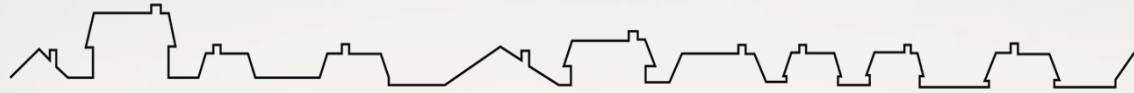


Welcome

Building Communities of Opportunity: Mixed-Income Housing Basics

A webinar presented by the Housing Our Future collaborative

HOUSING OUR FUTURE



Strategies for Cincinnati and Hamilton County

LLSC GREATER CINCINNATI

leads implementation of the Housing Our Future strategy.

Upcoming Event:

Black Developers Conference

September 8, 2023

Purpose:

To increase minority development opportunities by fostering public/private partnerships and eliminating barriers that hinder the opportunities for minority firms to obtain favorable contracts.

Collaborators:

The City of Cincinnati, The Port, Cincinnati Development Fund, and The Greater Cincinnati Realist Association

To register or find out more:

<https://www.buildblkcincy.org/>

Who's the event for?

- Developers
- Construction Companies
- Micro Developers
- Sub-Contractors
- Infrastructure Support Suppliers

Walnut Hills Kroger Site

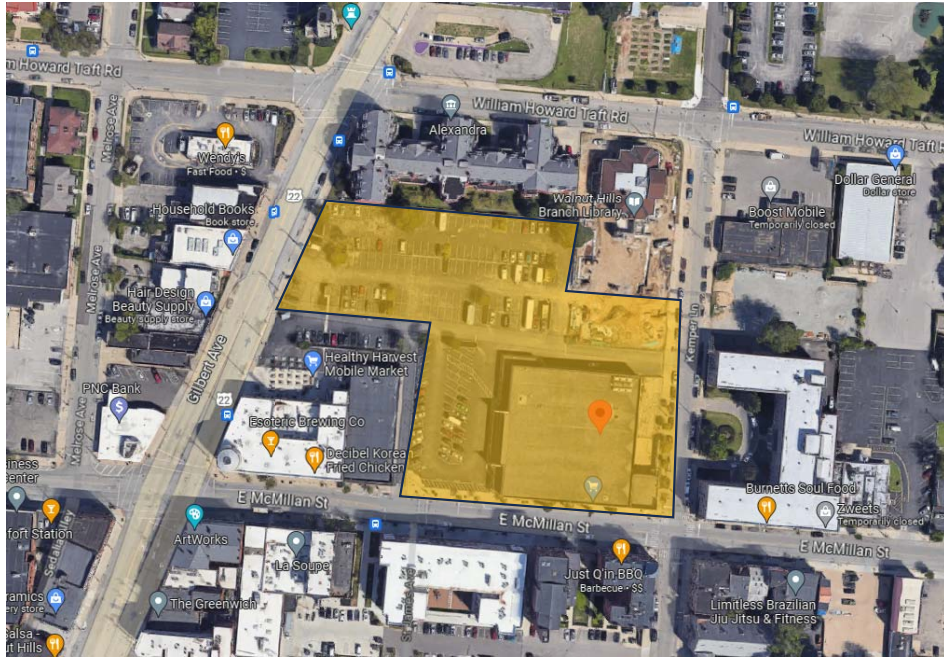
Housing Our Future

August 17, 2023



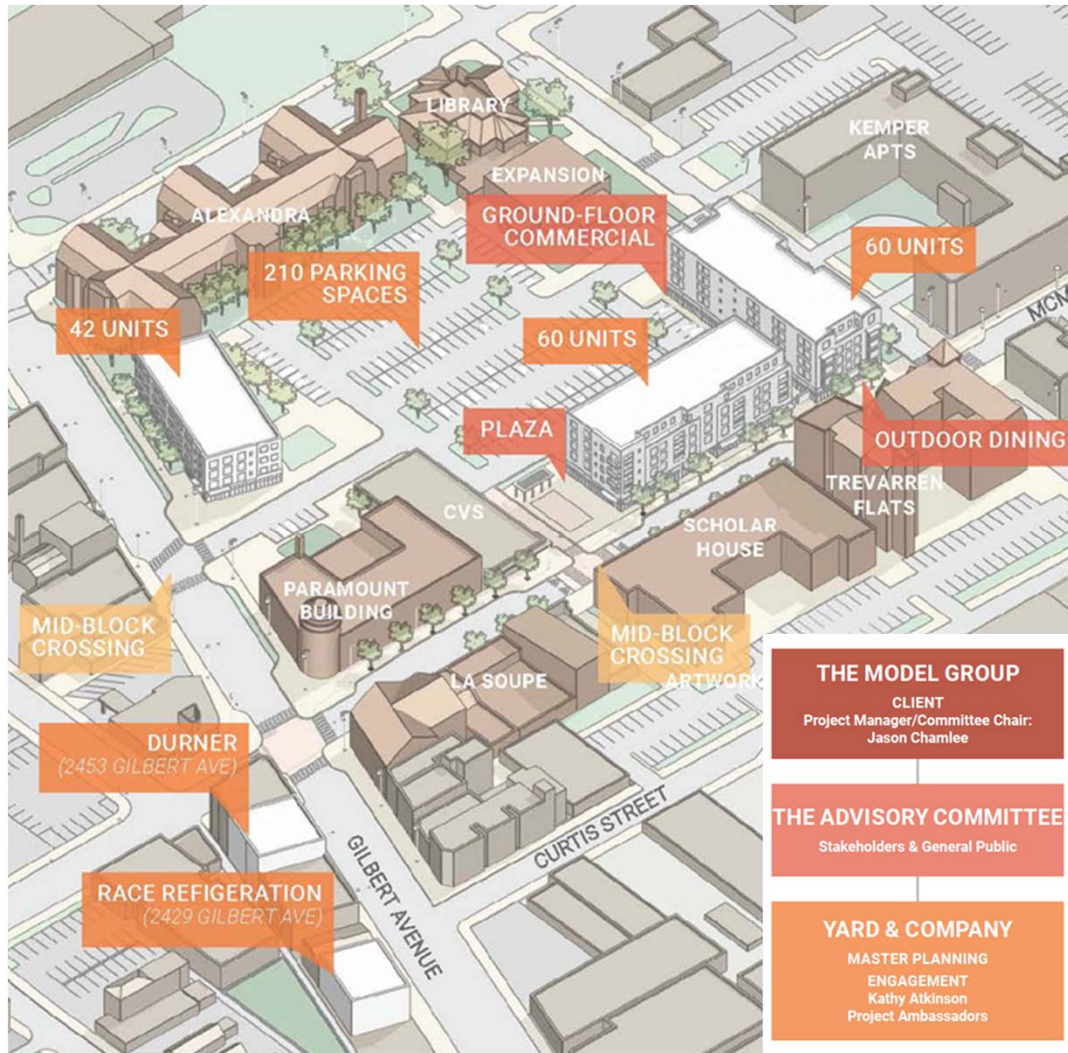
Walnut Hills
Redevelopment
Foundation

modelgroup



Former Kroger Building and Parking Lot

- 3.5-acre lot in the Walnut Hills Business District
- Located adjacent Paramount Square, and CPL Walnut Hills Branch.
- Kroger closed doors in 2017
- WHRF purchased the building to maintain control
- Model Group purchased the site in Summer 2020
- Model Group hired Yard and Company to conduct a community engagement process .



» Development should feel between Humming and Active

» **Top Retail Priority**

- Local, minority, and or women owned businesses
- Food Market
- Restaurants & bars
- Neighborhood services

» **Top Outdoor Space Uses**

