



Mixed Income Development

Virtual Training

September 4-5, 2025



The U.S. Department of Housing and Urban Development (HUD) and the Office of Native American Programs offer this training through a cooperative agreement with FirstPic, Inc.

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Introductions

Lorna Fogg

Vice-President, Finance &
Development

- Who I am:

- RTHawk is 100% owned by a member of the Standing Rock Sioux Tribe.
- We are a relationship driven company.
- I have been in the Affordable Housing Industry since 1995.
- I helped bring the LIHTC program to Indian Country.
- I worked for an LIHTC investor for over seven years.



Agenda

DAY 1: Thursday, September 4, 2025

9:00 am – 3:00 pm

- **Introductions & Course Description**
- **General Planning Considerations**
- **Site Selection Considerations**
- **Break**
- **Determining available Funding Programs**
- **Break**
- **Determining Feasibility**
- **Q & A and End Day 1**

DAY 2: Friday, September 5, 2025

9:00 am – 3:00 pm

- **New Questions from Previous Days Training**
- **Financial Reports Explained**
- **Break**
- **Fair Housing and NAHASDA**
- **Break**
- **Putting it All Together and Other Considerations**
- **Q & A and End Day 2**

Training Objectives

1. Provide an overview of mixed income development considerations
2. Provide tools to help guide decisions
3. Provide basic understanding of financial and other considerations

Why Mixed Income

- Market Rate may Subsidize low-income units
- Encourages all income levels to move back to community
- More availability of services on reservation (essential families)
- Encourage economic development

Mixed Income vs. Mixed Use

- Mixed Income is for households of various income levels
- Mixed Use is the use of a building or set of buildings for more than one purpose
 - Can combine office, commercial, industrial, and residential
 - Allows for new “town center”
 - Saves travel, walkable, provides jobs
 - Residential is typically mixed income

Mixed Use Example



Mixed Use Example



Determine Housing Needs - Population

- Elderly
- Families
- New Households
- Veterans
- Disabled
- Students
- Workers
- Homeowners
- Renters
- Supportive Housing
- Homeless
- Low / Moderate / High Income

Population — Overview of Permanent Supportive Housing

Benefits of Supportive Housing

- Reduces stress caused by doubled-up and overcrowding
- Reduces use of crisis and institutional services
- Produces better outcomes than the more expensive crisis care system
- Significantly reduces recidivism rates
- Ends cycles of homelessness



Who lives in PSH?

Families & individuals who are

- Homeless, including those living on the streets & in shelters
- Living in overcrowded conditions and/or couch-surfing
- Being discharged from prison or other systems of care
- Living in places not meant for human habitation, i.e., cars, garages, abandoned buildings, etc.



Photo by Ivy
Vein

Who lives in PSH?

Families & individuals who have

- Experienced various past traumas, including ACE
- Serious chemical dependency and/or mental health issues who need supportive services to maintain stable housing
- Frequently utilized emergency services in the community because they lack stable housing



Photo by Ivy
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Determine Housing Needs – New Construction

- Reduce your Waiting List
- Demand
- Alleviate Overcrowding
- Homeownership
- Rental
- Green components
- Availability of Land
- Environmental Review
- Soils / Site Suitability
- Infrastructure
- Infill

Determine Housing Needs – Site Selection

- ***Fee Land***

- Jurisdiction
- Real estate taxes
- Zoning and other approvals
- Other nearby housing
- Special rules for combining or leveraging federal funds

- ***Trust Land***

- Lack of access to financing programs
- Tribal support for land lease
- Special rules for combining or leveraging federal funds

Determine Housing Needs – Site Selection

Competitiveness

- Distance to amenities
- Walkability / other metrics
- QCT / DDA
- Funding availability
- Marketability

Acquisition / Rehabilitation

- Adaptive reuse
- Historic Tax Credits (HTC)
- Acquisition versus Current Assisted Stock
- Stigma / Vacancies
- Tenant Relocation

Determine Housing Needs – Rehabilitation

- Homeowner Rehab
- Rental Rehab
- Manage Maintenance Costs
- Improve Energy Efficiency
- Environmental Concerns
- Increase Space
- Increase Amenities
- Accessibility

Determine Housing Needs – Community Space

- Fencing
- Housing Office
- Community Facility Building
- Playground / Basketball Court
- Walking Trails
- Social / Resident Services
- Swimming Pool
- Community Gardens
- Police/Fire Substation
- Resident Manager Unit

Determine Housing Reasons

- Economic Development
- Workforce Housing
- Reduce Waiting List
- Serve Homeowners or Future Homeowners
- Serve Hard to House Households
- Serve Low Income Tenants
- Serve Over Income Tenants
- Use Existing Vacant Buildings
- All of the Above

Adaptive Reuse

- Use of old, abandoned buildings repurposed into housing projects
- Removes blight
- Allows for use of existing infrastructure
- Usually lower construction costs
- May also preserve historic features

Adaptive Reuse



Courthouse Lofts. Worcester, Massachusetts



Data Sources

- Waiting Lists
- Environmental Reviews
- Grant applications
- Comprehensive Plans
- Census
- Tribal Census
- Surveys
- TANF Data
- TERO Data
- Market Study
- Human Resources
- IHS Sanitation Priorities
- Public Meetings
- General Council Meetings
- News Reports
- Monitoring Reports
- Tribal Finance Reports
- Audits
- Physical Inventories

Helpful Tools - Tribal Profile

- Total Indian Population for Area
- Number of Indian Families
- Number of Elders
- Number of Enrolled Members
- Number of Families in Substandard Housing
- Number of Families in Over-Crowded Conditions
- Number of Families with rent burden
- Number of Persons Homeless
- Employed/Unemployed

Helpful Tools – Needs Survey

- Asks Specific Questions to membership on and off reservation
- Discusses variety of topics
 - Housing
 - Services
 - Economic Development

Helpful Tools – Waiting List

- ***Current information***

- How long have people waited for housing
- Is it up to date

- ***Outreach***

- Is there a reluctance to apply
- Is the process to apply easy to understand

Waiting List (cont'd)

- Income (could be minimum or maximum)
- Location
- Rental vs. Homeownership
- Preference
- Populations
- Etc.

