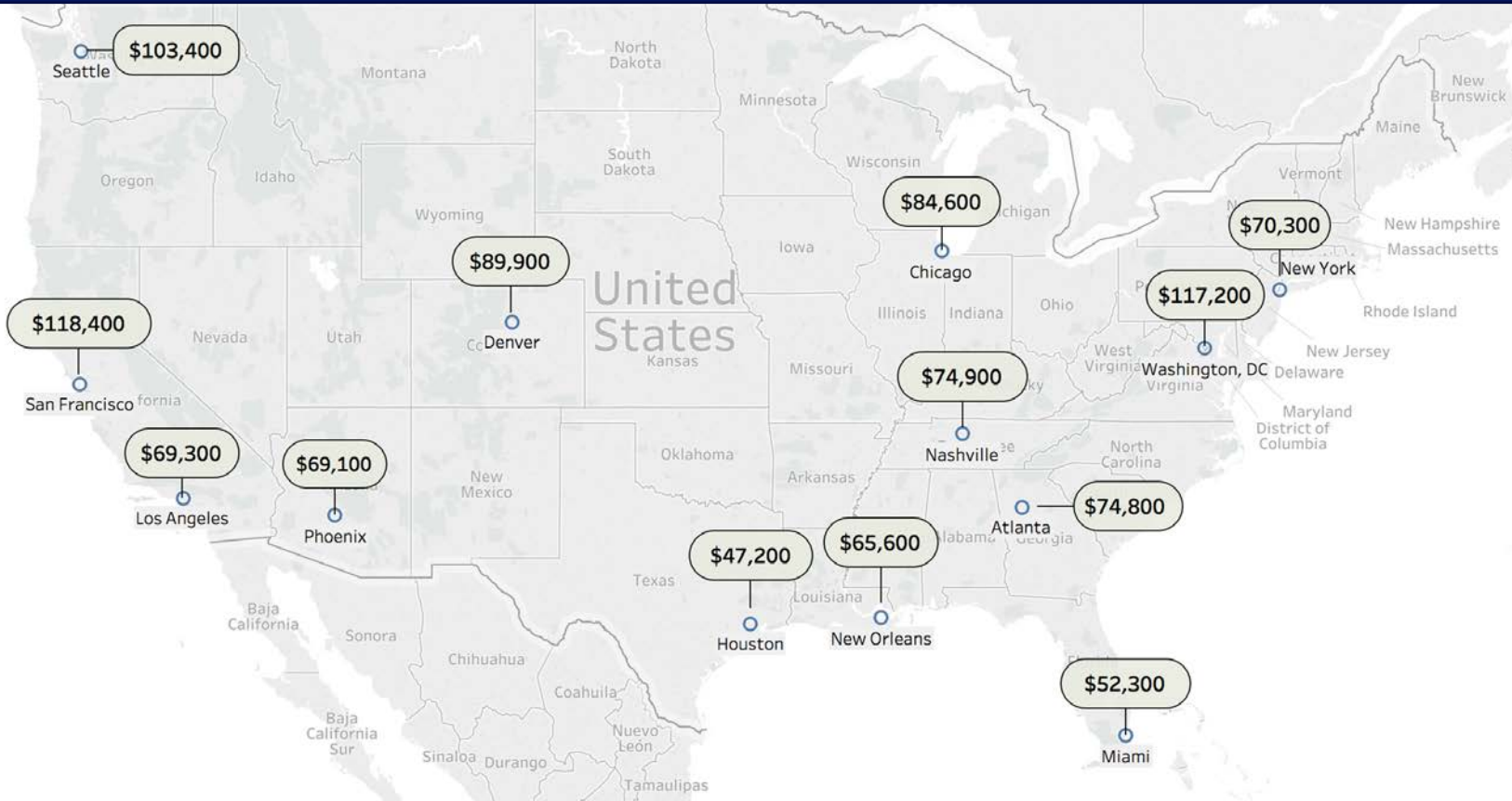
- HUD determines the fair market standard using:
 - Decennial Census
 - American Community Census
 - Random Digit Dialing telephone surveys

HUD augments its knowledge of housing market conditions through the use of the *American Housing Surveys (AHS)*. The AHS is conducted by the Bureau of Census for HUD and its accuracy is comparable to that of the decennial census. AHS data enables HUD to develop revisions between Census years for the 44 largest metropolitan areas that are surveyed on a revolving schedule of 11 areas annually.



Affordable to Whom?

MFI for a Family of Four



Who is Eligible for Affordable Programs?



