

Mixed-Finance Development Model



*Effect on Local Economies
of Developing Affordable Housing*





Mixed-Finance Development

AGENDA

I. History/Background

II. Advantages

III. Impact on Local Economy

Public Housing Program

HISTORY/BACKGROUND

1937

The Housing Act of 1937 authorized the payment of subsidies to improve the living conditions of low-income families

**FEDERAL GOVERNMENT
SUBSIDIES**



LOCAL HOUSING AGENCIES

1937-1980

Between 1937 and 1980 local housing agencies created public housing in the amount of over

1.4 MILLION UNITS

1980 - present

Many housing agencies struggled to maintain the units with federal public housing funds, which resulted in concentration of the poorest families

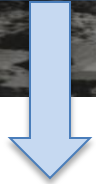
**HIGH CAPITAL NEED + HIGH
CONCENTRATION OF POVERTY
+ LIMITED RESOURCES =
SEVERELY DISTRESSED UNITS**



Mixed-Finance Development

HISTORY/BACKGROUND

Congress recognized the public housing program was not sustainable in its current form



The National Commission on Severely Distressed Public Housing was created by Congress



HUD Appropriations Act provided funding for redevelopment of severely distressed housing projects



HUD programs
HOPE VI (1993-2010) \$6.7 billion
CNI (2012-present) \$367.5 million



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Mixed-Finance Development

ADVANTAGES

► Definition

Mixed-finance is the combined use of publicly and privately financed sources of funds for the development of affordable housing; (24 CFR 941, Subpart F)

- Mix of sources - Includes different funding sources, including at least one public housing source
- Mix of unit types - Incorporates a variety of unit types, often including market rate, depending on market demand/feasibility
- Mix of household incomes - Consists of a mix of households with a range of income levels, developments may include extremely low (30%), very-low (50%), low (80%), moderate (120%) and middle-income



Mixed-Finance Development

ADVANTAGES

► Advantages of the Mixed-Finance Method of Development

1. It develops affordable housing in a manner that is beneficial for both the residents and the community
2. It encourages housing authorities to reach out to partners in the community to pool resources and make neighborhood connections
3. It offers a workable and sustainable future for public housing development through increased access to private and public fund and greater regulatory flexibility



Mixed-Finance Development

- ▶ Leveraging public funds – ideally up to a factor of 3 to 5 times
- ▶ Sustainability – cash flow to fund capital and operating reserves
- ▶ Integration - communities of opportunity to promote self-sufficiency



Mixed-Finance Development

PARTNERS

Parties

- **Housing Authority**
- **Development Partner**
- **Housing Finance Agency**
- **Lender(s)**
- **LIHTC Investor**
- **Development Team (attorneys, accountants, management agent, architect, engineer, general contractor)**

Mixed-Finance Development

PARTNERS

Housing authority role - *may vary depending on the housing authority's experience and goals*

- **Active or passive within the partnership structure**
- **Ground Lessor**
- **Co-Developer**
- **Lender**

Mixed-Finance Development

FUNDAMENTALS

Development Partner role/obligations

- Assembles the project team
- Conducts all necessary due diligence
- Secures funding sources and structures financing
- Carries all guarantees and risk



Mixed-Finance Development

ADVANTAGES

► Low Income Housing Tax Credits

Description

- Created by Congress in 1986 as part of the *Federal Tax Reform Act*
- Requires housing be owned by a taxable entity
- Designed to incentivize private sector investment in affordable housing construction and rehabilitation
- Owners agree to income/rent restrictions on the units in return for the equity received through the sale of the tax credits
- The investor receives a dollar-for-dollar credit against federal income tax liability, taken over a ten-year period.



Mixed-Finance Development

AGENDA

I. History/Background

II. Fundamentals

III. Impact in Local Economy





Mixed-Finance Development Goals For Puerto Rico

Neighborhood

- Master plan communities to connect with surrounding neighborhoods
- Decrease poverty concentration / reduce the percentage of public housing
- Transform development sites into sustainable and viable communities

Housing

- Use innovative strategies/best practices to reinvent public housing in Puerto Rico
- Produce affordable housing that is indistinguishable/blends into the neighborhood
- Incorporate energy efficiency elements

People

- Reduce size of large public housing developments
- Diversify income of renters and reduce reliance on Commonwealth services
- Increase number of construction and permanent jobs



Mixed-Finance Development

Multiplier Effect of Developing Affordable Housing



PR Housing Admin. and PR Housing Finance Authority

General Contractor

Sub-Contractors

Local Businesses

Local Investment Goods & Services

Suppliers

Local Businesses





Mixed-Finance Development

Highlights of Impact on Local Economy

Phase I

Local industries involved in affordable housing Development.