Waiting List by Income Level

Income Level	1 BR	2 BR	3 BR	4 BR	5 BR	TOTAL
Very Low Income	37	159	559	81	12	848
Low Income	16	14	257	13	0	300
Moderate Income	10	23	44	24	3	104
Higher Income	2	4	15	2	0	23
Total	65	200	875	120	15	1,275

Helpful Tools – Market Study

- Completed by a third party
 - Will review TDHE's waiting list and existing rentals
 - Will define a market area
- Based on Census information (demographics)
 - Population, age, renter vs. owner, income, etc.
- Compares other housing in the area
 - Rents, location, amenities, vacancies, age, etc.

Helpful Tools – Marketing Plan

- A written strategy that helps you build the Pipeline so that renters are ready when construction is completed
 - Measurable goals with a timeline
 - Periodic communication with Tribal leaders
 - Regular review of data
 - Updated as necessary to meet goals

Helpful Tools – Marketing Plan

- ***Strategy for building/maintaining pipeline***
 - Waiting list criteria
 - Tenant readiness (credit issues)
 - Tenant education (mixed-income)
- ***Outreach***
 - Social media, websites, etc.
 - Advertising
- ***Budget***
 - Tenant readiness
 - Advertising
 - Staff
 - Events

Helpful Tools – Marketing Plan

Challenges:

- High debt/credit issues regardless of income
- Fear of housing rent payments
- Perceptions of reservation housing
- Perceptions of quality of housing (services/amenities)

Data Analysis

- Allows you to prioritize issues that need to be addressed.
- Empowers you to plan for the future by determining consistent patterns or emerging housing trends.
- Prevents you from concentrating valuable resources on minor or imagined housing needs.
- Should be ongoing.

Support for the Project / Program

- Is the Tribal Council and Housing Board supportive of the project?
- What funds are available to commit to the project?
- Have your annual audits been good?
- What training has your staff had to prepare for project?
- Have all essential staff been included in project planning?
- Did the community / prospective tenants have input?

Define the Project

- Project Location(s)
- New Construction or Rehabilitation
- Number of Units
- Single Family, Duplex, or Apartments
- Rental or Homeownership
- Distribution of Bedroom Types
- Square Footages of each Bedroom Type
- Community Space
- Populations Served
- Amenities
- Green / Energy Efficient Components
- Primary Financing Source(s)
- Tribe or TDHE's Contribution up front
- Tribe or TDHE's Contribution after Completion

Determine Available Funding Programs

- Tribal
- NAHASDA
- ICDBG (grant)
- Low Income Housing Tax Credits (LIHTC) (equity)
- Housing Trust Funds (typically grant)
- HOME Funds (both)
- Affordable Housing Program (grant)
- CDFI or other Non-Profit Lenders
- Title VI (loan)
- Section 184 (loan)
- BIA / IHS (typically grant)
- Rural Development (both)
- New Markets Tax Credits (NMTC) (equity)
- Solar Tax Credits (equity)
- IHBG Competitive (grant)
- Historic Tax Credits
- Conventional Loans
- Other

Financing Strategies

- Money that doesn't have to be paid back - grants and equity
- Funding Available
- Compliance Requirements
- Competitiveness of Program
- Gap or Leverage Required
- Predevelopment and/or Bridge Funds
- Economies of Scale

Financing Strategies

- ***Restricted Funds***

- Federal funds
- Strings attached
- Compliance requirements

- ***Non-Restricted Funds***

- Typically loan funds
- Historic Tax Credit equity

- ***Other Funds (strings attached and compliance requirements)***

- LIHTC Equity
- Affordable Housing Program grants

NAHASDA

- Principal Statutory Objectives
 - Assist and promote affordable housing
 - Improve access to mortgage finance markets for Tribal housing
 - Encourage self-sufficiency
 - Plan and integrate infrastructure
 - Promote private capital market participation

NAHASDA

- Families with incomes at or below 80% of Median Income Limits
 - Eligible for program
- Families with incomes between 81 - 100%
 - 10% of IHBG can be used if no other Housing available without HUD approval
- Essential families / Law enforcement officers
- Families with incomes above 100% of Median Income – generally - NOT ELIGIBLE. Assistance provided to households over 100% of income limit must be approved by HUD.

NAHASDA: Non-Low-Income Households

- Assistance can be provided for:
 - Homeownership activities
 - Model activities
 - Loan guarantees under Title VI of NAHASDA
- Must demonstrate that need for housing cannot reasonably be met without IHBG assistance

Low Income Housing Tax Credits (LIHTC)

- IRS Program
- Generates tax credits for investors
- Private equity investment – not considered federal funds
- Dollar for dollar reduction in tax liability
- Credits calculated on number of affordable units
 - Affordable is defined as 60% and below of Area Median Income (AMI)
 - May include non-restricted units, but must have at least 40% at 60% AMI or 20% at 50% AMI
 - Income Averaging allows for up to 80% of AMI as long as average of 60% AMI

Low Income Housing Tax Credits (LIHTC)

- Congress added income averaging as an option to the LIHTC program on March 23, 2018.
- The 80 percent of AMI standard is consistent with long-standing federal affordable housing policies, which define “low income” as households earning no more than 80 percent of AMI. The 80% AMI limit also conforms with NAHASDA income limits.
- Income averaging allows LIHTC developers to choose to serve households with incomes up to 80% of the Area Median Income (AMI), as long as at least 40% of the units are both rent-restricted and occupied by households with incomes that do not exceed the “designated income limits,” which may range from 20% of AMI in 10% increments up to 80% AMI.
- The rent for a unit must not exceed 30% of the designated income limit, for example, 30% of 20% AMI, 30% of 30% AMI, etc.