By Income

- **Extremely Low** - 0—30% of MFI
- **Very Low** - 30%-50% of MFI
- **Low Income** - 50%-80% of MFI
- **Moderate Income** - 80%-120% of MFI
- **Middle Income** - 120—250% of MFI
- **High Income** - 250% and greater



By Tenancy

- Homeless Housing
- Workforce Housing
- Veteran's Housing
- Student Housing
- Special Needs Housing
- Elderly Housing



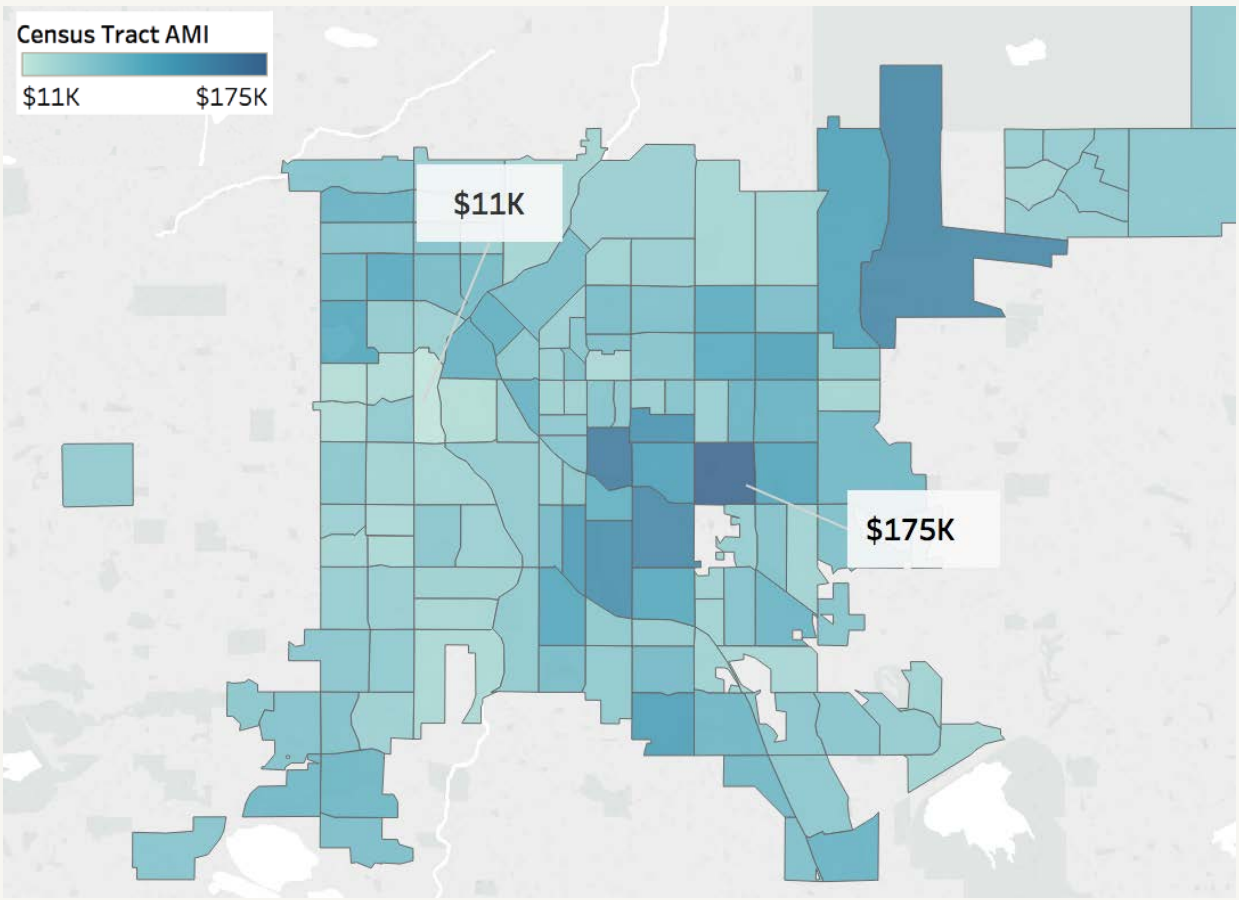
DENVER
OFFICE OF ECONOMIC
DEVELOPMENT

2017 Income Limits

% AMI	HOUSEHOLD SIZE					
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30%	\$17,650	\$20,150	\$22,650	\$25,150	\$28,780	\$32,960
50%	\$29,400	\$33,600	\$37,800	\$41,950	\$45,350	\$48,700
60%	\$35,280	\$40,320	\$45,360	\$50,340	\$54,420	\$58,440
65%	\$36,465	\$41,665	\$46,865	\$52,065	\$56,290	\$60,450
80%	\$47,000	\$53,700	\$60,400	\$67,100	\$72,500	\$77,850
95%	\$55,860	\$63,840	\$71,820	\$79,705	\$86,165	\$92,530
100%	\$58,800	\$67,200	\$75,600	\$83,900	\$90,700	\$97,400



Affordable to Whom in Denver?



