

Streamlining our Affordable Housing Approval Process

Assessing the *impact of the 2022 streamlining of LIHTC* approvals and the *potential for legislative expansion* to NOFA & AHLF projects

CINCINNATI CITY COUNCIL: BUDGET & FINANCE COMMITTEE
JANUARY 22, 2024

Presentation Outline

→ Overview of Problem

→ Lookback: 2022 LIHTC Streamlining + Its Impact

→ Recommended Expansion: NOFA & AHLF Projects

→ Workflow Improvements in Process

Overview of Problem



Cincinnati has a ***housing supply shortage***; matched with increased demand, this leads to higher housing costs and a ***deficit of affordable housing options*** for residents.

To increase the supply of affordable housing, the City of Cincinnati is:

- ❑ ***Investing in the creation and preservation*** of affordable housing
- ❑ ***Making it easier, more efficient, and more incentivized*** to build affordable housing (reducing red tape and barriers, streamlining processes, and more)

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Today's presentation



Lookback: 2022 LIHTC Streamlining

What

City Council ***amended the Commercial Community Reinvestment Area (CRA) policy*** under passage of Ordinance No. 24-2022. The Ordinance ***authorized the Administration to approve maximum CRA real property tax exemptions*** for projects awarded Low-Income Housing Tax Credits (LIHTC) without further approval by City Council.

Why

This Ordinance reduced the administrative and legislative time it took to award a CRA, helping to support the development of affordable housing units. This change also made local LIHTC applications more competitive, allowing the Administration to execute award letters that are not conditioned on a lengthy authorization process.

In Short

- This change saved time and money; two things critical to each affordable housing project.
- This change decreased risk + increased confidence for Affordable Housing Developers.





Lookback: 2022 LIHTC Streamlining

The Impact

This change saved time and money; two things critical to each affordable housing project.

- Allowed developers to secure subcontractors and construction pricing earlier, avoiding potential prices changes, especially during periods of volatility.
- Allowed developers to close on construction financing sooner, avoiding changing interest rates.
- Allowed developers to begin and complete construction sooner; tenants can move in sooner, and the impact of the online units on the housing market and unit affordability happen quicker.
- Reduced staff time preparing Ordinance and transmittal package.



Lookback: 2022 LIHTC Streamlining

The Impact

This change decreased risk + increased confidence for Affordable Housing Developers.

- Allowed them to avoid potential risk of not receiving a tax exemption that may significantly impact operating costs and therefore project viability and affordability.
- Allowed them to avoid potential risk of not getting on Council agenda before recesses or breaks, thus delaying a project by several weeks.

“[This change helped us] with closing calls and discussions with attorneys. It can be communicated that they are just waiting on the documents, rather than documents, a counsel date, and approval.

It also help[ed] to provide certainty leading up to and during council recess...without delaying a project closing by a month or two.”



Lookback: 2022 LIHTC Streamlining



Barrister Apartments

<u>Neighborhood</u>	Downtown
<u>Developer</u>	OTR Community Housing & Urban Sites
<u>Units</u>	44
<u>AMI Restrictions</u>	30%, 50% & 60% AMI
<u>Total Project Cost</u>	Approx. \$14,400,000

Description of Project

Adaptive reuse of two (2) historic buildings. Includes a mix of efficiency, 1-BR, 2-BR, and 3-BR units as well as 2,000 sf of commercial space. Project will also achieve National Green Building Standard certification.

Lookback: 2022 LIHTC Streamlining



Peebles Apartments

<u>Neighborhood</u>	Walnut Hills
<u>Developer</u>	The Model Group
<u>Units</u>	42
<u>AMI Restrictions</u>	30% & 60% AMI
<u>Total Project Cost</u>	Approx. \$13,700,000

Description of Project

New construction of one (1) mixed-use building. Includes a mix of 1-BR, 2-BR, and 3-BR units as well as 2,188 sf of commercial space. Project will also achieve LEED certification.

Lookback: 2022 LIHTC Streamlining



Victory Vistas

<u>Neighborhood</u>	Paddock Hills
<u>Developer</u>	Kingsley and Company
<u>Units</u>	50
<u>AMI Restrictions</u>	30% & 60% AMI
<u>Total Project Cost</u>	Approx. \$14,000,000

Description of Project

New construction of one (1) senior housing building. Includes a mix of 1-BR and 2-BR units, as well as community space, fitness center, and business center. Project will also achieve LEED certification.



