

CINCINNATI
DEVELOPMENT
FUND

**City of Cincinnati
Equitable Growth & Housing
January 28, 2025**

Who is CDF?

- CDF's mission is to provide innovative real estate financing for projects that strengthen low-income neighborhoods and improve lives.
- Created in 1988 as an independent, non-profit community development lender, focused on affordable housing.
- We provide financing for real estate development, as well as for nonprofit facilities, energy efficiency projects, and to under-resourced contractors
- 37-year history of responsible, high impact fund management
- Governed by a 15-person Board and managed by a staff of 16 with professional expertise in banking, asset management, compliance, accounting, and community development.



What is the Affordable Housing Leverage Fund?

- The **Affordable Housing Leverage Fund (AHLF)** raises and pools public, philanthropic, and private funds to help finance projects with affordable housing.
- **Aggregating sources** stretches funds and allows CDF to make grants and/or loans, as appropriate for project and source, and as guided by professional underwriting.
- **The CDF way** is to establish long-term, multi-project, supportive relationships with borrowers, offering technical assistance to ensure vision becomes reality.
- City as **catalytic investor**.

Today's Agenda

- Timeline & Background
- 2-Year Impact Summary
- Process Summary
- Results Against Strategy
- Impact Analysis
- Takeaways & Strategy Going Forward

Background – Funding Timeline

- 2020: CDF secures first CDFI award (\$900K)
- 6/21: Initial \$2.7MM AHTF commitment
- 3/22: City AHTF waterfall commitment established
- 6/22: CDF secures CDFI award (\$4.5MM)
- 9/22: City AHTF contract signed
- 11/22: 1st AHTF waterfall (\$5MM)
- 11/22: Liberty & Elm developer contribution (\$750K)
- 12/22: County ARPA contract signed (\$33.5MM)
- 2/23: CDF secures CDFI award (\$640K)
- 6/23: City short-term rental appropriation (\$1.5MM)

Background – Funding Timeline

- 7/23: CDF secures CDFI award (\$3.7MM)
- 7/23: 1st VTICA contribution received (\$250K)
- 8/23: City ARPA contract (\$5MM) signed
- 10/23: CDF secures CDFI award (\$3.2MM)
- 11/23: 2nd City AHTF waterfall (\$5MM)
- 5/24: additional County ARPA appropriation (\$872K)
- 6/24: City short-term rental appropriation (\$1.9MM)
- 7/24: 2nd VTICA contribution received (\$250K)
- 10/24: 3rd City AHTF waterfall (\$5MM)
- 12/24: additional County ARPA appropriation (\$2.05MM)

Background – Funding Commitments

Total with HUD 108 = \$130MM, Total without HUD 108 = \$96MM

Public Loan	Private Loan	Public Grant
CDFI Capital Magnet Fund: \$8.6MM	GCF: \$5MM	Hamilton County ARPA: \$36.4MM
CDFI Equitable Response Program: \$3.7MM	Eagle/Western Southern: \$5MM	City of Cincinnati AHTF: \$21.9MM
CDFI Financial Assistance Program: \$640K	Fifth Third Bank: \$5MM	City of Cincinnati ARPA: \$5MM
City of Cincinnati: \$34MM HUD 108 loan*	Bon Secours Mercy Health: \$3.2MM	VTICA: \$500K
	First Financial Bank: \$500	
	Health Path: \$500K	
	Summit Foundation: \$200K	
	CDF Capital (CDF's retained earnings)	

Background – Initial Strategy

As presented to City Council October 2022:

- **First**, by focusing on immediate production:
 - Filling gaps caused by rising construction costs
 - Growing the 4% LIHTC market
 - Equity bridge loans
- **Second**, by intentionally targeting and encouraging:
 - Smaller and minority developers
 - Non-LIHTC projects
 - Smaller projects
 - Geographic diversity
 - Mixed-income
 - New structures and products

Background – Council Direction

Forgivable Loan Maximums:

Area Median Income (“AMI”) Level for Unit	Maximum Forgivable Loan per 1-2 Bedroom Unit	Maximum Forgivable Loan per 3+ Bedrooms
Up to 60% AMI	\$50,000 per unit	\$60,000 per unit
Up to 80% AMI	\$25,000 per unit	\$30,000 per unit

MOTION

Councilmember Reggie Harris Motion on Housing Funding Priorities

WE MOVE that the City Administration, through amending its contract with the Cincinnati Development Fund (CDF) establish the following priorities regarding all City contributions to the “Fund of Funds”:

1. City dollars are highly leveraged by CDF
2. Funding projects that are mixed income when possible
3. Funding projects in high opportunity neighborhoods that do not concentrate subsidized housing
4. Funding projects in the lower AMI range where there is the greatest need (0-60%)
5. FY’ 23 Carryover dollars being directed to CDF would only be used for projects up to 80% AMI

WE MOVE that the Department of Community & Economic Development (DCED) shall establish as a priority in its annual Notice of Funding Availability (NOFA) projects targeted at 0-60% AMI.

