PlanIt

Workshop Series for

Comprehensive Plan Updates

Affordable Housing: Tools & Financing Mechanisms

Date: April 13, 2017

METROPOLITAN COUNCIL

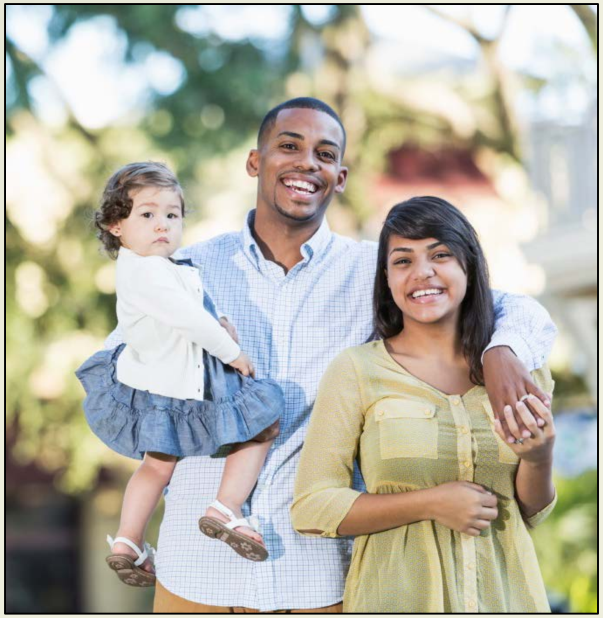
Minn. Statute §473.859

- A land use plan shall include *“a housing element containing standards, plans and programs for providing adequate housing opportunities to meet existing and projected local and regional housing needs, including but not limited to the use of official controls and land use planning to promote the availability of land for the development of low and moderate income housing*.”
- “*An implementation program shall describe public programs, fiscal devices and other specific actions to be undertaken in stated sequence to implement the comprehensive plan…”*

Minnesota Housing

Single Family Programs

Our Mission



Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing.

Minnesota Housing Finance Agency

Single Family Programs

- Community Homeownership Impact Fund
- Owner-Occupied Rehabilitation Programs
- Downpayment Assistance Programs

Impact Fund Eligible Activities

New Construction

(Grant)

Acquisition / Rehabilitation

(Grant)

Interim Construction Financing

(Interim Loan)

Owner-Occupied Rehabilitation

(Deferred Loan)

Affordability Gap

(Deferred Loan)

Impact Fund Value Gap

Housing Activities:

- New Construction
- Acquisition Rehabilitation

Value Gap = Difference between the Total Development Cost of a Home and the Appraised Value

Total Development Cost	**$190,000**
Fair Market Sales Price	**$160,000**
Value Gap	**$30,000**

Minnesota Housing Finance Agency

Impact Fund Affordability Gap

Examples:

- Downpayment Assistance
- Closing Cost Assistance

Purchase Price (also Fair Market Sales Price)	$140,000
Buyer's First Mortgage Amount	(-) $135,000
Minimum Downpayment Amount	**$ 5,000**
Settlement Charges to Buyer	(+) $ 7,500
Seller Contributions	(-) $ 5,500
Affordability Gap	**$ 7,000**

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Impact Fund

Apply via the

Single Family Consolidated Request for Proposals

Deadline:

Tuesday, June 13, 2017

12:00 noon

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Rehabilitation Programs

- Rehabilitation/Emergency and Accessibility Loan Program
- Disaster Relief Program/Quick Start
- Fix Up & Community Fix Up Program

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Fix Up & Community Fix Up

- Requirements
  - Loan Amounts:
    - Secured: Up to $50,000 | Unsecured: up to $15,000
  - Income Limits
    - Up to $99,500 | No limit for energy/accessibility loans
  - Credit Score
    - Secured: 620 | Unsecured: 680
- Community Fix Up
  - Reduce rates, rate write-downs, and value-added service

Fix Up Loans

Loan Type	Max Loan Amount	Max/Min Repayment Term	Interest Rate	Income Limit
Unsecured	$15,000	10 years/3 years	6.99%*	$99,500
Unsecured Energy	$15,000	10 years/3 years	4.99%	n/a
Secured	$50,000	20 years/1 year	5.99%	$99,500
Secured Energy/ Accessibility	$15,000	20 years/1 year	4.99%	n/a

*Rate reduced to 6.49% if borrower signs up for auto-draft payments at closing

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Downpayment Programs

- Start Up & Step Up Requirements
  - Income Limits
  - Purchase Price Limits
  - Credit Score
  - Homebuyer Education
- Downpayment & Closing Cost Loans

Downpayment Loans

	Monthly Payment Loan	Deferred Payment Loan	Deferred Payment Loan Plus
Loan Amount	Up to $12,000	Up to $8,000	Up to $10,000
Interest Rate	Same as the first mortgage	0%	0%
Eligible First Mortgage Program	Start Up Step Up	Start Up	Start Up
Maximum Post-closing Asset Limit	None	$8,000 or 8 months PITIA, whichever is greater	

Minnesota Housing Finance Agency

Questions?

Nira Ly

Minnesota Housing

651.296.6345

Nira.Ly@state.mn.us

Financing for Affordable Multifamily Housing

PlanIt Workshop
April 13, 2017

Minnesota Housing Finance Agency

Our Mission:

Housing is the foundation for success,
so we collaborate
with individuals, communities and partners
to create, preserve and finance
affordable housing.

Goals for session – show of hands

1. Never worked on affordable multifamily development before – want to understand basic concepts
2. Worked on some multifamily developments but need to understand financing better – tax credits, deferred loans, Housing Infrastructure Bonds (HIB), etc.
3. Understand funding sources and want to know what is new with application this year / how to be competitive in the Super Request for Proposals (RFP)

Annual Request for Proposals (RFP)

- Primary funding vehicle
- Once per year published in April / applications due in June
- Technical assistance in advance; mandatory for preservation of Sect. 8
- Very competitive (1 out of 4 applications funded in 2016)
- Includes funding partners – Met Council, Department of Employment & Economic Development (DEED), Greater Minnesota Housing Fund (GMHF), Family Housing Fund (FHF),

Application Process

Project Concept; Technical Assistance Meetings/Calls

Apply to RFP; selection review

Project selected or continue technical assistance

Post-Selection Process

Launch Meeting; Submit due diligence; check-in calls

Project final approval via Mortgage Credit Committee

Closing / Construction Begins

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What types of projects?

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Funding Sources

Project Type	Tax Credits	Deferred Loans	Housing Infrastructure Bonds (HIB)
Affordable Family Housing aka **Workforce Housing**	9% tax credits; or 4% with City/County bonds and deferred loans	Economic Development & Housing Challenge ("Challenge")	Not eligible currently
Supportive Housing (for those who are homeless, have mental health issues, etc.)	9% tax credits; or 4% with Housing Infrastructure Bonds, or HIB only	See HIB	Eligible for HIB
Preservation of existing Section 8 Properties (Rehab)	9% tax credits; or 4% with Housing Infrastructure Bonds	PARIF (specifically for preservation of Section 8)	Eligible for HIB

What's the difference between tax credits and deferred loans?

- **Tax Credits:**
  - Most competitive due to limited resources – 9% allocated through "QAP"
  - Require having an investor "limited partner" to purchase credits
  - Need highly experienced team to deliver units by certain dates
  - Limited oversight by Minnesota Housing when there is not a deferred loan
- **Deferred Loans/HIB**
  - Can be used with tax credits as gap financing if project scores competitively
  - Typically 30 year term, 0% interest, no payments until maturity unless project has a lot of cash flow
  - Minnesota Housing approves project before closing – more oversight

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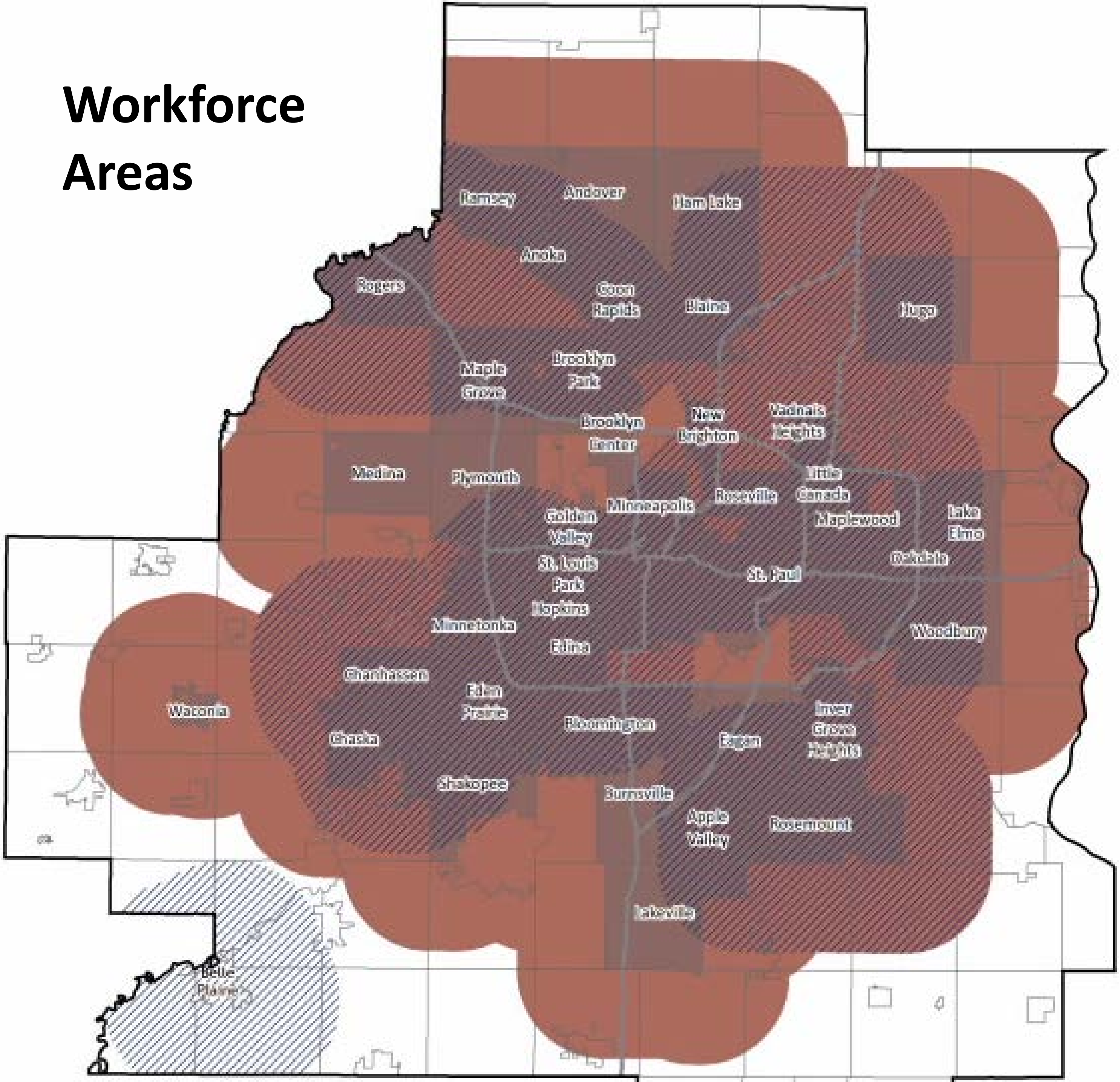
Priorities: Workforce Housing