Low Income Housing Tax Credits (LIHTC)

- 9% credits are competitive
 - “Typically” funds 70% or more of Total Development Costs (TDC) – if 100% affordable
 - Scoring categories typically include:
 - Deep income/rent skewing
 - Mixed income
 - Leveraging
- 4% credits are typically non-competitive
 - Uses tax exempt bonds as an additional source of funds
 - Usually has minimum score requirement

Low Income Housing Tax Credits (LIHTC)

- Credits are allocated on a building-by-building basis
 - If not 100% affordable units, then design should be apartment type dwelling
- 15-Year mandatory compliance period and a 15-year extended use period
 - The project could be structured as a homeownership which requires rental for the first 15-years and then allows the tenants to purchase their units

Low Income Housing Tax Credits (LIHTC)

- Developers compete for tax credits through their state allocating agency
- Investors purchase the credits and provide equity for the construction of the project
- The project is built with a limited amount of NAHASDA and/or other Tribal debt
- Allows for more units for less money and more units over less time

Low Income Housing Tax Credits (LIHTC)

9% New Construction Example

100% Affordable

	<u>Your Project</u>		<u>TC Project</u>		<u>Difference</u>
Cost: \$250K/house & \$50K/infrastructure	\$ 9,000,000		\$ 11,050,000		
Less: excess costs (infrastructure)			\$ (1,600,000)		
Equals: Basis			\$ 9,450,000		
Basis Boost			\$ 12,285,000		
Times: Credit Rate (9%) x 10			\$ 11,056,500		
Cost from above	\$ 9,000,000		\$ 11,050,000		\$ 2,050,000
Less Investor Equity @ \$0.74	\$ -		\$ (8,181,810)		\$ (8,181,810)
Less AHP or ICDBG or Other					\$ -
Equals: Tribal Contribution	\$ 9,000,000		\$ 2,868,190		\$ (6,131,810)
Less: Developer Fee (15%)	\$ -		\$ (1,657,500)		\$ (1,657,500)
Equals: Final Cost	\$ 9,000,000		\$ 1,210,690		\$ (7,789,310)
# of units	30		30		
Cost/Unit	\$ 300,000		\$ 40,356		\$ (259,644)

Low Income Housing Tax Credits (LIHTC)

9% New Construction Example

80% Affordable

	<u>80%</u>		<u>100%</u>		<u>Difference</u>
Cost: \$250K/house & \$50K/infrastructure	\$ 11,050,000		\$ 11,050,000		
Less: excess costs (infrastructure)	\$ (1,600,000)		\$ (1,600,000)		
Equals: Basis	\$ 9,450,000		\$ 9,450,000		
Times: Affordability %	\$ 7,560,000		\$ 9,450,000		
Basis Boost	\$ 9,828,000		\$ 12,285,000		
Times: Credit Rate (9%) x 10	\$ 8,845,200		\$ 11,056,500		
Cost from above	\$ 11,050,000		\$ 11,050,000		\$ -
Less Investor Equity @ \$0.74	\$ (6,810,804)		\$ (8,181,810)		\$ (1,371,006)
Equals: Tribal Contribution	\$ 4,239,196		\$ 2,868,190		\$ (1,371,006)
Less: Developer Fee (15%)	\$ (1,657,500)		\$ (1,657,500)		\$ -
Equals: Final Cost	\$ 2,581,696		\$ 1,210,690		\$ (1,371,006)
# of units	30		30		
Cost/Unit	\$ 86,057		\$ 40,356		\$ (45,700)

Low Income Housing Tax Credits (LIHTC)

4% New Construction Example

100% Affordable

Cost from above	\$ 9,000,000		\$ 11,250,000	\$ 2,250,000
Less Investor Equity @ \$0.78	\$ -		\$ (4,400,760)	\$ (4,400,760)
Less AHP or ICDBG or Other				\$ -
Equals: Tribal Contribution	\$ 9,000,000		\$ 6,849,240	\$ (2,150,760)
Less: Developer Fee (15%)	\$ -		\$ (1,687,500)	\$ (1,687,500)
Equals: Final Cost	\$ 9,000,000		\$ 5,161,740	\$ (3,838,260)
# of units	30		30	
Cost/Unit	\$ 300,000		\$ 172,058	\$ (127,942)

Low Income Housing Tax Credits (LIHTC)

4% New Construction Example

80% Affordable

	<u>80%</u>		<u>100%</u>		<u>Difference</u>
Cost: \$250K/house & \$50K/infrastructure	\$ 11,250,000		\$ 11,250,000		
Less: ineligible costs	\$ (400,000)		\$ (400,000)		
Equals: Basis	\$ 10,850,000		\$ 10,850,000		
Affordability %	\$ 8,680,000		\$ 10,850,000		
Basis Boost	\$ 11,284,000		\$ 14,105,000		
Times: Credit Rate (4%) x 10	\$ 4,513,600		\$ 5,642,000		
Cost from above	\$ 11,250,000		\$ 11,250,000		\$ -
Less Investor Equity @ \$0.78	\$ (3,610,880)		\$ (4,400,760)		\$ (789,880)
Equals: Tribal Contribution	\$ 7,639,120		\$ 6,849,240		\$ (789,880)
Less: Developer Fee (15%)	\$ (1,687,500)		\$ (1,687,500)		\$ -
Equals: Final Cost	\$ 5,951,620		\$ 5,161,740		\$ (789,880)
# of units	30		30		
Cost/Unit	\$ 198,387		\$ 172,058		\$ (26,329)

Red Willow Flats Example

Financial Snapshot – Rents

35 units – Includes 7 market rate units

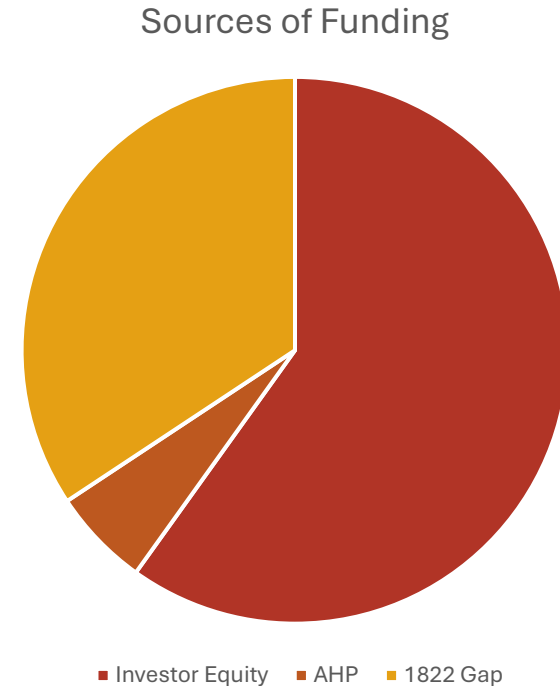
- 10 – 1BR
 - Rents range from \$411 - \$866
- 12 – 2BR
 - Rents range from \$492 - \$1,194
- 13 – 3BR
 - Rents range from \$1,375 - \$1,550