- Community events
- Health & wellness
- Live music

» **Top Residential Priorities**

- Mixed-use living
- Increased options for existing neighborhood residents
- Affordable housing
- Multi-family

Paramount Launch



- \$29.8 Million Total Development Cost
- 56 units
- 22 units at 80% AMI and 7 at 60% AMI
- 33,000 square feet of commercial space
- 200 parking spaces
- Programmed Outdoor Plaza Space
- Completion May 2024

Peebles Apartments



- \$13.7 Million Total Development Cost
- 42 units
- 1, 2, and 3-bedroom units
- Units at 30%, 50%, and 60% AMI
- 2,000 square feet of commercial space
- Completion May 2024

Development Summaries

Alexandra Apartments



- \$25 Million Total Development Cost
- 83 units
- Units restricted to 60% AMI and below and 62+
- Construction beginning late fall 2023

Paramount Commons



- Approximately \$36 Million Total Development Cost
- 60+ units
- Focus on clean energy
- Mix of affordable and market rate
- 16,000 square feet of commercial/office space
- 2nd Quarter 2024 target closing

Paramount Launch



- NMTC Equity
- Debt
- Federal and State Historic Equity
- City Grants
- City AHTF Funds
- County ARPA
- Developer and Sponsor Equity

Peebles Apartments



- 9% LIHTC Equity
- City HOME
- City AHTF
- Housing Finance Agency Issued 1st Mortgage
- Mezzanine Debt
- Developer Equity

Funding Sources

Alexandra Apartments



- 4% LIHTC Equity
- HUD 202 Capital Advance
- Federal Historic Tax Credits
- City CDBG
- County ARPA
- Housing Finance Agency Issued 1st Mortgage
- Developer Equity

Paramount Commons



- Potential Sources Include:
 - City AHTF
 - County ARPA
 - Bond Financing
 - Project TIF
 - State and Federal NMTC Equity
 - Developer Equity



