Reclaiming Vacant Properties

Leveraging Disaster Recovery Funds: Public-Private Partnerships for Affordable Housing

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Overview

• Context for disaster recovery funds and affordable housing

• *Privately-initiated* affordable housing development
  – **LHC**: “Piggyback” Program

• *Local-government initiated* (with private partner)
  – **DFI**: NC Public-Private Partnerships (P3s) for Housing

• Q&A
Context
Themes connected to RVP 2019

• Coastal conditions – loss of population and economic base
• “Equity first” as it relates to disaster recovery efforts
• Increase affordable housing in stable neighborhoods
• Government land banking creates opportunities
Coastal conditions

Major flooding events:
Hurricane Fran – 1996
Hurricane Floyd – 1999
Hurricane Matthew – 2016
Hurricane Florence – 2018
Population loss (for multiple reasons)

Source: U.S. Census Bureau, NHGIS
Decreasing median income

Source: U.S. Census Bureau, NHGIS
When abandoned properties cannot be reclaimed

• Buyouts
• Entire neighborhoods are returned to nature
• There are some strategies
  – Riverwalks
  – Parks
  – Disc golf
  – That’s not what this session is about
Disaster recovery must address affordable housing

“Affordable housing is the top priority for emergency management.”

Mike Sprayberry
NC Emergency Management Director
Return to themes

• Lots of new housing needed
  – Safe and decent housing for low-income persons
  – Outside of flood zones
  – In community

• Private market isn’t providing it

• Equity concerns in distribution of disaster recovery funding
  (Shelterforce, May 13, 2019)
What we’re doing about it

<table>
<thead>
<tr>
<th>“Piggyback” Program</th>
<th>“P3s for Housing”</th>
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<tbody>
<tr>
<td>• Creative subsidy programs for private development of <em>resilient</em> affordable housing</td>
<td>• Assist proactive local governments with P3s for housing in impacted areas</td>
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<tr>
<td>– 4% LIHTC</td>
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From the Preface of *Navigating HUD Programs*:

“Daedalus built the Labyrinth, famous throughout the world, Once inside, one would go endlessly along its twisting paths without ever finding the exit…. There was no possible way to escape.”

- Edith Hamilton, *Mythology*
Example: 80 unit complex costs $12 million to construct

Financing 80 Units

<table>
<thead>
<tr>
<th>Construction Costs</th>
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<td>$12M</td>
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Example: 80 unit complex costs $12 million to construct
Gap-filler #1: Low-Income Housing Tax Credits

- Federal tax credits
- For **private** development of affordable **rentals**
- State agencies award and monitor
  - LHC in Louisiana
  - Housing Finance Agency in N. Carolina
- Two types:
  - **9% credit** (covers ~90% of costs, fewer projects)
  - **4% credit** (covers ~30% of costs, non-competitive)
    - Tied to allocation of tax-exempt bonds

*Which one do you think we have available for our projects?*
Which rent do you think is charged in areas where need is great?
4% credit won’t work by itself in tough areas
Gap Filler #2: Commun. Dev. Block Grants – Disaster Recovery

- HUD flexible grants to help cities, counties, and States recover from Presidentially declared disasters, especially in low-income areas.
- Intended to rebuild the affected areas and provide crucial seed money to start the recovery process.
- Governed by HUD federal funding requirements.
Pairing LIHTC and CDBG-DR

Construction Costs

$M $2M $4M $6M $8M $10M $12M

Financing 80 Units

4% Credit
Loan
Gap

$450

Monthly Rent

$450

$900

$6M

$12M
Pairing LIHTC and CDBG-DR

Scenario: 80 units at 50% AMI

- Development Cost: $12,600,000
- Supportable Debt: $1,400,000
- Gap: $11,200,000
- 4% Tax Credit: $4,410,000
- CDBG-DR: $6,790,000

