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ENIX

2024

**Expanding Housing
Opportunities for Moderate-
Income Households**

Panelists

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Discussion Leader

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Director of Policy and Planning | Virginia Housing

Defining the Problem

Affordable Housing

housing that is priced so that individuals or families with low to moderate incomes can afford it

VS.

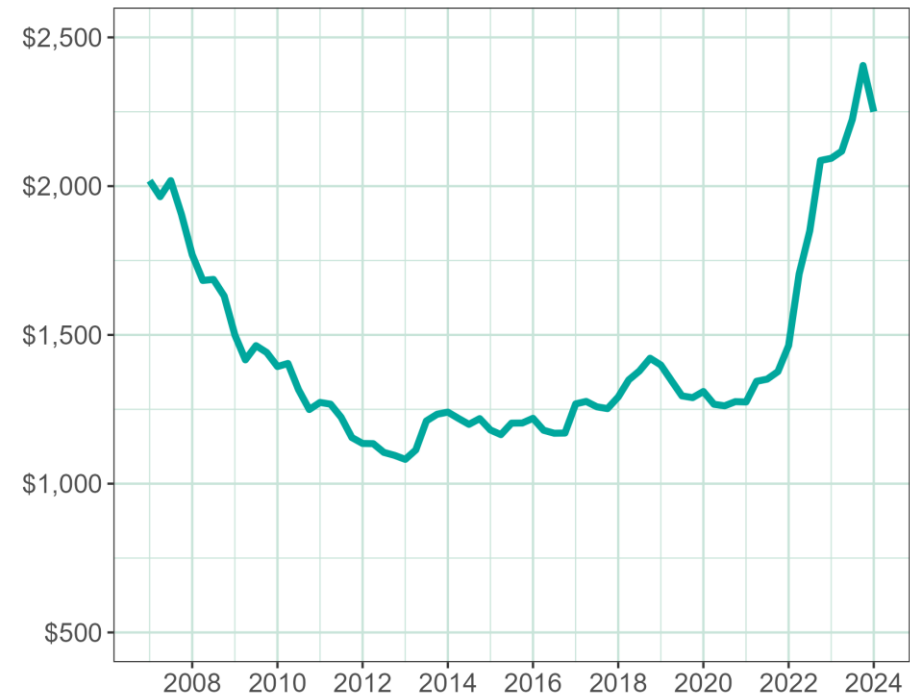
Housing Affordability

a general measure of how easily individuals or families can access housing that meets their needs

Defining the Problem

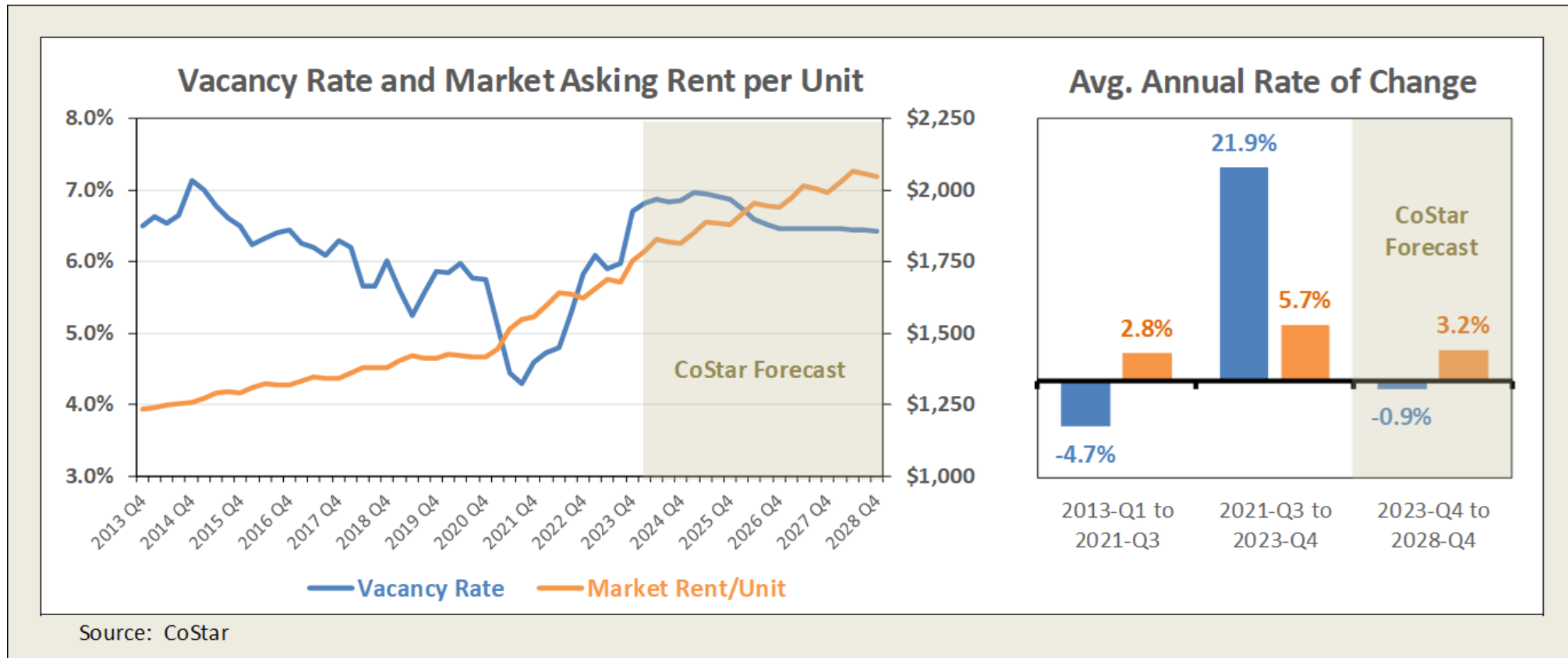
- Affordability gap has grown
- Inflation-adjusted monthly payment on a starter home in Virginia increased by more than 85% in less than three years
- Median earnings are flat for the same period