Extremely Low	Very Low	Low	Median Income
\$26,950	\$44,950	\$71,900	\$89,900



Definitions & Acronyms

- HUD: Housing & Urban Development
- LIHTC: Low Income Housing Tax Credit
- ACC: Annual Contributions Contract
- HFA: Housing Finance Agency
- Section 8: Section 8/HCV Program
- CNI: Choice Neighborhoods Initiative
- AMI: Area Median Income
- NOI: Net Operating Income
- DSCR: Debt Service Coverage Ratio
- FHLB: Federal Home Loan Bank
- AHP: Affordable Housing Program
- HAP: Housing Assistant Payment
- CFFP : Capital Funding Financing Program
- OFFP: Operating Funding Finance Program

See also: www.hud.gov/about/acronyms
<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.

Timeline

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.

Act of 1965

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



Timeline

1986
LIHTC Engaged

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

1990-1998
National
Affordable
Housing Act;
Public Housing
Reform

- **HOME** grants encourages public-private partnerships. Grant funds 25% of federal grant funds must be matched.
- **HOPWA** subsidy program to support housing needs of people with AIDS.
- Moving to Work (**MTW**) initiative is created in 1995.
- **HOPE VI** created to provide PHAs flexibility to create mixed-finance housing.
- Shelter Plus Care programs and **Section 811** for persons with disabilities.

Timeline

HUD Administration 2010 - now

- 2010 Choice Neighborhoods Initiative (**CNI**)
- 2013 Rental Assistance Demonstration (**RAD**) allows PHAs to convert units off ACC funding and into Section 8 funding.

HUD Administration early 2000s

- HUD mission to focus on providing affordable rental opportunities for targeted populations
- 2008 (**HUD-VASH**) Supportive Housing for Veterans

Key HUD Programs

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



Key HUD Programs: Public Housing

- Used Federal Funds to build housing for families that earn 80% of AMI or less, because of federal funds, buildings have Declaration of Trust restricting use of property and requiring HUD approval for certain actions.
- 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.
- Families in public housing pay 30% of their income in rent.
- Absent special HUD approvals, **no debt** can be supported on public housing.
- 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 co-mingled.



Key HUD Programs: Types of Section 8

Tenant Based

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

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.



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 housing authority.



Key HUD Programs: CFFP & OFFP

- Capital Fund Financing Program: Allows PHAs to use future capital funds to raise debt/capital to address deferred capital need.
- Operating Fund Financing Program: Allows PHAs to use their reserves to raise debt to address deferred capital need.



Key HUD Programs: Section 18

- 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 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 outlines 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 or HOME funds is a federal block grant to encourage affordable housing development for low-income households. HOME income limits are published annually by HUD.
- 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