Red Willow Flats Example

Financial Snapshot – Development

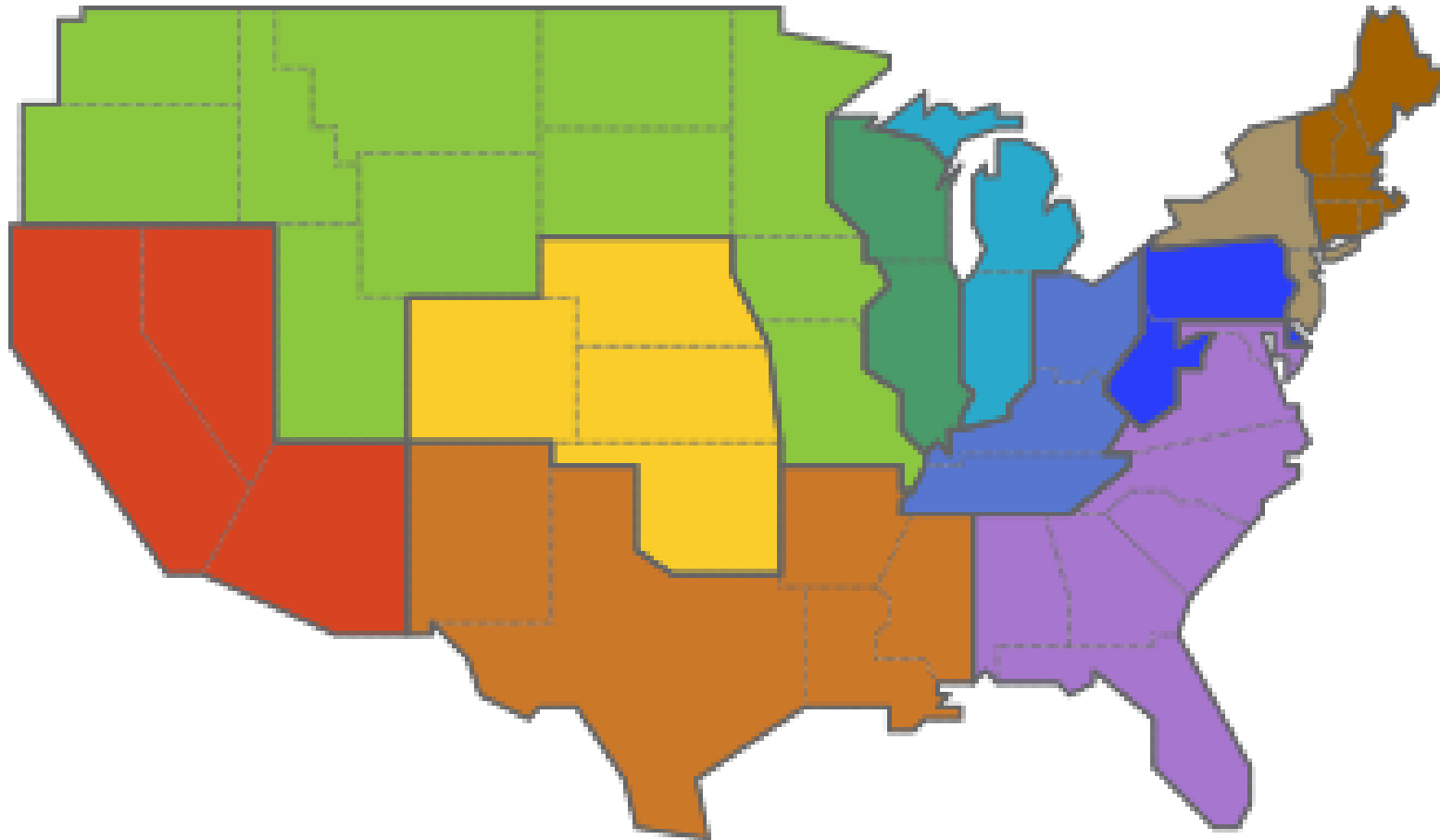
- Total Development Cost: \$12,052,208
- Investor Equity: \$7,218,214
- AHP funds: \$700,000 - FHLB of Chicago.
- 1822 Gap Financing: \$4,133,993
- Developer Fee - \$735,000



Developer Fee

- Used to compensate developer to build affordable housing
- Considered non-program income
- Proceeds can be used for anything
- Examples of housing related uses:
 - Down payment assistance for over income households
 - Closing cost assistance for over income households
 - Seed money for a future housing project
 - Homeowner rehab assistance
 - Reserves to help subsidize operations of the project

Affordable Housing Program (AHP) through the Federal Home Loan Bank (FHLB)



FHLB History

- Chartered by Congress in 1932 as a funding resource for home mortgage lenders
- Lending institutions use FHLBs to finance housing and economic development in their local communities
- Regulated by the Federal Housing Finance Agency
- Members include commercial banks, saving institutions, credit unions, insurance companies, and non-depository CDFIs.

Affordable Housing Program (AHP)

- Rental
 - Development Projects - New Construction and Acquisition/Rehab
 - Rental Rehabilitation Projects
- Homeownership
 - Development Projects - New Construction and Acquisition/Rehab
 - Development - Habitat for Humanity Projects
 - Owner Occupied Rehabilitation
 - Down Payment and Closing Cost Assistance

Affordable Housing Program (AHP)

- Competitive scoring
 - Income targeting
 - Homeless
 - Special needs
 - Subsidy per unit
 - Small projects
 - Member participation
 - Empowerment
 - Other
- May be mixed-income

Affordable Housing Program (AHP)

➤ Time Limits

- Disbursement – within 12 months of award
- Completion – within 36 months of award
- FHLB may allow for extensions

Affordable Housing Program (AHP) - Grant

Des Moines Federal Home Loan Bank (serves member banks in Alaska, Hawaii, Washington, Oregon, Idaho, Montana, Wyoming, Colorado, N. Dakota, S. Dakota, Minnesota, Iowa, and Missouri)