- One of legislature’s top funding priorities
- Considered workforce housing if:
  - Within 5 miles of top jobs city, job growth or long commute community (see mnhousing.gov)
  - Low vacancy rate
  - Local support, employer support strongly preferred

Workforce Areas



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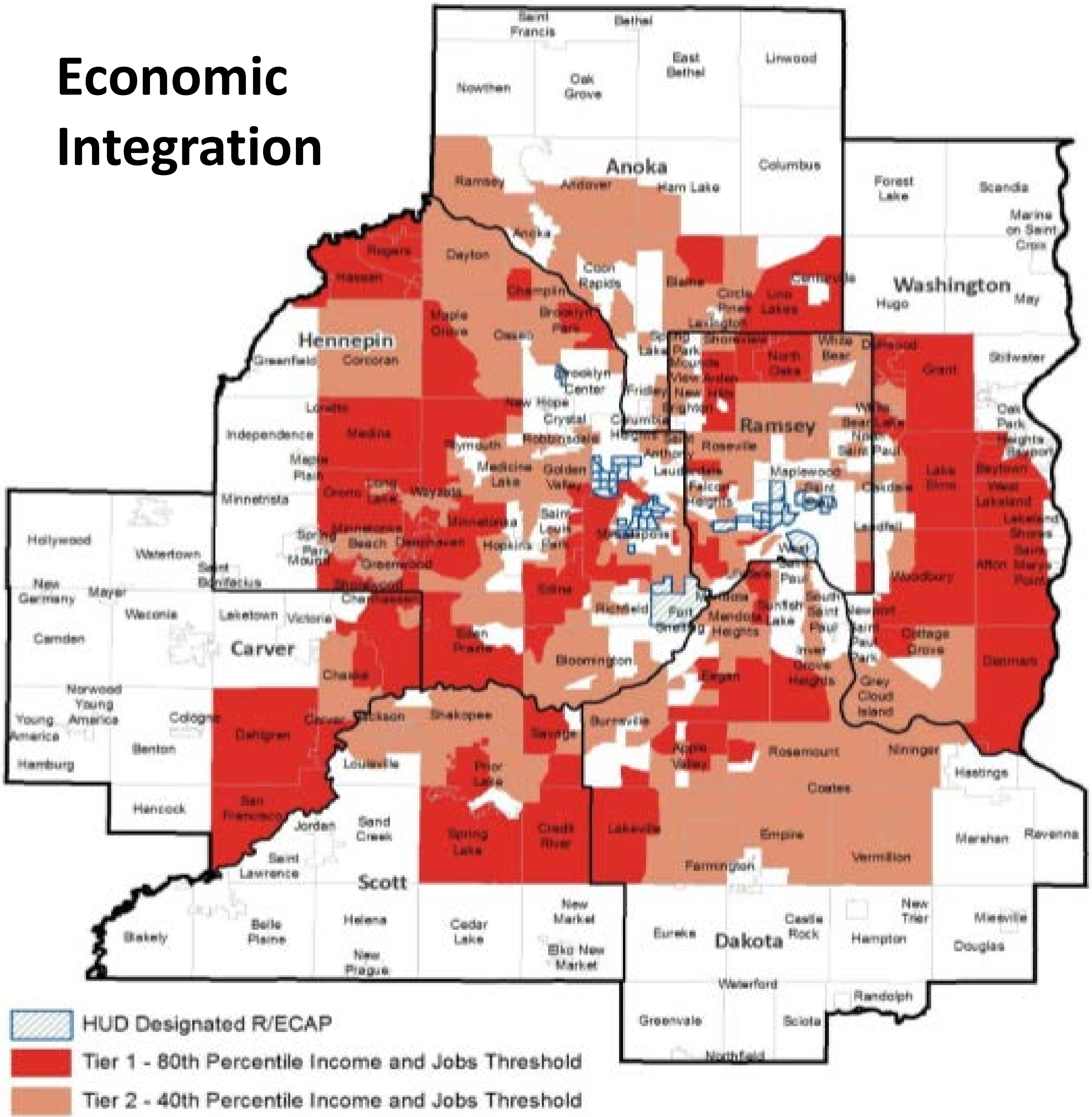
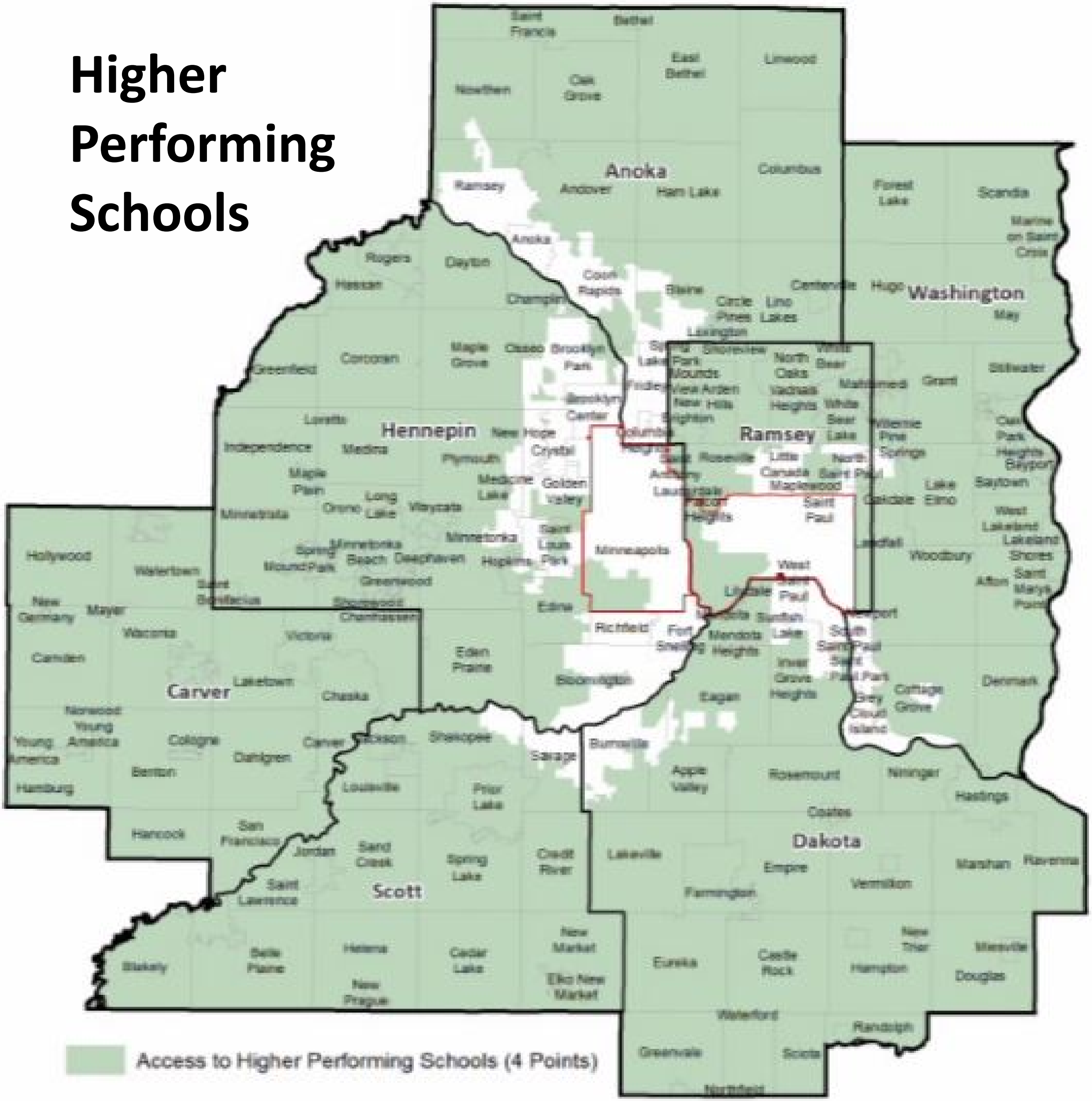
Economic Integration



