

**CINCINNATI
DEVELOPMENT
FUND**

**Cincinnati City Council
Equitable Growth & Housing Committee
October 10, 2023**

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 storefront repopulation; and to under-resourced contractors
- 35-year history of responsible, high impact fund management
- Governed by a 15-person Board and managed by a staff of 15 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.
- \$112MM raised to-date, \$31MM committed in the past year to create or preserve 857 income-restricted units.
- **The CDF way** is to establish long-term, multi-project, supportive relationships with borrowers, offering technical assistance to ensure vision becomes reality.

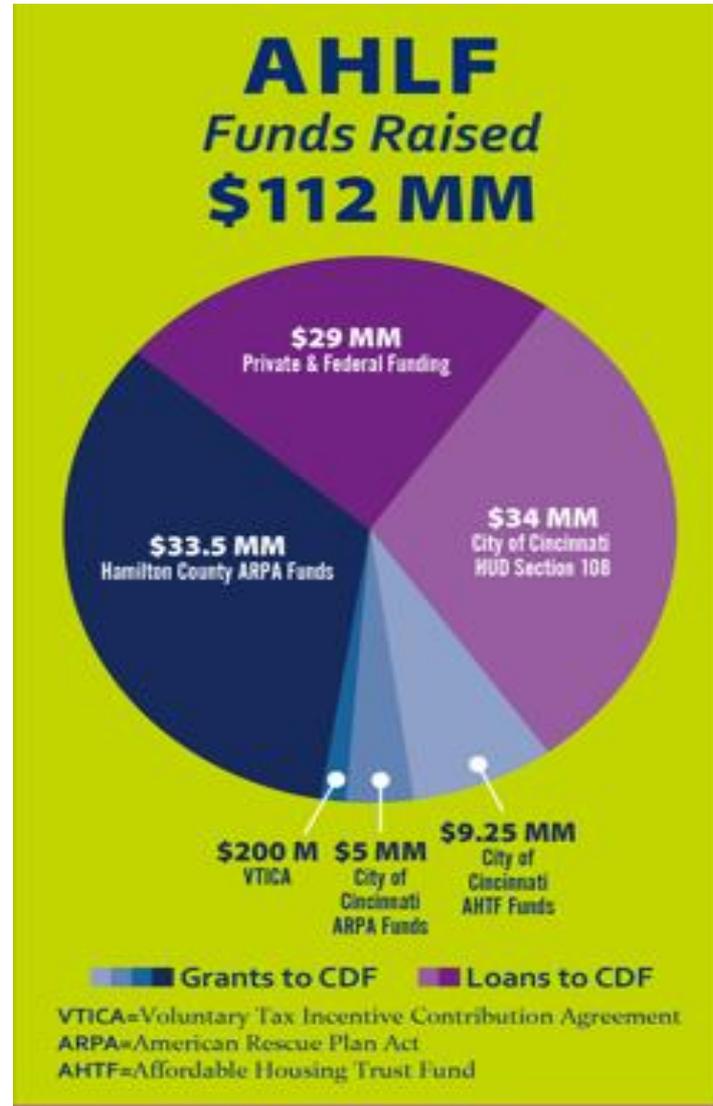
Today's Agenda

- Timeline & Background
- Impact Summary
- Process Summary
- Results Against Strategy
- Strategy Going Forward
- Data and Insights

Background – AHLF Commitments

Public Loan	Private Loan	Public Grant
(3) CDFI Capital Magnet Fund: \$8.6MM	GCF: \$5MM	Hamilton County ARPA: \$33.5MM
CDFI Equitable Response Program: \$3.7MM	Eagle/Western Southern: \$5MM	City of Cincinnati AHTF: \$9.25MM
CDFI Financial Assistance Program: \$640M	Fifth Third Bank: \$5MM	City of Cincinnati ARPA: \$5MM
City of Cincinnati: \$34MM HUD 108 loan*	Bon Secours Mercy Health: \$3.2MM	VTICA: \$200M
	First Financial Bank: \$500M	
	Health Path: \$500M	
	CDF Capital (CDF's retained earnings)	

Background – AHLF Commitments



Timeline & Background

- **2020:** first CDFI Capital Magnets Fund award
- **6/21:** Initial \$2.7MM AHTF commitment and Section 108 authorized
- **9/22:** City AHTF contract signed
- **11/22:** City carryover budget \$5MM transferred
- **Q4/22:** First AHTF awards
- **12/22:** County ARPA (\$33.5MM) contract executed
- **2/23:** \$640M CDFI Financial Assistance award
- **4/23:** County ARPA RFP issued
- **6/23:** Initial round of County ARPA awards
- **6/23:** City \$1.5MM AHTF appropriation
- **7/23:** \$3.7MM CDFI Equitable Recovery Program award
- **7/23:** First VTICA contribution received from Homebase
- **8/23:** City ARPA (\$5MM) contract executed
- **10/23:** \$3.2MM CDFI Capital Magnets Fund Award
- City ARPA RFP issued (imminent)

Background – AHTF Eligible Uses

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

October 25, 2022

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 – ARPA Eligible Uses

- 65% AMI *or* eligible through LIHTC or HOME federal housing programs
- Generally, minimum 20-year affordability term
- Funds must be committed by end of 2024 and expended by end of 2026
- County ARPA emphasis on county projects and special populations

Background – Full Program Eligible Uses

- **Use:**
 - acquisition, hard and soft construction costs, debt refinancing, bridge loans
 - New and rehab, multi- and single family
- **Geography:**
 - City AHTF in City
 - Range tied to source; regional
- **Affordability Term:**
 - 15-20 years; source dependent