Inflation-adjusted Mortgage Cost of Typical Virginia Starter Home
Monthly P&I on 95% LTV 30-Year Fixed Rate Loan

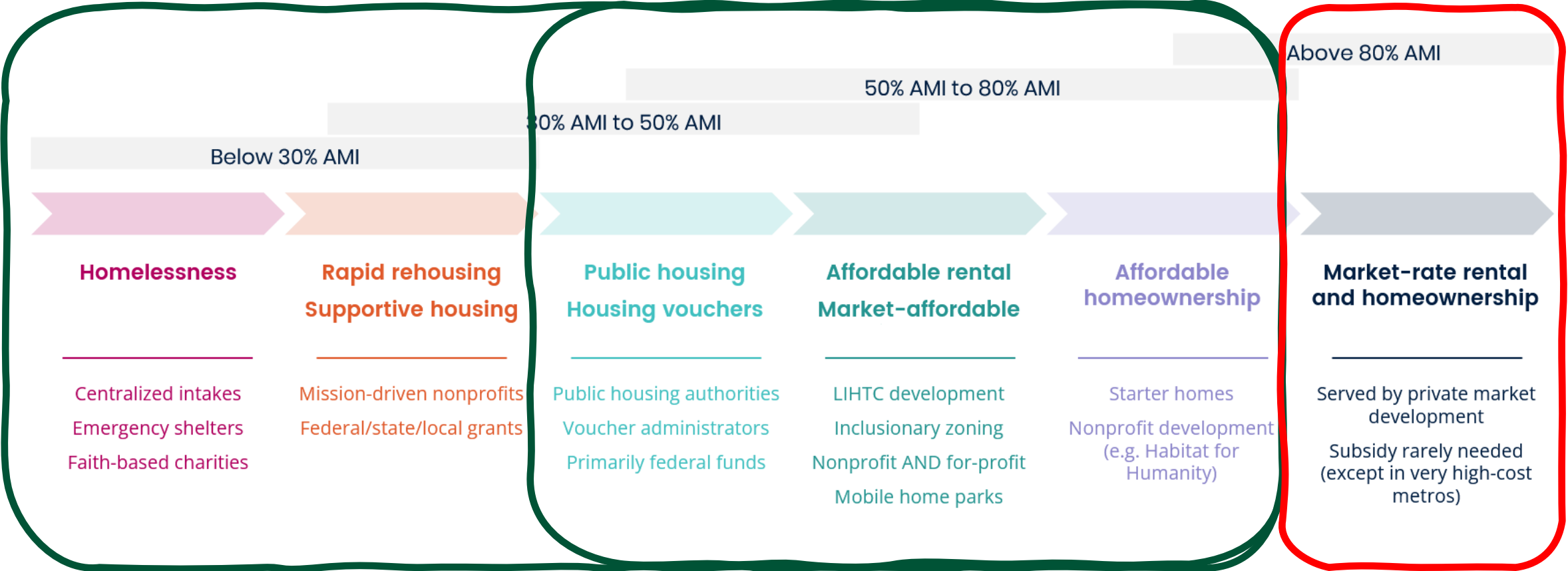


Sources: FHFA HPI, CPI-U, Freddie Mac PMMS, Virginia Realtors Home Sales Report

Defining the Problem



Housing Market(s) mismatch and the role of HFAs



Housing and Economic Development

- Housing has become a major Economic Development factor, influencing both business and talent relocation decisions
- Many regions across the country are facing increased competition for attracting and retaining business and workers
 1. Renovated interest in housing policies and programs
 2. New actors in the housing ecosystem
 3. Challenges and opportunities

Challenges

- Mission creep
- Funding and resources
- Policy and Regulations
- Community Perception
- Market Understanding

Opportunities

- Broader Mission Alignment
- Diversification of funding sources
- Innovative Financing and Construction Models
- Increased Collaboration
- Strengthening Community Impact

Middle-Income Housing Efforts

- **New Financing tools**
 - ARPA-backed or enabled tools (grants and loans)
 - Newly-capitalized funds
- **Zoning and Property Taxes**
 - Reduction of operating costs
 - Reduced land use regulations or interventions
- **Capitalizing Authorities**
- **PPPs**

What are we doing in VA

Supporting the ecosystem

- Funded a comprehensive study to understand the problem
- Developed stronger Interagency and inter-organizational collaborations
- Deployed a \$40 million PDC grant for regional housing efforts

Rental Development

- Mixed-use, mixed-income development financing
- Pilot Fast-track application, underwriting, and closing process

Homeownership

- Expanded the Homeownership program for more moderate-income applicants + Continued offering of second mortgage products

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Michigan's Approach to Expanding Housing Opportunities for Moderate-Income Households