Higher Performing Schools



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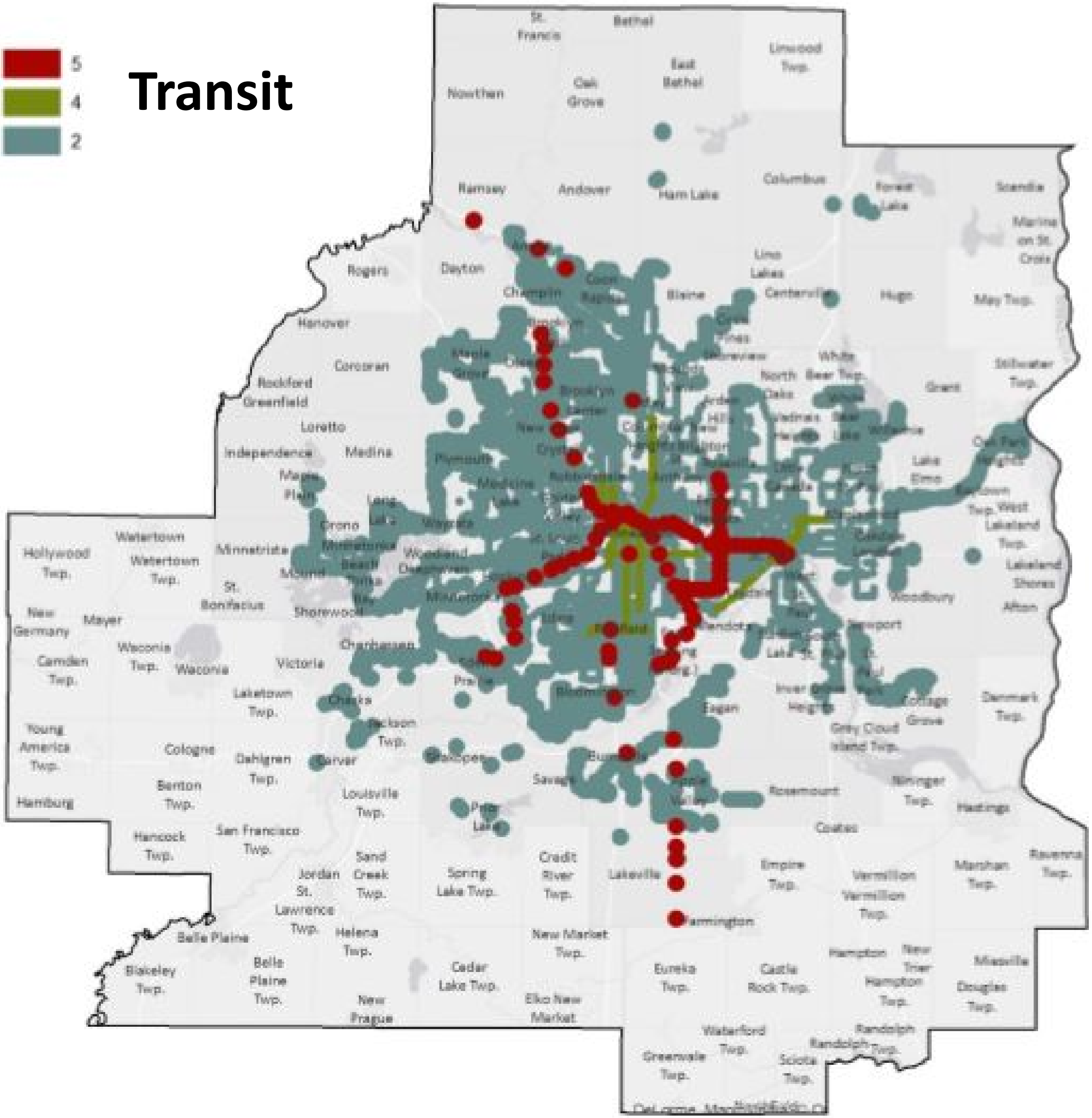
Transit


5
4
2
Ramsey
Andover
Ham Lake
Columbus
Dayton
Rogers
Blaine
Hugo
Scandia
Hanover
Corcoran
Medina
Independence
Loretto
Plymouth
Watertown
Minnetrista
Victoria
Chaska
Eagan
Rosemount
Lakeville
Farmington
Woodbury
Afton
Hastings
Cologne
Belle Plaine
Coates

What is Local Support?

- Capital sources:
  - City providing TIF, HOME/CDBG, bonds, etc.
- Fee waivers:
  - Reduced/waived land cost, SAC/WAC fees, permit fees, park dedication, etc.
- Other contributions:
  - Cash contributions from major employers, philanthropic organizations
  - Staffing support (ex: part-time nurse at supportive housing provided by local County)

Planned Community Development

- Can’t be comp plan
- Plan must have
  - Clear geographic boundaries
  - Mentions affordable housing as part of the plan
  - Economic development objectives
  - Implementation steps
  - Stakeholders

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Changes to Tax Credit Scoring (QAP)

- **<u>This Year 2017 (2018 QAP)</u>**
  - Apply online via the new Portal
  - People with Disabilities – new scoring category
  - Higher Performing Schools - new scoring category

Getting ready to apply

- Project identified / compare to funding priorities ("self-scoring worksheet")
- Processing agent?
- Technical assistance meetings with Minnesota Housing staff – underwriting, supportive housing
- Keep up with website updates on mnhousing.gov – sign up for ENews

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Minnesota Housing Finance Agency
Mortgage rates starting at:
4.000%
View all interest rates
Dream, meet reality!
We can help you become a homeowner in 2017. Set your resolution today and find a lender near you to get started!
1 2 3 4
Homebuyers & Homeowners
Help with Housing & Rent Assistance
Lenders & Homeownership Partners
Multifamily Rental Partners
:: Buy or Refinance a Home
:: Improve Your Home
:: Interest Rates
:: Find a Lender
:: Foreclosure Prevention
:: Looking for Rent Assistance
:: Looking for Shelter
:: Looking for Affordable Rental Housing
:: Homeownership Lenders
:: Home Improvement Partners
:: Real Estate Agents
:: Community Development
:: Interest Rates
:: Funding
:: Post-Selection
:: Management, Compliance & Servicing
:: Grant Programs
:: Ending Homelessness
:: Section 8
Special Announcements and Upcoming Events
:: Register today for the Mankato Area Housing and Community Dialogue on April 12
:: Memo to owners and management companies regarding 2016 flooding
:: Multifamily partners: Review our new Tenant Selection Plan Guidance
:: Looking to buy, refinance or fix up your home? Search here for a lender near you.
@mnhousing
Follow@mnhousing
Minnesota Housing @mnhousing
Dan Sparks: Working to offer relief to last fall's flood victims albertleatribune.com/2017/04/dan-sp...
Minnesota Housing @mnhousing
Kehoe earns state recognition via @bemidji bemidjipioneer.com/news/business/...
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Mortgage rates starting at:

View all interest rates

Funding | Post-Selection | Management, Compliance & Servicing | Grant Programs | Ending Homelessness | Section 8

Overview :: Available Financing :: Multifamily Common Application :: Tax Credits :: Preservation :: Supportive Housing :: Building Standards

Quick Links

:: Rent and Income Limits
:: Program Guides and Manuals
:: Underwriting Standards
:: Low-Income Rent Classification (LIRC)
:: Loan Servicing Requests
:: Federal Opt-Out Log
:: Continuum of Care
:: Previous Multifamily Funding Awards
:: Interest Rates for Multifamily Products

Home > Multifamily Rental Partners > Funding > Multifamily Common Application

Multifamily Common Application

To receive 2017 Multifamily RFP/2018 Housing Tax Credit Round 1 news and updates, please enter your email below and click *Submit*.

Not sure if you're on this list already? Contact Amy Larson to confirm.

Email *

* = required field

SUBMIT

Important Dates for 2017 Funding Round (RFP and 2018 Tax Credits, Round 1)

- **Tuesday, April 11:** Webinar training on new Multifamily Customer Portal - Register Now
- **Monday, April 17**: Intent to Apply and application materials published on our website
- **Monday, May 1:** Section 811 Pre-Applications due
- **Tuesday, May 16:** Preservation Pre-Applications due
- **Thursday, June 1:** Intent to Apply due for all applications
- **Thursday, June 15:** Complete applications due

2017 Workbook and 2018 HTC Self-Scoring Worksheet and Deferred Priority Checklist Documents

Quick Links

- Rent and Income Limits
- Program Guides and Manuals
- Underwriting Standards
- Low-Income Rent Classification (LIRC)
- Loan Servicing Requests
- Federal Opt-Out Log
- Continuum of Care
- Previous Multifamily Funding Awards
- Interest Rates for Multifamily Products

Housing Tax Credits

The Low-Income Housing Tax Credit (HTC) Program is a financing program for qualified residential rental properties. The HTC program offers investors a 10-year reduction in tax liability in exchange for capital to build eligible affordable rental housing units in new construction, rehabilitation, or acquisition with rehabilitation.

Amended 2018 Housing Tax Credit Qualified Allocation Plan

Minnesota Housing is proposing revised amendments to the 2018 Qualified Allocation Plan (QAP). The Minnesota Housing QAP is our plan for the distribution of Low-Income Housing Tax Credits. It combines state and federally legislated priorities and other Minnesota Housing priorities.

The proposed amendments were approved during Minnesota Housing's board meeting on February 23. The updated documents: HTC QAP, HTC Procedural Manual, and Self-scoring Worksheet have been updated in the 2018 Platform below.

Please note that these proposed amendments are contingent upon approval from the Governor.

View a description of the revised amendments.

Contact Summer Jefferson with questions.

Amended 2018 Procedural Manual and Documents

Amended 2018 HTC Manual - Subject to final approval from the Governor

Amended 2018 QAP - Subject to final approval from the Governor

Amended 2018 Methodologies:

Metropolitan Council Livable Communities Act Grant Programs

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Livable Communities Participation

Communities must:

- ❖ Adopt goals for affordable and life-cycle housing
- ❖ Establish a Housing Action Plan for achieving housing goals
- ❖ Agree to expend an Affordable and Life-cycle Housing Opportunity Amount established by statute
- ❖ 95 communities currently participating

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Points of Interest

- Creation or preservation of affordable housing is a goal of each program
- Grants are awarded only to cities, counties or development authorities
- Projects must be located in a participating community

Livable Communities Act (LCA) Funding

- Tax Base Revitalization Account (TBRA)
- Livable Communities Demonstration Account (LCDA)
- Livable Communities Transit Oriented Development (TOD) Program
- Local Housing Incentives Account (LHIA)

Other Funding

- Project-Based Housing Choice Vouchers

<u>Met Council</u>

TBRA
LCDA
TOD

<u>Partnership with MHFA</u>

LHIA
Project Based Vouchers

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2017 Funding Opportunities

LHIA	Project Based Vouchers (PBVs)
$2.5 million	Current PBV units = 596 units Maximum # of units = 1298
• Cities • Counties • Development Authorities	• Typically offer 20-50 PBVs per year • Affordable housing developers • Existing property owners
Preservation or expansion of SF and MF affordable housing	• New construction units • Existing housing units • Rents must be within established limits • Units must meet health and safety inspection standards
Gap financing including: • acquisition, • site preparation, • general construction	

Application Guidance

LHIA	Project Based Vouchers
Multi-family and Single Family deadline June 15 (Consolidated RFP)	Deadline June 15 (Consolidated RFP)
Priorities: • Creation or Preservation of units @ 30% AMI • Developments that provide 2-BR or larger units • Address long-term homelessness • Communities with low Housing Performance Scores • Dollar-for-dollar match required	• Serve families at or below 50% AMI • Promote projects located outside of areas of concentrated poverty • To integrate housing and services • To encourage economic integration • To promote linkages among housing, jobs and transportation • Extent of community support • To preserve existing affordable housing

