

NMTC and the Home Building Business

for the Strength Matters® Financial Management Conference

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Introductions

- **Katie Rodriguez, Vice President of Lending and Investment; Housing Partnership Network**
- **Agnes Casimir, Chief Financial Officer; Atlanta Neighborhood Development Partnership**
- **Patrick Cornett, Executive Vice President and Chief Financial Officer; Housing Partnership, Inc.**
- **Jeff Crum, Chief Investment Officer; New Jersey Community Capital**
- **Rey Jaquez, Director of Administration and Finance; Affordable Homes of South Texas, Inc.,**

Learning Objectives of Session

- Explain and discuss NMTC capital from the Housing Partnership Network (HPN) available to its members to build for-sale housing.
- Describe and discuss how the NMTC capital shows up on a business's balance sheet.
- Identify and discuss key challenges qualified businesses face with securing a leveraged source lender.
- Risks associated with compliance.

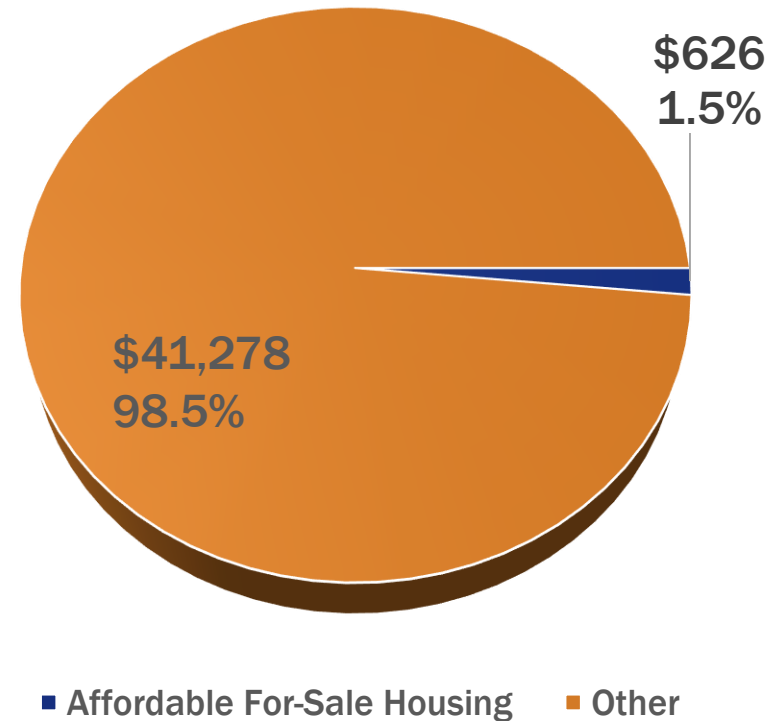
Overview NMTC Capital Source

- Tax credits are awarded by the CDFI Fund to Community Development Entities (CDEs) through a very competitive annual application process.
- CDEs/Lenders use NMTCs to raise private capital which is then invested in qualifying projects located in low-income census tracts.
- Considerable flexibility with respect to the types of projects that can be supported by NMTC-stimulated debt and equity investments. They can include for-profit and non-profit businesses for commercial, industrial, retail, manufacturing, as well as community facilities such as childcare or health facilities or charter schools.
- Ownership & operation of rental housing is specifically excluded BUT mixed-use projects are permissible if less than 80% of gross revenue is from dwelling units (or if the project is separated into residential and nonresidential components)
- The development of for-sale housing is permissible.

NMTC Single-family Housing (2003 - 2015)

- \$626 million (1.5%) in NMTC allocation to 144 projects (2.6%)
- 6,673 units of affordable single-family housing in 34 states plus PR and DC
- About 17% of that activity is in the GO-ZONE

Affordable Single-family Housing as a Share of Total NMTC Deployment (\$ in millions)



Source: NMTC Coalition

HPN Project Selection Process

- Each project is reviewed and scored on how it aligns with both the CDFI Fund New Markets program priorities as well as HPN's New Markets For-Sale Housing program strategy. The prioritized pipeline of projects are then reviewed by HPN's IAM committee and final selection is approved by the HPN board.
- *Program priorities include:*
 - Projects in New Markets Tax Credit qualified census tracts
 - Projects in a weak market/submarket in an underserved state and/or area of higher distress
 - Project alignment with community plans and community stakeholder support
 - Proximity of project to jobs and services
 - New Markets Tax Credit Program “but for” analysis (i.e. without this funding the project could not go forward or would not go forward at same scale)
 - The strength of member's homebuyer education programs
 - Overall strength of community outcomes from proposed project
- As a participant in the program, HPN members are expected to bring leverage to the project in the form of cash, previously incurred expenses on an existing project from the past 2 years, or a leverage loan.

NMTC Compliance

- An Allocatee that finances for-sale housing units shall meet the requirements of Section 3.2(k) if 20 percent or more of the total for-sale housing units financed are purchased and occupied by Low Income Persons with a **38** percent or less **Debt-To-Income Ratio** and are owner-occupied by individuals whose household income is 80 percent or less of the area's median family income as determined and adjusted annually by HUD at the time the units are sold to the initial homebuyer. For example, recurring debt payments should include, but not be limited to, mortgage payments made up of principal, interest, taxes and insurance, credit card, automobile, student and other consumer loan payments.