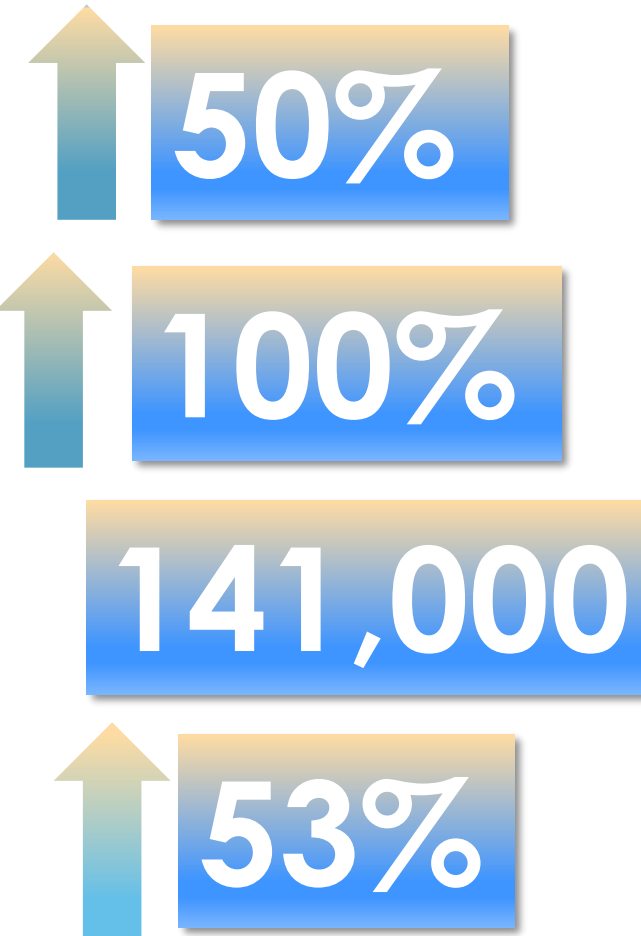
The Challenge

50% of renters pay too much for housing

Between 2012 and 2022, average home sales price went up **100%**; incomes only increased about 40% during that same period

Michigan currently has a housing shortage of more than **141,000** units

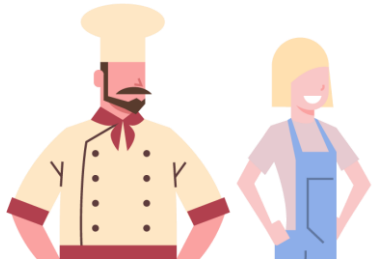
53% of our homes are more than 50 years old



Michigan's Approach to Moderate-Income

- **Missing Middle Housing Program**
- **Housing Tax Increment Financing (TIF) Program**

Who do our programs support?



Food Service

\$29,492 (avg)

30-40% AMI

\$737/month



Teachers & Librarians

\$57,761 (avg)

60-70% AMI

\$1,444/month



First responders

\$71,401 (avg)

70-80% AMI

\$1,785/month



Healthcare practitioners

\$72,980 (avg)

80-100% AMI

\$1,824/month



Architect

\$95,034 (avg)

100-120% AMI

\$2,375/month

Homeless Solutions (\$24.5M)

Multifamily Rental Construction (\$490M)

Homeownership (\$645M)

Housing Choice Vouchers (\$235M)

Missing Middle & Housing TIF (\$110M+)

Missing Middle Housing Program

- **\$110,000,000** of ARPA-SLFRF dollars
- **Grants to Non-Profit and For-Profit Projects**
 - 60% AMI – 120% AMI
 - Rental or For-Sale Homeownership
 - \$70k - \$80k per Missing Middle unit
 - Urban and Rural locations
 - Small projects and large projects

Missing Middle Housing Program

- **50** projects awarded
 - 35% rural and 65% urban
- Over **1,400** Missing Middle units
 - 85% rental and 15% for-sale homeownership
- **\$72k** per unit average funding



Innovating in a rural community

- Eaton Village is a ‘pocket neighborhood’ of 12 small homes on a tax foreclosed site that was previously home to a blighted mobile home community. The homes are for rent and sit on concrete slabs.
- Developer received a Missing Middle Housing Program grant of \$800,000 toward a total project cost of \$2,960,000.
- Because of the Missing Middle funding, rents will be income-controlled for residents of 10 of the units.

Housing TIF Program

- The **reimbursement** of local and state **property taxes** to support eligible **housing development costs**
- Starts at the local level and **driven by local needs**
- Provides funding for projects that commit to setting aside units for households at **120% AMI** and below