2017 Funding Opportunities

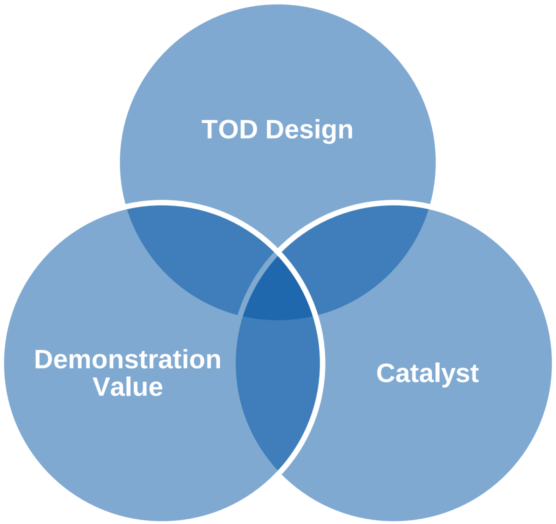
TBRA	LCDA	TOD
$5 Million (Incl. $250,000 Site Investigation) $1 Million TBRA-SEED	$7.5 Million	$5 Million LCDA-TOD (Inc. $250,000 Pre-Dev) $2 Million TBRA-TOD (Incl. $250,000 Site Investigation)
Affordable, market rate, or mixed income housing and/or jobs		
• Environmental site Assessment • Soil or Ground Water Cleanup • Soil vapor mitigation • Asbestos or Lead-based Paint abatements	• Acquisition • Basic public infrastructure • Stormwater management • Placemaking (intentionally designed public spaces e.g. plazas, squares, greens)	• All LCDA and TBRA grant activities • Predevelopment • Development of zoning implementation tools

Application Guidance

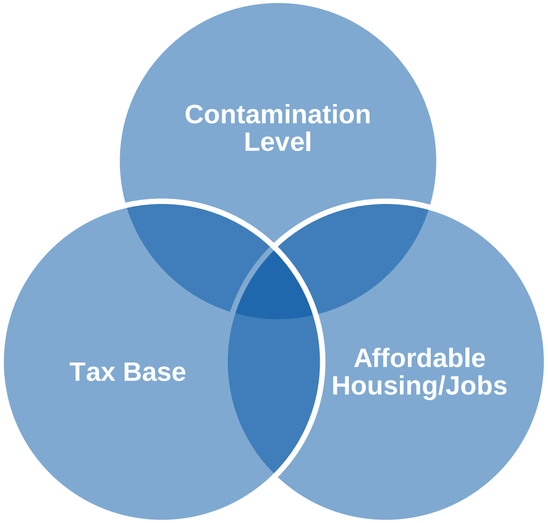
TBRA	LCDA	TOD
-Webgrants Application	-Project Concept Plan (PCP) -Webgrants Application	-Project Concept Plan -Webgrants Application
• Full application due May 1st, Nov 1st • Awards in June, Jan	• PCP due May 4th • Full application due June 29th • Awards in Nov/Dec	Development & Cleanup: • PCP due May 4th • Full application due June 29th • Awards in Nov/Dec Predevelopment, Site investigation, Zoning: • Full application due June 1st, Nov 1st

Successful Applications

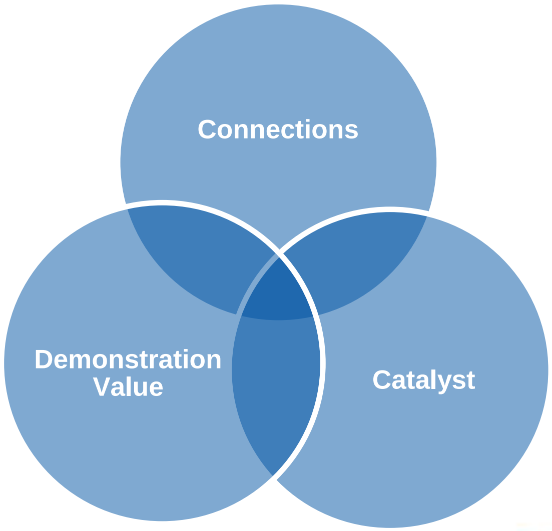
TOD



TBRA



LCDA



Past Awards

Piccadilly Square - Mahtomedi

Falcon Heights Town Center

Village Creek – Brooklyn Park

Kensington Park - Richfield

West Side Flats III – Saint Paul

Staff Contacts

- Erin Heelan, LCA-TOD Program Coordinator, 651-602-1633
  Erin.Heelan@metc.state.mn.us
- Ryan Kelley, LCDA and LHIA Program Coordinator, 651-602-1541
  Ryan.Kelley@metc.state.mn.us
- Marcus Martin, TBRA Program Coordinator, 651-602-1054
  Marcus.Martin@metc.state.mn.us
- Terri Smith, HRA Manager, 651-602-1187
  Terri.Smith@metc.state.mn.us

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Metropolitan Council
Livable Communities Act Grants

http://www.metrocouncil.org/Communities/Services/Livable-Communities-Grants.aspx

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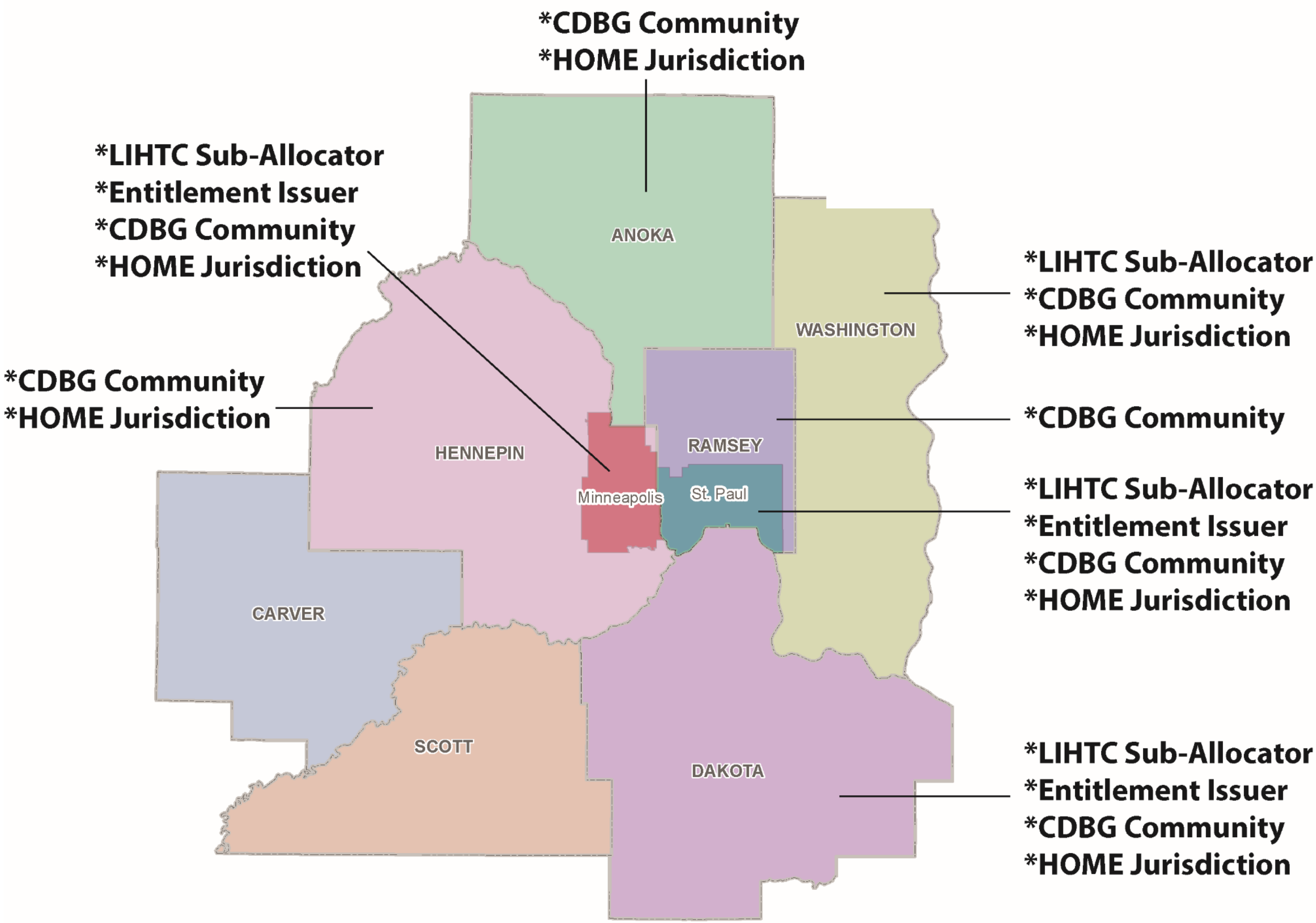
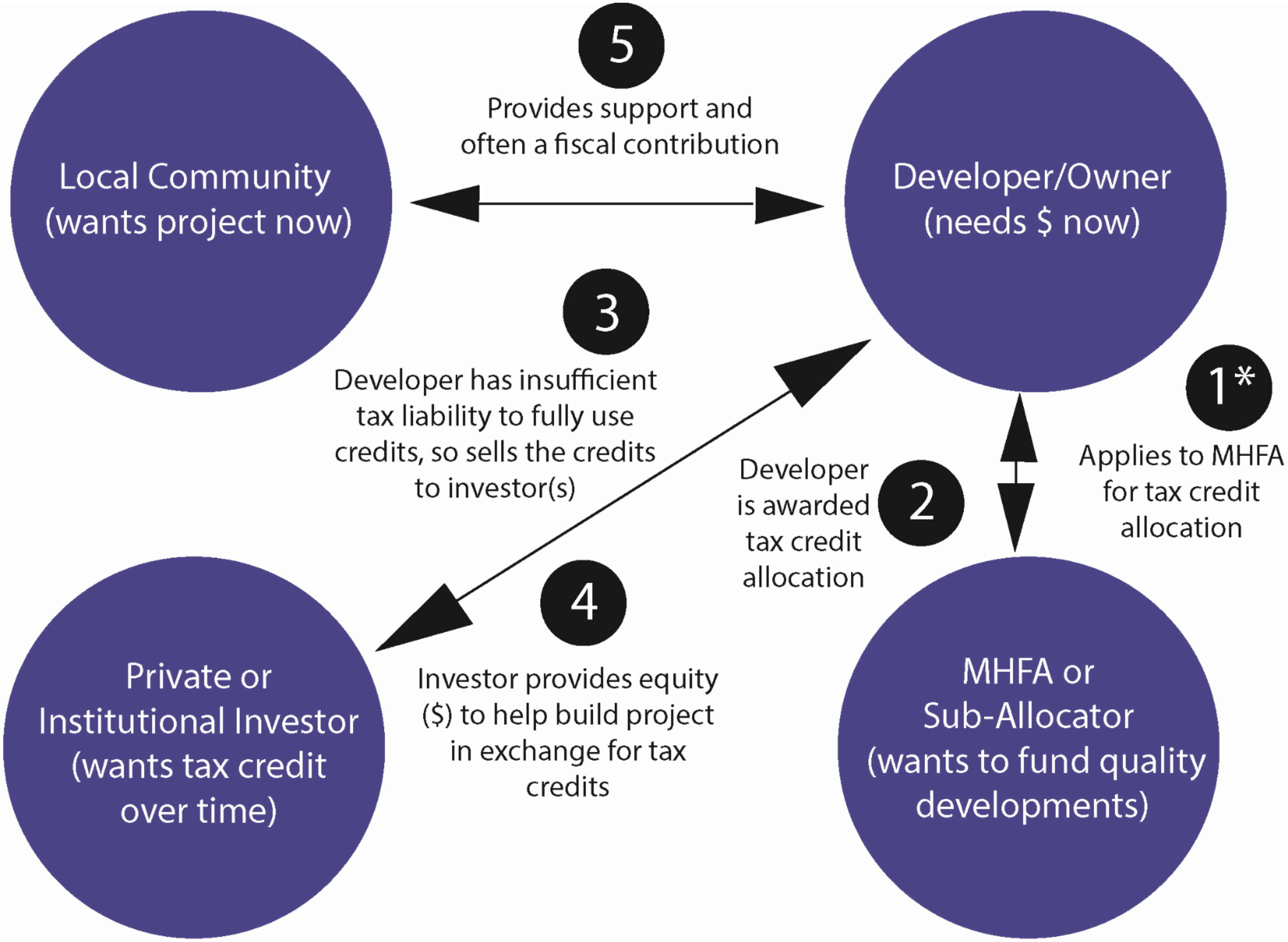
Local Fiscal Tools & Policies to Support Affordable Housing

