Roundtable on the Housing Production Trust Fund

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Affordable Housing Finance Overview

Market Rate Housing Project

Uses of Funds:
- Developer's Fee
- Construction Costs
- Soft Costs
- Acquisition

Sources of Funds:
- Equity
- Debt
Affordable Housing Finance Overview

Uses of Funds

- Developer's Fee
- Construction Costs
- Soft Costs
- Acquisition

$40,000,000
$35,000,000
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$
Site Acquisition

- Uses of Funds:
  - Acquisition
  - Developer's Fee
  - Construction Costs
  - Soft Costs
  - Site Acquisition
+ Soft Costs

- Uses of Funds
  - Developer's Fee
  - Construction Costs
  - Soft Costs
  - Acquisition

- Soft Costs
- Acquisition

$0,000,000
$5,000,000
$10,000,000
$15,000,000
$20,000,000
$25,000,000
$30,000,000
$35,000,000
$40,000,000
+ Construction Costs

Uses of Funds

- Construction Costs
- Soft Costs
- Acquisition

$0
$5,000,000
$10,000,000
$15,000,000
$20,000,000
$25,000,000
$30,000,000
$35,000,000
$40,000,000
How to Pay for it?

Uses of Funds:
- Developer's Fee
- Construction Costs
- Soft Costs
- Acquisition

Sources of Funds:
- Equity
- Debt
Debt

Uses of Funds

- Developer's Fee
- Construction Costs
- Soft Costs
- Acquisition

Sources of Funds

- Debt

Market Rate Rents
Uses of Funds

- Developer's Fee
- Construction Costs
- Soft Costs
- Acquisition

Sources of Funds

- Equity
- Debt

Equity

Debt

+ Equity
Sources = Uses

Uses of Funds

Sources of Funds

- Developer's Fee
- Construction Costs
- Soft Costs
- Acquisition
- Equity
- Debt
With Restricted Rents

**Uses of Funds**
- Developer's Fee
- Construction Costs
- Soft Costs
- Acquisition

**Sources of Funds**
- Equity
- Debt
+ Low Income Housing Tax Credits (LIHTC)

**Uses of Funds**
- Developer's Fee
- Construction Costs
- Soft Costs
- Acquisition

**Sources of Funds**
- LIHTC Equity
- Debt
+ Deferred Developer Fee

**Uses of Funds**

- Developer's Fee
- Construction Costs
- Soft Costs
- Acquisition

**Sources of Funds**

- Deferred Developer Fee
- LIHTC Equity
- Debt

$5,000,000
$10,000,000
$15,000,000
$20,000,000
$25,000,000
$30,000,000
$35,000,000
$40,000,000

$40,000,000
$35,000,000
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$0
+ DHCD Gap Financing

**Uses of Funds**
- Developer's Fee
- Construction Costs
- Soft Costs
- Acquisition

**Sources of Funds**
- HPTF
- Deferred Developer Fee
- LIHTC Equity
- Debt

$40,000,000
$35,000,000
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000

$0
Affordable Housing Finance Overview

Gap Financing Required for Affordable Housing
More HPTF is Needed for Lower MFI Units

An Example Project’s Funding Sources Per Unit at Each Income Level is given below

30% MFI: HPTF, Other, Deferred Fee, LIHTC Equity, First Trust
50% MFI: HPTF, Other, Deferred Fee, LIHTC Equity, First Trust
80% MFI: HPTF, Other, Deferred Fee, LIHTC Equity, First Trust
Operating Subsidy Reduces HPTF Gap Financing Need

The layering of LRSP with the 30% MFI unit supports more first trust debt, lowering the total need for HPTF to create that same 30% MFI unit.
HPTF Investment Continues to Grow and Produce Results

HPTF Closings by Fiscal Year and MFI Bucket

Source: DHCD
HPTF Investment Focuses on 50% MFI and Below Households

Cumulative HPTF Closings by Fiscal Year and MFI Bucket FY2013-FY2022

Source: DHCD
Applications for Gap Financing Mirror Results

Percentage of Affordable Units Proposed by MFI Category, 2015 - 2019 RFPs

- 30% MFI: 24%
- 50% MFI: 25%
- 60% MFI: 3%
- 80% MFI: 2%

Percentage of HPTF Funding Requested by MFI Category, 2015 - 2019 RFPs

- 30% MFI Allocation: 32%
- 50% MFI Allocation: 59%
- 60% MFI Allocation: 9%
- 80% MFI Allocation: 30%
DHCD is a gap financing lender. Applicants must demonstrate that they have pursued and secured all other feasible funding sources before applying for DHCD funds.

### Project Selected for Further Underwriting ➔ Loan Review Committee
- Development budget, application materials, commitments from lenders/investors scrutinized
- Compliance review to confirm project meets local and federal requirements
- Project presented to DHCD Loan Review Committee for recommendation to Director

### DHCD Loan Review Committee Recommendation ➔ Council Approval
- DHCD loan and subsidy documents drafted
- ANC Notice issued
- Submission to Council for approval (loans over $1 million)

### Council Approval ➔ Project Financial Closing
- Legal documents finalized
- Completion of Conditions Precedent to Closing Checklist
- Final documents executed + closing funds delivered
- Project begins construction