

# Multifamily Bond Financing Seminar, Part 1

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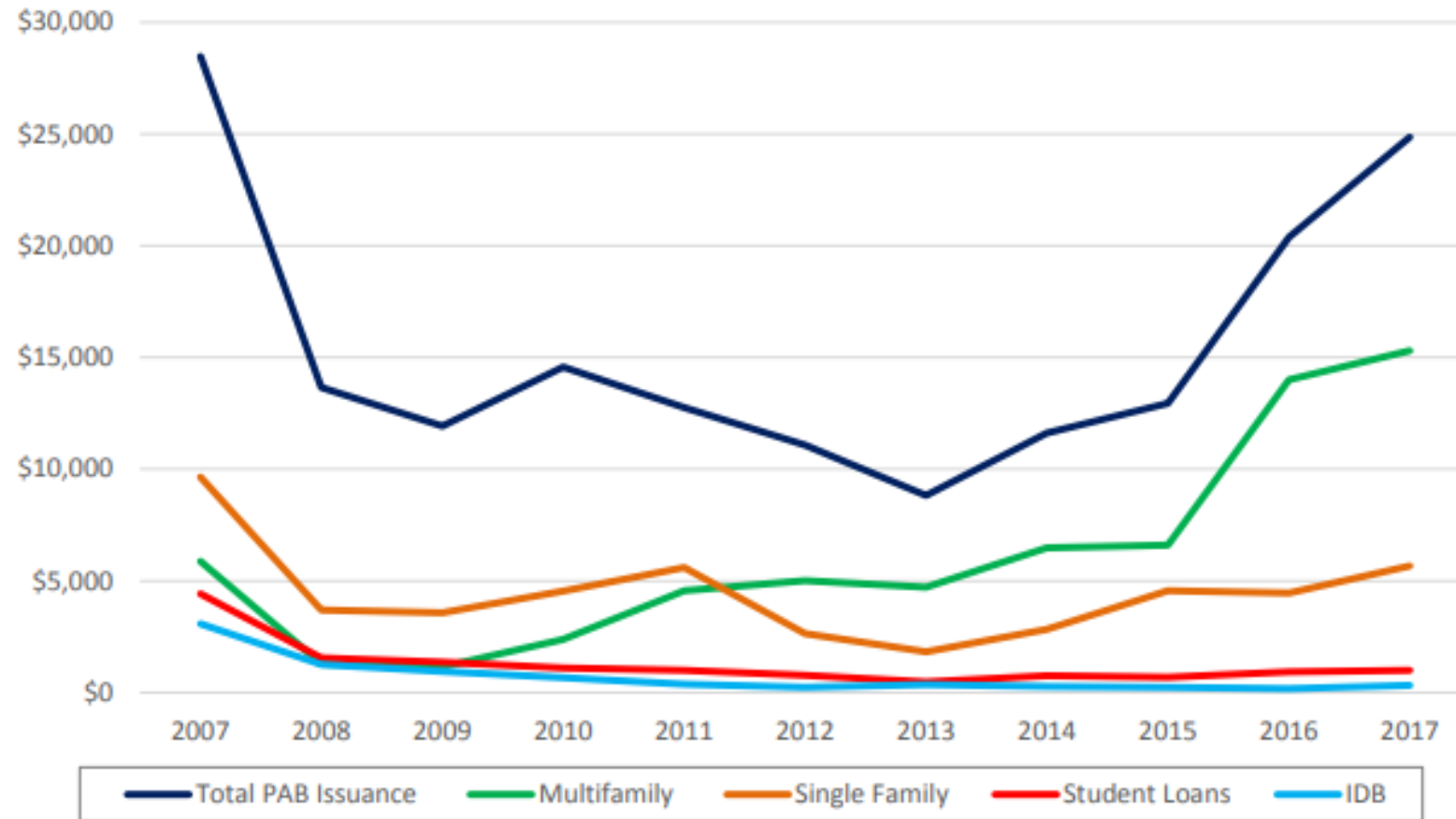


