

# 2023 BOSTON

## Financing Options for Serving Underserved Populations



# Emerging Developer Loan Program



DEPARTMENT OF HOUSING  
AND COMMUNITY DEVELOPMENT

Jacob R. Day, Secretary

Owen McEvoy, Deputy Secretary

[dhcd.maryland.gov](http://dhcd.maryland.gov)

## Background

In the Spring of 2022, the Maryland DHCD announced the creation of the Emerging Developer Loan Fund to support the emergence of new developers of single-family, multifamily, and supportive housing by providing critical early-stage funding to promising developers lacking in financial capital.

Historically, the Department has maintained strong incentives for Nonprofits, Public Housing Authorities, and Minority/Disadvantaged Business Enterprises, but in some cases, these entities were brought in on the back end of applications after many early-stage pre-development decisions have already been made.

So, there was a desire and need to invest in emerging developers, and to address specific needs:

- Access to capital: finance upfront/soft costs, and
- Ongoing TA from our in-house experts

## Program Goals

**Primary goal:** Expand and create a diverse pool of affordable housing developers by providing access to capital that is otherwise difficult to obtain, while providing technical assistance through the pre-development process.

Healthy pipeline of developers allows DHCD to continue to:

- Build or renovate affordable housing throughout Maryland
- Help revitalize and stabilize communities
- Provide housing to foster the independence of persons with disabilities
- Create permanent supportive housing for the unhoused
- Reduce greenhouse gas emissions from Maryland housing stock
- Generate entrepreneurial and employment opportunities for Maryland businesses and workers

## Implementation

- Pre-development loan applications accepted for rental, homeownership, and supportive housing projects
- \$500,000 maximum award per project, \$3 million budget
- No more than 15% of an award may be used for staff or overhead costs
- 0% interest, 36-month term

## Eligible Applicants

1. Relevant professional/employment experience or education
  - real estate development, property management, construction, engineering, or real estate law
2. Developers will have been in business for 5 or fewer years from the date of application, or if longer, will not have developed more than 2 real estate projects in the last 5 years

# Project Requirements

New construction or rehabilitation  
(including adaptive reuse)

Rental - At least 20% of the units must be  
restricted to 80% of AMI for a period of not  
less than 30 years

Homeownership - At least 20% of the units  
must be restricted to households earning at  
or below 140% of AMI

Projects must contribute to a current  
strategic/revitalization plan composed with  
resident and stakeholder involvement

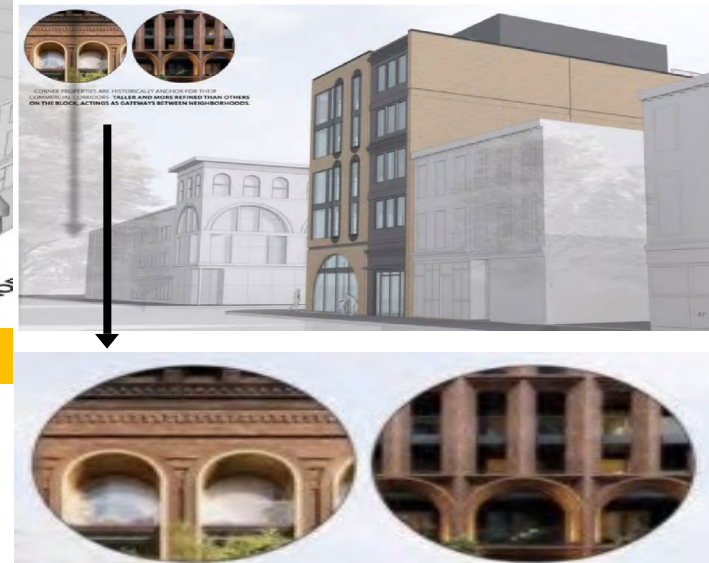
All projects must submit an Affirmative Fair  
Housing Marketing Plan to the department  
for review prior to marketing units



**BEFORE (VACANT SINCE 1978)**



**AFTER**



## Application Requirements

- Site Identification
- Project Narrative
- Development Team Description
- Strategic Plan Alignment
- Project Timeline
- Project Sources and Uses





