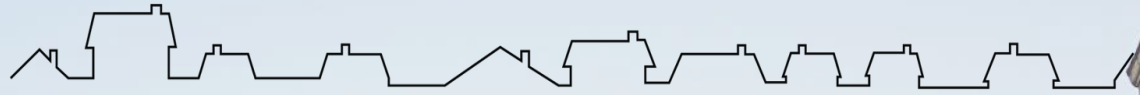


# HOUSING OUR FUTURE

## Webinar Series



Strategies for Cincinnati and Hamilton County

# Affordable Housing Leverage Fund: A New tool for Supporting Affordability







Kristen Baker

Executive Director, LISC Greater Cincinnati

# The Strategy

**Produce:** In order to meet housing needs, Cincinnati and Hamilton County must scale up the production of affordable homes.

**Preserve:** Investment in maintenance and repairs are urgently needed to preserve our existing supply of affordable housing.

**Protect:** As the region grows, we need to protect the housing stability of those who are most vulnerable to rising housing costs.

**Funding and Systems Change**

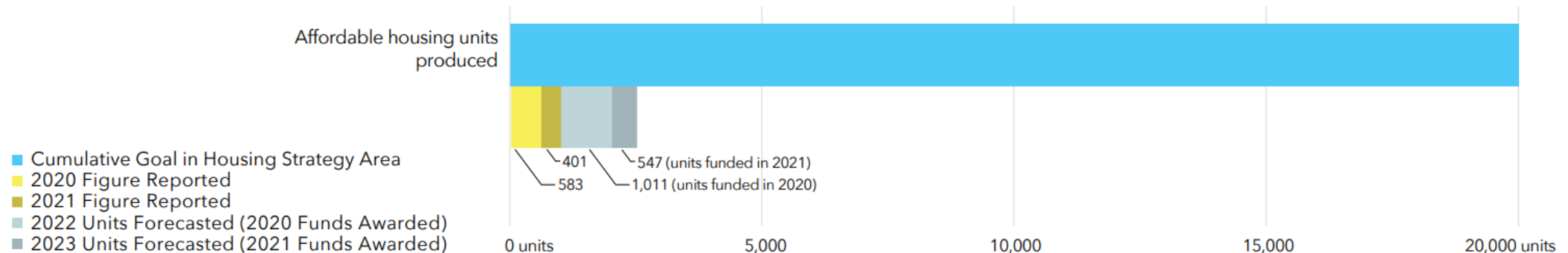
# A Strategic Response

## Produce new, affordable units

There is a gap of 40,000 units affordable and available to extremely low-income households

- Household incomes less than \$14,678
- 55,600 households in Hamilton County

At least 20,000 additional affordable units need to be produced over the next ten years

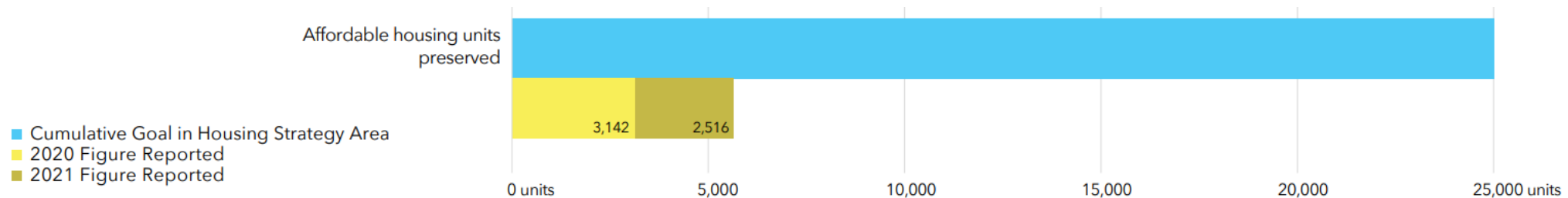


# A Strategic Response

## Preserve existing units as livable and affordable

Currently, at 60,000 affordable subsidized and unsubsidized units need preservation and reinvestment

- Includes CMHA housing
- Unsubsidized units are commonly known as naturally-occurring affordable housing



# Produce

In order to meet housing needs, Cincinnati and Hamilton County must scale up the production of affordable homes.