# PAB Utilization: CDFA 2017 Report Highlights

- In 2017, the 50 States & DC received \$35.3 billion in new volume cap allocation
  - Total carry-forward from 2014-2016 equaled \$55.1 billion
  - Total national volume cap capacity in 2017 equaled \$90.4 billion
- Total PAB issuances equaled \$24.86 billion (2<sup>nd</sup> highest issuance ever recorded by CDFA)
- Multifamily Housing issuances were \$15.302 billion
- States at (or near) capacity - CA, DC, MA, NY, TN
  - On the bubble - CT, IL, TX, WA
  - Median state utilization of available PAB cap ~ 17%

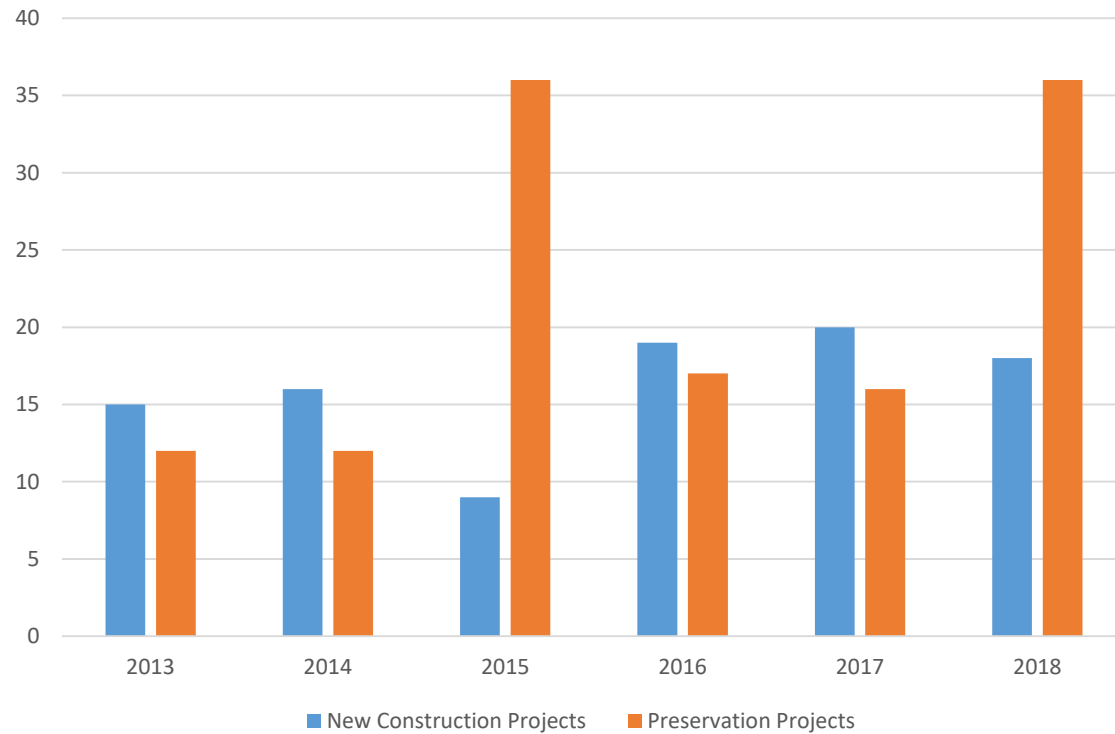


# PAB Activity Issuance in Millions of Dollars

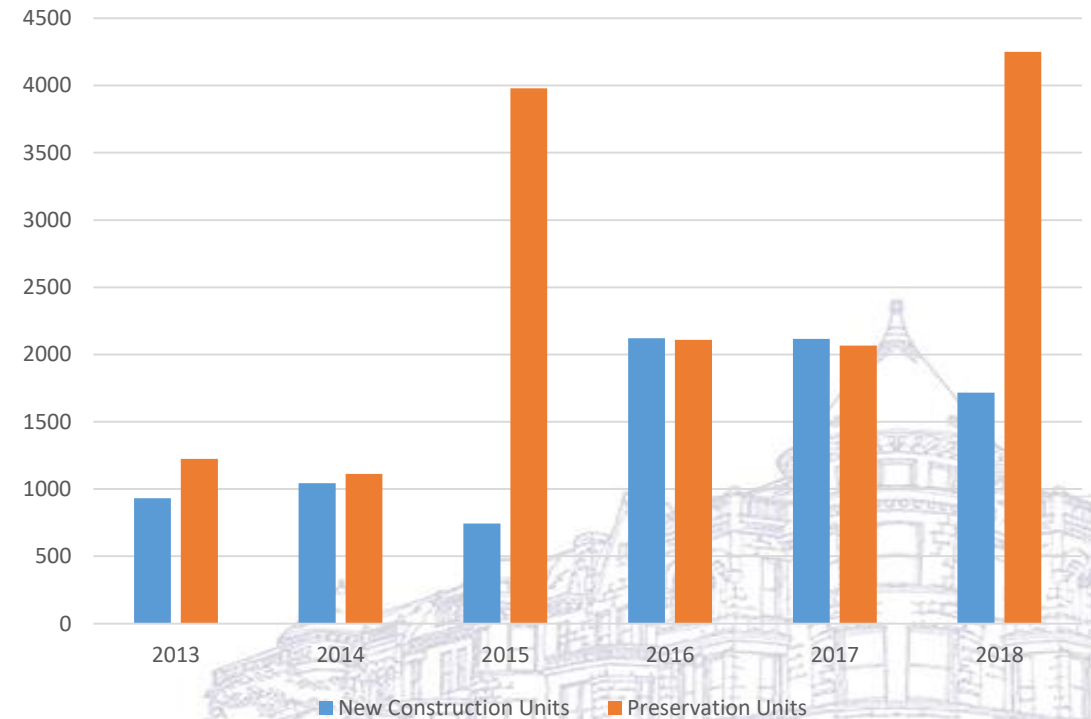


# Tennessee LIHTC Production: 2013-2018

Total TN Affordable Housing Production (Projects)

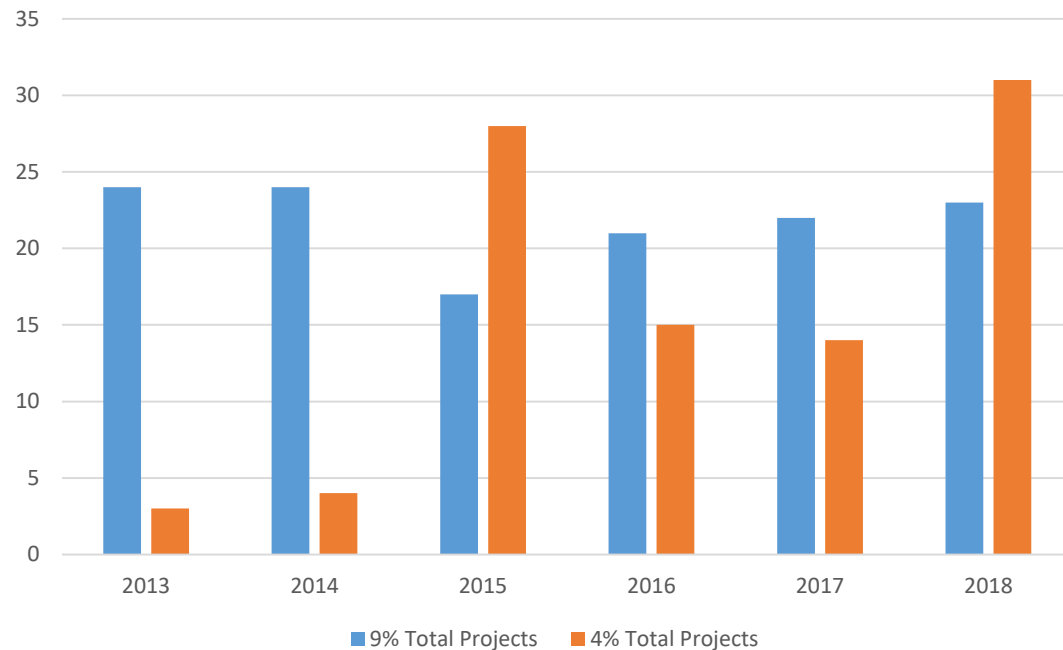


Total TN Affordable Housing Production (Units)