Impact Summary – AHTF

CDF has recommended AHTF funds for the following projects:

- Slater Hall, West End--\$1,880,000
- Paramount Launch, Walnut Hills--\$900,000
- Peebles Apts., Walnut Hills--\$2,100,000
- 1007 Dayton St., West End--\$200,000
- 2151 Colerain Ave., West End--\$300,000
- 56 E McMicken, Over-the-Rhine--\$200,000
- 1634 Hewitt Ave., Evanston--\$210,000

These investments resulted in 164 income-restricted units:

Affordability Level	30% AMI and below	31-50% AMI	51-60% AMI	61-80% AMI	Total Units
# of Affordable Units	23	48	46	47	164

Impact Summary - AHTF

- **Range of Projects Funded**
 - Paramount Launch - \$30MM total development costs
 - 2151 Colerain - \$1MM total development costs
- **Range of AHLF Participation**
 - *AHLF as Primary Financier:* 1634 Hewitt, 1007 Dayton Street, 56 E McMicken, and 2151 Colerain
 - *Leveraged Awards:* Peebles Apartments, Slater Hall, 56 E McMicken, and Paramount Launch

Impact Summary - AHLF



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Affordable Housing Leverage Fund

Impact Snapshot: September 2022 – August 2023

The Affordable Housing Leverage Fund (AHLF) is a combination of public, private, and charitable funds raised and managed by the Cincinnati Development Fund to finance the production and preservation of affordable housing in Greater Cincinnati.

AHLF Funds Raised \$112 MM



VTICA=Voluntary Tax Incentive Contribution Agreement
ARPA=American Rescue Plan Act
AHTF=Affordable Housing Trust Fund

AHLF

Funds Deployed (Sep. '22–Aug. '23) 857 INCOME-RESTRICTED UNITS

In the first year managing City and County funds, the AHLF directed **\$31 Million** in grants and loans to **29 projects** committed to creating or preserving **948 housing units**.



*AMI=Area median income
**When possible, CDF combines grants and loans to deepen affordability and preserve grant funds.

For further information regarding AHLF or the Cincinnati Development Fund visit cincdevfund.org or call 513.721.7211

Impact Summary - AHLF

AHLF funded-projects committed to production or preservation of 857 income-restricted units between Sep 2022 and Aug 2023

Affordability Levels	30% AMI and below	31-50% AMI	51-60% AMI	61-80% AMI	Total Units
# of Created Affordable Units	125	188	255	145	713
# of Preserved Affordable Units	13	79	52	0	144

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
 - 14 awards of \$17MM, with 12-1 leverage
 - Rolling City AHTF awards
 - 7 awards of \$5.6MM
 - Leverage Programs
 - OHFA Bond Gap Financing Match, state LIHTC, QAP/9%
 - Rolling County ARPA, with focus on non-City projects
 - Impending City ARPA RFP
- **Total Annual Pipeline: 49** funding requests

- **CDF Capacity Growth**
 - New hires:
 - Chief Strategy Officer & General Counsel
 - Construction Manager
 - Compliance Specialist
 - Re-organization:
 - Lending Team expands with focus on affordable housing
 - Director of Strategic Initiatives responsible for fundraising and communications

Results Against Strategy

As presented to City Council October 2022:

- **First**, by focusing on immediate production:
 - *Filling gaps caused by rising construction costs*
 - 9% LIHTC, e.g., Vandalia Point (OTRCH & Urban Sites), Logan Commons (CMHA)
 - NOFA, e.g., West End Affordable (Port) and Alexandra Apartments (POAH & Model)
 - *Growing the 4% LIHTC market*
 - Cost impact
 - OHFA Bond Gap Financing Match
 - *Equity Bridge Loans*
 - Rate impact
 - August Flats, 14th & Main

Results Against Strategy

- *Second, by intentionally targeting and encouraging:*
 - *Smaller and minority developers*
 - Kaiker, B.O.C., 2151 Colerain
 - *Smaller projects*
 - 8 units or less: 1634 Hewitt Avenue (South Block Properties), 1865 Chase (Grey Rock Properties), 1007 Dayton Street (8K Development)
 - *Geographic diversity*
 - 13 City neighborhoods, 9 County jurisdictions
 - *Mixed-income*
 - CH KeyMark (CHURC & 8K)
 - The Annie (3CDC)
 - *New structures and products*
 - Logan Commons (CMHA) low-interest, long-term debt
 - August Flats, 14th & Main (3CDC) low-interest, mid-term debt

Evolving Strategy – Market-Driven

- **Phase I:** focus on immediate production:
 - Clearing pipeline by filling gaps caused by 20-30% 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:** pursue loan and equity capital
 - expand lending capacity (amount and term), including specifically for mixed-income, non-LIHTC, projects
 - Explore patient equity models to introduce new capital structuring options to local market

Data/Insights: What We've Learned

- Extreme difficulty in current environment
 - elements of cost escalation: inflation, interest rates, supply chain/materials costs, labor availability, insurance
 - State/Federal sources have not adjusted to cost escalation – leaving burden on local sources
 - More interest in CDF lending products than ever
 - Questions about long-term pipeline - need to offset headwinds
- Difference between affordable and market rate industries – need different products
- Leverage is benefitted by certainty and dependability
 - OHFA relationship expanding with ability to forward commit
- Flexibility and quickness is key

Year	2023 year to Date	2022	2021
Per Unit Construction Cost for CDF financed Affordable Housing Projects	\$325,870.80	\$275,461.29	\$216,399.01

THANK YOU!