Dedicated Federal / State Resources



How Tax Credits Work

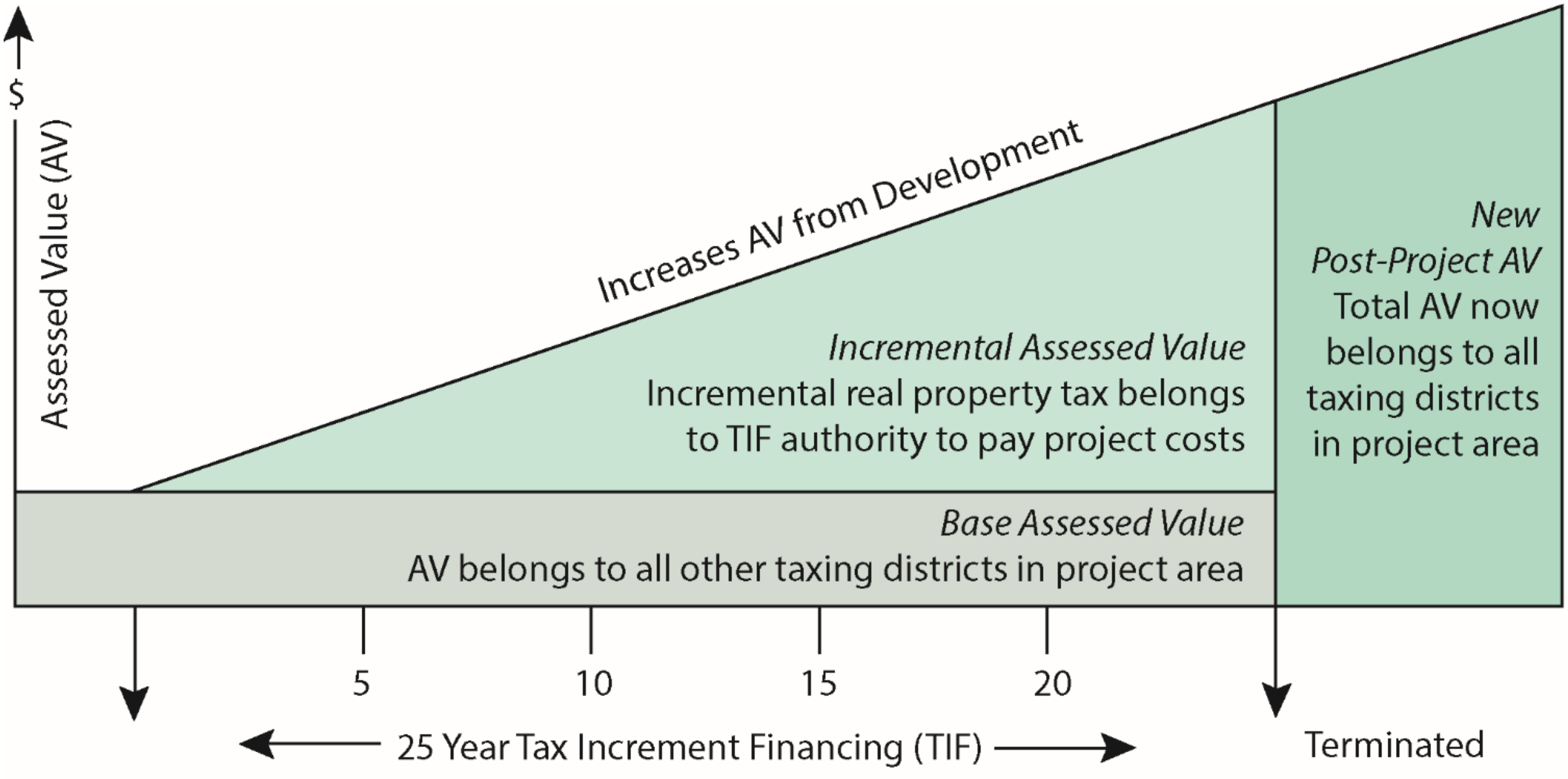


*In this process, multiple steps can be undertaken or in motion simultaneously

Tax Increment Financing (TIF)

- Uses increased property taxes a new real estate development generates to finance costs of the development
- Employs the “but for” test—the development (and tax increment) wouldn’t otherwise occur “but for” the use of TIF
- The TIF District takes time to generate revenue, so upfront costs often funded by:
  - Bonds
  - Local advance (inter-fund loan)
  - Pay-as-you-go (developer pays upfront and is repaid over time)

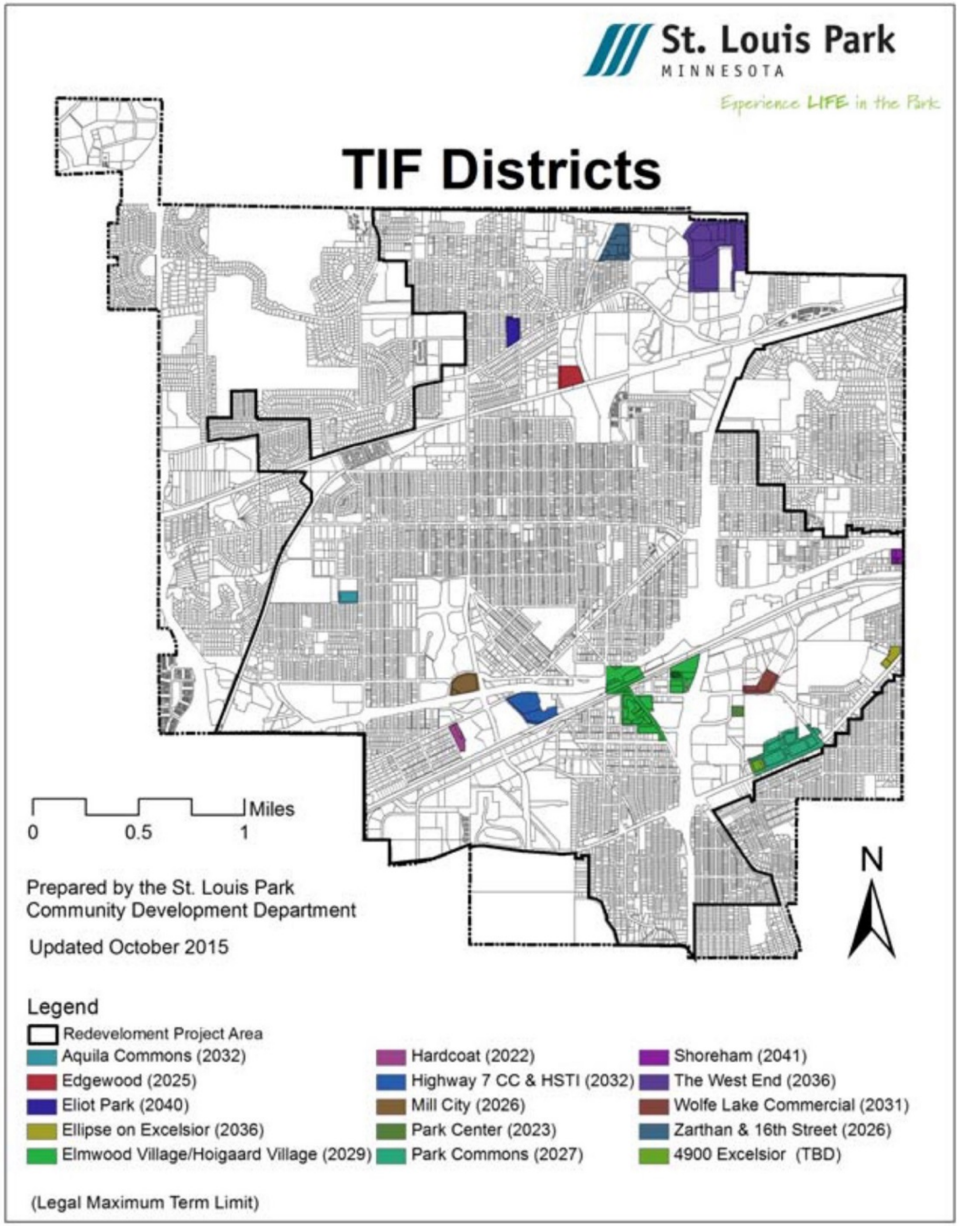
TIF – How it Works



Housing TIF District

- Must be intended for occupancy in part by families of low and moderate income but up to 20% of sq. footage may be non-residential
- For owner-occupied housing, 95% of units must be initially purchased by persons who qualify for mortgage revenue bond financing
- For rental housing, must meet the income limits under the Low Income Housing Tax Credit program (rental income restrictions apply for life of district)
- Can collect increment for up to 25 years after creation