COLLEGE HILL

A Diverse and Neighborly Community

COLLEGE HILL COMMUNITY URBAN REDEVELOPMENT CORPORATION



HOUSING CASE STUDY

College Hill

◆ Introduction



Kate Greene
Chief Executive Officer



Michael Chewning
Partner | 8K



Will Basil
Developer | Pennrose

◆ College Hill Business District



◆ HOUSING IN COLLEGE HILL'S BUSINESS DISTRICT ◆

Timeline of Housing Development

The Dixon Building

16 units of Naturally Occurring Affordable Housing

The Doll House

1 unit of Naturally Occurring Affordable Housing
1 unit of Market-Rate Housing

Hollywood Apartments

34 units of Naturally Occurring Affordable Housing

KeyMark

26 units of Income-Restricted Affordable Housing

2017

2018

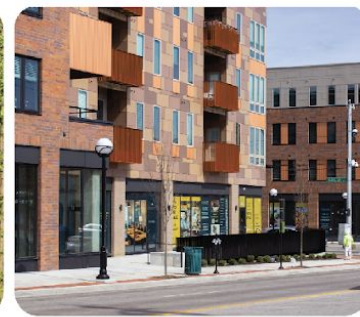
2019

2020

2021

2022

2023



Marlowe Court

53 units of LIHTC Housing

Dow's Corner

3 units of Income Restricted Affordable Housing
1 unit of Market-Rate Housing

HaNoBe Apartments

171 units of Market-Rate Housing

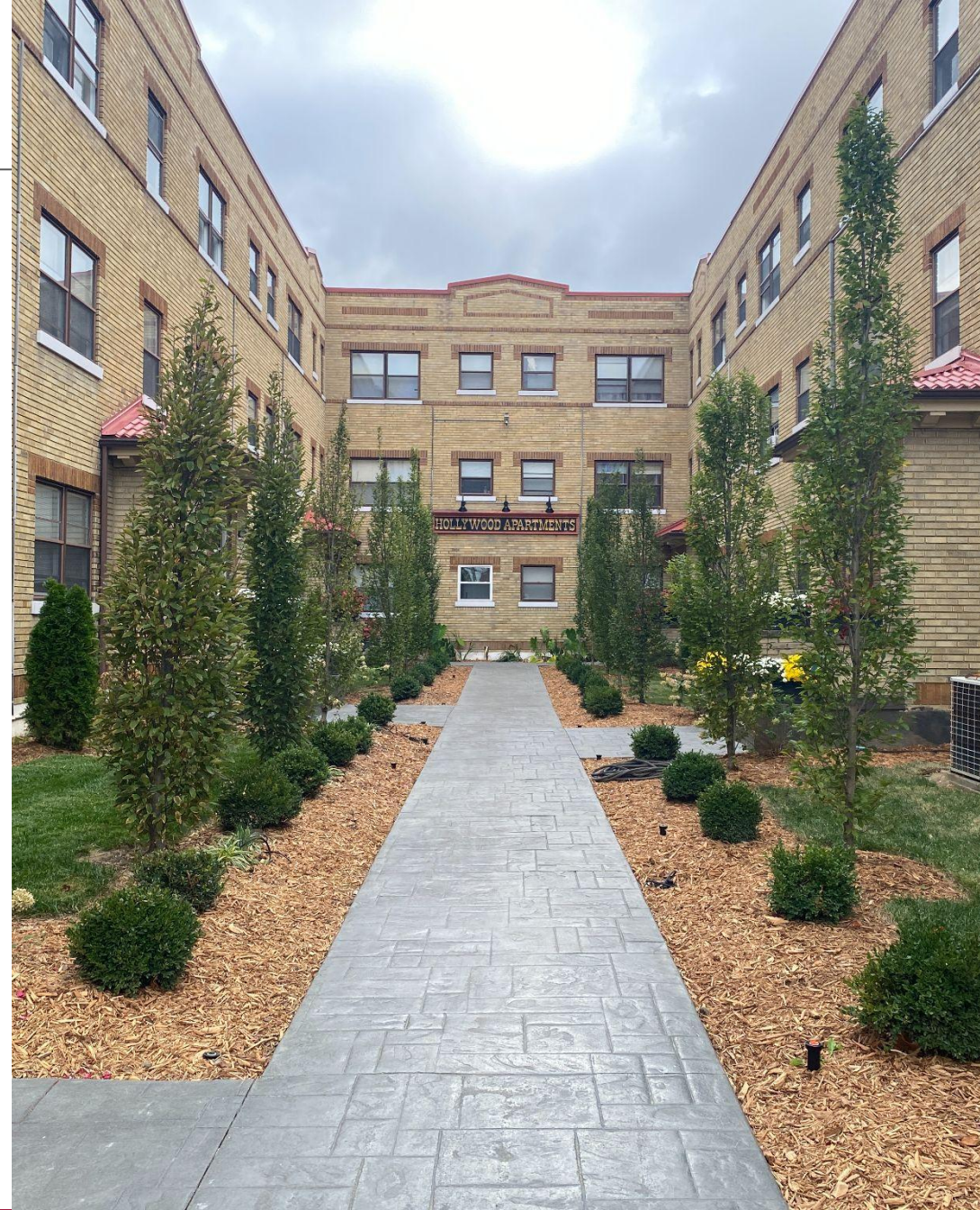
◆ Hollywood Apartments

- Preserving Naturally Occurring Affordable Housing
- College Hill CURC acquired the building in October of 2021