Identified Areas for Expansion

Areas of programmatic expansion identified for comparable streamlining:

- Notice of Funding Availability (NOFA) Projects
- Affordable Housing Leverage Fund (AHLF)

Proposed legislation would authorize the City Administration to approve the maximum real property tax exemption for projects awarded City or Federal funding as may be made available through the NOFA program or AHLF.

Benefits of Expansion

- This change would save time and money; two things critical to each affordable housing project.
- This change would decrease risk + increase confidence for Affordable Housing Developers.
- This change reflects Council development priorities (e.g. reducing barriers to affordable housing).



Identified Areas for Expansion

Notice of Funding Available (“NOFA”)

The NOFA loan program provides residential developers with various subordinate financing options for transformative housing projects; projects must meet the City’s housing . NOFA funds may be used towards site preparation, hard development costs, and infrastructure improvements associated with an eligible project. Funding sources may include Home Investment Partnership Program (“HOME”), Community Development Block Grant (“CDBG”), City Capital, and TIF Districts.

Key Information

- NOFA leverages private and philanthropic dollars, often providing crucial gap financing to make development happen.
- Supports the creation and preservation of rental units and homeowner opportunities.
- Since 2015, \$53.7MM has been awarded to support the creation or preservation of 2,883 units, 2374 of which are affordable (AMI-restricted; range varied depending on project between 30%-80%).
- DCED evaluates all NOFA projects in a competitive process in alignment with City of Cincinnati housing policy objectives (such as affordability and quality).



Identified Areas for Expansion

Affordable Housing Leverage Fund (“AHLF”)*

AHLF is an aggregation of funds managed by the Cincinnati Development Fund to finance the construction, rehabilitation, and preservation of affordable housing in Cincinnati. Sources include public, private, corporate, and charitable funds, each with their own goals, terms, and conditions. By combining funding sources, it can be more effectively leveraged and deployed for meaningful projects across Cincinnati.

Key Information

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- In its first year of operation, AHLF was responsible for creating 857 income-restricted units; 712 of which were restricted to residents earning 60% AMI or less. The establishment of the AHLF has put us on pace to build 3x more affordable housing than the previous 5 years average + produced 2x as much housing for people at or below 30% AMI than the previous 5 years combined!
- *This legislation would only streamline projects utilizing public dollars (City of Cincinnati & federal grant programs).



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These are effective, reliable programs with proven results!

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Benefits of Expansion

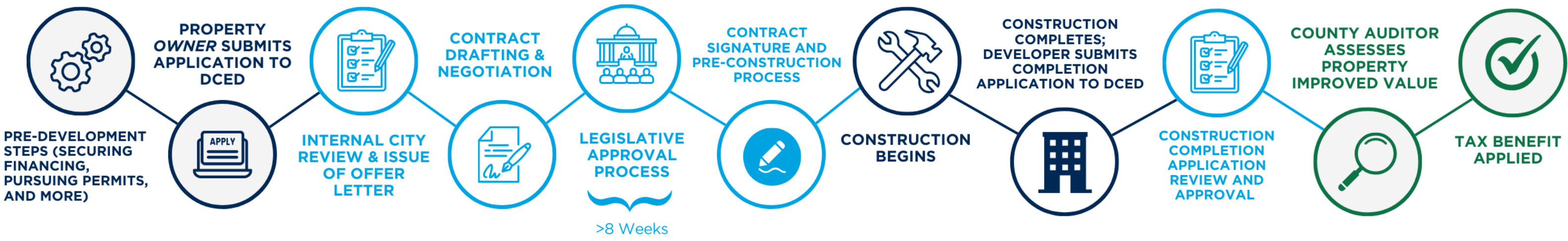
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Lifetime of a development project seeking a Commercial CRA:



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Identified Areas for Expansion

This change is good policy.

- This change reflects housing development priorities Council has already set, such as reducing barriers to affordable housing, increasing supply, and positive relationships with affordable housing partners.
- This change is also reflective of Council's explicit role of setting development policy & priorities and then empowering the Administration to execute them, rather than being involved so directly in development deals or individual projects.
 - Council has expressed interest in strengthening this policy-based role provided priorities of development type are clear and the Administration ensure accountability, transparency, and communication.



Workflow Improvements in Process

Increased Communication to Council

DCED will ensure Council remains updated on ALL projects that would be impacted by this streamlined process, to ensure it doesn't lead to less awareness from Council of projects moving forward.

Planned Workflow Improvements:

- Monthly FYI Memos on projects receiving approval
- General overall improved communication from DCED and the Administration regarding goals, programming, and projects in the field of housing development

Thank You.

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