- In 2025, FHLBank Des Moines will award ~\$100 million in AHP funding.
- 2025 Round – May 1 with announcements expected prior to the end of the year
- Maximum subsidy per project - \$3 million (\$150,000/unit)

Affordable Housing Program (AHP) - Grant

Des Moines Federal Home Loan Bank (cont'd) – Other Resources:

HOME\$tart

- ~\$4 million allocated in 2025
- Provides down payment and/or closing cost to first-time homebuyers earning at or below 80% of Area Median Income (AMI) for first time homebuyers.
- \$15,000 grants
- Must successfully complete a financial literacy class
- Provided to households as a forgivable grant with a five-year retention period.
- First-come, first-served

Affordable Housing Program (AHP) - Grant

Des Moines Federal Home Loan Bank (cont'd) – Other Resources:

Native American Homeownership Initiative

- Provides down payment and/or closing cost to homebuyers earning at or below 80% of Area Median Income (AMI) for first time homebuyers.
- \$25,000 grants
- Must successfully complete a financial literacy class
- Provided to households as a forgivable grant with a five-year retention period.
- First-come, first-served

Affordable Housing Program (AHP) - Grant

Des Moines Federal Home Loan Bank (cont'd) – Other Resources:

Advance Programs Include:

- **Delayed Amortizing Advances** Advance proceeds are made available on day one, but the commencement of the repayment of the principal can be delayed for up to five years. Used for construction loans, agricultural loans, land purchases.
- **Community Investment Advance (CIA)** provides wholesale loans (advances) priced below FHLBank's regular advance rates to help finance commercial and housing in their communities.

Affordable Housing Program (AHP) - Grant

San Francisco Federal Home Loan Bank (serves member banks in Arizona, California, and Nevada)

- In 2025, FHLBank San Francisco awarded 31 projects ~\$50 million in AHP funding.
- 2025 Round – March 4 with announcements July 9, 2025
- Maximum subsidy per project - \$2 million
- Maximum subsidy per member - \$15 million

Affordable Housing Program (AHP) - Grant

San Francisco Federal Home Loan Bank (cont'd) – Other Resources:

- Workforce Initiative Subsidy for Homeownership (WISH)
- ~\$13 million allocated in 2024
- Provides down payment and/or closing cost to first-time homebuyers earning at or below 80% of Area Median Income (AMI) for first time homebuyers.
- 4:1 match on homebuyer contribution up to \$30,806
- Must successfully complete a homebuyer counseling program
- Provided to households as a forgivable grant with a five-year retention period.

Affordable Housing Program (AHP) - Grant

San Francisco Federal Home Loan Bank (cont'd) – Other Resources:

Access to Housing and Economic Assistance for Development (AHEAD):

- ~\$7.1 million allocated in 2024 (max grant \$100,000)
- Housing projects are not eligible
- Supports innovative, targeted initiatives that will create economic opportunity by expanding networks and community connections by: creating or preserving jobs, delivering job training or education programs, supporting small businesses, addressing special economic development needs (such as at-risk youth, veterans, persons with disabilities, formerly incarcerated, and Tribal communities, among others)

Affordable Housing Program (AHP) - Grant

San Francisco Federal Home Loan Bank (cont'd) – Other Resources:

Advance Programs Include:

- Advancements for Community Enterprises (ACE) provides wholesale loans (advances) priced below FHLBank's regular advance rates for projects and activities that result in jobs, services, or other benefits for low-to-moderate-income households and communities.
- Community Investment Program (CIP) provides wholesale loans (advances) priced below FHLBank's regular advance rates to help finance owner-occupied and rental housing in their communities

Affordable Housing Program (AHP) - Grant

Examples of 2025 AHP Deadlines / Limits:

- Des Moines: May 1, 2025 - \$3 million or \$150,000/unit limit
- Dallas: May 1, 2025 - \$1.75 million or \$45,000/unit limit
- Topeka: August 15, 2025 - \$1.5 million or \$75,000/unit limit
- San Francisco: March 4, 2025 - \$2 million per project or \$65,000/unit limit
- Chicago: June 12, 2024 - \$2 million or \$50,000/ unit limit

New Markets Tax Credits (NMTC)

