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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

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Non-Public Housing Sources

- Low-Income Housing Tax Credits
- CDBG Funds
- HOME Funds
- AHP Loans
- Private Debt

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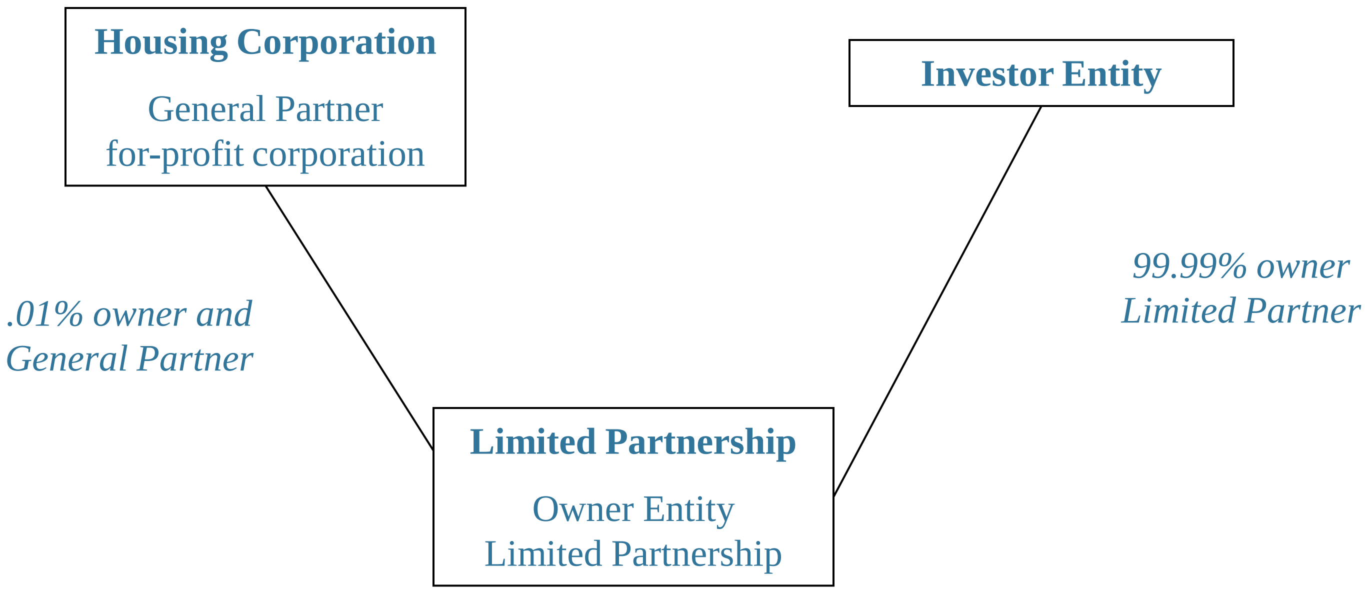
Review General Deal Structure

- Partnership/LLC as Owner
- GP/LP roles and responsibilities

Standard Development Structure Diagram

(Rental with LIHTC)



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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