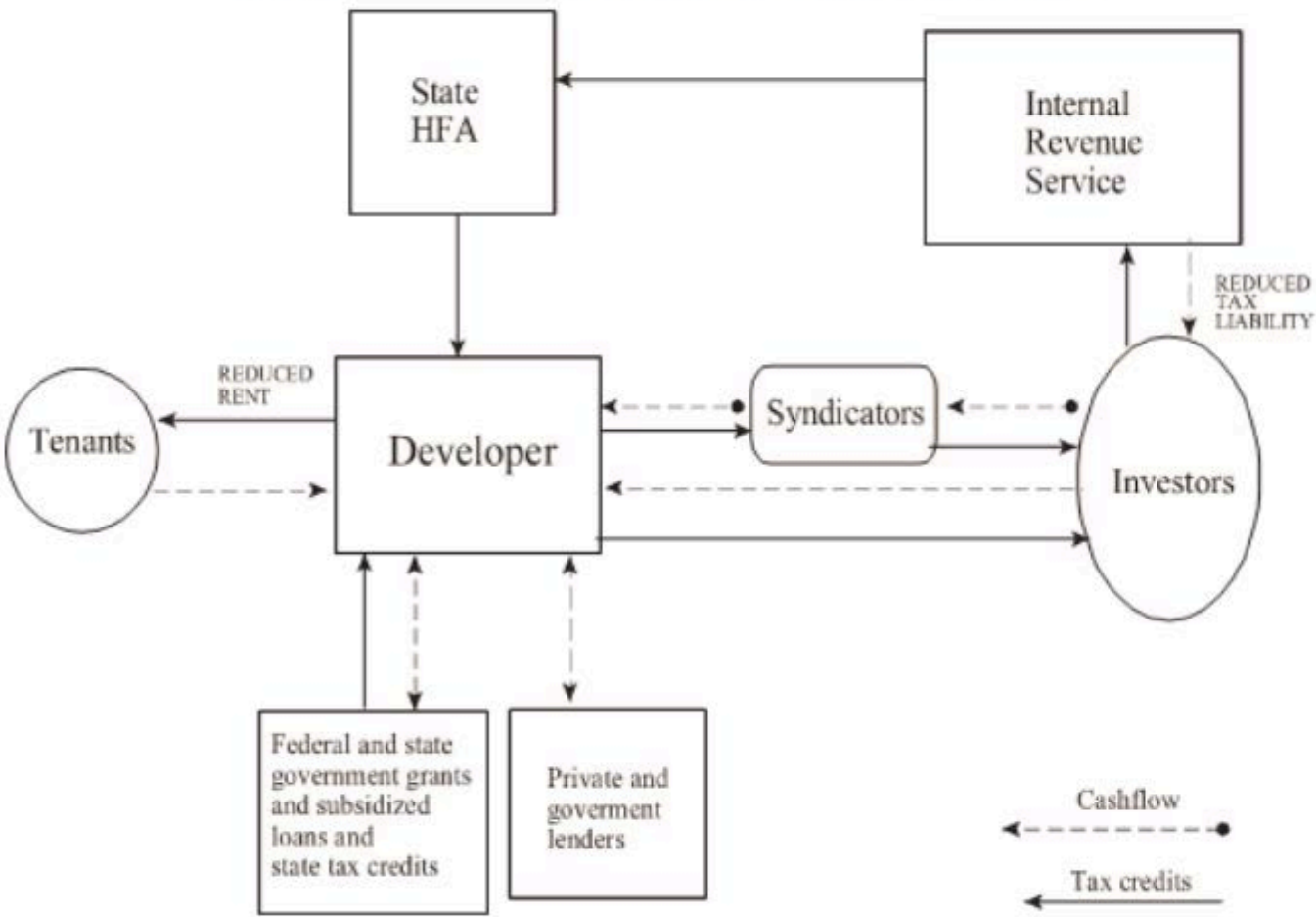
Low Income Housing Tax Credit (LIHTC)

- 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 housing finance agency (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

(i.e: 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

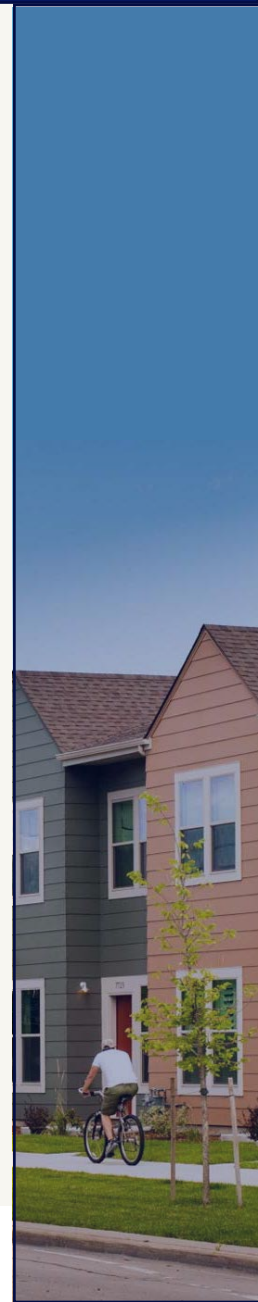
(i.e: paid from allowable cash
flow)

Deferred Dev. Fee

Seller Note

Affordable Housing
Program

HOME



Housing 101 Webinar Session

Wednesday, April 25th
1:00pm – 2:30pm ET

Please visit www.ballardspahr.com/housing101webinar
for more information and to register.