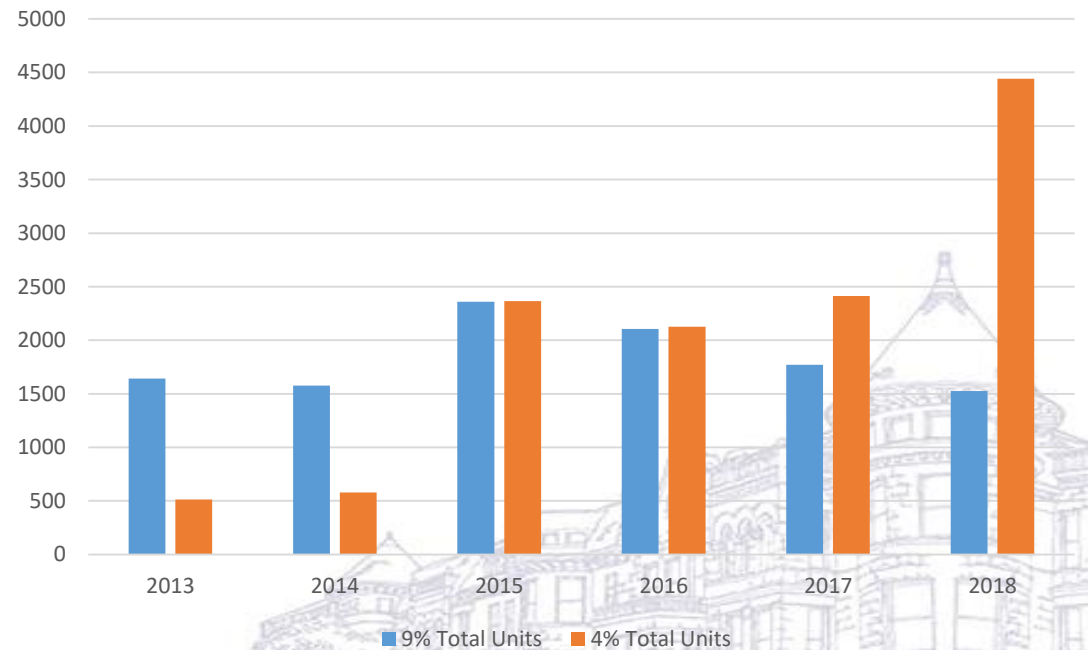


# Tennessee 9% vs. 4% Production: 2013-2018

TN Affordable Housing Production by Program (Projects)