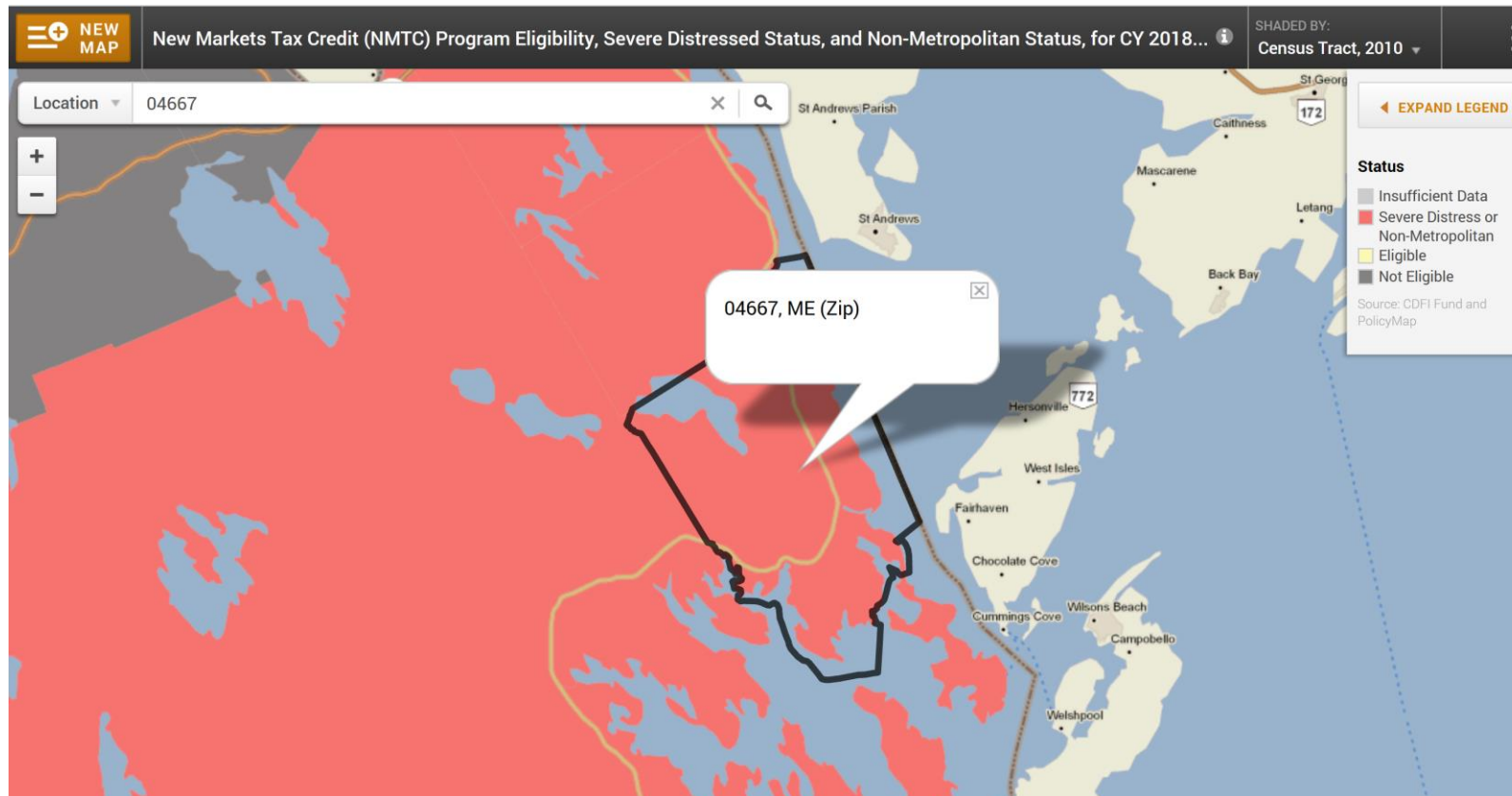
- Community Development Financial Institution (CDFI) administered
- NMTCs provide a credit against Federal income taxes for investors that make Qualified Equity Investments (QEIs) in certified financial intermediaries called “Community Development Entities (CDEs).”
 - NMTCs are awarded to CDEs, not to individuals or businesses
- CDEs, in turn, use the proceeds of these QEIs to make Qualified Low-Income Community Investments (QLICIs), such as business loans, in Low-Income Communities

New Markets Tax Credits (NMTC)

- The NMTC Program provides an incentive for investment in “Low-Income Communities” (LICs). LICs are census tracts:
 - Where the poverty rate is at least 20%; or
 - Where the median family income does not exceed 80% of the area median family income; or
 - Where the median family income does not exceed 85% of the area median family income provided the census tract is located in a high migration rural county; or
 - Where the census tract has a population of less than 2,000 and is contained within a Federally designated Empowerment Zone and is contiguous to at least one other LIC

New Markets Tax Credits (NMTC)

- The NMTC Program is location based



New Markets Tax Credits (NMTC)

- ***Prohibited Businesses***

- Residential rental property – if 80% or more of revenue is from rental incomes from dwelling units
- Certain businesses, such as:
 - Golf courses
 - Racetracks
 - Gambling facilities
 - Certain farming businesses
 - Country clubs
 - Massage parlors
 - Hot tub facilities
 - Suntan facilities
 - Liquor stores

New Markets Tax Credits (NMTC)

- Structured as a loan with interest only payments for seven years
- Will yield about 20-25% of TDC
- NMTC fees
 - Up front financing fee (typically 3-5%)
 - Attorney and Accountant fees
 - Consulting fees
 - Exit fees

Title VI Loans

- Authorizes HUD to guarantee financing for the purpose of affordable housing activities.
- Eligible Activities:
 - Modernization of existing 1937 Act housing
 - New construction
 - Model Housing Activities
- Guarantee covers 95% of the principal and interest outstanding
- Maximum commitment is the annual NAHASDA grant less the amount required to maintain CAS multiplied by 5.
- Must evidence financial capacity to repay loan

CDFI or Other Mission Driven Lender Loans

- Typically require collateral
- Typically market rate
- Ability to repay
- Threat of foreclosure
- Closing costs
- Loan origination fees
- Rely on financial underwriting
- May be comfortable lending on Tribal trust land

Conventional Bank Loans

- Typically require collateral
- Market rate
- Ability to repay
- Threat of foreclosure
- Closing costs
- Loan origination fees
- Rely on financial underwriting
- Banks are reluctant to lend on Tribal trust land

Determining Feasibility – Predevelopment Costs

- Costs that are required to be paid before funds are available
- Examples:
 - Architect & Engineering
 - Appraisals
 - Consultants
 - Market Studies
 - Surveys
 - Application Fees
 - Environmental Studies
- At risk of losing if development falls through
- May be able to apply for predevelopment grants or loans – but usually small amounts

Determining Feasibility – Sources and Uses

- A schedule showing that the development costs and the sources of funds used to pay for the costs
- Depending on programs used, there may be a need to separate by project type
 - Water/Sewer project – Indian Health Services
 - Roads project – Bureau of Indian Affairs
 - Community Facility project – Rural Development
 - Infrastructure project – Indian Community Development Block Grant
 - Housing project – may include all of the above or may be separated
- The sources and uses need to match exactly
 - Funding gap – too few sources
 - Funding surplus – too many sources
- Initially based on estimates and updated based on contract amounts

Determining Feasibility – Sources and Uses

Sources:

• LIHTC Equity	\$ 5,411,367
• AHP	\$ 500,000
• TDHE Funds	\$ 798,633
• Total	\$ 6,710,000

Uses:

• Construction	\$ 5,360,000
• Soft Costs	\$ 500,000
• Developer Fee	\$ 810,000
• Reserves	\$ 40,000
• Total	\$ 6,710,000

Determining Feasibility: Operating Pro-Forma

- Rents
 - Vary depending on financing used
 - Increase each year
 - Substantiated by market study
- Expenses
 - Vary depending on financing used
 - Increase each year
- Vacancy allowance
- Reserves
- Breakeven operations versus subsidized units versus economic development
 - Waiting list
 - Availability of Section 8 Vouchers
- Initially based on estimates and updated based on performance