# Applications

Opened the program for applications in July 2022

27 applications received

- 14 rental or mixed-use
- 11 homeownership
- 2 supportive housing

## Awards

- 4 projects will enter the multifamily pipeline projects sometime in the next 12 to 36 months
- 3 projects are row home conversions or new construction home ownership projects which are either of a manageable scale or in a favorable market location
- 2 rental projects will need strong investments from local partners but have shown genuine community support, visibility to local government, and that support is being energetically pursued by their developers
- All awardees are led by persons of color or women

# Awards

9 projects awarded  
\$2.9 Million  
498 units



## What's Next

- Infill and Redevelopment Pool Established in 2023 QAP
  - Up to \$1.5 million of 9% LIHTC for smaller projects and projects submitted by emerging developers
  - Maximum LIHTC allocation of \$300,000 per project
  - State gap financing limited to no more than \$50,000 per unit; up to \$1 million per project
  - Minimum of 12 units
  - Sponsors limited to one (1) application in the competitive round. If the sponsor is a co-developer on another project in the same Competitive Funding Round, they may have no more than 10% interest in the general partner or managing member of the project owner

## What's Next continued

- Must achieve a minimum score of 150 out of 203 possible points, with at least 10 out of 18 points under Developer Financial Capacity
- Developer experience is based on the experience of the development company or the experience of the development company's principal if the company has less than 5 years of experience
- The top 2 projects where an MBE/DBE entity has a controlling ownership interest (51% or greater) will each receive 1 additional point
- Applications due December 15, 2023

# IHCDA'S EMERGING XBE DEVELOPER 2023 GENERAL SET ASIDE

**Sib Sheikh**

Real Estate Underwriter

Indiana Housing & Community Development Authority

# The Need

- In Indiana, XBE developers are significantly underrepresented
- A related challenge is syndicator/lender mandated financial capacity requirements
- Many successful and competent LIHTC developers are retiring or transitioning into market rate development
- XBE developers bring a new and unique perspective to meeting the affordable housing needs of various low-income populations, often based on their lived experiences.

# The Solution

- **IHCDA's Emerging XBE Developer 2023 General Set Aside**
  - IHCDA sets aside 10% of its yearly allocation of 9% tax credits for Developments that further IHCDA's mission and housing goals irrespective of scoring and allocates these tax credits through its General Set Aside round.
  - For its 2023 9% LIHTC General Set Aside round, IHCDA sought two emerging, first-time LIHTC XBE developers that proposed the most innovative housing concept to address a community challenge.
  - Multipronged strategy
    - Selection Process
    - Emerging XBE Developer Capacity Support (Financial/Operational)
    - Syndicator/Lender Fellowship Program
    - Ongoing Training and networking opportunities



# Selection Process

- IHEDA received 20 applications in response to the RFP
- In the first selection round, applications were reviewed by IHEDA's leadership team, a representative from the Lieutenant Governor's office, a tax credit analyst, and an underwriter, who narrowed the list down to 8 finalists
- In the second round, the 8 finalists presented their proposed project to a selection committee which selected the two winners.
  - The selection committee consisted of four working single mothers who were enrolled in Ivy Tech Community College's Ivy Parents Achieve Success With Support (I.PASS) Program
  - The selection committee encompassed a wide age range and life experiences with firsthand experience of living in affordable housing
  - Selection committee's relevant, incisive, and comprehensive questions, as well as the depth and breadth of their applicant review discussions, showed that they possessed the qualitative and experiential skills necessary to judge what makes a successful affordable housing development.

# Capacity Support (Financial/Operational)

- As part of the application, the Emerging XBE developers were required to identify and pair up with a consultant with prior experience developing housing through the LIHTC program.
  - A lot of Indiana LIHTC consultants and developers with extensive experience in affordable housing capital stack building, entitlement procurement, construction, leasing and compliance, signed up to provide the consulting support to the Emerging Developers, to help fill their capacity gaps
- IHEDA offered a financial guarantee of up to \$2.5 million for each developer to enhance their financial strength and meet syndicator/lender net worth and liquidity requirements.
  - Some potential uses of the guarantee were
    - (1) Predevelopment loan guarantee
    - (2) Two-year construction guarantee; and/or
    - (3) Five-year guarantee on the tax credit equity

# Fellowship Program

- At least one financial institution partnering with the developer to provide construction financing, permanent financing, or the tax credit equity is required to offer a two-year fellowship program for an individual(s) who represents an underserved community