8th Annual Western Housing Conference



Welcome and Introductions

John Hamilton, CSG Advisors
Amy M. McClain, Ballard Spahr

Keynote and Discussion

Speakers: Christopher D. Bell, Ballard Spahr
Priya Jayachandran, National Housing Trust

Keynote and Discussion

- Moderator
 - Christopher D. Bell, Ballard Spahr
- Speaker
 - Priya Jayachandran, National Housing Trust

POLICY INNOVATION

LENDING

DEVELOPMENT

ENERGY SOLUTIONS

The Future of Affordable Housing

Friday, April 13, 2018

*Ballard Spahr | CSG Advisors 8th Annual
Western Housing Conference*



About NHT

The National Housing Trust protects, improves and maintains existing affordable housing so that low-income families can live in quality neighborhoods with access to opportunities.


Policy Innovation

Lending

Real Estate Development

Energy Solutions





What is the
future?



What is the future?

- The creation of diverse stable communities where people reside affordably and thrive through access to opportunity and good health





New and not-so-new solutions for getting there



Solutions: Land

- Remove local barriers to development
- Community Land Trusts
- Location matters



Solutions: Building

- Microunits
- Factory built
- Sustainability



Solutions: People

- Case Management
- Access to Opportunity
- Mobility including path to homeownership



Solutions: Cost

- Changing the Narrative
- New sources of funding and innovation: states, cities, employers, insurers, hospitals





Priya Jayachandran
President

Email:
pjayachandran@nhtinc.org

Phone: 202-333-8931*111

POLICY INNOVATION

LENDING

DEVELOPMENT

ENERGY SOLUTIONS



@NatlHsingTrust



www.nhtinc.org

Federal and State Legislative and Advocacy Update

Moderators: Molly R. Bryson, Ballard Spahr
Courtney E. Hunter, Ballard Spahr

Federal and State Legislative and Advocacy Update

- Moderators
 - Molly R. Bryson, Ballard Spahr
 - Courtney E. Hunter, Ballard Spahr
- Panelists
 - Emily Cadik, Affordable Housing Tax Credit Coalition
 - Chris Hite, Sugar Creek Capital
 - Sara Reynolds, Housing Colorado



How Advocacy Groups Can Mobilize The Industry

Housing Colorado

Housing Colorado is a statewide, multi-sector membership association of housing professionals.

We are recognized throughout Colorado as a valuable resource for

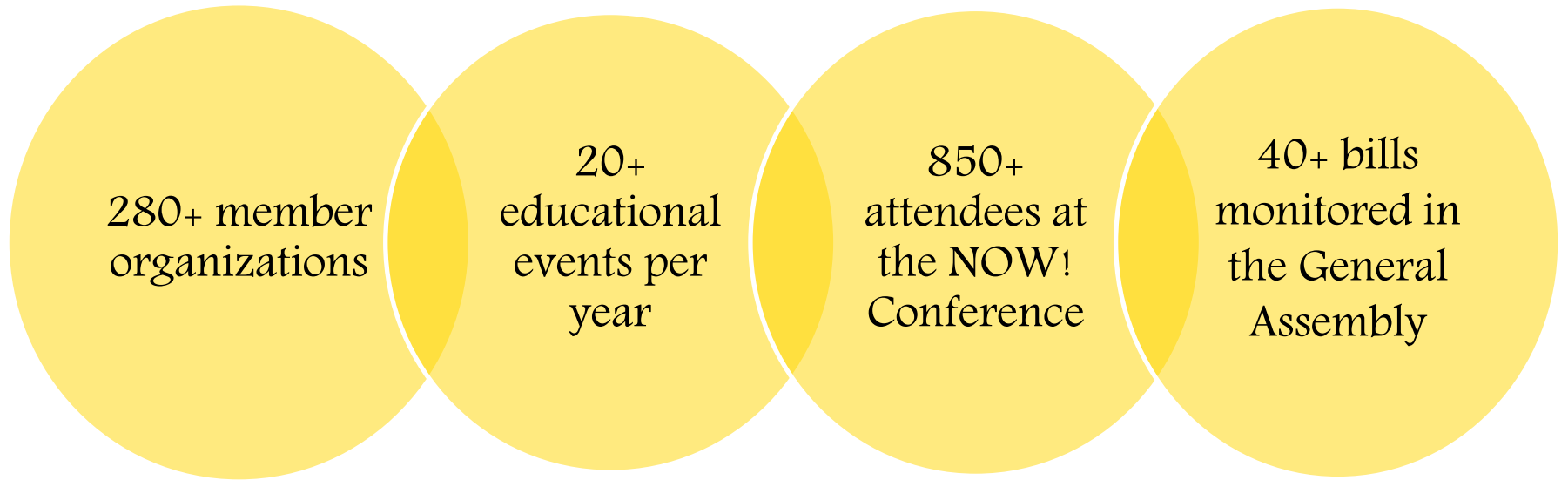
Advocacy

Education

Networking



Housing Colorado By The Numbers



Housing Colorado

2018 Legislative Goals

- State Low Income Housing Tax Credit was set to expire in 2019. Given the political environment in the state, affordable housing advocates coalesced around the 2018 session as the time to run a bill to extend the credit until 2024.
- In 2017, a new line item was created in the State Division of Housing to supplement development funding for permanent supportive housing (\$15.3 million) from Marijuana Cash Fund.
- Support ongoing efforts to secure funding through additional channels.



