



AHFC Administered Development Programs

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Alaska Mental Health Trust Authority: Trustee Housing Training

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Overview

- Statewide Service Area and Distribution of Development Program Resources
- Juxtaposing Affordable and Supportive Housing Viability
- Specific Housing Development Program Information

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Affordable Rental Development: Unit Production and Program Detail – all Programs

Statewide Distribution of Rental Projects and Units Funded through GOAL-THHP-SNHG Programs						
Area	Population	Projects	Units	Percentage of State Population	Percentage of Total Projects	Percentage of Total Units
<u>Anchorage</u>	299,037	56	2,661	40.42%	16.67%	39.86%
<u>Fairbanks North Star Borough</u>	98,957	15	675	13.38%	4.46%	10.11%
<u>Juneau</u>	32,739	25	680	4.43%	7.44%	10.19%
<u>Kenai Peninsula Borough</u>	58,060	46	449	7.85%	13.69%	6.73%
<u>Mat Su Borough</u>	102,598	31	777	13.87%	9.23%	11.64%
<u>Southeast Alaska - Excluding Juneau</u>	41,073	16	317	5.55%	4.76%	4.75%
<u>Balance of State</u>	107,364	147	1,117	14.51%	43.75%	16.73%
Totals	739,828	336	6,676	100.00%	100.00%	100.00%
*Places Meeting AHFC's Small Communities Definition	154,989	148	1,102	21.16%	44.05%	16.51%

Program Detail

*LIHTCs funded 123 properties (36% of total) with 4,964 total units (74% of total) in the GOAL program

GOAL: 58% of Total Production
 THHP: 33% of Total Production
 SNHG: 9% of Total Production



Affordable Housing – In Numbers

Suppose for example

The all-inclusive per-unit cost for a newly constructed rental unit in Anchorage is approximately \$260,000

- Assume 80% of the development costs are funded through 30 year fixed rate financing at 6.375%
- Assume 7% vacancy rate and 1.25:1 DCR
- Assume \$6,000 per unit per year in operating expenses

Under these assumptions, **\$2,281 per month** in rent must be charged for each unit for this development to be feasible

Using the tax credit program's rent limits, HHs @ 50% AMI (\$40k / year) in Anchorage can pay no more than \$1,001 per Month in Gross Rent for a 2-bdrm apartment



Supportive Housing – In Numbers

How Does Housing First Compare to Affordable Housing?

In the previous slide, the programmatic rent limits of \$1,001 per month support annual operating costs of \$9,309 per unit* on a property with zero debt

Even without debt, supportive housing can cost north of \$22k / unit / year to operate. So, how do these deals pencil?

Juneau's recently completed Housing First Facility receives:

- \$795 / unit month in rental assistance (PHD)
- \$1,041 / unit / month in Operating Grants (SNHG)

*Adjusted for vacancy and breakeven cushion

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AHFC's Key Development Programs

Special Needs Housing Grant (SNHG)

Construction and operating support for housing facilities serving Alaskans experiencing / at risk of homelessness, persons affected by disabilities and mental health trust beneficiaries

Greater Opportunities for Affordable Living (GOAL)

Multi-Source allocation round for statewide rental development. Expands housing opportunities for low-income families, seniors, persons w/ disabilities, and homeless Alaskans

Teacher, Health and Public Safety Professionals (THHP)*

Program specifically dedicated for small communities to help them recruit and retain essential professionals

*additional program information available on request

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Special Needs Housing Grant Program (SNHG)

Since 1995, the Special Needs Housing Grants has provided capital grants to nonprofits for construction and rehabilitation activities which serve special needs households

Typically, Alaskans served through this program are persons with disabilities experiencing, or at risk of, homelessness or individuals that qualify as Alaska Mental Health Trust Beneficiaries

Statewide funding is made available for competitive allocation on an annual cycle, subject to appropriated funding

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Special Needs Housing Grant Program Production Summary Since 2004

Over the past decade, this program has helped increase the stock of dedicated supportive housing

\$26M+ has been allocated to acquire, renovate or develop 21 distinct supportive housing facilities

These facilities serve over 300 households across our State and are distributed through the following 7 communities: Anchorage, Fairbanks, Homer, Juneau, Seward, Soldotna and Wasilla

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SNHG Project Example REACH Assisted Living



In the 2008-9 SNHG cycle, REACH was awarded \$900k in capital funding to develop an assisted living facility in Juneau. The property houses 5 Alaskans with developmental disabilities and is primarily supported through SSI, SSDI, and Medicaid.

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SNHG Project Example – Seaview Community Services, Chamberlain House AL



Seaview Community Services used \$1.1M in SNHG capital funding awarded during the 2009 SNHG round to develop this assisted living facility in Seward. Chamberlain House operates without ongoing operational support from AHFC and houses 5 Alaskans with developmental disabilities and persons that qualify as Alaska Mental Health Trust Beneficiaries.