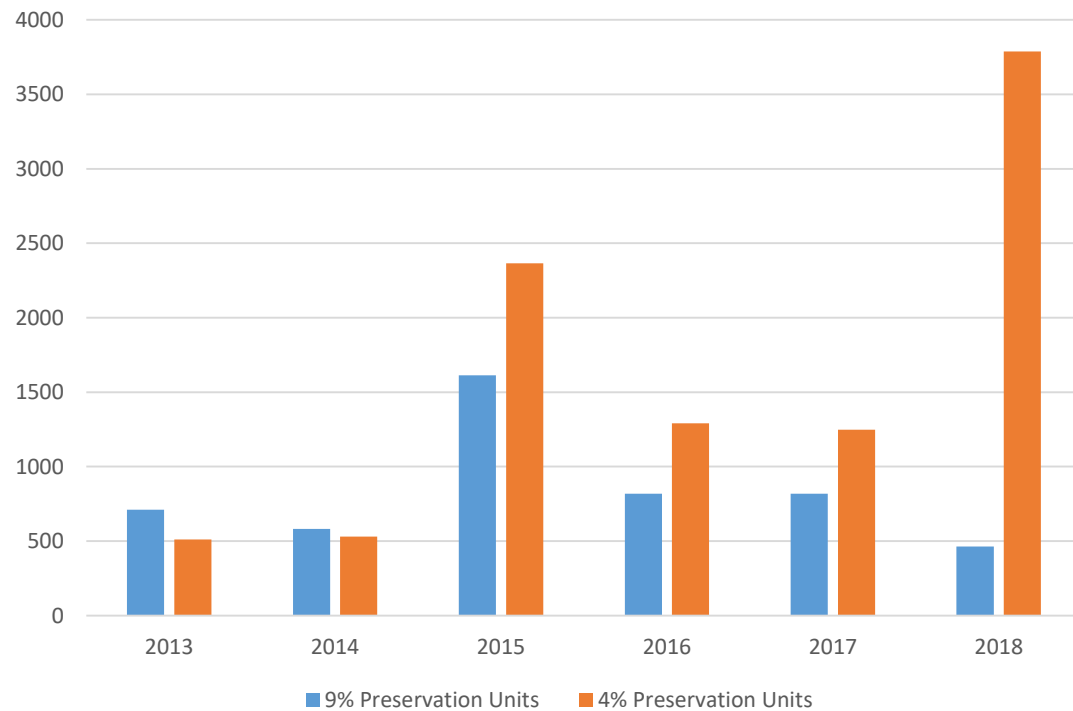


TN Affordable Housing Production by Program (Units)

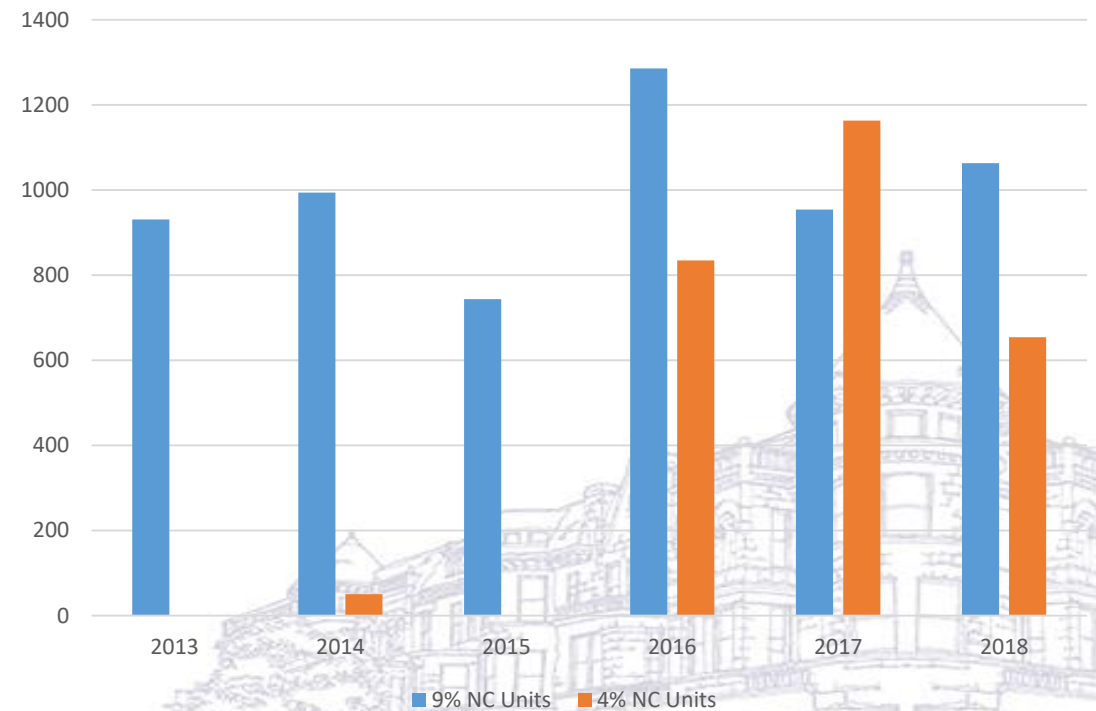


# Tennessee 4% Preservation & New Construction Production (Units) 2013-2018

TN Preservation by Program (Units)