Mixed-Income Public Development

*Paul Williams, Executive Director
Center for Public Enterprise*

Mixed-Income Public Development

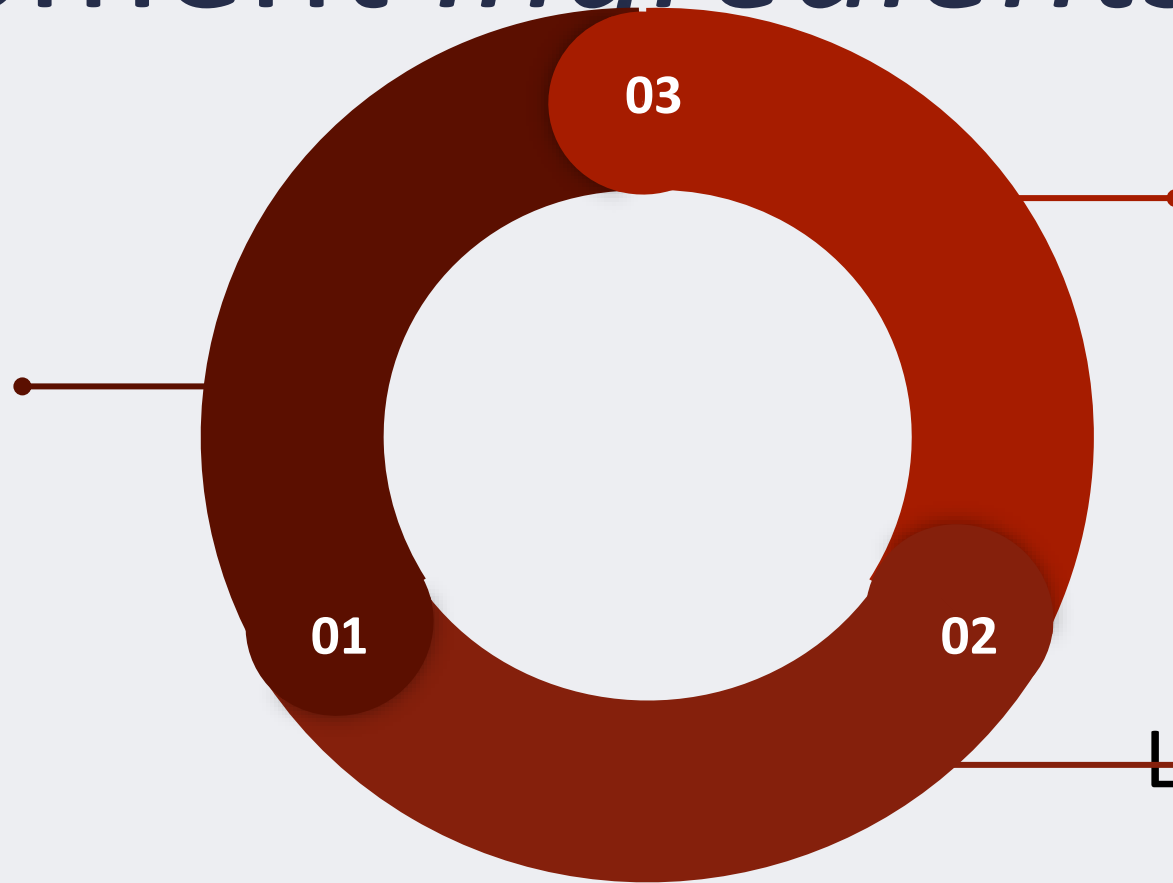


Innovation Across the Nation



Mixed-Income Public Development *Ingredients*

Public
Ownership
Tax Relief



Revolving Loan
Fund

Low Cost Debt