TIF Districts & Project Area Example

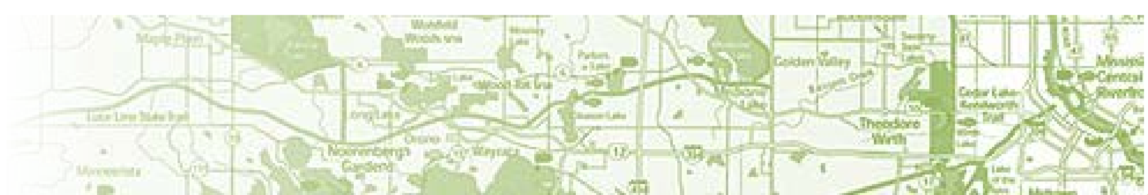


TIF Pooling

- Municipality "may transfer available increments from another tax increment financing district located in the municipality, if the transfer is necessary to eliminate a deficit in the district to which the increments are transferred"
- Distinction between a district and a project area
- Generally, 20-25% can be spent outside a district (an extra 10% available for qualifying housing purposes)
- Housing districts are treated differently—amounts spent on housing projects counted as if spent in district regardless of where developments are located

Housing Revenue Bonds

- Cities can issue both taxable and tax exempt (private activity) bonds
- Federally-imposed volume cap for *tax exempt* housing bonds
- Cities can apply to MMB on behalf of developers for portion of annual volume cap (first through Housing then Unified Pool)
- MHFA, Dakota County, & Minneapolis & Saint Paul receive own tax exempt allocations
- Costs of issuance can be covered by bond proceeds
- Bonds can be repaid solely from revenues of project



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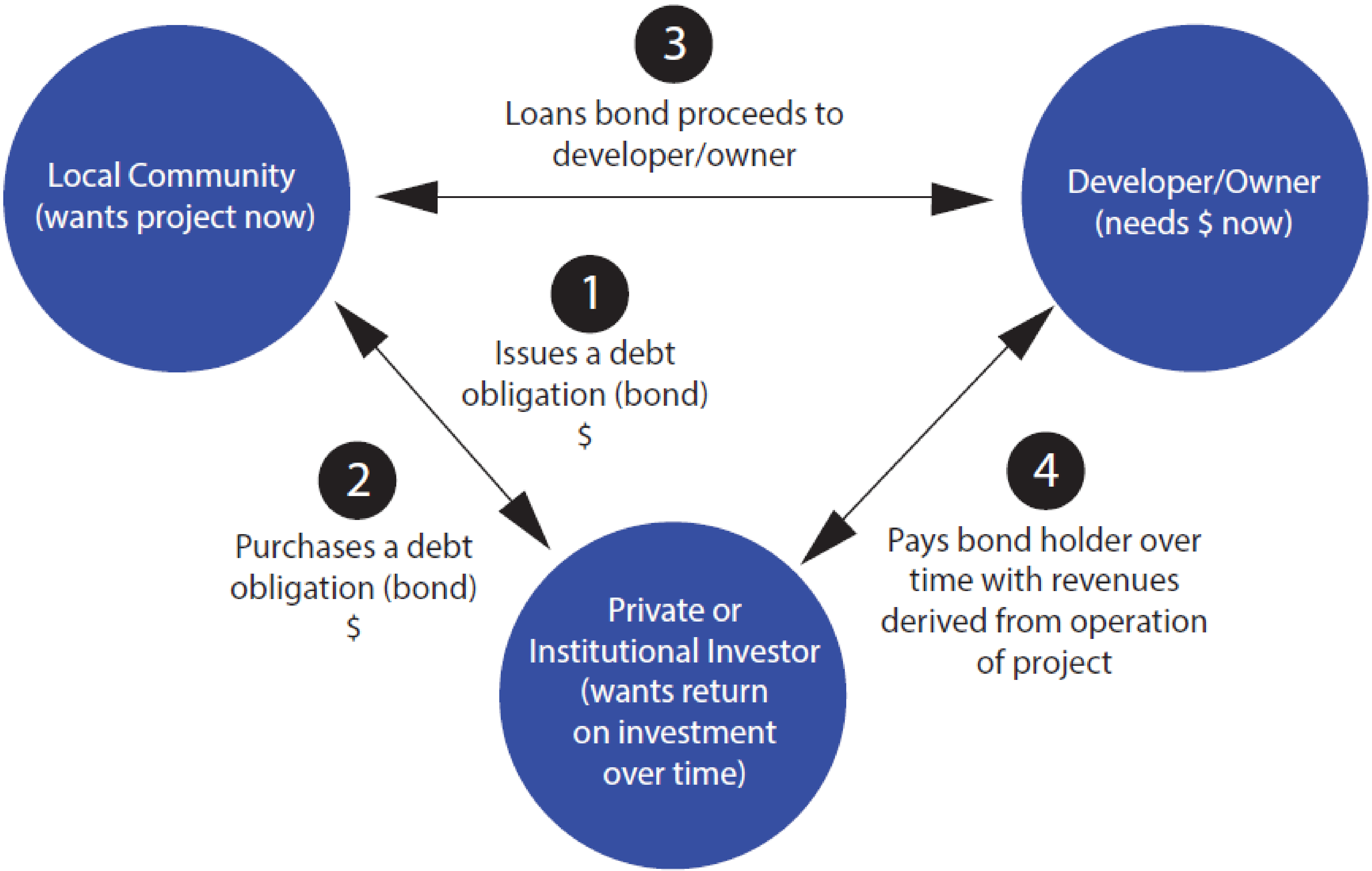
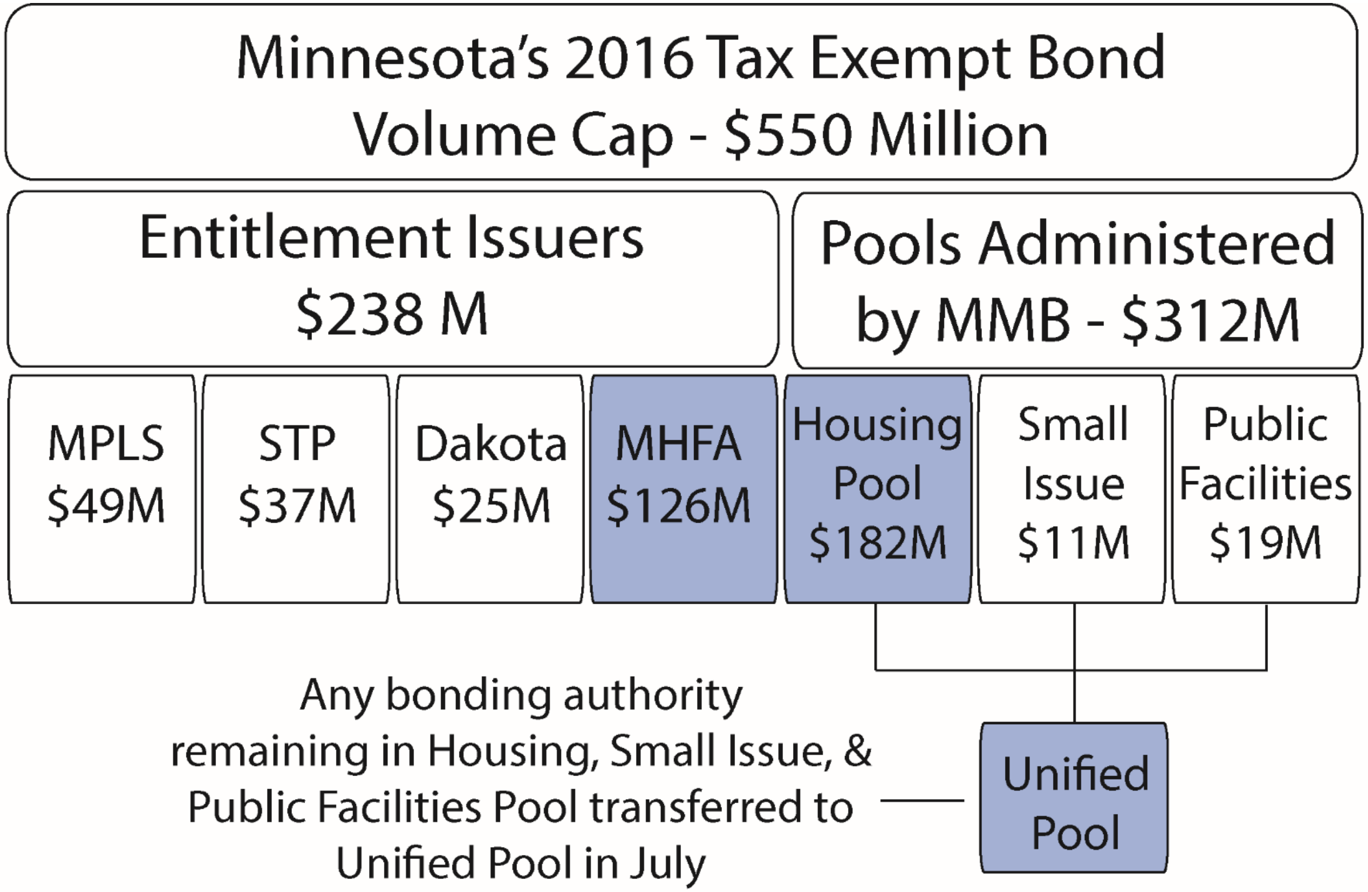
How Housing Bonds Work