- Fundraising: 8 months | Renovation: 6 months
- Renovation Cost: \$615,000

Challenge: addressing years of deferred maintenance while maintaining naturally-occurring affordability

- **34 affordable residential units**
- **2 commercial bays**

- Rent varies from **\$550-800/month** depending on the size, number of rooms, etc.



◆ Hollywood Apartments



◆ The KeyMark Project

- Redeveloped 4 vacant, blighted buildings within the College Hill Business District as part of strategic acquisition & development plan of College Hill CURC
- Several buildings re-purposed to increase residential density to support future commercial development (Mergard)
- Created 26 affordable apartments, 10,000SF of commercial space and 72 parking spaces in an event-centric community space

Knicht Building



Ruth-Hellen Building



Mergard Lanes Building



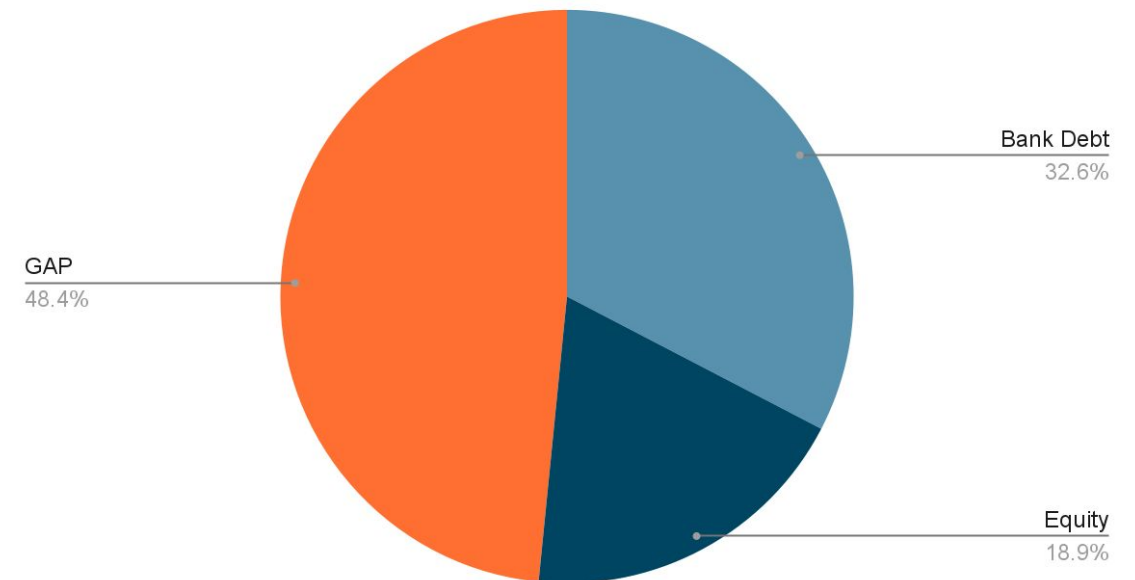
East Parking Lot



◆ The KeyMark Project - Challenges

- Project Costs Exceed Available Funding
 - Total Project Costs of \$9.5M
 - Building Operations only supported \$3,100,000 of Debt
 - Community & Developer Equity of \$1,800,000
 - Remaining \$4.9M GAP