**FUND MISSION-DRIVEN CDCs AND  
NONPROFITS**

**INCREASE ACCESS TO LENDING  
PRODUCTS**

# Funding the Strategy

Many of the actions described require additional resources.

**CREATE A DEDICATED, RECURRING  
FUNDING STREAM FOR THE AHTF**

**PROVIDE LONG-TERM MEZZANINE DEBT  
TO AFFORDABLE RENTALS**

**CREATE A LOW-INTEREST ACQUISITION  
AND PRE-DEVELOPMENT FUND**

# Systems Change

Achieving equitable housing access and affordability throughout our community will require changing the systems that have left too many behind.

**EXPAND THE AFFORDABLE HOUSING  
TRUST FUND**

**MODIFY TAX INCENTIVES AND FUNDING  
PRIORITIES**

**MAXIMIZE COMPETITIVENESS FOR  
STATE AND FEDERAL FUNDING**



CINCINNATI  
DEVELOPMENT  
FUND

**Creating Vibrant,  
Inclusive Neighborhoods  
Since 1988**

2022

# CDF's Mission

**Mission:** CDF's mission is to provide *innovative* real estate financing for projects that *strengthen* low-income neighborhoods and *improve* lives.



# CDF's Vision

- **Vision:** is to be at the *forefront* of redevelopment plans in Greater Cincinnati, helping low-income communities preserve their historic buildings and *create vibrant, inclusive neighborhoods.*





# About CDF

- Created in 1988 as an independent, non-profit community development lender, focused on affordable housing.
- In 1999, expanded beyond its traditional role as a conduit for local banks, and began attracting diverse sources of capital to make direct loans for mixed-use, mixed-income neighborhood revitalization projects.
- Expanded into commercial real estate financing in 2005 with its first allocation of federal New Markets Tax Credits (NMTC).
- As of 6/30/2022, CDF has financed projects totaling more than \$444 million (plus \$382 million in NMTC investments), resulting in the creation of 7,046 housing units and more than 22,410 jobs, and leveraging investments totaling more than \$940 million (plus \$580 million in NMTC leverage investment).



CDF's Office- 1224 Race St (OTR)

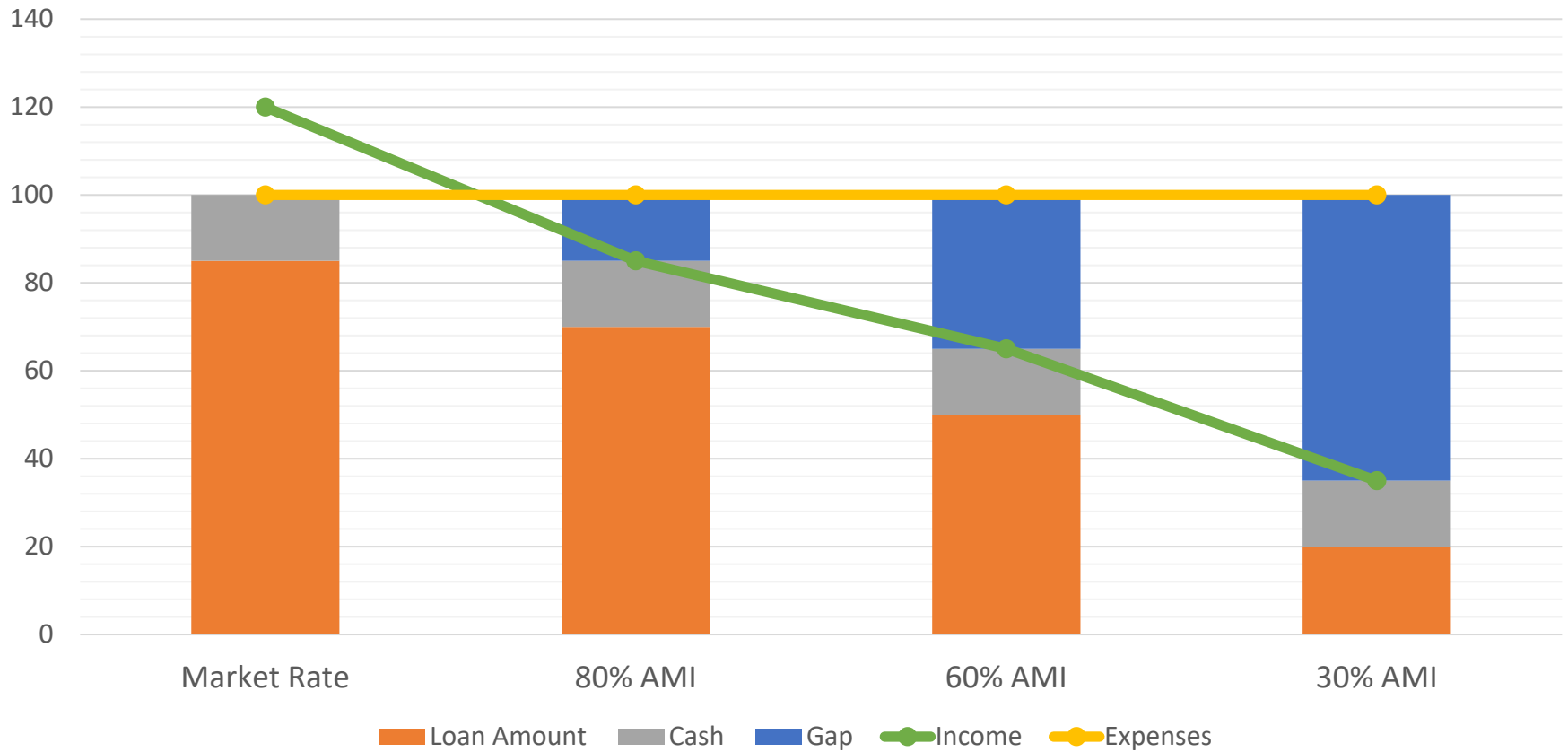
# What is the need?