# Ongoing Training & Networking Opportunities

- Ongoing LIHTC development training to all 20 development teams that applied in the General Set Aside round.
- The first day-long training session took place on April 4, 2023.
  - Fourteen teams attended the session.
  - Speakers included a syndicator, a tax credit attorney, a third-party market study analyst, and IHCDA staff.
  - Topics included LIHTC 101, overview of the Indiana, QAP, underwriting requirements, data driven decision making, market analysis, how to work with a syndicator, and legal considerations.
  - IHCDA distributed a post-training survey to identify ongoing training needs and will continue to provide support and training through webinars on various topics related to tax credits and real estate development.
- Training was followed by a networking event
  - Provided opportunity for emerging developers to meet fellow developers and other industry partners
  - Created opportunities for people to find opportunities of working together in the future.

**QUESTIONS?**

# 2023 BOSTON

## Financing Options for Serving Underserved Populations

*The Kansas Moderate Income Housing  
Program:  
Meeting a Rural Need*

# KS Statewide Housing Needs Assessment 2021

- First comprehensive housing study in 27 years.
- Launched 2021:
  - 71 listening sessions statewide
  - 4,400+ survey respondents
- Study Released December 2021

EXECUTIVE SUMMARY

## STATEWIDE PERCEPTIONS

Data indicators provide a baseline understanding of the housing market. The people that experience the market every day provide an even greater understanding of the unique situations in each community. Voices from local officials, builders, real estate professionals, non-profits, chambers, seniors, and many other Kansans provide additional context to the data.

A robust tour and outreach in Kansas communities throughout 2021 supported many of the statewide indicators and provided direction on where to focus housing policy and programs going forward.

### Online and Paper Perception Survey Responses

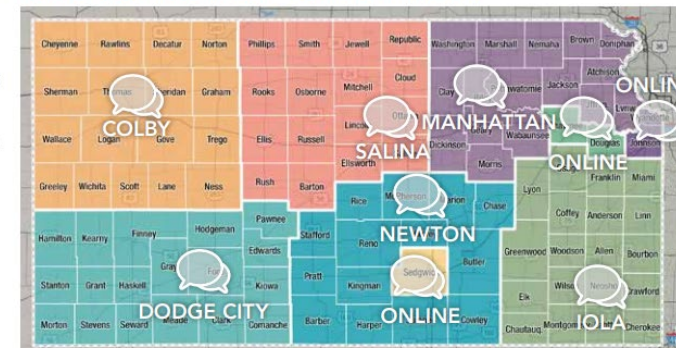
- 2,600+ Community members
- 341 Builders and developers
- 351 Housing service providers
- 515 City and county staff and elected officials
- 338 Real estate professionals

### Regional Listening Sessions

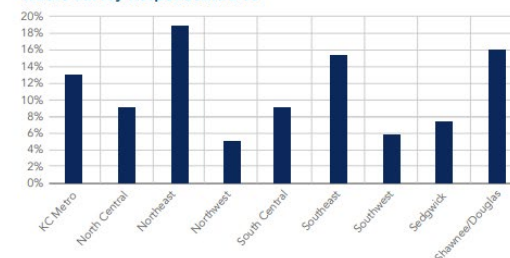
Seventy-one total online listening sessions across Kansas reached over 425 people.

An open in-person and virtual public forum in each of the nine regions offered further understanding and inventory of local communities.

## Public Forum Road Tour - April and May 2021



### Where Survey Respondents Live



Listening sessions and public forums offered both in-person and online opportunities to participate.