Advocacy in Action

- 280+ member organizations = over 3,000 professionals statewide
- **Legislative Committee** – geographic and industry representation
- **Legislative alert** – most active members who take action during strategic moments in legislative process
- **Events to support and build capacity** – lobbying 101, legislative lunch, site visits to capitol, media resources
- **Communication tools and research** – economic impact studies, regional housing and income data, dedicated communications campaign – Live Affordably Colorado



Housing Colorado

Federal Advocacy

- Strategic goal – engage more on federal issues
 - Limited staff
 - Limited funds
 - Limited bandwidth – brand identity
- Seeking the right opportunity to get started
 - Affordable Housing Credit Improvement Act
- Seeking right partners
 - Federal
 - State
- Creating something new: Coalition of Independent State Housing Associations
 - www.cishanational.com



Housing Colorado

LiveAffordablyColorado.org

LiveAffordablyColorado.org

[About](#) [Reports](#) [Resources](#) [Sign our Petition](#)



**Two bedrooms. One bath.
Zero groceries in the fridge.**

Due to rising prices and lack of inventory, housing costs are overwhelming for hundreds of thousands of Coloradans. Among those who are struggling are working families, service employees, seniors, veterans, disabled citizens and at-risk populations. First responders, magazine editors, city clerks, waiters, chemists and other college-educated workers are also not immune. Colorado's housing crisis casts a wide net across the state and is a burden that affects us all.

Benefiting Communities

Benefiting Communities



Housing diversity
builds great
neighborhoods.

Benefiting Lives: Affordable Housing Helps People

All around our beautiful state of Colorado, there are beautiful people who are struggling to make ends meet. When they find an affordable place to call home, their lives are placed on a different trajectory. They can move from survive to thrive. Affordable housing brings hope and stability to communities all over.

LiveAffordablyColorado.org



VIOLA'S STORY:

For six years, Viola was homeless and living in a tent in the woods. She was disabled with a walker and worried constantly about her safety.

WHAT HAVING AN AFFORDABLE PLACE TO LIVE MEANS TO VIOLA:

Stable housing has given her safety. "I used to not know from one minute to the next if I was going to make it through the night." Now she is able to peacefully and confidently sleep at night.



RICHARD'S STORY:

Richard was living in an older condo, stretching to make payments and receiving financial support from his daughter. He was concerned that he was a burden to his family, his daughter and his grandchildren.

WHAT HAVING AN AFFORDABLE PLACE TO LIVE MEANS TO RICHARD:

"It means retaining my dignity and interacting positively in a positive community. It allows me to serve others and volunteer in the larger community." Now he is able to enjoy his life and enjoy his family.



CARLOS' STORY:

When Carlos was homeless, his entire income went to motels. Now, Carlos and his wife "can afford food and the little things in life that may not mean a lot to some people, but it means the world to [them] both."

WHAT HAVING AN AFFORDABLE PLACE TO LIVE MEANS TO CARLOS:

"It is the best feeling in the world to wake up in morning and sit in my front room and drink coffee. We thank God for this... to be able to say 'I have a home.' No words can express how good living here feels to us both." Now he is able to enjoy his life and enjoy his family.



LETASHA'S STORY:

Her background of homelessness meant that she was moving around different shelters, but now she comes home for work and church with a place to cook and eat. "I also have all my stuff in one place. It is so to be stabilized."

WHAT HAVING AN AFFORDABLE PLACE TO LIVE MEANS TO LETASHA:

"I'm not always stressed about having to spend all my funds on rent. I have peace of mind and security." Now she is able to enjoy her life and enjoy her family.

hc

Housing Colorado

Public Officials Guide

Nobody's home free:



A closer look at Colorado's housing crisis.

We all need to be educated about the high cost of housing in our state. Let's work together for affordable solutions that boost our economy, while keeping our residents safe and thriving.

Here is your guide to the issue.

LiveAffordablyColorado.org

Pricey place to live.