- Financial gaps are a function of the “math” of building affordable housing
- Developers can access certain programs now, but moving beyond status quo requires *new* sources
- Affordable Housing Leverage Fund (AHLF) is a response to this reality



# Gaps Increase as Affordability Deepens

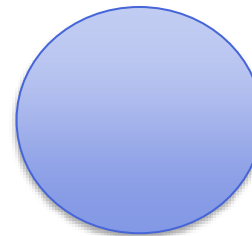
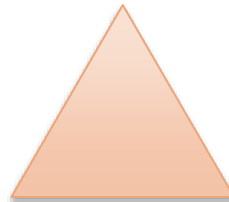
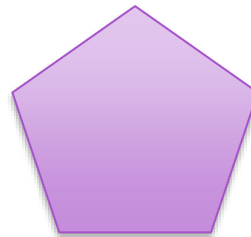
## Affordable Housing Capital Stack And Financing



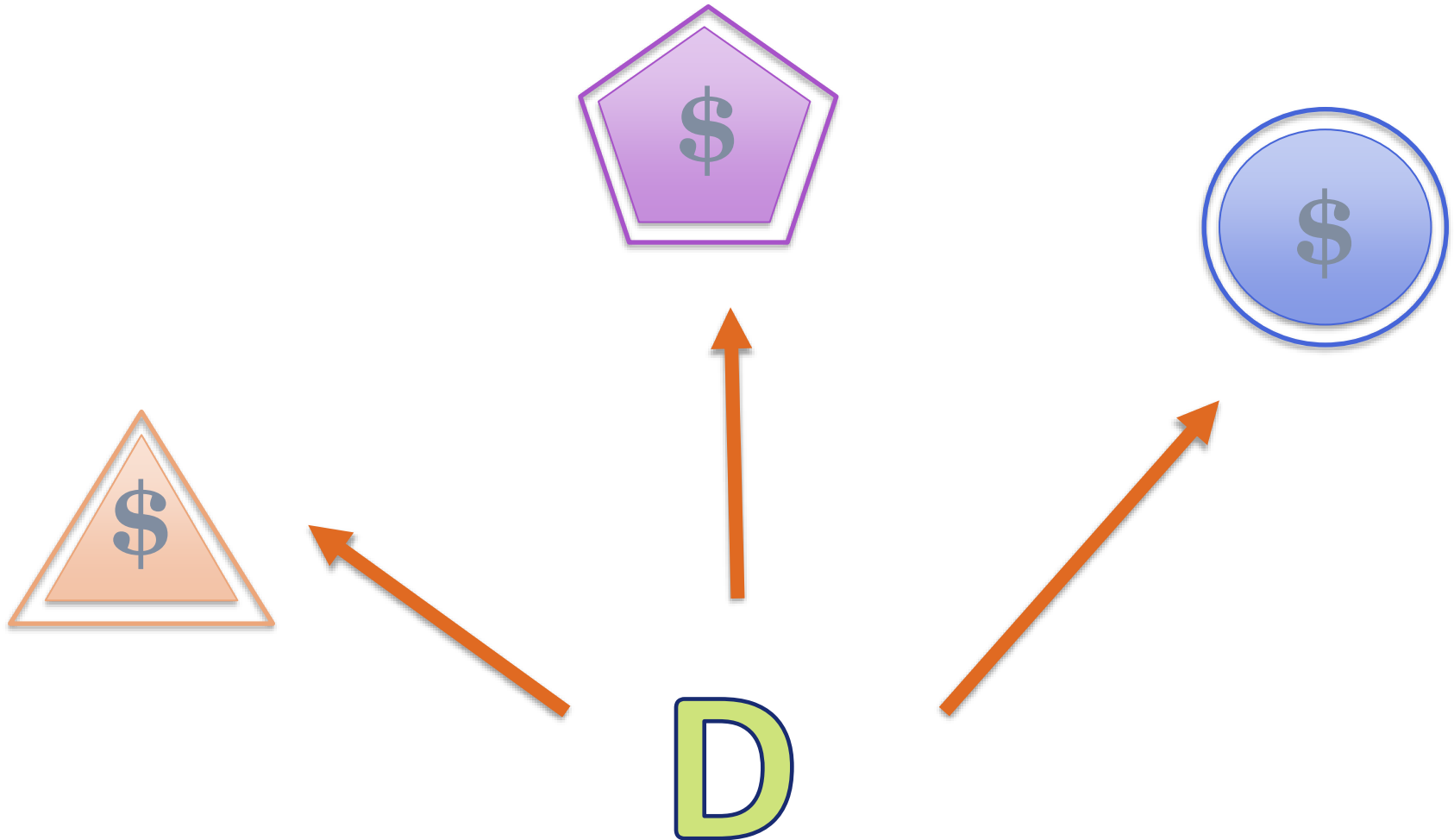
# Affordable Housing Leverage Fund

- “fund of funds” managed by CDF
- Aggregate funding from multiple sources so:
  - Each dollar can go further in combination with others;