Public Ownership Benefits

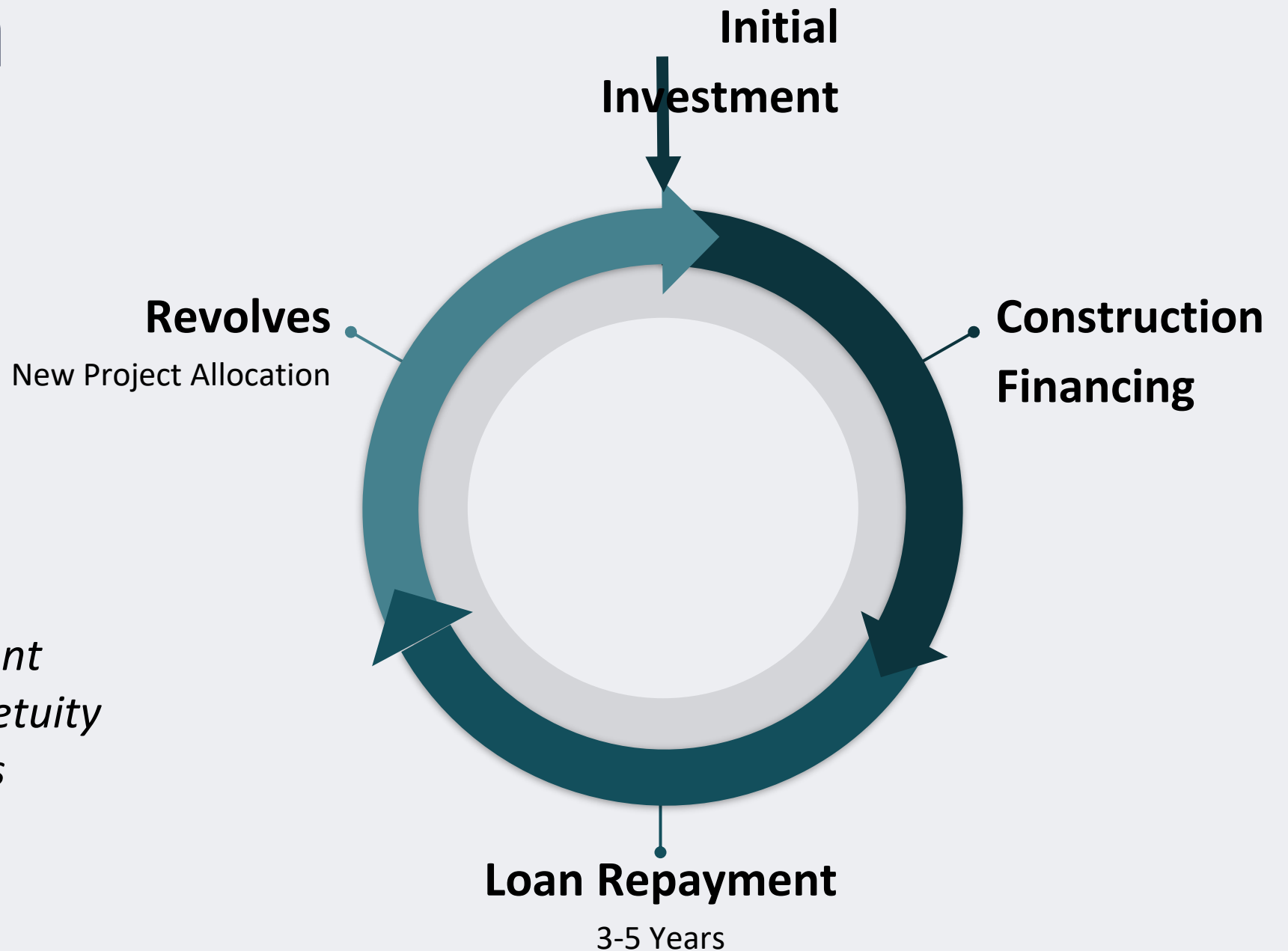
Short Term

- Subsidiary structure
- Tax relief
- Powers and authorities

Long Term

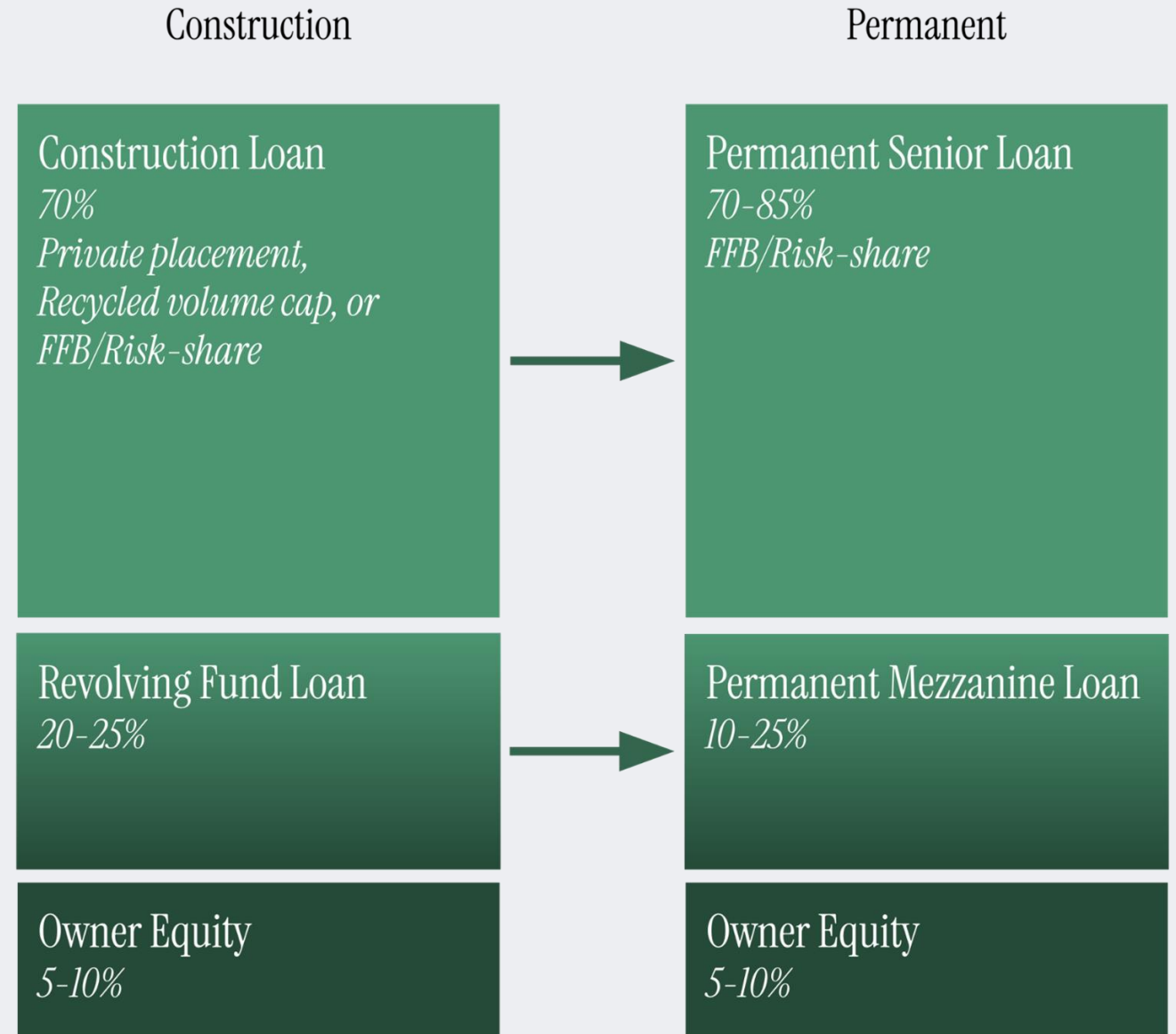
- Ongoing affordability
- Strengthen portfolio
- High performance asset
- Leverage expanded funding opportunities