Colorado is one of the fastest growing states in the nation, and housing prices are escalating exponentially. In 2015, the median home price in Colorado grew by more than 12% to over \$280,000 and Denver-metro median home prices increased over 15% to nearly \$300,000, the highest gain in the country.* Meanwhile, Denver metro area wages have grown only .8% over the same period.** Recent estimates from the Colorado Department of Labor show that over 70% of new jobs created in Colorado over the next 10 years will have annual salaries of less than \$36,000 – well below the income required to afford the average two-bedroom apartment.

Source: Zillow & Zillow, November 16, 2015, www.zillow.com

Source: Daily Payroll, Colorado Department of Labor, www.colorado.gov, www.dola.state.co.us, www.colorado.gov, April 2015, U.S. Department of Labor

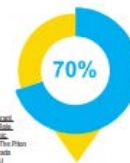
The wage gap continues to grow.

By 2025, Colorado's population is projected to reach 7.6 million, up roughly one million from today's estimate of 6.6 million. At the current rate of building affordable housing, it will take more than 100 years to bridge the current gap between supply and demand, not accounting for the increased demand that population growth will inevitably bring. Unlike other states, Colorado lacks a dedicated and permanent source of funding for affordable housing. Two of the most important federal funding sources for affordable housing, HOME and Community Development Block Grant (CDBG) programs have been cut by more than 50% and 30% respectively in recent years. In 2015, Colorado Housing and Finance Authority received a total of \$28.5 million in requests for federal 9 percent Low Income Housing Tax Credits, more than double the amount available for allocation.



Source: Bill of Rights, 2014, Colorado, May 2014 National Low Income Housing Coalition

A salary of \$36,000 falls below the required \$36,623 annual earnings required to afford an average Colorado two-bedroom apartment at fair market rent and associated utilities without paying more than 30% of income on housing.



Source: Office of Labor, Economic, and Community Policy, Colorado Department of Labor, www.colorado.gov, www.dola.state.co.us, Dec 2014, The Pew Research Center and Colorado Futures Center of CU

> \$36,000

RECENT ESTIMATES FROM THE COLORADO DEPARTMENT OF LABOR SHOW THAT OVER 70% OF NEW JOBS CREATED IN COLORADO OVER THE NEXT 10 YEARS WILL HAVE STARTING ANNUAL SALARIES OF LESS THAN \$36,000.



Existing and proposed policies.

A range of policy solutions have been proposed to help fill this gap in supply and meet the growing demand for affordable housing. Two of these in particular – the State Low Income Housing Tax Credit and Housing Development Grant – are currently in place.

Housing Tax Credit (LIHTC)

Investment in affordable housing development by providing reductions in this state tax credit generated a return of nearly \$9 in private investment and public investment.

Housing Development Grant (HDG)

The Department of Local Affairs (DOLA) budget is the only source for affordable housing in FY14-15, the state leveraged \$163,861,982 in public and private funds, \$20,310,661 in tax revenue through state housing development funding.

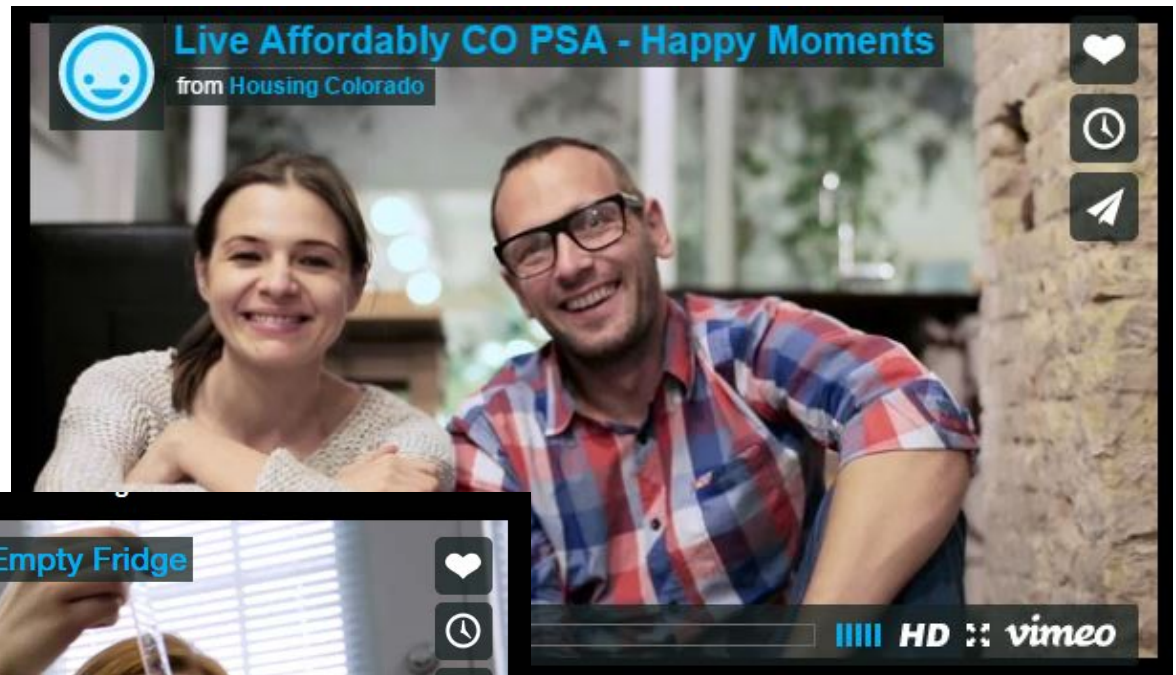
LIHTC and HDG, securing more resources will be crucial to addressing the majority of states in the country have what Colorado lacks, a dedicated source of funding for affordable housing development. Many strategies to establish a funding source include accessing a portion of the state's Unclaimed Property Fund and establishing state transactions.