Total Project Costs \$9.5M



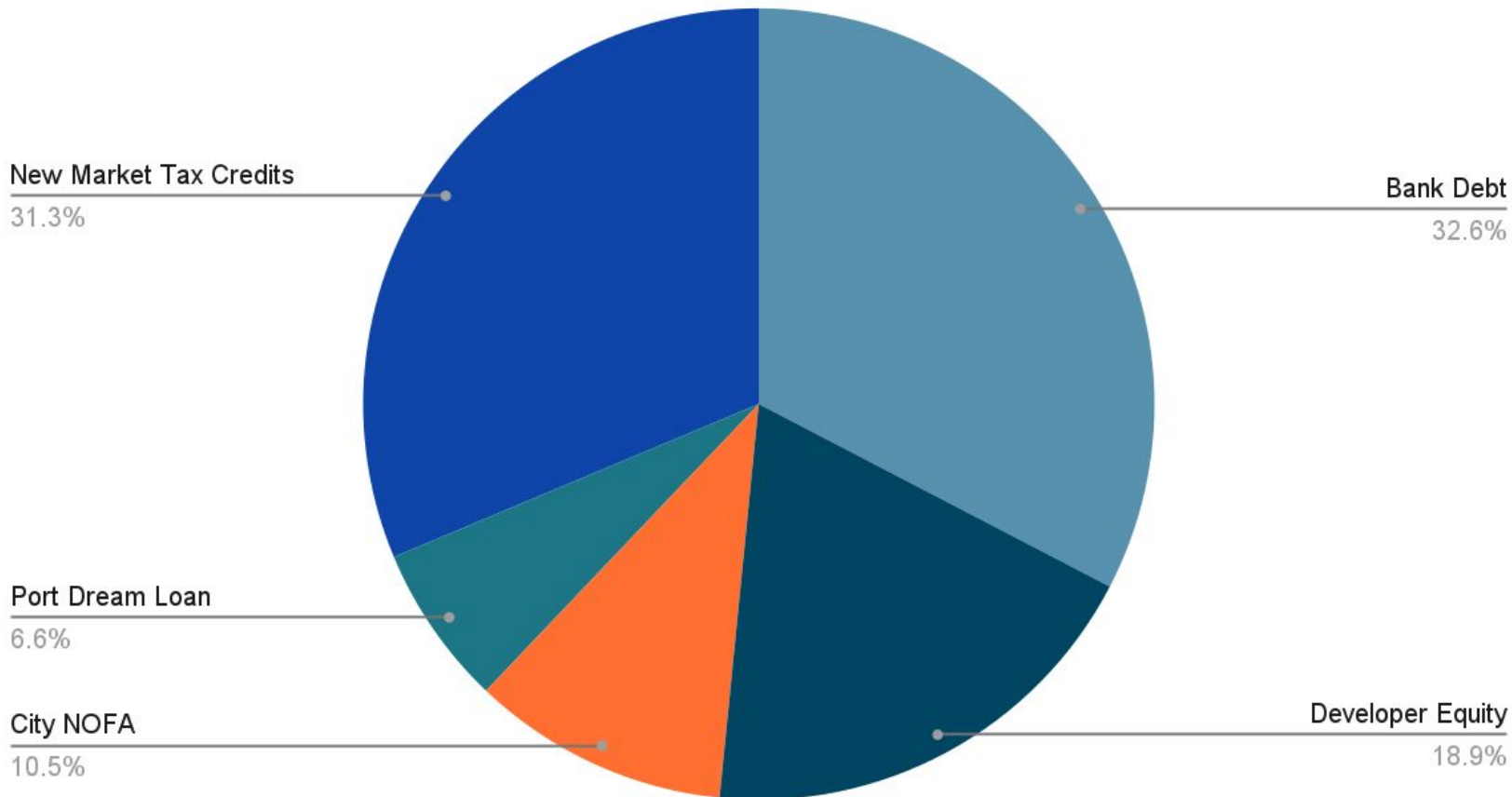
◆ The KeyMark Project - Challenges, Continued

- The Development cycle is long
 - 2017-2019 College Hill CURC acquires key properties
 - Fall 2019 - College Hill CURC Issues RFP
 - Summer 2020 - College Hill CURC awards Development to 8K
 - Winter 2021 - 100% Financing Obtained for Project & Construction Commences
 - Summer 2023 - Buildings Reach Completion
- Other Significant Hurdles for emerging developers
 - P&P Bonding
 - Providing Personal Guarantees for loans
 - Providing Guaranteed Construction Pricing during periods of high inflation
 - Complex IRS regulations and legal requirements

◆ The KeyMark Project - Financing Solutions



Total Project Costs \$9.5M



◆ The KeyMark Project - Mixed-Income Housing Results

100% of the Apartment will be considered affordable at varying levels of affordability

- 7 Units will be rented affordably to households earning less than or equal to 50% AMI
- 19 Units will be rented affordably to households earning less than or equal to 80% AMI

| Income Limit | Total Units | One Person Household Limit (2023) | Average Price Point | | |
|--------------|-------------|-----------------------------------|---------------------|----------|------------|
| | | | Studio | 1 Bed | 2 Bed |
| 50% AMI | 7 | \$35,400 | \$575 | \$625.00 | N/A |
| 80% AMI | 19 | \$56,650 | N/A | \$900.00 | \$1,300.00 |



◆ The KeyMark Project - Mixed-Use Results

- 4 primary commercial tenants make mixed-income living more livable
 - Sleepy Bee
 - Big Chill
 - Manga Manga
 - College Hill CURC Headquarters
- Created 45 permanent full-time jobs



◆ HaNoBe

- Built on the the former site of Kroger and Shuller's Wigwam, 20 years in the making
 - 171 market-rate residential units and 11,500 SF of commercial space
- Timeline
 - mid-2000s - City of Cincinnati secured site control
 - 2018 - Penrose selected as Development Partner
 - 2020 - Construction Began
 - 2022 - Lease Up Began for Building A
 - 2023 - Construction Complete
 - June 2023, 100% occupied!