  - Developers can plan for a more predictable and streamlined, and singular, place to go to fill those gaps;
  - new and different developers can engage with a process that is otherwise effectively limited to established groups with the expertise and capital to work through a very difficult and highly specialized process; and
  - establishing one place (with established credibility managing and deploying third party funds) for those who want to contribute funding to address this community priority.

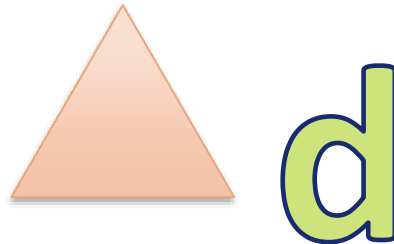
# Developer with Resources



# Developer with Resources

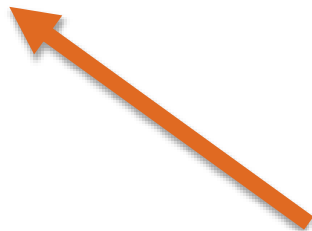
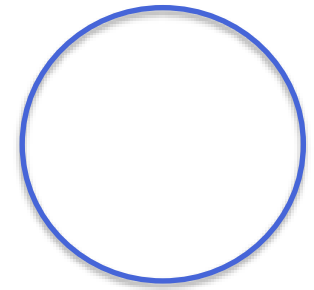
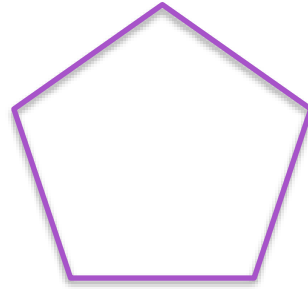