Determining Feasibility: Operating Pro-Forma

	YR 1	YR 2	YR 3	YR 4	YR 5
Gross Rent	186,300.00	190,026.00	193,826.52	197,703.05	201,657.11
Rental Assistance	-	-	-	-	-
Other Income	-	-	-	-	-
Total Revenue	186,300.00	190,026.00	193,826.52	197,703.05	201,657.11
(Vacancy Loss)	(13,041.00)	(13,301.82)	(13,567.86)	(13,839.21)	(14,116.00)
NET REVENUE	173,259.00	\$ 176,724.18	\$ 180,258.66	\$ 183,863.84	\$ 187,541.11
Management Fee	10,395.54	10,707.41	11,028.63	11,359.49	11,700.27
Advertising	1,500.00	1,545.00	1,591.35	1,639.09	1,688.26
Compliance / Audit	1,800.00	1,854.00	1,909.62	1,966.91	2,025.92
Asset Management Fee	5,000.00	5,150.00	5,304.50	5,463.64	5,627.54
Legal	5,000.00	5,150.00	5,304.50	5,463.64	5,627.54
Accounting / Audit	12,000.00	12,360.00	12,730.80	13,112.72	13,506.11
Insurance	22,000.00	22,660.00	23,339.80	24,039.99	24,761.19
Decorating	2,700.00	2,781.00	2,864.43	2,950.36	3,038.87
Grounds Maintenance	21,600.00	22,248.00	22,915.44	23,602.90	24,310.99
Repairs/Maintenance	14,400.00	14,832.00	15,276.96	15,735.27	16,207.33
Supplies	4,380.00	4,511.40	4,646.74	4,786.14	4,929.73
Pest Control	4,800.00	4,944.00	5,092.32	5,245.09	5,402.44
Electric & Gas	8,800.00	9,064.00	9,335.92	9,616.00	9,904.48
Water & Sewer	8,000.00	8,240.00	8,487.20	8,741.82	9,004.07
Trash & Snow Removal	5,000.00	5,150.00	5,304.50	5,463.64	5,627.54
Other - Admin	6,400.00	6,592.00	6,789.76	6,993.45	7,203.26
Other - Enrichment Services	3,500.00	3,605.00	3,713.15	3,824.54	3,939.28
Replacement Reserves Deposits	12,000.00	12,360.00	12,730.80	13,112.72	13,506.11
TOTAL OPERATING EXPENSES	\$ 149,275.54	\$ 153,753.81	\$ 158,366.42	\$ 163,117.41	\$ 168,010.94
Expenses per unit	3,731.89	3,843.85	3,959.16	4,077.94	4,200.27
Expenses per unit per month	310.99	320.32	329.93	339.83	350.02
NET OPERATING INCOME	\$23,983	\$22,970	\$21,892	\$20,746	\$19,530

Determining Feasibility: Marketability

- Design
 - Community Amenities
 - Unit Amenities
 - Comparable units for each income type
- Alternative Housing
 - Location
 - Amenities
 - Vacancies
 - Demand/Waiting lists

Determining Feasibility: Construction

- Design
- Specifications
- Location
- Availability of contractors
- Required green components, depending on funding
- Build America, Buy America compliance required if project is considered public infrastructure and uses federal funds
- Economies of scale

Determining Feasibility: Other

- Capacity
- Timelines
- Competitiveness
- Guarantor

Financial Information Explained

- **Limits**

- AMI limits on income and rent
- Per unit and/or per project TDC limits

- **Loan to Value Ratio (LTV)**

- The ratio of a loan to the value of an asset purchased
- The higher the LTV, the riskier the loan for the lender
- Example: If the loan is \$130,000 and the value of the asset is \$150,000, the LTV Ratio is 87%

- **Debt Service Coverage Ratio (DSC)**

- Used to size the mortgage loan
- The ratio of net operating income (NOI) available after operating expenses to service debt payments
- Example: $\text{NOI} = \$50,000$ divided by required 1.2 DSC ratio = \$41,667 available to pay debt

Financial Information Explained

- ***NAHASDA Assisted Units***

- Units may be fixed or floating
- Pro-rating the costs
 - For projects where the units are comparable in size, amenities
 - For common costs that benefit all residents
- Unit by unit costs
 - For projects where units are not comparable in size, amenities

Financial Information Explained

- ***NAHASDA Assisted Units – 40 units comparable***
 - Prorate NAHASDA
 - Amount of NAHASDA divided by total eligible costs/sources = NAHASDA %, then multiply total costs/sources by that NAHASDA %
 - Example:
 - ❑ $\$100,000 \text{ NAHASDA} / \$1,000,000 \text{ TDC} = 10\%$
 - ❑ $40 \text{ units} \times 10\% = 4 \text{ NAHASDA assisted units}$

Financial Information Explained

Rental Prorated Share Allocation of Comparable Units/Costs in Mixed Income				
		Per Unit	# of Units Targeted Low Income	# of Units Targeted Market Rate
Number of Units	15		11	4
Uses	Total		Per Unit	Per Unit
Acquisition of Rental Project	\$375,000	\$25,000	\$275,000	\$100,000
Rehabilitation	\$750,000	\$50,000	\$550,000	\$200,000
Financing Costs	\$15,000	\$1,000	\$11,000	\$4,000
Professional Fees	\$20,000	\$1,333	\$14,667	\$5,333
Relocation	\$37,500	\$2,500	\$27,500	\$10,000
Subtotal	\$1,197,500	\$79,833	\$878,167	\$319,333
Developer Fee	3% \$35,925	\$2,395	\$26,345	\$9,580
Total Costs	\$1,233,425	\$82,228	\$904,512	\$328,913
Sources	Total	% of Source		
IHBG - Required Based on Other Sources	\$733,425	59%		
Program Income	\$500,000	41%		
Bank	\$-	0%		
Tribal Funds	\$-	0%		
	\$1,233,425	100%		
Minimum NAHASDA Assisted Units	9			
Meet NAHASDA Minimum?	Yes			
Total NAHASDA ÷ Total Sources = % of NAHASDA Funds. Multiply that Percentage Times the Number of Total Units = NAHASDA Assisted Units				