- HaNoBe Development Costs and Capital Stack

| | Total | Cost/SF | Source | Amount |
|--------------------------------|---------------------|-----------------|---|----------------------|
| <u>Building Cost</u> | \$24,600,579 | \$132.66 | <u>First Mortgage</u> | \$ 19,000,000 |
| <u>Site Work Cost</u> | \$1,414,122 | \$6.99 | <u>CDF Credit Enhanced Loan</u> | \$ 3,000,000 |
| <u>Contingency</u> | \$1,473,157 | | <u>Pennrose Equity</u> | \$ 2,200,000 |
| <u>Total Hard Costs</u> | \$26,073,736 | \$140.60 | <u>OCDFF Equity</u> | \$ 3,000,000 |
| Total Development Costs | \$33,573,140 | \$181.04 | <u>City Grant</u> | \$ 4,050,000 |
| | | | <u>Finance Fund</u> | \$ 1,758,938 |
| | | | <u>Property Excess Income During Lease Up</u> | \$ 564,202 |
| | | | Total | \$ 33,573,140 |

◆ HaNoBe

- Comparing rents from closing (2020) to stabilized (2023)

| Style | Qty | SqFt Range | Closing Rent Range | Closing Rent/SF | Current Rent Range | Current Rent/SF | % Change |
|-----------------------|-----|------------|--------------------|-----------------|--------------------|-----------------|----------|
| Studio | 12 | 570 - 599 | \$998 - \$1083 | \$ 1.78 | \$1,150-\$1,235 | \$ 2.04 | 15% |
| One Bedroom | 108 | 543 - 888 | \$890 - \$1489 | \$ 1.65 | \$950-\$1,575 | \$ 1.77 | 7% |
| One Bedroom w/ Den | 9 | 827 - 892 | \$1348 - \$1462 | \$ 1.64 | \$1,445-\$1,550 | \$ 1.78 | 9% |
| Two Bedroom | 42 | 962 - 1209 | \$1530 - \$1935 | \$ 1.61 | \$1,780-\$1,995 | \$ 1.70 | 6% |

- Income ranges for 80% AMI \$56K-\$65K for a two person household

| LIHTC Rent Limits for 2023 (Based on 2023 MTSP/VI Income Limits) | | | | | | |
|---|--------|--------|--------|--------|--------|-------|
| Bedrooms (People) | Charts | 60.00% | 30.00% | 50.00% | 80.00% | FMR |
| 1 Bedroom (1.5) | ▲ | 1,137 | 568 | 948 | 1,517 | 839 |
| 2 Bedrooms (3.0) | ▲ | 1,365 | 682 | 1,137 | 1,820 | 1,093 |
| 3 Bedrooms (4.5) | ▲ | 1,577 | 788 | 1,314 | 2,103 | 1,464 |

◆ College Hill Station 3

College Hill CURC and Pennrose are planning the third phase of development at the corner of Hamilton & North Bend (mixed income, mixed use)



◆ College Hill Station 3

Community Engagement



◆ College Hill Station 3

Challenges to mixed-income developments:

- Interest Rates - fixed LIHTC rents can only generate so much debt
- Construction Costs - easier to absorb with market rents, tougher for LIHTC rents
- Equity Timing - finding equity investors who can be patient on the market rate side
 - Market Rate Equity - Avg. 7 years, refi or sell
 - LIHTC Equity - 15 years minimum (LIHTC compliance period)
- Rents - to offset the LIHTC rents, market rents can be increased, but finding the right balance is key
- Sources - local subsidy is needed to make mixed-income deals work

| Permanent Sources | | Combined | Market | Affordable |
|-------------------|------|-----------------|-----------------|----------------|
| Equity | 40% | \$ 11,436,057.8 | \$ 8,141,487.6 | \$ 3,294,570.1 |
| Soft Debt | 35% | \$ 9,944,027.0 | \$ 6,352,015.0 | \$ 3,592,011.9 |
| Hard Debt | 25% | \$ 7,026,113.8 | \$ 6,225,520.8 | \$ 800,593.0 |
| Financing Costs | 0% | \$ - | | \$ - |
| Total Sources | 100% | \$ 28,406,199.0 | \$ 20,719,023.5 | \$ 7,687,175.1 |

Thank you!



Questions?