# Small Developer





# Small Developer



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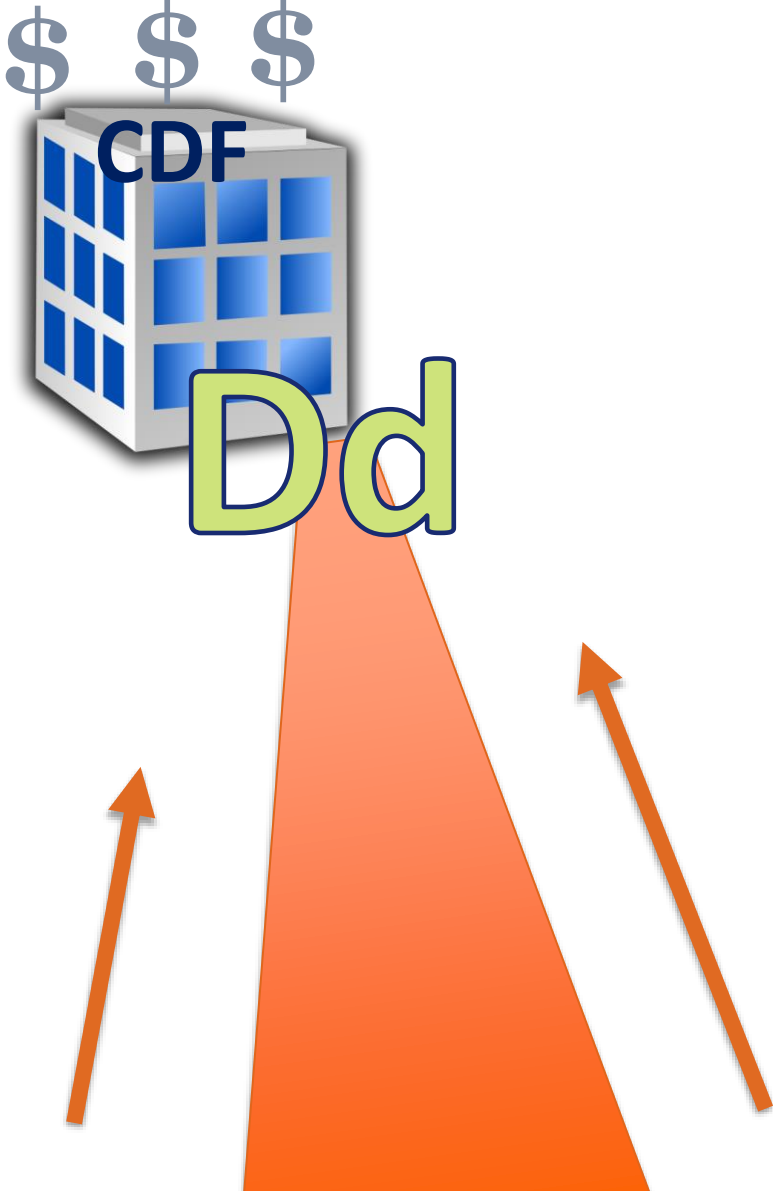
# One Fund of Funds



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# One Fund of Funds



## AHLF – Why Sources Matter

- The AHLF has and will manage multiple funding sources.
- Grants to CDF can be loaned or granted by CDF without the expectation of repayment.
- Loans to CDF must be repaid by CDF, so loans from CDF must be structured as true debt.
- Net: range of products that requires matching source(s) to project need.

