

CINCINNATI
DEVELOPMENT
FUND

Building a Bridge
Between
Vision and Capital

Cincinnati Housing Conversations

February 1, 2020

About CDF

- Mission- To provide innovative real estate financing for projects that strengthen low-income neighborhoods and improve lives.
- Vision- To be at the forefront of redevelopment plans in Greater Cincinnati, helping low-income communities preserve their historic buildings and create vibrant, inclusive neighborhoods.



CDF Milestones

- Created in 1988 as a “Multi-Bank CDE”
 - Provided banks a cost-effective, shared-risk method to invest in complex community development lending
- In 1999 CDF began expanding
 - Certified CDFI, CDE and sought alternative sources of loan capital
- In 2005, CDF received its 1st NMTC Allocation
- In December 2010, CDF was among the first non-regulated CDFIs to attain membership in the Federal Home Loan Bank system

CDF's Lending Focus

- CDF's Culture
 - To be nimble, creative and collaborative
 - Be responsive to ever-changing community development needs
- Create and/or preserve affordable housing
- Produce developments in areas experiencing population loss or blight
- Provide capital solutions for nonprofit facilities
- Improve access to healthy food in “food deserts” and low-access communities
- Promote Energy Efficiency

Types of CDF Lending Products

- Up-front Patient Financing
 - Acquisition/predevelopment
 - Subordinate debt funded by grant sources
- Construction-Only
 - Historic Tax Credit bridge loans
 - Single family and condo's
- Permanent Debt
 - Traditional investment real estate
 - Non-profit facility financing
 - Storefront repopulation
 - Energy efficiency sub-debt
- New Markets Tax Credits

Challenges to Affordable Housing Development

- National housing shortage (demand > supply)
- Cost to build keeps getting higher (labor shortage + materials + land)
 - 2018 Q1 construction costs up 5.7%; 11% fewer construction employees than the previous peak*
 - Average cost to build an apartment has increased 50% since 2000 and 31% to build a single-family or two-family home.*
- Sale/Rent prices must cover debt + operations
- Sale/Rent prices must deliver return on investment
- Subsidies are needed to cover the gap between cost to build and value of the asset (which is based on the net operating income received).
- Sources are limited and highly competitive.
- Include: Low Income Housing Tax Credit, Historic Tax Credit, CDBG, HOME, NMTC

From a lender's perspective

- Can the project support the required debt (loan)? Banks don't loan 100% of the cost.
- What is the experience of the developer?
- What equity is the developer contributing?
- Are there other comparable projects in the area?
- Are the rents realistic for the size of the units/amenities/neighborhood?
- Does the project (as completed) appraise well enough to support the debt? Banks need to know the project can be sold and loan repaid if something goes wrong.

Example – LIHTC

Sources

Federal LIHTC Equity	\$10,000,000
FHA Loan	\$14,000,000
DCED NOFA Loan	\$1,000,000
OHTF Bond Gap	\$2,500,000
Deferred Dev. Fee	\$2,400,000

Total \$29,900,000

248 units / \$120,564 per unit

Uses

Acquisition	\$900,000
Acquisition – Improvements	\$8,000,000
Rehab	\$11,000,000
Contingency	\$1,000,000
Architect	\$100,000
Legal	\$100,000
Construction Int.	\$850,000
Relocation	\$250,000
Operating Res.	\$650,000
Compliance Monitoring	\$350,000
Developer Fee	\$4,000,000
Perm. Loan Costs	\$500,000
Other	\$2,200,000
Total	\$29,900,000

Example – Single Family New

Sources

Sale Price	\$160,000
Grants	\$74,000
Total	\$234,000

Uses

Acquisition	\$5,000
Architect	\$5,000
Construction	\$200,000
Realtor Fees	\$9,000
Developer Fee	\$15,000
Total	\$234,000

According to the City's Balanced Development Report, "as of 2015, it cost \$255,000 to build a new single or two family home."