Financial Information Explained

- ***NAHASDA Assisted Units – 40 units not comparable***
 - Determine costs for low income versus market units
 - If the site and common areas are comparable, then costs for these items may be prorated
 - Calculate

Financial Information Explained

Desired # of Affordable Units in Basic	10
Desired # of Affordable Units in Moderate	5
Total Affordable Units	15
Desired # of Market Rate in Moderate	15
Desired # of Market Rate in High End	10
Total Market Rate Units	25

Costs For Units by Income and Type	Total
Basic and Moderate Units for Affordable	\$2,438,750
Affordable Units -	
Land/Infrastructure/Common	\$330,000
Developer Fee	\$91,631
Total Costs for LI Targets	\$2,860,381
Moderate and High-End Units for Market	\$4,826,250
Market Units - Land/Infrastructure/Common	\$550,000
Developer Fee	\$152,719
Total Costs for Markert Rate	\$5,528,969
Total Project Costs	\$8,389,350

Total Costs for Comparable Site	\$880,000
Per Unit/40 Units	\$22,000
Total for LI Units	\$330,000
Total for Market	\$550,000
Total	\$880,000

NAHASDA - Limiting Assistance to Low-Income Indian Households / Tribal Preference

- Section 201 generally limits assistance to “low-income Indian families”
- Additionally, NAHASDA allows recipients to have Tribal preference in contracting, employment, training, and housing assistance. 24 CFR 1000.48 & 1000.120
- Section 201(b)(6) of NAHASDA
- “Title VI ... and Title VIII ... shall not apply to actions by federally recognized Tribes and the Tribally designated housing entities of those Tribes under this Act.”

Fair Housing and NAHASDA

- Many federal and state funds come with their own non-discrimination requirements.
- Some non-discrimination requirements are waivable by agencies, others are not.
- Usually these non-discrimination requirements are interpreted to apply to the whole project, even in mixed projects.
- Agencies and offices handling those funds should be informed of the mixed-finance projects at early stages. They may demand specific annual waivers even if they agree that NAHASDA requires housing to be limited to low-income Indians.
- Because receipt of public funds serves to bind the recipient contractually, agencies may not approve mixed-finance projects if the Tribe will violate terms of the funding, including non-discrimination requirements.
- State/local authorities have their own say regarding state funds involved.

Preference Rules – Overview

Funding Source\Location of the Activity			Within Indian Land	Outside Indian Land
100% NAHASDA			Low-Income Indians Only Tribal Preference Allowed	Low-Income Indians Only Tribal Preference Allowed
Mixed	“Leveraged”		Low-Income Indians Only Tribal Preference Allowed	Low-Income Indians Only Tribal Preference Allowed
			Check with other federal sources to be safe	Check with other federal source to be safe
	“Combined”	With Private Funding	Low-Income Indians Only Tribal Preference Allowed	Proportionality Rule
		With Public Funding	Low-Income Indians Only Tribal Preference Allowed	Proportionality Rule
			Waivers may be necessary from other public funding sources (incl. state)	Waivers may be necessary from other public funding sources (incl. state)
0% NAHASDA			Open question as to whether Fair Housing Act applies in Indian Lands without waiver given by NAHASDA	Follow state and federal Non-Discrimination Laws. May not limit/prefer Housing to Indians and May not give Tribal preference.

NAHASDA & Fair Housing Laws

- Be mindful of how you are using the NAHASDA (including Title VI) funds
 - Only projects owned Tribe or TDHE are exempt from these laws if the project is located out of Tribe's jurisdiction
- Market/assist only *Indian families for Projects out of Tribal Jurisdiction, if using NAHASDA :
 - And federal funds (HOME, USDA, ICDBG/CDBG) – “combined funds” based on proportional, pro-rated basis of units (or actual costs if not comparable units) %
 - Alone, 100% of the units
 - And Private funds (e.g., LIHTC) “leveraged funds”
 - NAHASDA Eligible

**Refer to PIH 2010-32 (PIH 2011-40) and as needed work with experienced fair housing lawyers, consultants and HUD ONAP*

Civil Rights Statutes Relevant to Mixed-Finance Housing Activities

- Indian Civil Rights Act (25 USC 1301)
 - Sets out certain fundamental rights as inalienable for Tribes.
- Fair Housing Act (“Title VII” or “FHA,” 42 USC 3601)
 - Federal statute that prohibits any housing discrimination based on “race, color, national origin, religion, sex, disability, familial status.”
- Title VI of the Civil Rights Act of 1968 (25 USC 2000d)
 - Title VI prohibits discrimination based on race, color and national origin in programs and activities receiving federal financial assistance.
- Section 504 of the Rehabilitation Act of 1973 (29 USC 794)
 - Section 504 prohibits discrimination against people with disabilities in programs that receive federal financial assistance.
- Age Discrimination Act of 1975 (42 USC 6101)
 - Age Discrimination Act prohibits discrimination on the basis of age in programs and activities receiving federal financial assistance.

Compliance – What you need to know.

- There are federal, state, local and private sector sources that can be utilized for mixed income projects, but planning requires that you understand all of the rules for each source and choose the appropriate ones for your project
- Federal, State, Local
 - Rules on eligible applicants, beneficiaries, eligible and ineligible uses, maximum rents and housing payments, maximum subsidy/per unit costs and project funding limits, reports and inspections as well as Buy America Preference for public infrastructure projects
- Private Sector
 - Reporting requirements and deadlines, inspections

Remember: Strictest Program Rule Applies

Compliance – What you need to know.

*Must identify **ALL** financing sources and related rules/ restrictions:*

- Preferences (Tribally enrolled; homeownership; special populations}
- Income & Rent Limits
- Utility Allowances
- Special Set-Asides (homeless, disabled, large families, etc.)
- Reporting requirements
- Special program rules

■

Putting it all Together

- ***Build all at once or phasing approach***

- Ensuring demand
- Economies of scale

- ***Using gap financing approach***

- How many sources needed
- Determines affordable housing component

- ***Building single projects***

- Infrastructure
- Market rate housing
- Affordable housing

Putting it all Together

- ***Track costs and sources of funding***
 - Segregate based on funding programs
 - Reports
 - Disbursements
 - Timelines

Questions??

Thank you!