## Initial Commitments:

- City of Cincinnati: \$12.75MM AHTF (*grant*)
- CDFI Capital Magnet Fund: \$5.4MM (*loan loss reserves*)
- GCF: \$5MM (*loan*)
- Bon Secours Mercy Health: \$3.2MM (*loan*)
- CDFI Rapid Response: \$1.8MM (*loan loss reserves*)
- Health Path: \$500K (*loan*)
- Eagle/Western Southern: \$5MM (*loan*)
- City of Cincinnati: \$34MM HUD 108 loan (*loan*)
- CDF Capital (CDF's retained earnings)

## Pending Commitments:

- Advanced negotiations with multiple public and private sources



## Leveraging & Coordinating Funding

- The expertise CDF brings to this effort:
  - pooling resources
  - matching them to projects at critical junctures
  - knowledge of the market, people , and communities
  - speed
- Example: Slater Hall

## Eligible Uses

- **Use:**
  - acquisition, hard and soft construction costs, debt refinancing, bridge loans
  - New and rehab, multi- and single family
- **Geography:**
  - City AHTF in City
  - Range tied to source; regional
- **Affordability Term:**
  - 15-20 years; source dependent

# Eligible Uses – City AHTF Agreement

**Forgivable Loan Maximums:**

Area Median Income (“AMI”) Level for Unit	Maximum Forgivable Loan per 1-2 Bedroom Unit	Maximum Forgivable Loan per 3+ Bedrooms
Up to 60% AMI	\$50,000 per unit	\$60,000 per unit
Up to 80% AMI	\$25,000 per unit	\$30,000 per unit
Up to 100% AMI	\$10,000 per unit	\$20,000 per unit

October 25, 2022

**MOTION**

**Councilmember Reggie Harris Motion on Housing Funding Priorities**

**WE MOVE** that the City Administration, through amending its contract with the Cincinnati Development Fund (CDF) establish the following priorities regarding all City contributions to the “Fund of Funds”:

1. City dollars are highly leveraged by CDF
2. Funding projects that are mixed income when possible
3. Funding projects in high opportunity neighborhoods that do not concentrate subsidized housing
4. Funding projects in the lower AMI range where there is the greatest need (0-60%)
5. FY’ 23 Carryover dollars being directed to CDF would only be used for projects up to 80% AMI

**WE MOVE** that the Department of Community & Economic Development (DCED) shall establish as a priority in its annual Notice of Funding Availability (NOFA) projects targeted at 0-60% AMI.

## Lending as a core discipline:

- 34 years of lending to underserved communities
- Practices and procedures geared to vetting borrowers and structuring debt to ensure success
- Embedded in community development
- Full-service: loan underwriting, origination, construction oversight, servicing, revolving into new projects
- Organizational focus on affordable housing

## What We Do:

- Identify needs for access to capital
- Raise funds
- Create products
- Seek positive impacts

# Affordable Housing Leverage Fund

- A gap-filling fund that will leverage CDF's lending expertise, knowledge of the market, and relationships to accelerate the production and preservation of affordable housing by aggregating funding to provide a *new* and *flexible* source of financing to developers that aims to:
  - Expand production/preservation by existing developers
  - Entice new developers into the market, and
  - Attract new sources of private and public funding

- ***First***, by focusing on immediate production:
  - Filling gaps caused by rising construction costs
    - 9% LIHTC
    - NOFA
    - Other
  - Growing the 4% LIHTC market
  - Equity Bridge Loans

- ***Second***, by intentionally targeting and encouraging:
  - Smaller and minority developers
  - Smaller projects
  - Geographic diversity
  - Mixed-income
  - New structures and products
- Through engagement with and learning from these priority communities