3CDC

CINCINNATI CENTER CITY
DEVELOPMENT CORPORATION



3CDC is a non-profit, real estate development, management, and finance organization focused on strategically revitalizing Cincinnati's downtown urban core in partnership with the City of Cincinnati and the Cincinnati corporate community. Our work is specifically focused on the Central Business District and in Over-the-Rhine.



CREATE & MANAGE GREAT CIVIC SPACES



CREATE HIGH-DENSITY MIXED-USE DEVELOPMENT



PRESERVE HISTORIC STRUCTURES AND IMPROVE STREETSAPES



CREATE DIVERSE, MIXED-INCOME NEIGHBORHOODS SUPPORTED BY LOCAL BUSINESS



AFFORDABLE HOUSING STRATEGY

- Increase the number and quality of affordable housing units in OTR
- Improve coverage of income brackets and introduce mixed-income development
- Repurpose and activate vacant and underutilized street-level commercial spaces
- Ensure high-quality management plan is in place
- 3CDC has been involved in the development of 13 affordable and mixed-income projects to date, resulting in 460 affordable units and 200 market rate units.
 - Partners on these projects have included Over-the-Rhine Community Housing, The Model Group, Episcopal Retirement Homes , McCormack Baron Salazar, and Cornerstone Renter Equity



YMCA Senior Housing



ARP



Columbia



Keyer Row

MIXED-INCOME HOUSING COMPLETED PROJECTS IN OTR

MERCER COMMONS II
30 AFFORDABLE UNITS
37 MARKET RATE UNITS



KEYER
5 AFFORDABLE UNITS
17 MARKET RATE UNITS



PERSEVERANCE
32 AFFORDABLE UNITS



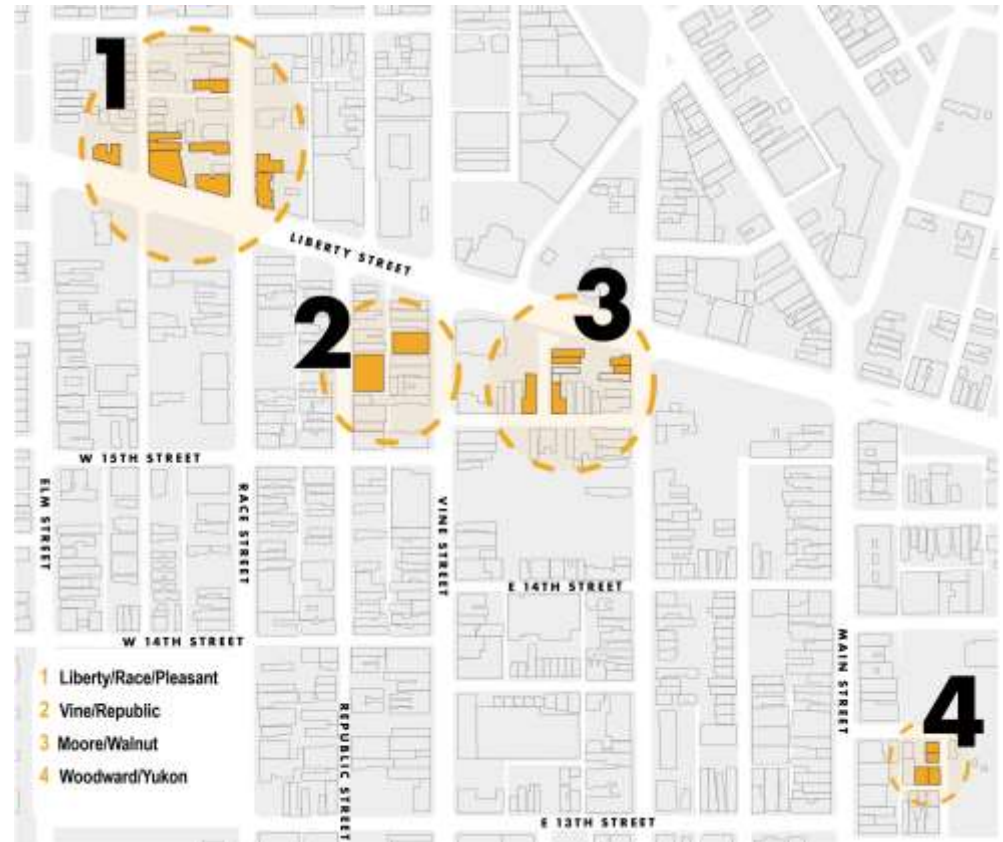
ADELINE LOFTS
6 AFFORDABLE UNITS
6 MARKET RATE UNITS



WILLKOMMEN

PROJECT SUMMARY

- Developer: Model Group & 3CDC
- 19,500 SF commercial space
- 163 residential units
 - ✓ 88 affordable units
 - 56 units affordable at 50-60% AMI
 - 32 units affordable at 80% AMI
 - ✓ 75 market rate units
- Comprised of four project clusters
- Totaling project costs: \$50.8 million
 - ✓ Private debt and equity
 - ✓ Low Income Housing Tax Credits
 - ✓ New Market Tax Credits
 - ✓ Historic Tax Credits
 - ✓ Opportunity Zone
- Mixed-Income/Mixed-Use development
 - ✓ Restoration of 16 historic buildings
 - ✓ Infill on 4 vacant lots



