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”
  o Provided banks a cost-effective, shared-risk method to invest in complex community development lending

• In 1999 CDF began expanding
  o 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
  o To be nimble, creative and collaborative
  o 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.
<table>
<thead>
<tr>
<th>Sources</th>
<th>Uses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal LIHTC Equity $10,000,000</td>
<td>Acquisition $900,000</td>
</tr>
<tr>
<td>FHA Loan $14,000,000</td>
<td>Acquisition – Improvements $8,000,000</td>
</tr>
<tr>
<td>DCED NOFA Loan $1,000,000</td>
<td>Rehab $11,000,000</td>
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<tr>
<td>OHTF Bond Gap $2,500,000</td>
<td>Contingency $1,000,000</td>
</tr>
<tr>
<td>Deferred Dev. Fee $2,400,000</td>
<td>Architect $100,000</td>
</tr>
<tr>
<td></td>
<td>Legal $100,000</td>
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<tr>
<td></td>
<td>Construction Int. $850,000</td>
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<tr>
<td></td>
<td>Relocation $250,000</td>
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<tr>
<td></td>
<td>Operating Res. $650,000</td>
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<tr>
<td>Total $29,900,000</td>
<td>Compliance Monitoring $350,000</td>
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<tr>
<td></td>
<td>Developer Fee $4,000,000</td>
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<tr>
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<td>Perm. Loan Costs $500,000</td>
</tr>
<tr>
<td></td>
<td>Other $2,200,000</td>
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<tr>
<td></td>
<td>Total $29,900,000</td>
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248 units / $120,564 per unit
### Example – Single Family New

<table>
<thead>
<tr>
<th>Sources</th>
<th>Uses</th>
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<tbody>
<tr>
<td>Sale Price $160,000</td>
<td>Acquisition $5,000</td>
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<tr>
<td>Grants $74,000</td>
<td>Architect $5,000</td>
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<tr>
<td>Total $234,000</td>
<td>Construction $200,000</td>
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<tr>
<td></td>
<td>Realtor Fees $9,000</td>
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<tr>
<td></td>
<td>Developer Fee $15,000</td>
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<tr>
<td></td>
<td>Total $234,000</td>
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</tbody>
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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)
- Community Wide Housing Strategy
  https://www.lisc.org/greater-cincinnati/what-we-do/housing/strategy/
- See DCED Balanced Development Report
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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CDF is an equal opportunity provider.