Dec. 2015, Colorado Housing and Finance Authority
Colorado Assembly Joint Budget Committee



Housing Colorado

Public Service Announcements



A group of people are sitting in a circle, their hands clasped together in the center. The scene is dimly lit with a warm, yellowish glow. The word "Questions?" is overlaid in the center in a bright blue, sans-serif font. The people are wearing casual clothing, and their faces are partially visible, looking towards the center of the circle.

Questions?

Federal and State Legislative and Advocacy Update

- Moderators
 - Molly R. Bryson, Ballard Spahr
 - Courtney E. Hunter, Ballard Spahr
- Panelists
 - Emily Cadik, Affordable Housing Tax Credit Coalition
 - Chris Hite, Sugar Creek Capital
 - Sara Reynolds, Housing Colorado

Trends and Opportunities in Affordable Housing Financing

Moderators: Nicole Graham, CSG Advisors
Dameon M. Rivers, Ballard Spahr

Trends and Opportunities in Affordable Housing Financing

- Moderators
 - Nicole Graham, CSG Advisors
 - Dameon M. Rivers, Ballard Spahr
- Panelists
 - Jennifer Erixon, Alliant Capital
 - Kristin Fritz, Housing Catalyst
 - Patricia Hippe, Colorado Housing and Finance Authority
 - Paul Weissman, Hunt Mortgage

8th Annual Western Housing Conference



Case Study: Solar Gardens

Presenters: Christopher Jedd, Denver Housing Authority
Annie Tsai, Ballard Spahr

Case Study: Solar Gardens

- Presenters
 - Christopher Jedd, Denver Housing Authority
 - Annie Tsai, Ballard Spahr











DHA Community Solar Program

- **First Housing Authority Developed, Owned & Operated Community Solar Garden**
- **100% Low Income**
- **Supported by the cities of Denver & Aurora**
- **Allows other Denver Metro Housing Authorities and affordable housing developers to participate**
- **Expect to provide 20% average energy savings to subscribers**
- **Offset over 54,000 tons of CO2 emissions**
- **Provide hands-on training, certification & employment for 10+ affordable housing residents for a year**
- **Interconnected through the Xcel Energy's Solar* Rewards Community[®] program**



Strategies for Moderate Income and Workforce Housing

Moderators: John Hamilton, CSG Advisors
Amy M. McClain, Ballard Spahr

Strategies for Moderate Income and Workforce Housing

- Moderators
 - John Hamilton, CSG Advisors
 - Amy M. McClain, Ballard Spahr
- Panelists
 - Laura Brudzynski, Denver Office of Economic Development
 - Kimball Crangle, Gorman & Company

HUD Happenings

Moderators: Tiffani Barletta, CSG Advisors
Amy M. Glassman, Ballard Spahr

HUD Happenings

- Moderators
 - Tiffani Barletta, CSG Advisors
 - Amy M. Glassman, Ballard Spahr
- Panelists
 - Denise Muha, National Leased Housing Association
 - Greg Russ, Minneapolis Public Housing Authority

Closing Remarks

John Hamilton, CSG Advisors
Mary Jo George, Ballard Spahr

Networking Reception

Note: Speaker materials will be available online at www.ballardspahr.com/2018westernhousingconference after the conference.