COMMUNITY ENGAGEMENT

- 3CDC and Model Group valued the community's input in the development process
- The project team began the process of engaging the community in April 2018 by meeting with the following community groups:
 - ✓ OTR Community Council (OTRCC)
 - ✓ OTRCC – Board of Directors
 - ✓ OTRCC – Committee on Housing and Economic Development
 - ✓ OTR Infill Committee
- Between April 2018 and February 2020, the project team attended 14 community-focused meetings regarding the project
- At the OTRCC meeting on February 24, 2020, the OTRCC body voted to approve the Willkommen project

PROJECT OVERVIEW & GOALS

- Willkommen is a model for inclusive affordable housing and ensures OTR remains a diverse, mixed-income community
- Contrary to what has been the practice in Over-the-Rhine historically, Willkommen is truly mixed-income housing, with units for households at 50%, 60% and 80% area median income (AMI), in addition to market-rate units
- Market rate and affordable units are indistinguishable and co-located in the same buildings
- Infill new construction at four locations add to revitalization in areas north on Vine Street, north of Liberty Street, and near Ziegler Park
- Revitalization of 16 vacant historic structures
- Worked with the owners of Alabama's restaurant to keep their restaurant in the community and a part of the project



1525 Vine - Before



1525 Vine - After



1520 Republic - Before



1520 Republic - After



1601 Race



18 E 15th



1512 Moore



1510 Moore



20 E 15th



1606 Race



1611 Race



215 Woodward



211 Woodward



1623 Race



FINANCING

- Low Income Housing Tax Credits (LIHTC) awarded through OTR Tap Zone with City
- Secured State Historic Tax Credit Award (\$5.2MM)
- New Market Tax Credits - \$25MM of federal allocation committed
 - ✓ Cincinnati Development Fund (\$13MM federal)
 - ✓ Consortium (\$5MM federal + \$2MM state)
 - ✓ RBC (\$5MM federal)
 - ✓ Truist (formerly SunTrust) (\$2MM federal)
 - ✓ Cincinnati New Markets Fund (\$2MM state)
- Opportunity Zone Equity
 - ✓ Fifth Third (\$7MM)
 - ✓ Model Group (\$1.25MM)

PROJECT BUDGET

| Total Uses | Total Willkommen |
|-------------------|-------------------|
| Acquisition | 4,674,198 |
| Hard Costs | 32,206,752 |
| Soft Costs | 13,755,066 |
| Total Uses | 50,636,016 |

| Total Sources | Total Willkommen |
|-------------------------------|-------------------|
| LIHTC | 10,069,813 |
| Opportunity Zones | 8,250,000 |
| Fifth Third | 7,000,000 |
| Model Group | 1,250,000 |
| New Markets Tax Credit | 9,587,500 |
| Federal | 8,287,500 |
| State | 1,300,000 |
| Historic Tax Credits | 8,210,812 |
| Federal | 4,210,812 |
| State | 4,000,000 |
| Debt | 6,535,000 |
| CEF II | 5,250,000 |
| Fifth Third | 1,285,000 |
| City | 5,008,595 |
| HOME Funds | 1,000,000 |
| City Capital | 1,500,000 |
| TIF District | 2,508,595 |
| Deferred Developer Fee | 2,974,296 |
| TOTAL | 50,636,016 |

LEASING INFORMATION

- Apartments were leased at a rapid pace
 - The last building was completed at the end of June 2022, and was 95% leased one month later
- The apartments range in size from efficiencies to 3-bedroom units
 - Each unit has 9-foot ceilings, hardwood floors, stainless steel appliances, hookups for washers and dryers, and ceiling fans in the bedrooms
- Model Group is handling the leasing and management of the residential units and 3CDC handles the leasing of the commercial spaces
- Commercial tenants include Alabama Fish Bar, Fly by Nature, and Yoli's Pool House



CHALLENGES & LESSONS LEARNED

- Complexity required to achieve project goal of true mixed-income development was a challenge
- Management of legal costs and overhead
 - Work with partners and consultants to understand goals and vision
 - Work to establish billing guidelines and practices to support efficiency
- LIHTC scoring and flexibility to support innovative approaches tailored to the needs of project
 - FHAct50 set-aside/OTR Target Area Plan enabled this project to receive a 9% LIHTC award



THANK YOU