# The Need





# Income Limits

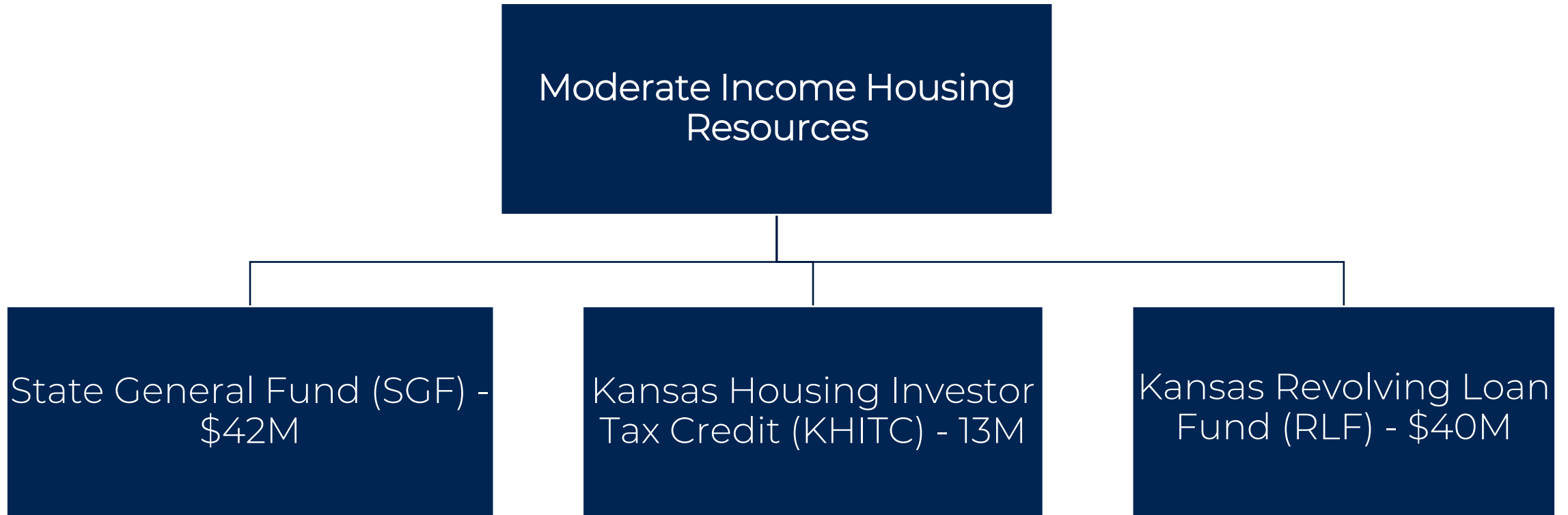
## Moderate Income Housing Income Range

HUD's FY 2023 Income Limits  
Wallace County

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
<b>150%</b>	\$ 97,950	\$ 111,900	\$ 125,850	\$ 139,800	\$ 151,050	\$ 162,300	\$ 173,400	\$ 184,650
<b>100%</b>	\$ 65,300	\$ 74,600	\$ 83,900	\$ 93,200	\$ 100,700	\$ 108,200	\$ 115,600	\$ 123,100
<b>60%</b>	\$ 39,180	\$ 44,760	\$ 50,340	\$ 55,920	\$ 60,420	\$ 64,920	\$ 69,360	\$ 73,860

Based upon HUD's FY 2023 County Income Limits

# Funding Sources



# MIH Program Overview

- **Eligible Applicants** – City or county with a population <60,000. Counties with a population larger than 60,000 can apply on behalf of a city with a population <60,000.
- **Eligible Activities** –
  - Housing development (rental or homeownership),
  - Infrastructure (loan only) in combination with housing development, or
  - Down payment assistance.
- Maximum award of \$650,000

# KHITC Overview

- Eligible Applicants – Builders and Developers developing housing units in counties with less than 75,000 residents.
- Eligible Activities – State tax credits for investments in housing development.
- Award parameters:

County Size	Credit/Unit Maximum	Aggregate Credit Max
No more than 8,000	35,000/unit	At least 2,500,000
8,000 – 25,000	32,000/unit	At least 2,500,000
25,000 – 75,000	30,000/unit	Up to 8,000,000

# MIH Evaluation Guidelines

- Housing Need and Urgency
- Job Creation and Economic Impact
- Capacity of Applicant
- Use of Funds and Impact
- Community Support
- Type and Value of Leveraged Funds
- Loans over Grants
- Thoroughness of Application
- Applicant History

## *MIH Project Example – Rental Duplexes*

- 14 Units – 3 bedrooms (\$1,250/mo)

Development Budget		Development Sources	
Acquisition	\$140,000	MIH	\$650,000
Construction	\$2,302,750	Permanent Loan	\$1,560,000
Soft Costs	\$152,000	KHITC Equity	\$355,400
		Owner Equity	29,350
<b>TOTAL BUDGET</b>	<b>\$2,594,750</b>	<b>TOTAL SOURCES</b>	<b>\$2,594,750</b>

- Permanent Debt - @5.5% for 15 years
- Annual Debt Service - \$128,773
- 448,000 in KHITC @ \$0.794/credit



