Affordable Housing Capital & Deployment Strategies

May 11, 2020

Greenville Housing Fund & City of Greenville: Public Private Partnership

- City is providing public funds as a capital source for GHF to deploy to preserve and expand affordable & workforce housing opportunities across the city
- GHF wants to leverage those city dollars with other private and public sources
- Both in a capital raise strategy and in deployment strategies
- City funding can be leveraged with a pooled loan fund working with local banks, foundations, and other institutions (Affordable Housing Action Fund)
- City provided funds can be leveraged with other equity and debt at the real estate transaction level to produce and preserve affordable & workforce housing
- City's federal funding is being leveraged with investment in GHF

Capital Needs

- GHF needs to raise enough public investment in order to leverage other capital sources such as the Affordable Housing Action Fund (AHAF) with a goal of $40m
- The AHAF will provide a flexible source of funds that will expand the resources available for investment in affordable housing in Greenville and will be operated by GHF & CommunityWorks. The Fund will provide below-market loans to developers who commit to the Fund's affordability criteria that will increase and preserve the number of affordable rental homes in Greenville
- **Top Loss Guarantee:** GHF will need to provide a Top Loss Guarantee on all loans. The total Top Loss Guarantee will be 15% of the total Fund, or $6 million. It is anticipated that a combination of funds from GHF and private foundations will provide the guarantee.

Affordable Housing Action Fund

SPONSOR AND FUND MANAGE

Greenville Housing Fund & Community Work

AFFORDABLE HOUSING ACTION FUN

$40 million

CO-LENDERS
GAP FINANCING & GRANTS
Government
Philanthropy

FINANCIAL INSTITUTION INVESTOF

LOC with lead bar

GUARANTO

GHF & Foundatior

% Top Loss Guarantc

Deployment Strategies

A Balanced Approach:

- GHF wants to support city policy goals in allocating scarce resources:
  - to achieve the greatest number of housing units produced and preserved
  - provide appropriate leverage of other sources
  - generate a return on investment when and where appropriate
  - meet the needs and scale (both small and large) across the unique neighborhoods and commercial corridors in the city
  - provide geographic balance
  - support neighborhood infill developments with existing partners

Deployment Strategies

GHF as Short Term Investor:

- Revolving Loans: shorter terms, return principal with modest interest (3-5%) and typically represent $20,000 -$50,000 per unit depending on density (1-4 units = higher $ per unit, more density = lower $ per unit). Prefer term of less than 5 years

- Revolving Loans: longer term, senior or subordinate debt, with interest rates at 2-5% typically represent $10,000 - $50,000 per unit. Terms typically at 10-15 years

- Forgivable Loan: GHF Matching Equity: reposition public-source dollars to the provision of gap-financing for projects aiming for deep affordability.
    - This will be a gap source of forgivable loan or grant dollars to achieve at/or below 60% AMI housing. Typically these will leverage a 4% LIHTC Bond, 9% LIHTC or a SC Small Rental Development Grant. Competitive state or federal funding programs often dictate the amount per unit, and the terms required (1%, 20 yr term, 30 yr amortization) in order to receive their source of funding (e.g., $8,000 per unit)

Deployment Strategies

GHF as equity investor:

- Use capital funds as an equity investment and generate a better return
- Equity investment could position GHF as a General Partner, Limited Partner or as an owner of real estate that supports more affordability and creates a revenue stream
- Anticipate a typical equity investment will range from $10,000 - $50,000 per unit depending on whether its preservation, new construction, income levels served and the density of the project
  - Currently have a preservation/rehab opportunity where total equity required on 52 units is $20,000 per unit but GHF can participate at $8,000 per unit and generates a revenue stream while preserving all units at 50-60-80% AMI.
  - We are analyzing a new construction opportunity on 100 units at 50-80% AMI where we need an equity investment of $23,000 per unit but GHF will own the project and generate a revenue stream.
- These equity investments will allow GHF to be self-sustaining.

Deployment Strategies

GHF as partner to leverage other City tools to support preservation and new construction of affordable housing:

- Special Tax Assessment – work with City to leverage property tax freeze allowed through the Bailey Bill
    - Case Study: Stratham Place – City certified the property through the Special Tax Assessment and GHF offered a $500,000 loan.
- Multi-County Industrial Park – work with City to review projects according to agreed upon criteria including location of project. Criteria might include:
    - % of affordable housing to be offered (minimum of 20%)
    - level of affordability included (60-80% AMI rents)
    - affordability period,
    - cost per unit
    - GHF may be able to assume some type of equity ownership in the project
- Non-Profit Property Tax Exemption – utilize the property tax exemption offered to non-profits that provide affordable housing (cannot exceed 60-80% AMI) to reduce overall operating costs, promote long-term affordability and provide long term sustainability.

City-GHF Pipeline Projects

- Adjacent to Unity Park – 402 units
- Special Emphasis Neighborhood Infill – 58 units
- Laurens/Woodruff/Haywood Road corridors – 318 units
- Downtown – 120 units
- Total: 798

- Cost per unit for larger, multi-family development:
  - Stratham Place: 88 homes at $5,681 per unit
  - Preserve at Logan Park: 193 homes at $2,591 per unit

- Cost per unit for neighborhood infill development:
  - Washington Pointe acquisition: 7 homes at $50,000 per unit
  - Joshua’s Way: 13 homes at $8,693 per unit
  - Monteith Circle: 2 homes at $51,631 per unit

City-GHF Partnership Next Steps

- GHF evolving into an independent 501©(3) with ongoing partnership and collaboration with CommunityWorks
- Raising capital
- Expanding deployment strategies
- Bridge self-sustaining revenue streams by charging small deployment fee against capital contributions