Local Efforts - Progress

- Eviction Prevention Program (passed)
- Renter's Choice Insurance Program (passed)
- VTICA (7.5% to affordable housing fund)
- Property Tax Working Group (2018)

<https://www.cincinnati-oh.gov/planning/planning-projects-and-studies/property-tax-working-group/>

- Community Wide Housing Strategy

<https://www.lisc.org/greater-cincinnati/what-we-do/housing/strategy/>

- See DCED Balanced Development Report

<https://choosecincy.com/wp-content/uploads/2019/12/balanced-development-report.pdf>

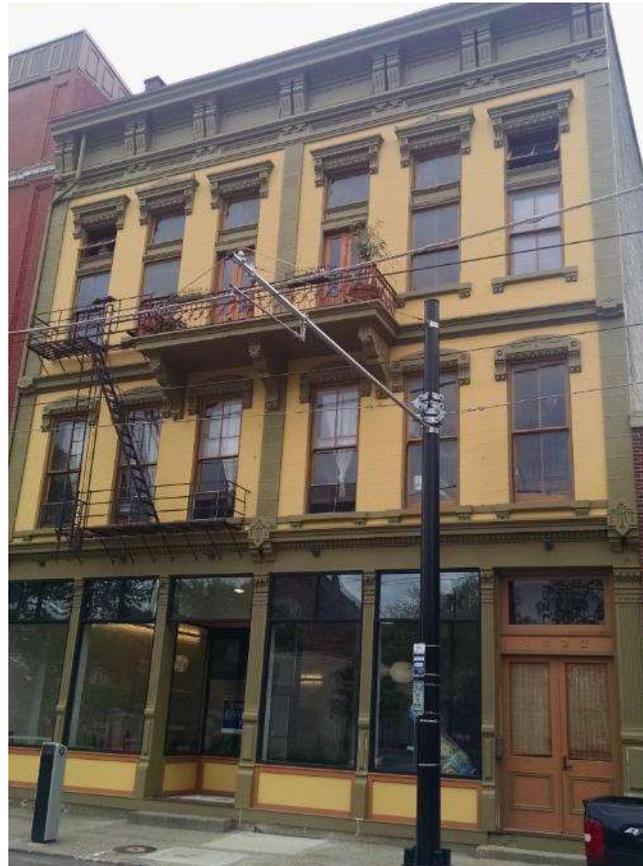
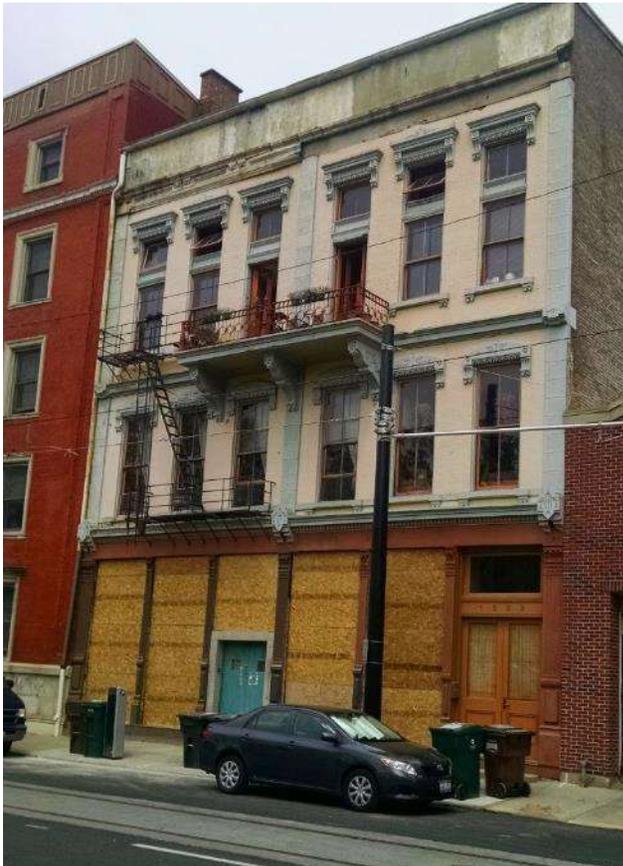
Community-Wide Housing Strategy

- Emergency Housing Support
- Preservation of Affordable Rental Housing
- Access to Homeownership
- New Production
- Policy and Zoning

Get Involved

- Attend the Neighborhood Summit (3/14/20)
- Join your Community Council
- Look for release of Community-Wide Housing Strategy
- Learn (Groundwork USA, LISC, Enterprise)
- Read City/Community Reports

CDF's Home Base



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www.cindevfund.org

[Facebook.com/cindevfund](https://www.facebook.com/cindevfund)

*CDF is an equal opportunity
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