Revolvin g Loan Fund



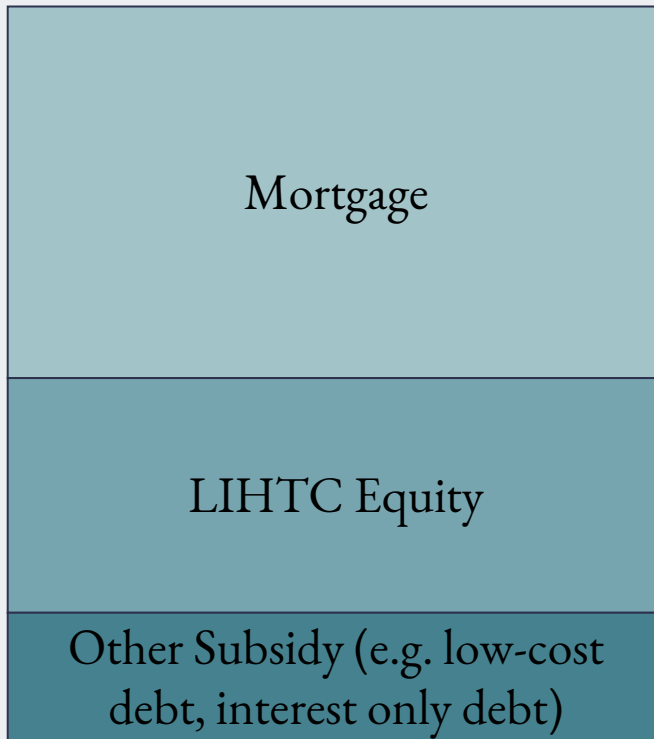
- *One-time investment*
- *Revolves into perpetuity*
- *Investment options*