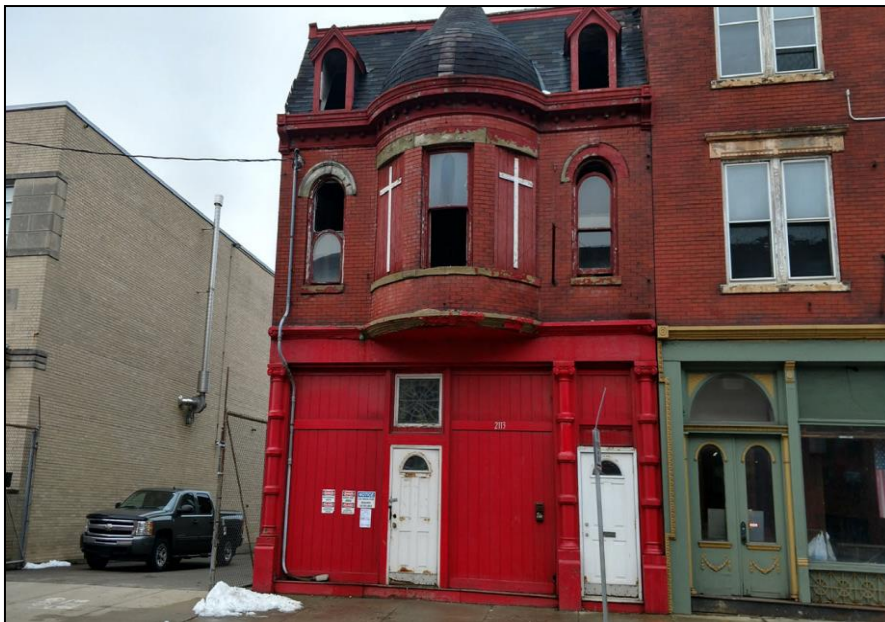
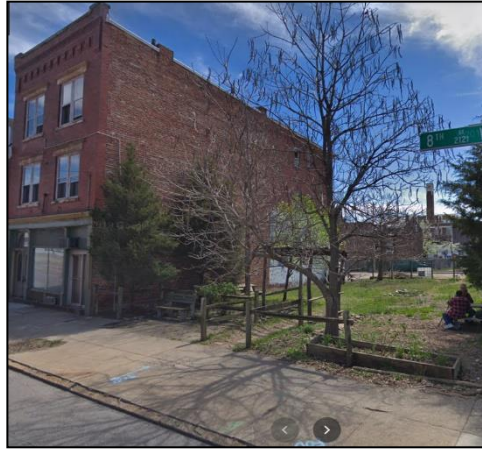
## Production from 2020-2022:

- CDF financed 16 real estate projects that included affordable housing.
- These projects created 527 affordable units across the housing spectrum: homeless shelter, permanent supportive housing, LIHTC, and workforce housing.
- Total loans of \$12.5 million leveraged \$73 million of additional capital.

## Pipeline:

- Engaged with multiple projects at a range of sizes and AMI levels

# Lower Price Hill Thrives



## Lower Price Hill Neighborhood

Predevelopment financing (\$380,000) to support:

47 units of affordable housing in 10 buildings and one new construction building

**Developers:** Community Matters and Over-the-Rhine Community Housing

**Total Project Cost:** \$12.6 million

# Melrose Place



## Walnut Hills Neighborhood

Predevelopment financing (\$500,000) for the creation of:

26 new units of permanent supportive housing with wraparound support services

**Developers:** Model Property Development and Interfaith Hospitality Network of Greater Cincinnati (IHNGC)

**Total Project Cost:** \$6.35 million



# John Arthur Flats



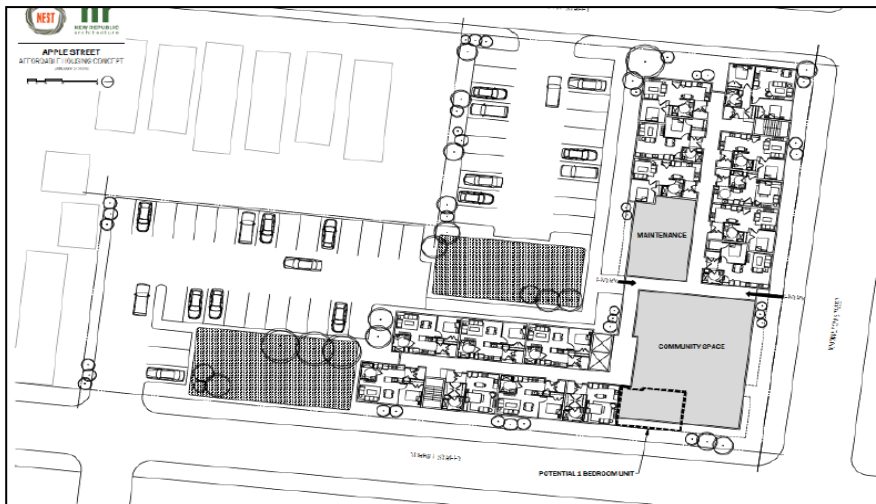
## Northside Neighborhood

Predevelopment financing for the creation of:

57 units of new affordable senior housing

**Developers:** Penrose LLC and Northsiders for Sustainable Transformation (NEST)

**Total Project Cost:** \$11.1 million



# 1714 Vine Street



## Over-the-Rhine Neighborhood

10 units of new rental housing

6 of 10 units are affordable to 80% or below  
AMI; all 1 bedroom, 1 bath units

**Developer:** 8K Development Company

**Total Project Cost:** \$1.2 million



# 728 Chalfonte Place



## Avondale Neighborhood

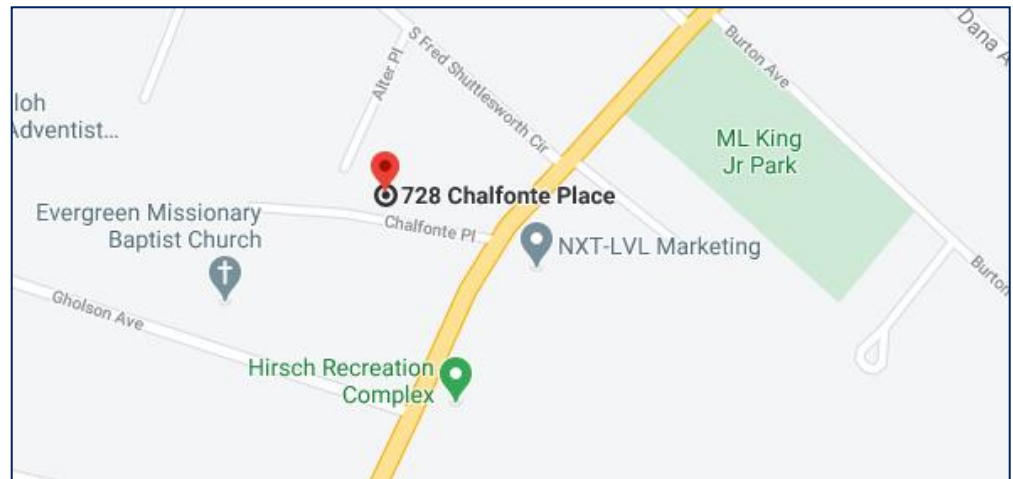
Assistance provided (\$182,000) to small nonprofit developer to acquire one 2-family and gut rehab an adjacent 2-family on Chalfonte Place

All units will be affordable to households below 80% AMI

Project is completed and leased up.

**Developer:** Renting Partnerships

**Total Project Cost:** \$386,951





## AHLF Strategy – Summary

- First, out of the gate, by prioritizing “shovel-ready” projects that can have immediate impact on our overall volume and which might be at risk of dying on the vine without this new source of funding.
- Second, by holding back some of the initial round of funds for projects in that second grouping that may need to tailor their projects to work with this new product; while also intentionally reaching out to the communities and places that may not be as plugged into the development pipeline as the established developers.
- Three, to continue aggressively pursuing the kind of funds necessary for each type of product.



## Looking Forward

- Borrowers can apply through current application process at [www.cindevfund.org](http://www.cindevfund.org)
- Future RFP once additional funds are secured
- Rolling applications and continued engagement to develop new products

# Slater Hall



- 62 Units of Permanent Supportive Housing for formerly homeless individuals who have experienced mental illness.
- Wrap around Supportive Services provided onsite by Tender Mercies and Greater Cincinnati Behavioral Health
- Owned and Managed by Tender Mercies
- Co-developed by Tender Mercies and Over-the-Rhine Community Housing

# Slater Hall

Total Development Cost:

\$ 13,375,353

Capital Stack

\$ 10,179,000 – LIHTC Equity

\$ 300,000 – OHFA HOME

\$ 246,757 – OHMAS

\$ 620,000 – FHLB

**\$ 2,029,596 – GAP**





# Slater Hall

Total Gap:

\$ 2,029,596

City Trust Fund:

\$ 1,880,000 – Low Interest  
Cash Flow Loan

Deferred Developer Fee

\$ 147,796 – Paid if there are  
\$\$\$ left



# Slater Hall



Tender Mercies transforms the lives of homeless adults with mental illness by providing security, dignity, and community in a place they call home.



# Contact

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