Construction Costs:
- $12M (CDBG-DR)
- $10M
- $8M
- $6M
- $4M
- $2M
- $M

Financing 80 Units

- $4M (4% Credit)
- $450
- Monthly Rent

Loan

4% Credit

CDBG-DR

Supportable Debt

Gap
How we’re pairing 4% LIHTC and CDBG-DR

“Piggyback” Program
• Creative subsidy programs for private development of resilient affordable housing
  – 4% LIHTC
  – CDBG-DR

“P3s for Housing”
• Assist proactive local governments with P3s for housing in impacted areas
  – 4% LIHTC
  – CDBG-DR
LHC “Piggyback” Program
Louisiana Housing Corporation

• Functions of former Louisiana Housing Finance Agency + housing programs including Louisiana’s former Office of Community Development.
• Administers federal and state funds, drives housing policy and oversees the state’s Disaster Housing Task Force.
• “Piggyback” program (pairing 4% LIHTC and CDBG-DR) used to:
  – construct and revitalize:
    • 6,000 units impacted by multiple disasters from 2009 - 2015
    • 3,000 units impacted by the Great Floods of 2016
  – incentivize developments that:
    • Are located in HUD-designated most impacted parishes (counties)
    • Are located in rent burdened parishes
    • Offers incremental affordability
    • Set-Aside 5% for Permanent Supportive Housing (PSH)
    • Are non-scattered Site Vacant Properties
P3s for Housing
The Development Finance Initiative (DFI) is a program of UNC-Chapel Hill School of Government and collaborates with communities in NC to attract private investment for transformative projects by providing specialized finance and real estate development expertise.
Hurricane Matthew Impact and State’s Goals

Focusing on resiliency, NC sought solutions to attract more affordable rental housing development outside flood zones.
Rural Development Challenges and Solutions

• Limited land viable for housing development
  → Partner with local gov’t to identify viable land

• Local government and community support needed
  • Shift from recovery to resiliency challenging for communities facing repeated natural disasters
  → Identify building program to meet public interests and market
  • Understand need but lack capacity
    → Support local gov’t in community engagement

• Stagnant incomes and declining populations
  • Private market not delivering new units
    → Identify subsidy
  • Lack of multifamily development in recent years
    → Identify development partner
Public-Private Partnerships (P3s) for Housing

P3s for Housing process:

1. Connect with local government partners
2. Identify suitable development sites in Hurricane Matthew-impacted communities
3. Conduct development feasibility analysis
4. Solicit private development partner
Case Study: Lumberton, NC

• HUD Area Median Income (AMI) is $43,800 for a family of 4.
  – Affordable rent for 2-person, low-income household estimated at $450.
• Prior to Hurricane Matthew:
  – Est. 6,000 low-income renter households in substandard and/or overcrowded housing, and/or were cost-burdened.
  – Population steadily in decline, with some growth among seniors
• Hurricane Matthew displaced nearly 500 very low-income households.
Identify Viable Land

• Clear path to site control
• Existing connection to utilities
• Outside 100- and 500-year flood zones
• Development of site meets local public interests
• Meets LIHTC requirements (i.e. access to amenities, transportation, etc.)
Identify Feasible Building Program

- Targeting elderly households (55+) earning 60% AMI
- Accommodate up to 68 apartments – mix of single-story and two-story
- Based on input from council, staff and community meetings
Leverage Disaster Recovery Funds

To build 68 units for households earning 60% AMI or below in Lumberton, NC:

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<tr>
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<th>CDBG-DR Only</th>
<th>With 4% LIHTC</th>
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<tr>
<td>Total Cost</td>
<td>$10.2M</td>
<td>$10.8M</td>
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<tr>
<td>Total CDBG-DR Per Unit</td>
<td>~$137,000</td>
<td>~$91,000</td>
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Identify Development Partner

- City selected partner experienced with 4% LIHTC and CDBG.
- Preliminary application submitted within month of partner selection.

Public-Private Partnerships (P3s) for Housing
Solicitation for Development Partner Qualifications
Summary

• P3s for affordable housing – need both privately initiated and local government initiated to meet urban and rural demand
• Pair existing tools (4% LIHTC and CDBG-DR) to focus on resiliency and maximize affordable housing
• Questions?