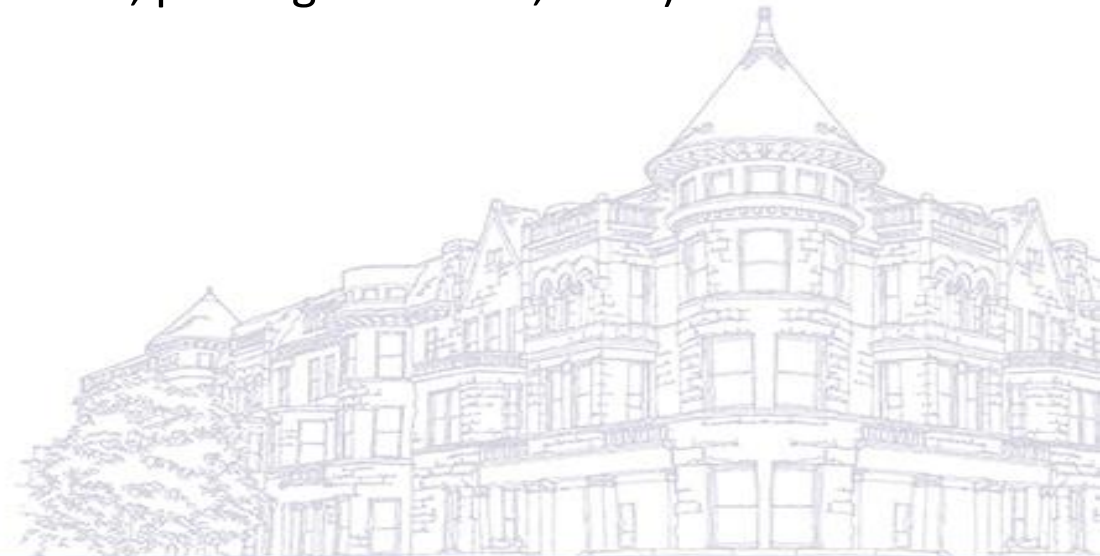
TN New Construction by Program (Units)





# Policy & Market Factors That Drive Success Scale & Availability

- Availability of Private Activity Volume Cap
- Affordable Land / Acquisition Costs
- Economies of Scale
  - Sufficient Market Demand
  - Local Policies that Reward Scale (e.g. density bonuses, parking variances, etc...)



# Policy & Market Factors: Driving Leverage

- High AMIs / High Rents
- Minimal Deep Income Targeting Requirements
- Reasonable / Predictable Operating
- Income Averaging
- Low Property Taxes
- Ability to obtain PILOTs and/or abatements





# Policy & Market Factors: Maximizing Credits

- Policies that Maximize Eligible Basis
  - Reasonable Developer Fees
  - Reasonable Per Development LIHTC Limits
  - Ability to Develop in DDAs and QCTs
- Ability to Drive Equity Pricing
  - Significant CRA Demand / Deep Pool of CRA Investors
  - Available Bridge Financing



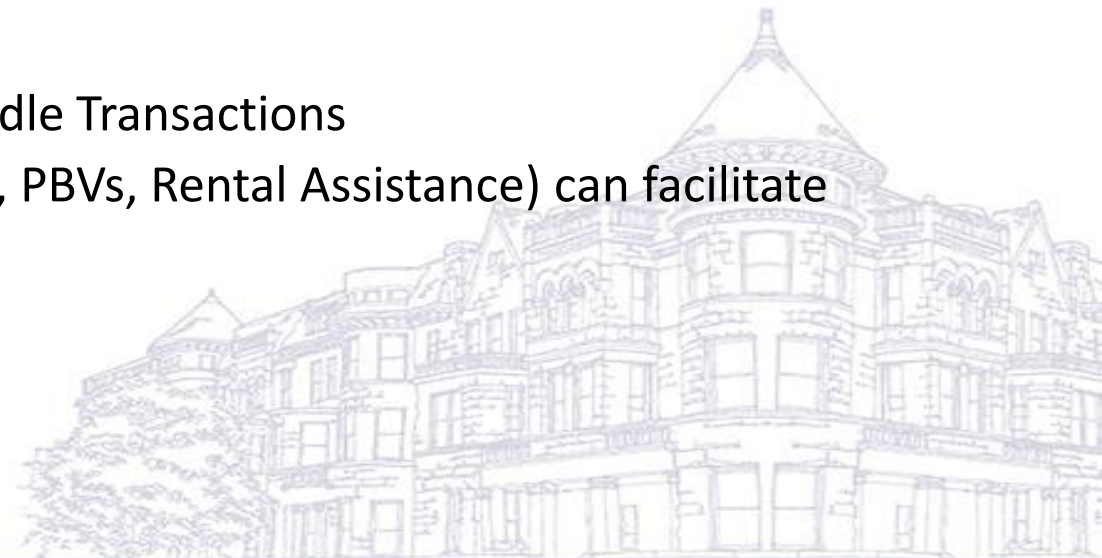
# Policy & Market Factors: Minimize Expenses