Tax Exempt Volume Cap



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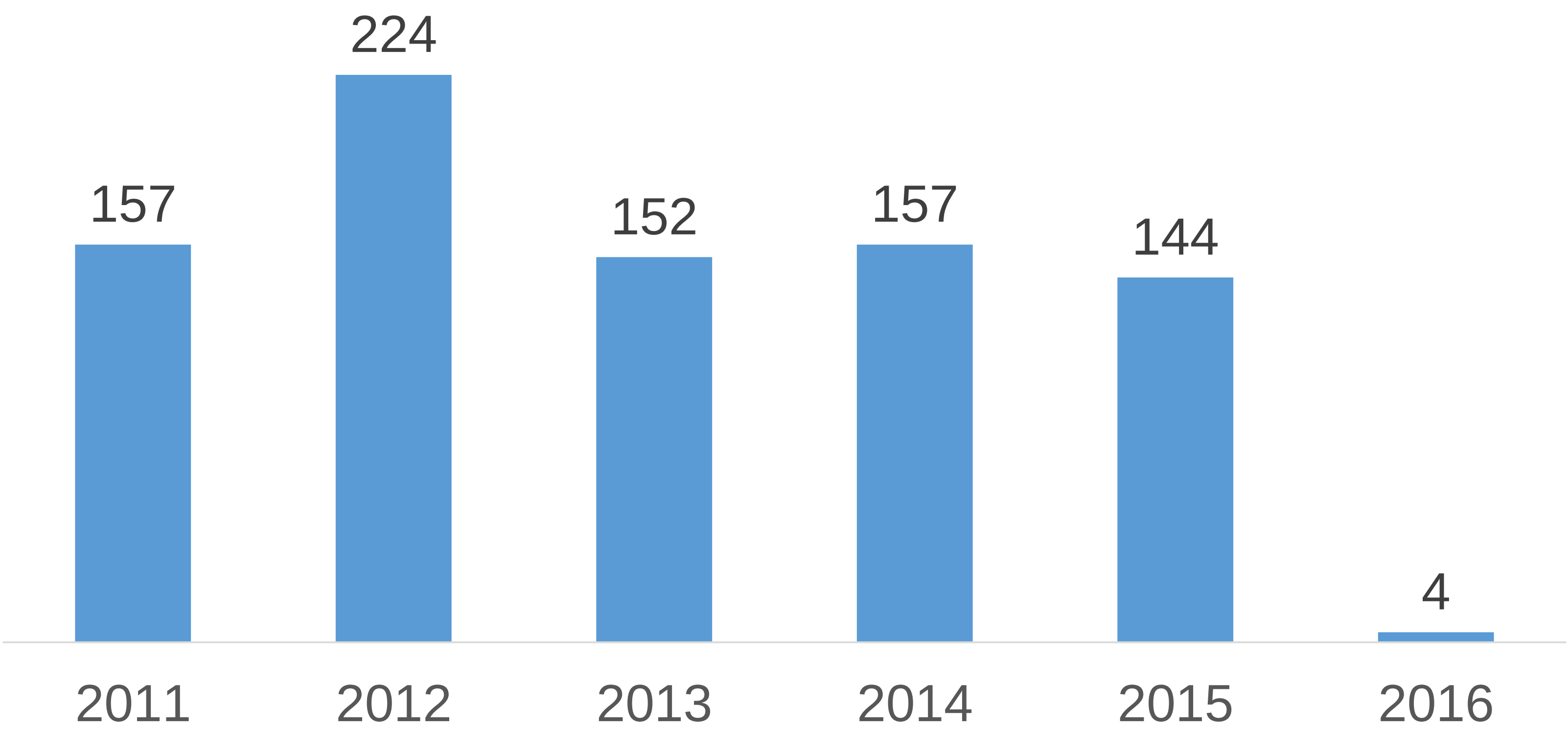
Unused Balance of State Housing Pool (in millions)



Source: Minnesota Housing

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Local Policies to Add or Preserve Housing

- Rental Licensing & Code Enforcement– 57 metro cities report having licensing & 72 active code enforcement
- Accessory Dwelling Units (ADUs) – 32 metro cities report allowing ADUs
- Mixed-Income / Inclusionary – 12 cities indicate some form of policy

Mixed-Income Policies

- Require a percentage or portion of housing in new developments be reserved for low-income households
- Way to disperse affordable units / foster mixed-income communities
- Mandatory, voluntary, incentive-based, or deal-by-deal basis
- Can be in same building, adjacent buildings, off-site, or cross-typology
- Developers receive compensation in form of density bonuses, zoning variances, expedited permits, unit size reductions, relaxed parking requirements, design flexibility, fee discounts or waivers

Additional Strategies to Consider:

- Creating an housing advisory committee
- Adopting a local Fair Housing policy
- Working with the Twin Cities Land Bank or using municipal HRA powers to acquire sites
- Crafting strategies to preserve Naturally Occurring Affordable Housing (NOAH) / Private Unsubsidized Affordable Housing

Affordable Preservation

- Preserving NOAH a key opportunity, but in early stages
  - May compete some with more traditional preservation activities
  - Greater Minnesota Housing Fund & CommonBond innovators
- 30th anniversary of Low Income Housing Tax Credit program upcoming—Year 15 opt-outs and expiration of extended use periods
- Preservation of federally-assisted properties
  - When projects receiving project-based vouchers are preserved, conditioned on re-upping federal assistance for term of mortgage (30 years)
  - Form of preservation keeps federal funds coming to state

Talk to One (or More) Developers!

- AEON
- Alliance Housing Inc.
- Beacon Interfaith Housing Collaborative
- Ron Clark Construction
- CommonBond Communities
- Community Housing Development Corporation (CHDC)
- Cornerstone Group
- Dominium
- Duffy Development Company
- Hope Communities
- Project for Pride in Living
- Sand Companies
- Shelter Corporation
- Sherman & Associates
- Twin Cities Housing Development Corporation (TCHDC)

TIF


LINCOLN PARC
Luxury Apartment Homes
Executive Office Suites


SUMMIT
place


COLUMBINE
TOWNHOMES

Housing Revenue Bonds

Comprehensive Plan

EDEN PRAIRIE

ASPIRE

EDEN PRAIRIE 2040

ABOUT ULI MN

MISSION
Urban Land Institute Minnesota (ULI MN) engages public and private sector leaders to foster collaboration, share knowledge, and join in meaningful strategic action.

VISION
Thriving communities.

WHAT CAN I DO? WHAT CAN WE DO TOGETHER?

81 South 9th Street
Suite 310
Minneapolis, MN 55402

612-338-1332

minnesota.uli.org

Urban Land Institute
Minnesota

REGIONAL COUNCIL OF MAYORS (RCM)

Minneapolis, Saint Paul and 53 other municipalities, in the developed and developing suburbs, are represented in the RCM.

*"The RCM provides a nonpartisan platform focused on **building civic trust** through networking, learning, collaboration and action."*

FROM 8 MAYORS IN 2004…

TO 55 MAYORS IN 2017

ADVISORY SERVICES: IT'S ABOUT TRUST

More than **50 cities** have completed ULI Minnesota workshops.

Trust is developed across public and private sectors.

"The workshops are opportunities for City officials to ask questions of real estate professionals in an environment where neither party has anything at risk. This is a new kind of civic space. The developers are neither seeking anything nor defending anything and City officials are not under any pressure. It allows for a spirit of inquiry and exploration that is too often not possible when both parties are advocating specific positions."

ULI MN Governance Chair John Breitinger
Cushman & Wakefield/Northmarq

RESOURCES

HOUSING COUNTS

FAMILY HOUSING FUND

Policy Toolbox | Resources | Data | Case Studies

Explore and learn at HousingCounts.org

Mixed Income Housing Feasibility Calculator

Mncalculator/housingcounts.org

Figure 1: Sample page from the Mixed Income Housing Calculator

The calculator is an educational tool and not meant as a substitute for professional feasibility analysis on a specific project.

ADDITIONAL RESOURCE

(Re)Development Ready Guide

Take the (Re)Development Ready quiz to see where your city stands and what additional steps it can take to be ready for (re)development.

Use the interactive guide to learn more about the policies, procedures, and tools available to keep your city competitive.

Take the quiz at Minnesota.ULI.org/ReDevelopment-Ready-Guide

Twin Cities Local Initiatives Support Corporation

Using Our Investments, Partnerships, and Knowledge to Help Communities Transform Themselves

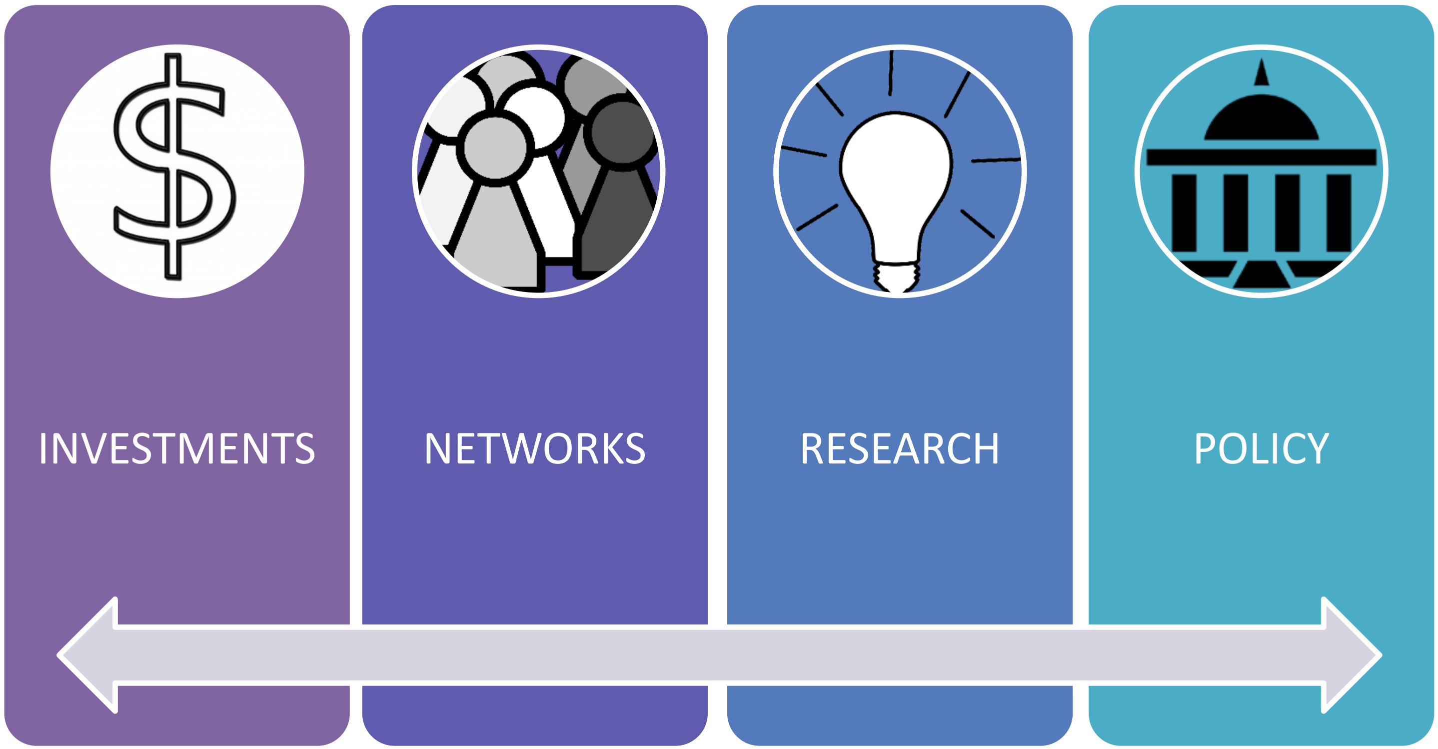
Kate Speed, Program Officer for Lending

HOW LISC WORKS

LISC is a Partner & a Catalyst

Our approach is comprehensive. We work on <u>housing, businesses, jobs, education, health and safety</u> in the same place at the same time.

