

AFFORDABLE HOUSING FUND



August 12, 2014

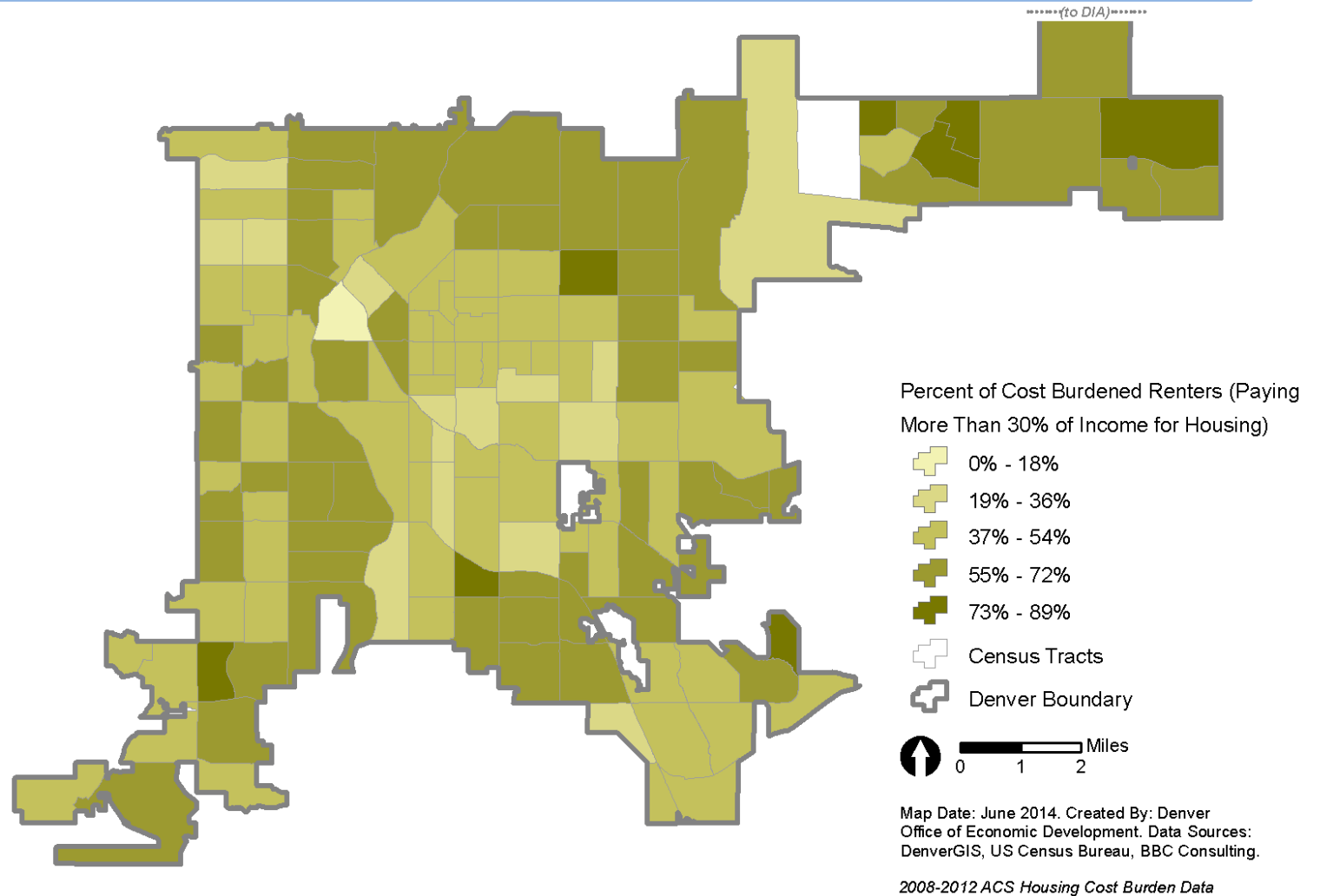


Office of Economic Development

Denver Affordable Housing Fund

Need

At 60% Area Median Income (AMI), roughly 34.9% (8,323) of Denver households are rent burdened



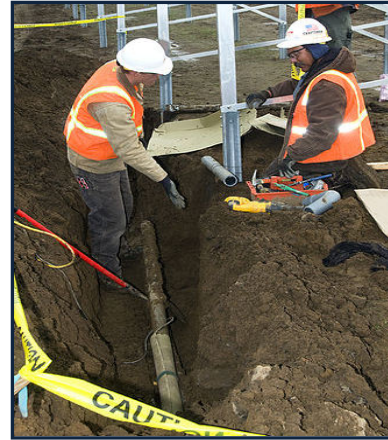
Denver Affordable Housing Fund

Who?

Denver Workforce



Senior Citizens
on Fixed Income



Construction Worker
\$31,780



Nurse Assistant
\$29,990



Security Guard
\$28,900



Lab Technician
\$32,160



Vet Technician
\$31,180

Denver Affordable Housing Fund

LIHTC



Low Income Housing Tax Credits (LIHTC's) are allocated by the Colorado Housing Finance Authority (CHFA) to developers for affordable housing creation

- Ensures affordability restrictions for 15 year minimum



Once approved by CHFA, developers sell LIHTC's to investors (institutions, individuals, etc.) in exchange for capital

- 10 year write off period from partnership
- Equity provided up front
- Tax credit use by investor to be spread out over 10 year period
- Typical deferred developer fee: 9 - 12%



Developers use this capital to help finance a portion of their affordable housing projects

