The Mixed-Finance Process
Public Housing Mixed Finance Development

Quick History

- Traditionally PHAs developed housing using only funds provided by HUD
- Result - Public Housing owned and operated by Public Housing Agencies.
- Method produced over 1,000,000 units between 1937 and the early 1980’s.
The Birth of Mixed Finance

By the late 1980’s the public housing industry and Congress recognized that the public housing program was in trouble because:

- Inadequate development and modernization funds
- Imposition of Federal Preferences that resulted in housing only the poorest population
- The requirement of 1 for 1 replacement
- Result - increasing number of severely distressed public housing
The Birth of Mixed Finance  
(cont’d)

- Congress created the National Commission on Severely Distressed Public Housing in 1989
- Finding led to HOPE VI program
- HUD Appropriations Act for 1993 provided $300 million redevelopment of severely distressed projects
- Concurrently, some PHAs sought to leverage scarce public housing capital funds
The Birth of Mixed Finance (cont’d)

- Low Income Housing Tax Credits - an obvious source of leverage
- Requires housing to be owned by taxable entity
- In 1994, HUD general counsel opined that public housing capital and operating funds could be used in privately owned entities
- In 1996 HUD issued an “Interim Regulation” that governs mixed finance transactions today
Parties

- Public Housing Authority
- Developer
- Lender(s)
- LIHTC Investor
- State Housing Finance Agency
- Development team (e.g. general contractor, architect, attorneys, accountants, management agent, etc.)
Public Housing Sources

Public Housing Sources for PHA Development/Operations:

- Capital Funds/RHF Funds
- Capital Funds Financing Program
- HOPE VI/CHOICE NEIGHBORHOODS
- Operating Subsidy
- Project Based Vouchers
Non-Public Housing Sources

- Low-Income Housing Tax Credits
- CDBG Funds
- HOME Funds
- AHP Loans
- Private Debt
Review General Deal Structure

- Partnership/LLC as Owner
- GP/LP roles and responsibilities
Standard Development Structure Diagram

(Rental with LIHTC)

Housing Corporation
General Partner
for-profit corporation

.01% owner and General Partner

Limited Partnership
Owner Entity
Limited Partnership

Investor Entity

99.99% owner Limited Partner
Example Development: Blumeyer Phase 4 for St. Louis Housing Authority

- 120-unit rental development consisting of 70 tax credit units (of which 50 are also public housing units) and 50 market rate units
- Financed by an FHA-insured loan from Gershman Investment Corp., a loan from St. Louis Housing Authority, a loan by Grand Rock Community Economic Corporation, a loan from the City of St. Louis Home funds, funds from the Greater St. Louis Empowerment Zone and equity raised through syndication of federal and state low-income housing tax credits.
- **Total Dollar Amount Involved:** More than $27 million.
- **Closing February 2007.**
Example Development: Lafayette Senior for Jersey City Housing Authority

- 83 unit residential community in which 82 units are public housing units.
- Financed by Affordable Housing Program grants from the Federal Home Loan Bank Boards of New York and Pittsburgh, construction/permanent loans from Jersey City Housing Authority, a construction loan from J.P Morgan Chase Bank, and a construction/permanent loan from the New Jersey Department of Community Affairs Balanced Housing Program through the City. **Total Dollar Amount Involved:** More than $16 Million.
- Closed: May 2003.
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