Affordable Housing Finance for Homeless Services Providers

Wednesday, April 12th 2023
OHIO HOUSING FINANCE AGENCY

We Open the Doors to an Affordable Place to Call Home

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Current Funding Opportunities to Finance Affordable Supportive Housing
Ohio Housing Finance Agency Resources
Competitive Housing Tax Credits

Big ideas, big competition.
What is HTC

- “Bricks & Sticks”... a flagship program

- The Housing Tax Credit (HTC) is the largest low income housing production program, housing over 2.5 mil households nationwide.

- Ohio distributes ~$30 mil annually (10-yr)

- Gives investors a federal dollar-for-dollar tax reduction in exchange for equity investments in low income rental housing
Figure 1.1: Transferring Tax Credits From the Federal Government to the Private Sector

Legend:
- **Money (equity financing/rent)**
- **Tax benefits (tax credits/deductions)**
- **Housing project proposal submission**

Source: GAO’s discussions with IRS and state agency officials, syndicators, developers, and investors.
Rents must be affordable to those earning 60% of the Area Median Income.

Family of 2 in Franklin County:

- 60% Income $45,000
- 60% 2-Bdrm Rent $1,266
- 50% Rent $1,055
- 30% Rent $633

Seniors, families, homeless, high-need populations.
Permanent Supportive Housing

• ELI + Vulnerable + Disabled
• PSH Framework definition
• 50% @ 30%
• COC Support
• Deep Experience
• Set-Asides:
  – Balance of State & Smaller CoC
Housing Development Assistance Program

- Housing Credit Gap Financing
- Funded through OHTF & HOME
- PSH and high opportunity – up to $300k
- HOME set aside – up to $600k
Competitive HTC for PSH

**Pros**
- Deep Subsidy
- Community-wide Impact
- Creative Solutions
- Semi-Large Deals (40-60 units)
- Gap Financing Possible

**Cons**
- Competitive
- Very complex
- Can be expensive
- Not Good for Small Deals
Non-Competitive Housing Tax Credits

Grand scale, grand debt.
Figure 1.1: Transferring Tax Credits From the IRS to Investors

50% Aggregate Basis Financed by Bonds

- Investors: Corporate
- Investors: Individuals
- Ohio Housing Finance
- IRS

Other: Local Gov’t, NonProfits, Etc.

Lenders

Syndicators

QA P

Tenants

Developer

Legend:
- Money (equity financing/rent)
- Tax benefits (tax credits/deductions)
- Housing project proposal submission

Source: GAO’s discussions with IRS and state agency officials, syndicators, developers, and investors.
Housing Development Assistance Program

- Bond Gap Financing program
- Funded through OHTF and NHTF
- Up to $5 mil combined funding
- Increasingly competitive
- Experience and capacity is a “big must”
Non-Comp HTC for PSH

**Pros**
- Not competitive
- Gap financing possible
- More collaborative
- Acquisition costs eligible
- Lower interest rates
- Possibly higher rents

**Cons**
- Even more complex
- Even more expensive
- Scale necessary
- “4%” rate not fixed
- Need to repay hard debt
- PSH isn’t high rent
Housing Development Gap Financing
Smaller projects, smaller subsidies.
What is HDGF?

• Need experience, but more introductory
• Funded by Ohio/National Housing Trust Fund
• Deals 2-24 units
• Can seek up to $2 M in soft debt
• HDGF covers no more than 50% of costs
• Technically “competitive”
HDGF for PSH

**Pros**
- Good for small deals
- Simple(er)
- Plays well with others
- Builds profile with OHFA
- Easier site selection?

**Cons**
- Shallow(er) subsidy
- Still need experience
- Have to leverage
- Prevailing Wage?
- No shared living (etc.)
Multifamily Lending Program

Flexible resource, flexible planning.
What is MLP?

- This is debt. Hard. Debt.
- But with a favorable interest rate.
- Creative, flexible solutions.
- Not construction financing, just perm.
- “Choice MLP” doesn’t need tax credits.
- Can’t twin with HDGF
- Need experience or a partner
- Also need collateral and/or a guarantee
MLP for PSH

**Pros**
- Hyper flexible
- One-on-one support

**Cons**
- Shorter term.
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