## *MIH Project Example – Single-Family*

- 20 Units – Estimated Sale Price at \$260,000

Development Budget		Development Sources	
Acquisition	\$27,000	MIH	\$600,000
Site Work	\$900,000	Permanent Loans	\$4,038,000
Construction	\$4,210,000	KHITC Equity	\$544,000
Soft Costs	\$295,000	Owner Equity	\$250,000
<b>TOTAL BUDGET</b>	<b>\$5,432,000</b>	<b>TOTAL SOURCES</b>	<b>\$5,432,000</b>

- 640,000 in KHITC @ \$0.85/credit



<https://youtu.be/dRxbR-BQaqQ?si=A8CCPUX5UwlWqppo>





# Manufactured Home Community Redevelopment Program

Annie Reiersen | Program Manager

# Our Mission

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance housing that is affordable.

# MH Communities in Minnesota

- 800+ Manufactured Housing Communities (MHCs) in MN
- Over 140,000 residents live in MHCs in MN
- Mostly private ownership
- 11 resident owned cooperatives
- Newest MHCs built over 30 years ago

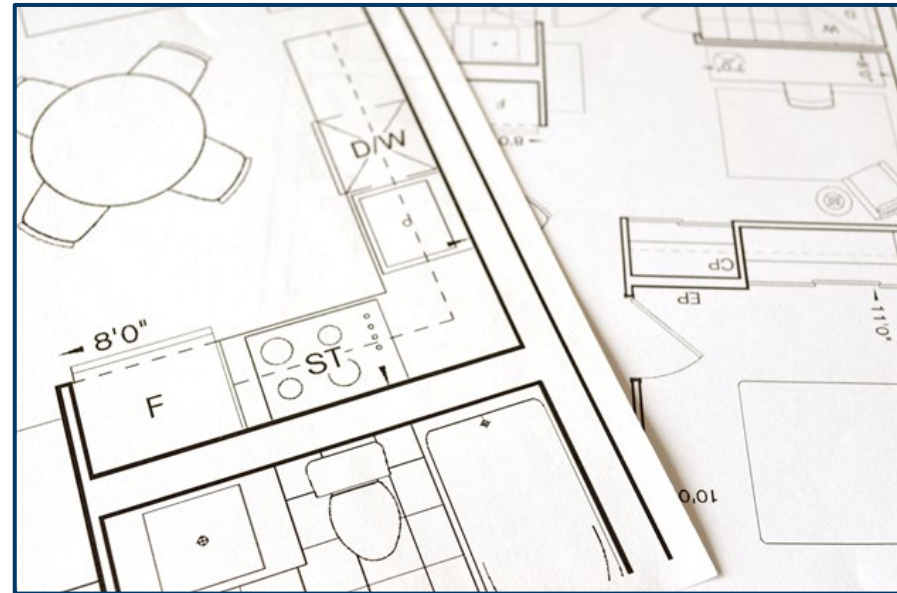


# Funding History

- 2011: statute created to allow state spending on MH infrastructure redevelopment, but no funding in the budget
- 2019: \$2 million in state appropriations for 2019-20 biennium and allow as eligible use for HIB proceeds
- 2021: \$3.75 million in state appropriations, plus a \$15 million set-aside of housing infrastructure bond proceeds for the 2021-22 biennium
- 2023: \$17 million in state appropriations and eligible use of housing infrastructure funds with no specific set-aside for the 2023-24 biennium

# Manufactured Home Community Redevelopment Program

- Grant Program designed to meet the needs of aging manufactured home communities in Minnesota
- Health, safety and critical needs of communities



# Eligible Activities

## ELIGIBLE

- **Infrastructure Improvements**
  - Water/Sewer Upgrades
  - Road Repair
  - Storm Shelters, etc.
- **Acquisition of Manufactured Home Parks**

## INELIGIBLE

- **Reimbursement of work that has already started**
- **Individual Manufactured Homes**
- **Seasonal Lots**

# Eligible Applicants



**Private Manufactured Home Park Owners**

**Resident Owned Cooperatives**

**Government or Tribal Owned Manufactured Home Parks**

**Non-profit Organizations applying on behalf of a park owner**

# Income Limits

- **Lot Rents must be affordable to residents at or below 115% area median income**

Gross Household Income	11-County Twin Cities Metro Area*	Rochester MSA**	Balance of State
50%	\$62,500	\$61,600	\$55,900
60%	\$75,000	\$74,000	\$67,100
80%	\$100,000	\$98,600	\$89,400
100%	\$124,900	\$123,200	\$111,700
115%	\$143,700	\$141,700	\$128,500