Background – Market Conditions

- State of Affordable Housing Development in 2022:
 - LIHTC dependent (heavily competitive)
 - Small pool of niche developers
- 2022 → Historic cost escalation (supply chain disruption, interest rate escalation, inflation, insurance, etc.)
 - **45% increase in total development costs/unit over 3 years**

2021	2024
\$223,892	\$325,536

(*source*: OHFA LIHTC applications)

- OHFA rule (QAP) changes (1) require hard financing commitments, (2) disadvantage Cincinnati applicants

Background – Strategic Response

- Nimble and aggressive **gap financing** to make projects happen
- Create **conditional commitment** program with OHFA and City to **maximize LIHTC** leverage
- **Build capacity** by engaging market-rate and smaller developers; lean into development headwinds as **opportunity** for affordability

Impact Summary - AHLF

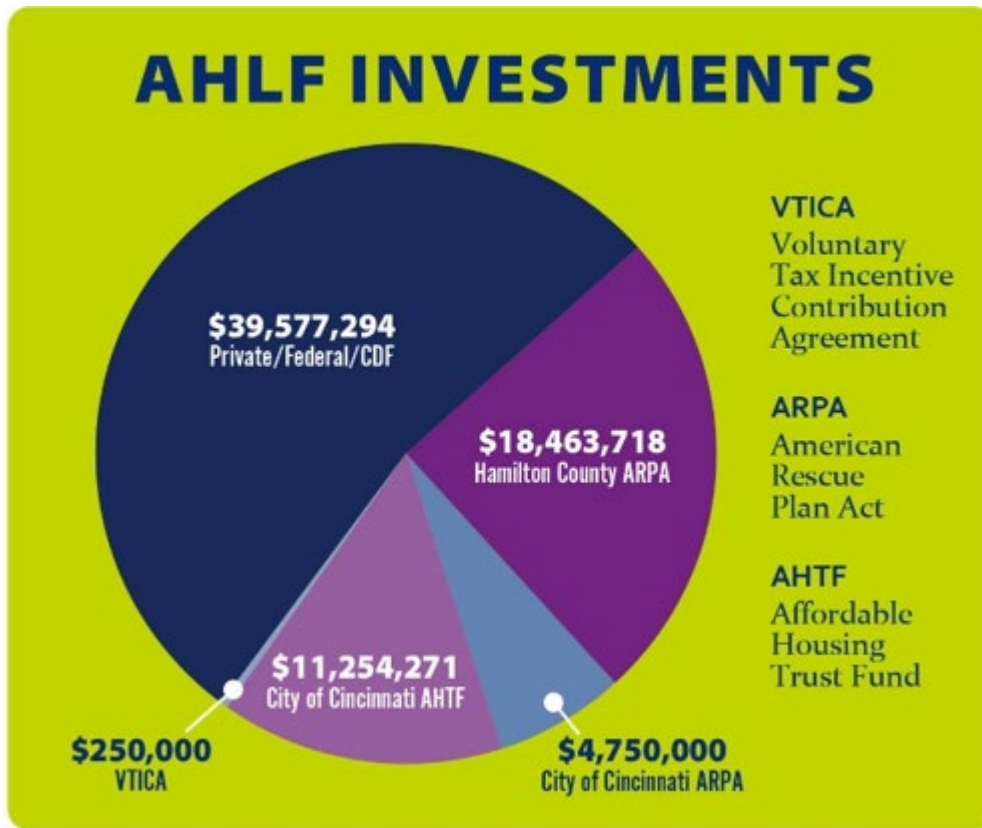
September 2022 – September 2024

TWO-YEAR IMPACT



Impact Summary - AHLF

Coordinated Public/Private Investment Strategy



- City investment in regional collaboration makes every dollar go further, together.

Impact Summary - AHLF

AHLF funded-projects committed to production or preservation of 1803 income-restricted units between Sept 2022 and Sept 2024

- 85% for units at 60% AMI or less
- 558 units at 50% AMI or less

Affordability Levels	30% AMI and below	31-50% AMI	51-60% AMI	61-80% AMI	Total Units
Total Affordable Units	159	399	971	274	1803

Impact Summary – AHTF

Projects funded *directly* by AHTF or City ARPA:

Projects	Affordable Units
21	604

Projects in Cincinnati funded by *other* AHLF sources:

Projects	Affordable Units
24	826

Strategic, early-stage investments

- Strong City-CDF partnership to leverage competitive funds
- 2 more awards announced late December (\$10.8MM)
- Continued predevelopment funding (no #s yet)

PREPARING *the* REGION for FUTURE HOUSING

Working with partners to pursue competitive state/federal resources

- \$36MM of City + CDF conditional commitments to 17 project applications over 5 different competitive OHFA rounds resulting so far in \$23MM in tax credit awards