OUR TOOLKIT



TWIN CITIES LISC
TECHNICAL ASSISTANCE & FINANCIAL PRODUCTS

- Planning and Community Engagement support through Corridor Development Initiative (CDI)
- One-on-One Technical Assistance (TA)
- Small Project Feasibility & TA Grants
- Capacity Building Grants
- Predevelopment Funders Roundtable
- Predevelopment Recoverable Grants (aka 0% interest, non-recourse loans)

TWIN CITIES LISC
TECHNICAL ASSISTANCE & FINANCIAL PRODUCTS

- Short- and Medium-Term Debt and Equity Products:
  - Predevelopment
  - Acquisition
  - Construction
  - Mini-Perm
  - Bridge
  - Working Capital
  - Mezzanine Loan
  - LIHTC Investment
  - New Markets Tax Credit Investment

- We work to align our investments with public funding priorities
- We tend to fill gaps and take more risk than the private market

TWIN CITIES INVESTMENTS & IMPACT IN 2016

LISC Twin Cities
Helping people and places prosper

$47 MILLION
IN GRANTS, LOANS AND EQUITY INVESTED

$159 MILLION
LEVERAGED IN PUBLIC & PRIVATE INVESTMENT

638
NEW OR PRESERVED AFFORDABLE HOMES

89,000
SQUARE FEET OF NEW OR RENOVATED COMMERCIAL AND COMMUNITY SPACE

664 PEOPLE
IMPROVED THEIR FINANCIAL STABILITY THROUGH FINANCIAL OPPORTUNITY CENTERS

- 26% of the new or preserved homes were produced by developers of color.
- COACTION Capacity Building partners produced 1,115 new or preserved homes and are tackling shared policy and equity agendas as a peer network.
- Creative Placemaking program partners worked with 182 businesses/ entrepreneurs, hired 830 artists for projects & performances, and reached over 30,000 people.

TWIN CITIES INVESTMENTS & IMPACT SINCE 1988

$550 MILLION
IN GRANTS, LOANS AND EQUITY INVESTED

$2.2 BILLION
LEVERAGED

13,800
NEW OR PRESERVED AFFORDABLE HOMES

1.7 MILLION
SQUARE FEET OF NEW OR RENOVATED COMMERCIAL AND COMMUNITY SPACE

6,900 PEOPLE
IMPROVED THEIR FINANCIAL STABILITY THROUGH FINANCIAL OPPORTUNITY CENTERS

MIXED-INCOME HOUSING

LISC MEZZANINE PRODUCT & CASE STUDY: 2700 UNIVERSITY, ST. PAUL

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LISC MEZZANINE PRODUCT

Terms

Eligible Borrowers	For-profit or nonprofit developers of affordable housing or mixed-use projects
Eligible Use	To fund equity and debt financing gaps to move forward either the preservation or production of affordable housing or mixed-use projects
Loan Amount	Up to $2,000,000 (Some exceptions depending on the details of the transaction)
Maximum Term	Coterminous with construction loan or 7 years
Collateral / Guarantee	Pledge of and first priority interest in the 100% member interest of mezzanine borrower and owner of the project, and the surplus cash flow note issued by the owner of the project to the mezzanine borrower; corporate guarantee for all borrowers; personal guarantee(s) for-profit borrowers
Payment Schedule	Monthly interest-only payments during the construction period with, to the extent available, such interest payments being made out of the construction interest reserve Commencing at the earlier of stabilization or the end of 3 years, monthly interest payments and annual principal payments based on 80% of distributable cash flow All outstanding principal and accrued and unpaid interest due at the end of the loan term
Interest Rate	8% - 9% per annum
Closing Fee	2% of loan amount, payable at closing; All legal fees paid by borrower

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CASE STUDY: 2700 University, St. Paul MN

- 248 Total Units: 50 affordable (LIHTC) and 198 market rate
- 3,000 square feet of commercial space
- Single building, bifurcated into two separate ownership entities solely to meet the requirements of LIHTC investor.

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build communities

CASE STUDY: 2700 University, St. Paul MN

- All residents will enjoy luxury amenities that include:
    - resort-style, heated saltwater pool and sundeck with cabanas
    - courtyard for outdoor relaxation and enjoyment
    - state-of-the-art fitness center
    - outdoor living room with fire pits
    - pet grooming spa, bike shop with indoor parking
    - bike stands, pumps, tools, work bench, water bottle filling station
    - TV/lounge area, clubroom with billiards, grilling areas, cyber café, resident concierge services, controlled building access and Wi-Fi

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CASE STUDY: 2700 University, St. Paul MN

Amount	$3,756,000 (Total Loan Amount $6,260,000 participated with BMO Harris Community Investments)
Term	5 years
Security / Guarantee	Pledge of and first priority interest in the 100% member interest of mezzanine borrower in the owner of the project, and the surplus cash flow note issued by the owner of the project to the mezzanine borrower; corporate guarantee for all borrowers; personal guarantee(s) for-profit borrowers.
Payment Schedule	Interest only during construction; interest payments and annual principal payments from 80% of available cash flow commencing at stabilization and 100% of net refinance proceeds.
Interest Rate	9% (blended)

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CASE STUDY: 2700 University, St. Paul MN

"Condominium Structure" to Bifurcate Financing for Market Rate and Affordable Sides

Average Cost per Unit = $215,000

MARKET-RATE PROJECT	
SOURCES	
Primary Loan - BMO Harris Const. Loan	24,592,000
TOD Grant (Met Council)	1,944,774
Developer Cash	1,489,192
Deferred Developer Fee	1,587,984
Mezzanine Loan[1]	5,000,000
Total Sources	**34,613,950**
Mezzanine Loan - Const Interest Reserve[2]	*1,260,000*
USES	
Purchase of Land & Buildings	2,800,000
Construction Hard Costs	24,056,000
Contingencies	1,750,000
Professional Fees	195,000
Interim Financing Fees and Cost	1,193,894
Soft Costs	1,120,500
Other Development Costs	1,850,273
Syndication Costs	-
Project Administration / Developer Fees	1,648,283
Total Uses	**34,613,950**
Mezzanine Loan - Const Interest Reserve[2]	*1,260,000*

AFFORDABLE PROJECT	
SOURCES	
Primary Loan - BMO Harris Const/Perm Loan	1,650,000
Monetized Tax Exempt Bonds (TIF)	7,286,000
Tax Credit Equity (4%)	5,534,948
HOME	1,000,000
Deferred Developer Fee	1,304,211
Total Sources	**16,775,159**
USES	
Purchase of Land & Buildings	700,000
Construction Hard Costs	11,050,000
Contingencies	552,500
Professional Fees	69,000
Interim Financing Fees and Cost	1,151,334
Soft Costs	250,000
Other Development Costs	517,425
Syndication Costs (Bond Fees)	555,000
Project Administration / Developer Fees	1,929,900
Total Uses	**16,775,159**

TOTAL PROJECT FINANCING	
SOURCES	
BMO Harris Bank - MR Const Loan	24,592,000
BMO Harris Bank - Const/Perm Affordable Loan	1,650,000
Monetized Tax Exempt Bonds (TIF)	7,286,000
Tax Credit Equity (4%)	5,534,948
HOME	1,000,000
TOD Grant (Met Council)	1,944,774
Developer Cash	1,489,192
Deferred Developer Fee	2,892,195
Mezzanine Loan[1]	5,000,000
Total Sources	**51,389,109**
Mezzanine Loan - Const Interest Reserve[2]	*1,260,000*
USES	
Purchase of Land & Buildings	3,500,000
Construction Hard Costs	35,106,000
Contingencies	2,302,500
Professional Fees	264,000
Interim Financing Fees and Cost	2,345,228
Soft Costs	1,370,500
Other Development Costs	2,367,698
Syndication Costs	555,000
Project Administration / Developer Fees	3,578,183
Total Uses	**51,389,109**
Mezzanine Loan - Const Interest Reserve[2]	*1,260,000*

Note 1: The LISC Loan comprises a portion of the Mezzanine Loan

Note 2: The Mezzanine Loan Construction Interest Reserve is funded by the Mezzanine Loan (Total $6,260,00)

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TWIN CITIES LISC
PROJECT INVESTMENT TEAM

Amy McCulloch, Deputy Director
amcculloch@lisc.org
651-265-2290

Gretchen Nicholls, Program Officer
gnicholls@lisc.org
651-265-2280

Kate Speed, Program Officer
kspeed@lisc.org
651-265-2284

Jim Steiner, National Equity Fund
jsteiner@nefinc.org
651-649-1114

Questions?

Tara Beard, Planning Analyst
tara.beard@metc.state.mn.us

Jonathan Stanley, Planning Analyst
jonathan.stanley@metc.state.mn.us

Resources

LOCAL PLANNING HANDBOOK http://metrocouncil.org/Handbook.aspx

PlanIt http://www.metrocouncil.org/Handbook/PlanIt.aspx

METROPOLITAN COUNCIL