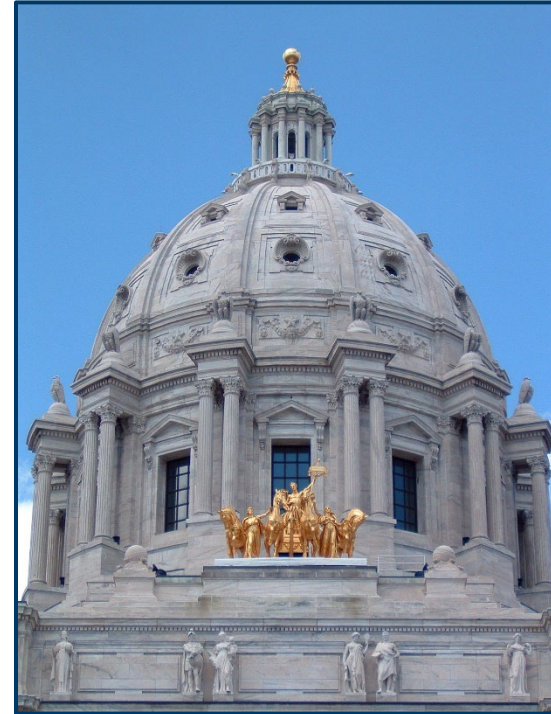
\*Includes the counties of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright

\*\*Includes the counties of Dodge and Olmsted



# Grant Requirements

- **Grant contract must be signed**
  - See the Office of Grants Management website for contract templates
- **3-year term**
  - Project Funds must be distributed within three years
- **Declaration of restricted covenants**
  - Grantees must agree to terms of the Affordability Period
  - Declaration template on Minnesota Housing website



# Affordability Period

Property to remain a Manufactured Home Park for 25 years

Lot rent increases no more than 5% annually

Replacement Reserves account for improvement repairs

Sale or transfer of ownership approved by Minnesota Housing

Agree to Monitoring activities

# Program Funds

- **Grant Funds**
  - State Appropriations (\$16 million)
  - Housing Infrastructure funds (at least \$4 million set aside for 2023 RFP)
- **\$20 million for 2023 RFP\***

\*Depending on qualifying projects and available funding



- Applications due **September 21<sup>st</sup> by 12:00pm.**
- Selected Proposals are expected to be approved in **December 2023** by Board of Directors



# Scoring Criteria



- **Community Needs**
  - Health & Safety needs for infrastructure redevelopment
  - Acquisition that benefits the community or prevents park closure
- **Households Served**
  - Affordable rents
  - Community benefits lower income households and underserved communities
- **Community Support**
  - Leverage from local municipalities, converting to public utilities, or other community support

# Scoring Criteria



- **Project Leverage & Costs**
  - Total project leverage and costs compared to number of lots
- **Project Assessment**
  - Cost evaluation, project planning, and project timeline
- **Project Experience**
  - Experience of contractors, managers, engineers, etc. who are working on the project

# Application Checklist

<b>Application Checklist</b>	
<input type="checkbox"/>	Application Narrative and Required Supporting Documentation (this Document)
<input type="checkbox"/>	Applicant Signature Page
<input type="checkbox"/>	Entity Informed Consent Form
<input type="checkbox"/>	Project Cost Assessment Documents
<input type="checkbox"/>	Construction or Acquisition Timeline
<input type="checkbox"/>	Credit Review Documents
<input type="checkbox"/>	Department of Health Inspection Report
<input type="checkbox"/>	Park Owner License
<input type="checkbox"/>	Rent Rolls
<input type="checkbox"/>	Photographs and/or Aerial Map of the Park (optional)
<b>Additional Checklist Items if the Project Includes a Park Acquisition</b>	
<input type="checkbox"/>	Commitment Letter
<input type="checkbox"/>	Purchase Contract
<input type="checkbox"/>	Appraisal

# Previous Awards

Year	Requested Funds	# MHC Applied	Awarded Funds	# MHC Funded
2020	\$4.8 million	6	\$2.6 million	5
2021	\$9.5 million	14	\$7.3 million	11
2022	\$25.7 million	26	\$9.5 million	14
2023	\$32 million	27	TBD	TBD



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