- Reduced Regulatory Costs
  - Predictability and velocity of the agencies
  - Streamlined Zoning, Permitting
  - Low Regulatory Barriers to Entry
  - Rolling Application Deadlines (no local developer preferences, low application fees, etc.)  
rolling applications (walk-in) rather than funding rounds
  - Flexibility in Financing



# Policy & Market Factors: Fill The Gaps

- Availability of Gap Funding
  - Grants
  - State Credits
  - Soft sources
- Availability of Federal Resources
  - Willingness of USDA Rural Development to Bundle Transactions
  - Project-based rental subsidies ( Section 8 PBRA, PBVs, Rental Assistance) can facilitate TEB transactions



# Key Strategies

- Differentiate criteria between 4% and 9% Programs
  - Rolling Application Deadlines for 4% Transactions
- Prioritize Subordinate & Gap Funding to Support Bond Transactions
  - Structure Soft Sources To Maximize Leverage



# Key Strategies Continued

- Maximize Eligible Basis
  - Incentivize Development in DDAs & QCTs
  - Differentiate TDC Limits to Account for Soft Costs
  - Leverage Developer Fees to Maximize Eligible Basis
  - Do Not Artificially Constrain Acquisition Basis



# Key Strategies Continued

- Encourage Efficient Markets
  - Encourage choice in Financial Products
  - Drive Efficiency in the Underwriting Process
  - Encourage Policy Flexibility, Transparency & Transactional Velocity





# Key Strategies Continued

- Maximize PAB Cap for Multifamily
  - Balance Set-Asides
  - Develop Recycling Policies



## DEVELOPER FEE COMPARISON

### Sources of Funds:

1st Mortgage
LIHTC Equity
<b>Gap Funding Required</b>
Deferred Developer Fee
<b>Total Source of Funds</b>

OREGON	
<i>Total</i>	<i>Per Unit</i>
\$ 25,000,000	\$ 125,000
20,000,000	100,000
<b>3,050,000</b>	<b>15,250</b>
4,500,000	22,500
<b>\$ 52,550,000</b>	<b>\$ 262,750</b>
<i>Total</i>	<i>Per Unit</i>
\$ 2,000,000	\$ 10,000
39,000,000	195,000
2,800,000	14,000
2,750,000	13,750
<b>6,000,000</b>	<b>30,000</b>
<b>\$ 52,550,000</b>	<b>\$ 262,750</b>

### Uses of Funds:

Acquisition Costs
Construction Costs
Cash Accounts
Soft Costs
<b>Developer Fee</b>
<b>Total Use of Funds</b>

25% DEV FEE	
<i>Total</i>	<i>Per Unit</i>
\$ 25,000,000	\$ 125,000
<b>20,940,500</b>	<b>104,703</b>
<b>2,109,500</b>	<b>10,548</b>
7,500,000	37,500
<b>\$ 55,550,000</b>	<b>\$ 277,750</b>
<i>Total</i>	<i>Per Unit</i>
\$ 2,000,000	\$ 10,000
39,000,000	195,000
2,800,000	14,000
2,750,000	13,750
<b>9,000,000</b>	<b>45,000</b>
<b>\$ 55,550,000</b>	<b>\$ 277,750</b>



## DEVELOPER FEE CALCULATION COMPARISON

	<b>OREGON</b>	<b>25% DEV FEE</b>
<b>Eligible Developer Fee</b>	\$ 6,000,000	\$ 9,000,000
Applicable %	3.30%	3.30%
Annual LIHTC	\$ 198,000	\$ 297,000
Total LIHTC	\$ 1,980,000	\$ 2,970,000
Tax Credit Pricing	\$ 0.95	\$ 0.95
Total Equity	\$ 1,881,000	\$ 2,821,500
<b>Difference</b>	\$ -	\$ 940,500



# Support Affordable Housing Credit Improvement Act (AHCIA) of 2019!!!

- S. 1703 and H.R. 3077
- Enact a minimum 4 percent rate!
- Creates Average Income Set-Aside for Section 142 TEB Transactions
- Includes Rural Areas as DDAs
- Bond Recycling



# Questions?

Contact:

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