Low Cost Debt *Capital* *Stack*



Capital Stack Comparison

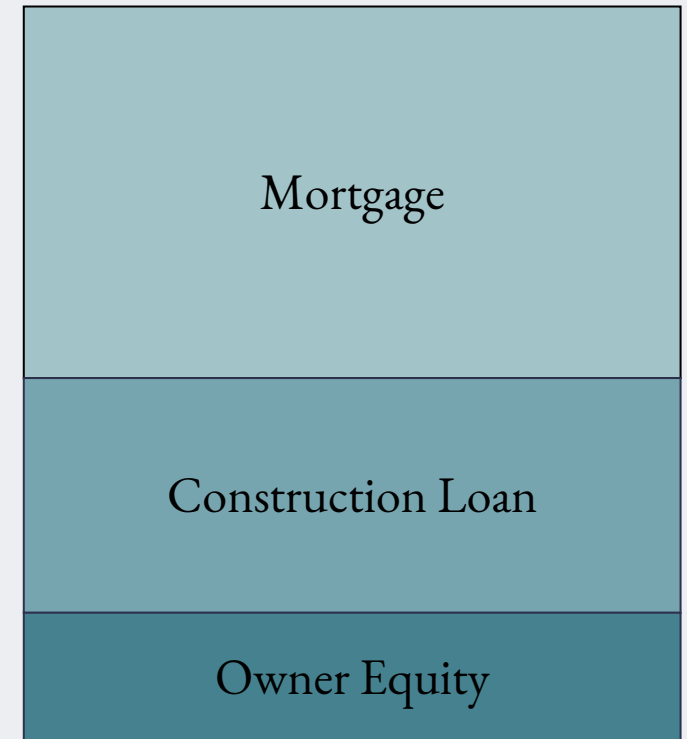
LIHTC Project



Mixed Income



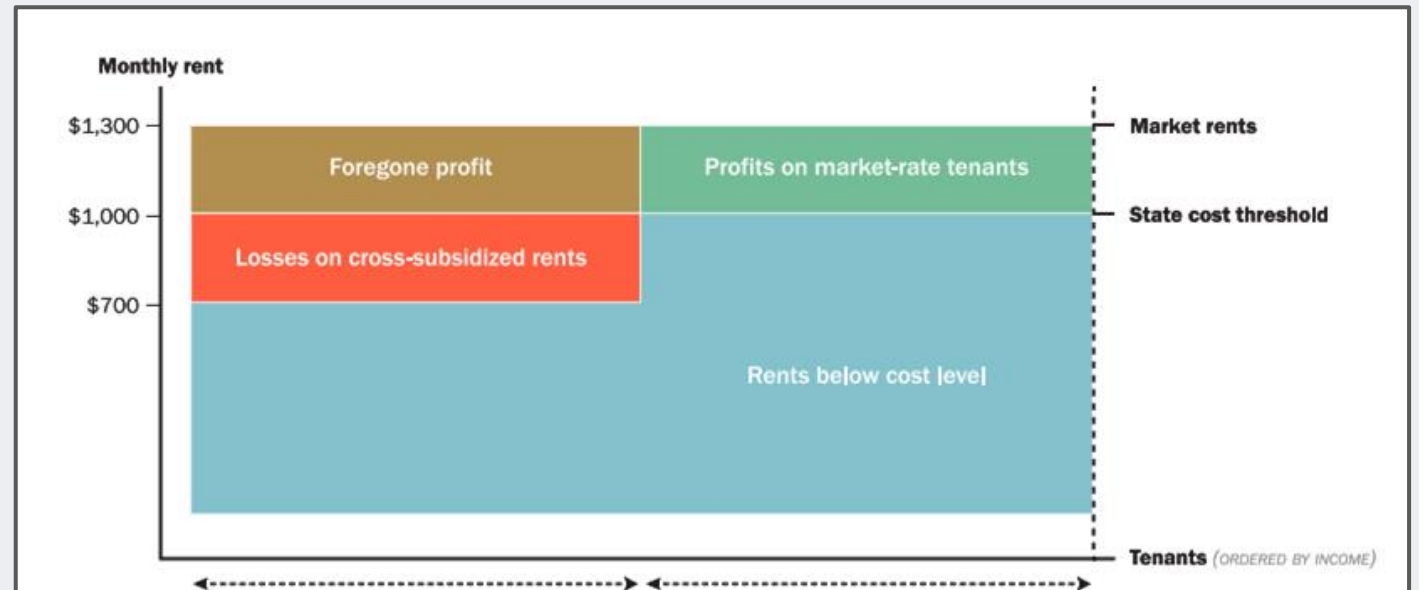
Market



Another Kind of Subsidy: Cross Subsidy

- Income Ranges
 - very low-income (50% AMI)
 - low-income (65%+ AMI)
 - market rate
- Market rate rent reinvestment
 - Subsidy adjustment with increased cash flow

Simplified cross-subsidy model



Pipeline Options

Stalled Market Rate

Identify stalled and fully entitled market rate projects.

Publicly Owned Land

Identify underutilized city owned land.

LIHTC Overflow

Provide an off ramp for non-awarded LIHTC projects.

Example Projects

Housing Opportunities Commission



The Laureate (Shady Grove)

The first new development to utilize HOC's Housing Production Fund, The Laureate is a 268-unit, **transit oriented community in Rockville, just steps from the Shady Grove Metro Station**. Construction was funded without LIHTC equity or long-term funding from the County's housing trust fund. The mixed-use building also houses local-serving retail and HOC's Upcounty Customer Service Center.

268 Units

25% at 50% AMI, 5% MPDU

Opened June 2023

Partners: EYA & Bozzuto

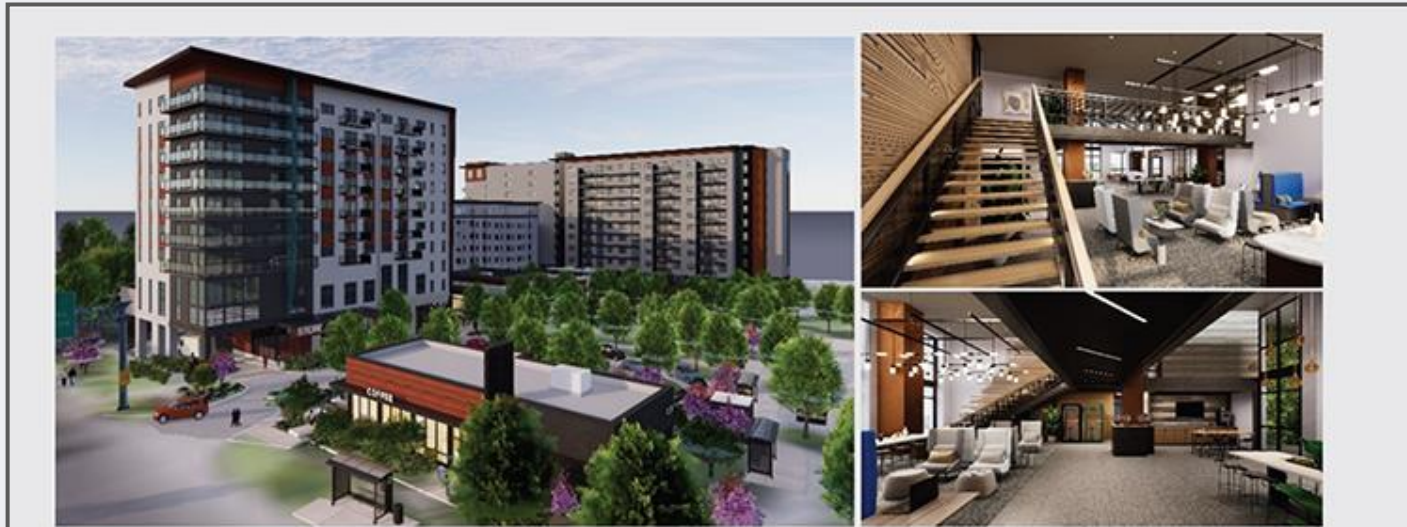
| Uses | Amount |
|--------------------|---------------|
| Acquisition Costs | \$2.3M |
| Construction Costs | \$98M |
| Financing Costs | \$15M |
| Reserves | 1.8M |
| Developer Fee | \$5.1M |
| Total | \$122M |
| Market Units | 188 |
| Affordable Units | 80 |
| Total | 268 |

| Sources | Construction | Permanent |
|----------------|---------------|-----------|
| Senior Debt | \$99M | \$99M |
| Equity | \$8M | \$8M |
| Revolving Loan | \$15M | \$0 |
| Mezzanine Loan | \$0 | \$15M |
| Total | \$122M | |
| AMI Target | Units | |
| 50% | 67 | |
| 65% | 13 | |
| MKT | 188 | |



Example Projects

Housing Opportunities Commission



Hillandale Gateway (East County)

A new mixed-use, mixed-income community located on the site of Holly Hall Apartments, a former 96-unit Public Housing community in Silver Spring. Hillandale Gateway will consist of 155 age-restricted residential units, 308 multifamily apartments, retail and parking. Both buildings will be built to Passive House standards. The senior building is planned to be **Maryland's first zero net energy passive house residential building.**