Providing predevelopment and line of credit financing

- CDF provided \$3.8MM in critical funding for predevelopment work or lines of credit to help advance early-stage affordable housing projects

Process Summary

- **CDF Way:** balance relationship lending with transparent, formal process
 - General AHLF Funding Inquiry Form
 - County ARPA RFP Initial Round: April – June 2023
 - 30 applications requesting \$35MM
 - 17 awards of \$14MM for 445 affordable units
 - City ARPA & “all funds” RFP – November-March 2024
 - 31 applications requesting \$36MM
 - 12 awards of \$11.2MM for 357 affordable units
 - Rolling City AHTF awards
 - Leverage Programs – 2x/year (Fall/Spring)
 - OHFA Bond Gap Financing Match, state LIHTC, QAP/9%
 - Rolling County ARPA, with focus on non-City projects
- **Fundamental approach: building & managing a project pipeline**

Results Against Strategy

As presented to City Council October 2022:

- ***First, by focusing on immediate production:***
 - *Filling gaps caused by rising construction costs*
 - Almost all projects
 - *Growing the 4% LIHTC market*
 - AHLF timing & flexibility made 4 ~50-unit projects possible
 - Large gaps remain challenge
 - *Equity bridge loans*
 - Interest-rate dependent
 - 4 historic tax credit bridge loans for projects with affordability

Results Against Strategy

- *Second, by intentionally targeting and encouraging:*
 - *Smaller and minority developers*
 - 12 projects by 8 different small or early-stage for-profit developers
 - 6 projects by 5 different black or female-owned development companies
 - 29 projects by 15 different non-profit or government developers
 - *Non-LIHTC projects*
 - 31 non-LIHTC projects (57% of total)
 - *Smaller projects*
 - 16 projects of 15 units or less, totaling 145 units

Results Against Strategy

- *Second, by intentionally targeting and encouraging:*
 - *Geographic diversity*
 - Projects in 16 neighborhoods
 - *Mixed-income*
 - BSG2, CH Keymark, Paramount Launch, The Annie, 56 E. McMicken
 - *NOTE:* many projects at 100% affordability b/c no market-rate subsidy
 - *New structures and products*
 - Low-interest debt products for range of terms
 - *NOTE:* high costs have required public funds be used for gap subsidy

- Construction Status
 - Complete: 17 projects, 577 units
 - Under construction: 20 projects, 557 units
 - Pending construction: 17 projects, 773 units
- Financial Closing Status
 - Closed: 42 projects, 1373 units
 - In Closing Process: 12 projects, 543 units

Impact Analysis

- Average AHTF gap subsidy = \$26,497/unit
 - *Cost escalation often requiring additional direct gap subsidy and land costs contributed by Port or City*
- Average AHLF “hard” loan amount = \$807,700

Impact Analysis - Context

- AHLF affordable units in City 9/22-9/24 (2 years):
 - **1430 units (715 units/year)**
- City Dashboard affordable projects/units 2017-2021* (previous 5 years):
 - **1280 units (256 units/year)**
- AHLF total units in City 9/22-/9/24
 - **1531 units**
- City Dashboard total units added 2023-2024
 - **2710 housing units added^**

*Council Memo #202200178

^ CincyInsights

Takeaways

- **Extreme difficulty in current environment – headwinds are real**
 - elements of cost escalation: inflation, interest rates, supply chain/materials costs, labor availability, insurance
 - State/Federal sources flat – leaving burden on local sources
- **Total public subsidy need remains high**
 - *Challenge* of perpetual need for public funds in affordable context
 - *Opportunity* to drive more impact through coordination of those funds (within AHLF and with City, County, Port, private partners)
- **Certainty (of funding), dependability (of process), and flexibility (in timing and structure) are enormous opportunity**
 - OHFA funding opportunity expanding in coordination with City
 - Multi-year development cycle influenced by future funding certainty
 - Difference between affordable and market rate industries
- **National perspective: local gap sources = table stakes for affordable development**
 - Current moment of federal uncertainty
- **CDF and AHLF are tools to deliver community goals**

Evolving Strategy – Market-Driven

- **Phase I:** focus on immediate production:
 - Clearing pipeline by filling gaps caused by 35-45% rising construction costs (supply chain, interest rate, inflation)
- **Phase II:** using AHLF \$ to leverage new \$:
 - Use CDF flexibility/speed to make early leveraging commitments to unlock other capital sources
- **Phase III:** secure permanent public revenue stream *and* more patient private capital to *change* the market and build a *long-term* project pipeline
 - Expand lending capacity (amount and term), including specifically for mixed-income, non-LIHTC, projects
 - Explore patient equity/sub debt models to introduce new capital structuring options to local market
 - Establish long-term expectations to drive *sustained* and *expanded* investment in affordable housing development

THANK YOU!