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GOAL Program Funding

The GOAL Program is a one-stop-shop through AHFC for

- The HOME Investment Partnership Program
 - ❑ Source: US Dept. of Housing and Urban Development
- The Senior Citizens Housing Development Funds
 - ❑ Sources: AHFC Earnings, State General Funds
- National Housing Trust Fund*
 - ❑ Source: US Dept. of Housing and Urban Development
- 811 Rental Assistance**
 - ❑ Source: US Dept. of Housing and Urban Development
- Low Income Housing Tax Credits (LIHTCs)
 - ❑ Source: Section 42 of the tax code

*Subject to Available Earnings from GSEs

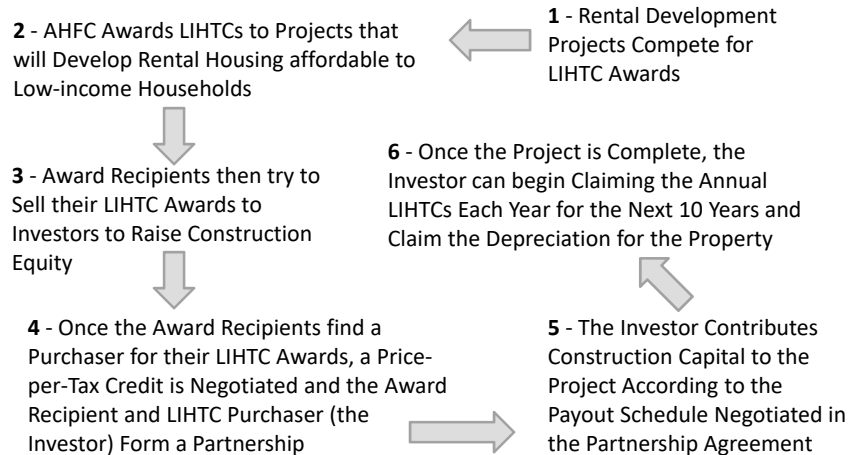
**Funding is available on first-come, first served basis

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How Do Tax Credits Become Rental Housing?

Process Flowchart that leads to an affordable rent





Constraining Factors in Tax Credit Developments

Credits require a willing investor to generate housing

Deal and Sponsor Size Thresholds for Investor Participation

- \$5M in minimum development costs, excluding land
- \$100-\$200k in transaction costs
- Guarantor participating in the deal with at least six figures in liquidity
- Participation of a developer and property manager with experience in the tax credit program
- Availability of replacements for the owner if they fail to perform on the commitments made to the investor

Real Estate and Investment Fundamentals

- Investors underwrite the market not the sponsor's mission
- Investor credit yields can be as low as 300 basis points above 10 year treasuries
- Both the property and the sponsor must perform for 15 years for the investor to be made whole
- Operating constraints on properties typically trigger large reserve requirements
- Little cash flow on the back end means developer costs must be recovered on the front end



Effectively Utilizing Tax Credits

Factors to Consider

Work within the market structure

- AHFC cannot force investors to purchase tax credits
- Lender and investor requirements are fundamentally fixed items
- Markets with low affordability are more attractive to investors
- Nonprofits and for profit corporations deal structures are very similar
- Debt is not always the enemy
- Low rent and high vacancy markets are less attractive to investors

Leverage resources that matter

- Operating subsidy only impacts the development budget if it means the project can support new debt
- Strong sponsor financial strength can lower expensive reserve requirements for the development
- Experienced development teams tend to build for less
- Skin in the game = forecasting due-diligence. People with a house on the line view projections differently from people that risk changing jobs if something goes awry.



Tax Credit Property Profile #1 Ridgeline Terrace and Susitna Square

Project Resources

- \$18.8M in State and PHD funds
- \$3M in federal Neighborhood Stabilization Program Funds
- \$10M in combined LIHTC equity purchased at \$0.99 on the dollar
- 81 project based housing vouchers



Development Considerations

- Demolition and disposition of San Roberto Site w/ HUD approval
- \$4M in site conditions costs at Ridgeline Terrace
- Leveraged management efficiencies from nonprofit partner with existing footprint in community



Tax Credit Property Profile #2 Channel Terrace

- 22 Unit Acquisition and Rehabilitation Property in Juneau
- Budget Allocation:
 - 25% - Acquisition (\$1.4M), 50% - Rehab \$2.7M (\$126k / unit), 25% - Soft Costs and Financing \$1.3M
- \$5.4M in Funding Sources Included
 - \$3.4M in Tax Credit Equity
 - \$1.3M in assumed and new debt