Denver Affordable Housing Fund

4% LIHTC's

Fund is
designed to
address the
gap financing
for 4% LIHTC
Deals

LIMITED AMOUNT OF 9% LIHTC ALLOCATION LEAVES 4% LIHTC PROJECTS UNFUNDED

- Between 2012 and 2014, 69% (81) of projects who applied didn't receive 9% LIHTC's
- Non competitive 4% LIHTC's can help finance projects
- At least 40% of the property must be set aside for families earning below 60% AMI
- 4% LIHTC deals are more difficult to finance than 9% LIHTC's due to the lower amount of equity produced

RECENT 4% LIHTC DEVELOPMENTS:

- **Park Hill Village West: 156 units**
 - 50% - 60% AMI
- **2300 Welton: 223 units**
 - 30% - 60% AMI



Denver Affordable Housing Fund

REVOLVING AFFORDABLE HOUSING FUND MODEL																	
	Years																16
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Fund Turns
Amortization received - OED Portfolio	-	-	-	-	-	-	-	-	-	-	-	89,041	225,756	277,589	286,032	294,732	-
Interest received - OED Portfolio	-	-	75,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	148,690	144,369	136,760	128,317	119,617	-
Amortization received - BD 1 Portfolio	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest received - BD 1 Portfolio	-	-	-	-	-	-	-	-	-	-	-	35,900	89,750	107,700	107,700	107,700	107,700
Amortization paid - BD 1 Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest paid - BD 1 Loan	-	-	-	-	-	-	-	-	-	-	-	(23,933)	(59,833)	(71,800)	(71,800)	(71,800)	(71,800)
Net Cash Flow In	-	-	75,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	249,697	400,042	450,249	450,249	450,249	35,900
Cash Balance - Restricted	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Cash OED to Lend	5,000,000	2,500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,000,000
Cash Cumulative From Int. & Amort.	-	-	75,000	225,000	375,000	525,000	675,000	825,000	975,000	1,125,000	1,275,000	1,524,697	1,924,739	2,374,988	2,825,237	3,275,486	2,138,236
Notes Receivable - OED Funds	-	2,500,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	4,910,959	4,685,203	4,407,614	4,121,582	3,826,850	-
Notes Receivable - BD 1 Portfolio	-	-	-	-	-	-	-	-	-	-	-	1,795,000	3,590,000	3,590,000	3,590,000	3,590,000	3,590,000
Total Assets	8,000,000	8,000,000	8,075,000	8,225,000	8,375,000	8,525,000	8,675,000	8,825,000	8,975,000	9,125,000	9,275,000	11,230,656	13,199,942	13,372,602	13,536,819	13,692,336	13,728,236
Notes Payable - BD 1 Loan	-	-	-	-	-	-	-	-	-	-	-	1,795,000	3,590,000	3,590,000	3,590,000	3,590,000	3,590,000
Total Liabilities	-	-	-	-	-	-	-	-	-	-	-	1,795,000	3,590,000	3,590,000	3,590,000	3,590,000	3,590,000
Net Equity	8,000,000	8,000,000	8,075,000	8,225,000	8,375,000	8,525,000	8,675,000	8,825,000	8,975,000	9,125,000	9,275,000	9,435,656	9,609,942	9,782,602	9,946,819	10,102,336	10,138,236
Total Liabilities and Net Equity	8,000,000	8,000,000	8,075,000	8,225,000	8,375,000	8,525,000	8,675,000	8,825,000	8,975,000	9,125,000	9,275,000	11,230,656	13,199,942	13,372,602	13,536,819	13,692,336	13,728,236
Units Built	-	228	228	-	-	-	-	-	-	-	-	162	162	-	-	-	649
Cumulative Units Built	-	228	456	456	456	456	456	456	456	456	456	618	780	780	780	780	1,429

Denver Affordable Housing Fund

Model

Sr. Debt	49%
LIHTC	37%
Gap	14%

Deferred Developer Fee	(5%)
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Affordable Housing Fund	(5%)
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Soft Debt*	(4%)
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*State @ 2% (CHIF)
OED @ 2% (Skyline)



FUND LEVERAGING

- City: \$1.5 General Fund
- Human Services: \$1.5M mill levy
- OED: \$2M IHO Fund
- State: \$3M Settlement Money

INITIAL BALANCE SHEET

- Leave \$3M in cash, lend out \$5M

FIRST 10 YEARS:

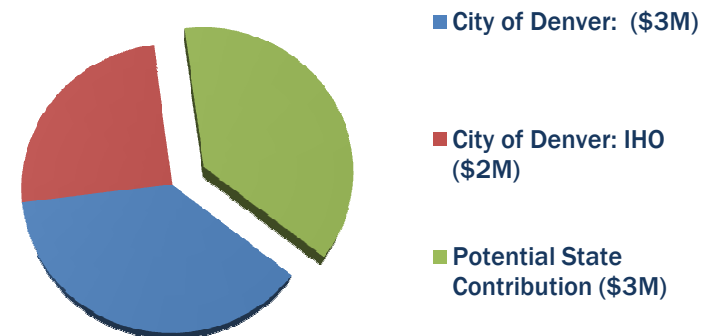
- 3% interest only payments
- Pay off deferred developer fee

ADDITIONAL LEVERAGE IN YEAR 11

- Loan amortizes over remaining 15 year period
- Fund accesses \$3.6M of bank debt

FUND TURNS IN YEAR 16

- Almost all LIHTC transactions are refinanced by year 15
- Fund will “put” the loan to developer at par, thus recapitalizing the fund



228 units projected

618 units projected

1,429 units projected