Jobs, wages and local taxes (including permit, utility connection, and other fees) generated by the actual affordable housing construction and related activities.

Phase II

Ripple effect.

Wages and profits for local area residents earned during the construction period are spent on other locally produced goods and services.

Phase III

Ongoing, annual effect.

Local jobs, income, and taxes generated as a result of the creation of new communities and a greater number of apartment homes being occupied.





Redevelopment Strategic Plan

- **Planning**
 - a. **January 2014** – HUD executed agreement with TA provider on behalf of PRPHA for a Redevelopment/Asset repositioning strategic plan.
 - **COMPLETED**
 - b. **June 2014** –Strategic Plan Final Report: 1st Phase = 3 Sites & PRPHA 5yrs Plan
 - **COMPLETED**
 - c. **November 2014** – PRPHA Developer Partners procurement process
 - **COMPLETED**
- **Implementation**
 - a. **1st Phase Priority Sites**
 - Las Gladiolas, Puerta de Tierra, Gautier Benitez
 - b. **September – October 2015**
 - Start simultaneous construction 1st Phase Priority Sites.
- **Next Phase**
 - a. Continue to institute short, intermediate and long term execution and deliverable objectives in accordance with the Redevelopment/Asset repositioning strategic plan and PRPHA 5yrs Plan





Priority Redevelopment Sites





ESTADO LIBRE ASOCIADO DE
PUERTO RICO
Departamento de la Vivienda

Las Gladiolas

7-ACRES



6-14 © RDCollab MWC

ESTIMATED NUMBER OF UNITS 152

PROJECTED TOTAL PROJECT COST \$34 TO \$37 MILLION



Jose Gautier Benitez

21-ACRES



© RDCollab MWC

ESTIMATED NUMBER OF UNITS 404

PROJECTED TOTAL PROJECT COST \$90 TO \$97 MILLION



Puerta de Tierra

9-ACRES

Create view corridors that connect
to Canal San Antonio through the
streets of Bahía Urbana



ESTIMATED NUMBER OF UNITS 192

PROJECTED TOTAL PROJECT COST \$40 TO \$44 MILLION



Louis E. Brown Master Plan

St. Croix, USVI



Louis E. Brown Villas

St. Croix, USVI

First Phase, November 2011





Louis E. Brown Villas

St. Croix, USVI

Second Phase, November 2013





Sugar Estate Senior Community

St. Thomas, USVI

Conceptual Drawings; June 2011



Senior Living at Sugar Estate



Final Conceptual Drawings

Ground Braking Ceremonies
August 27, 2014





January 2015





Choice Neighborhood Grant

Transformation of communities to support health, safety, employment, mobility, education

The Choice Neighborhoods program supports locally driven strategies to address struggling neighborhoods with distressed public or HUD-assisted housing through a comprehensive approach to neighborhood transformation. Local leaders, residents, and stakeholders, such as public housing authorities, cities, schools, police, business owners, nonprofits, and private developers, come together to create and implement a plan that transforms distressed HUD housing and addresses the challenges in the surrounding neighborhood. The program is designed to catalyze critical improvements in neighborhood assets, including vacant property, housing, services and schools.



Choice Neighborhood Grant

Core Goals

- **Housing** - Replace distressed public and assisted housing with high-quality mixed-income housing that is well-managed and responsive to the needs of the surrounding neighborhood
- **People** - Improve educational outcomes and intergenerational mobility for youth with services and supports delivered directly to youth and their families
- **Neighborhood** - Create the conditions necessary for private and public reinvestment that enhances the neighborhood such that families with choices, choose to live and stay there



Information Resources

Mixed Finance Development - HUD

http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/hope6/mfph


Choice Neighborhoods Grant - HUD

http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/cn

Neighborhood Revitalization Initiative | The White House

<http://www.whitehouse.gov/administration/eop/oua/initiatives/neighborhood-revitalization>





“Insanity: doing the same thing over and over again and expecting different results.”

Albert Einstein