463 Units

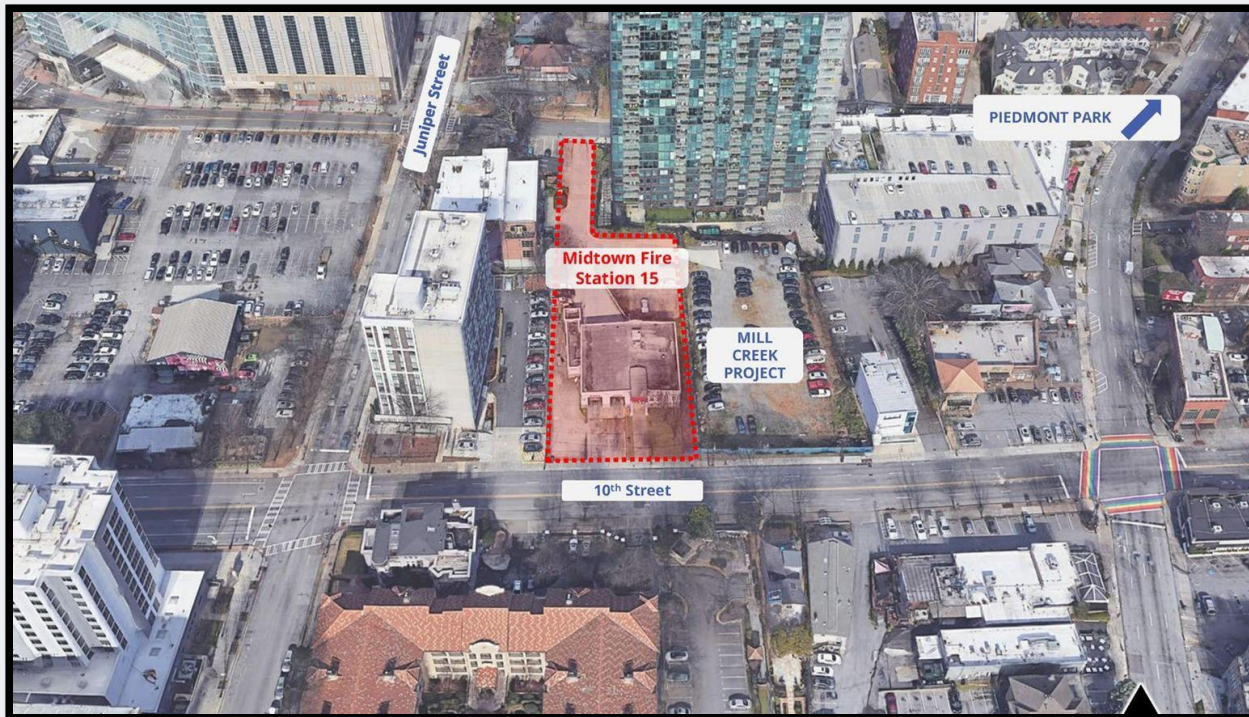
25% at 30-50% AMI, 28% at 60-80%

Opening Fall 2026

Partner: Duffie Companies

Example Projects

Atlanta Urban Development Corporation



Midtown Fire Station, Atlanta.



Thomasville Heights, Atlanta

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Types of Bonds

| | 501c3 | Governmental | Exempt-Facility* | | Taxable |
|--|--|---|-----------------------|----------------------------------|---------|
| Volume Cap Required | No | No | Yes | | No |
| LIHTC Eligible | No | No | New Volume Cap Yes | Recycled Volume Cap No** | No |
| For-Profit Ownership | No | No | Yes | | Yes |
| Qualified Management Contracts Required | Yes | Yes | No | | No |
| TEFRA Required | Yes | No | Yes | | No |
| 95% Good Costs | Yes*** | No | Yes | | No |
| 2% Costs of Issuance Limit | Yes | No | Yes | | No |
| “Private Use” Limitation | 5% | 10% | None | | No |
| Income Set-Asides (Federal) | Acquisition 20%@50% AMI or 40%@60% AMI | New Construction Depends on Charitable purpose**** | None/Contractual | 20%@50% AMI Or 40%@60% AMI | No |
| Rent Restrictions (Federal) | None/Contractual | | None/Contractual | None (except LIHTC) | No |
| Issuer Jurisdiction Requirement | No | Yes | No | | No |
| State and Local Requirements | Varied | Varied | Varied | | Varied |

501(c)(3) Executions

LIHTC Replacement:

- Disregarded entity LLC owner.
- 75% : 501(c)(3) bonds issued by conduit issuer without volume cap.
- 25%: "Equity" contribution from 501(c)(3) parent funded with the issuance by parent of 501(c)(3) "GO" bonds.

Pooled Financing:

- 501(c)(3) issues "GO" bonds or VRDBs.
- Loans to multiple projects (subject to state lender license requirements).

"Lessening the Burdens of Government"

Rev. Rul. 85-1 states that for an organization to be lessening the burdens of government, two facts-and-circumstances tests must be met:

1. The organization must be conducting activities that a governmental unit considers to be its burden, and
2. The activities actually must lessen the governmental burden.

Lessening the burdens of government occurs only if the governmental unit formally recognizes as its burden the activities of the 501(c)(3) organization, and the 501(c)(3) demonstrates that it actually lessens that burden.

Consult Bond and 501(c)(3) Counsel first in order to chart the right course.

