

# Housing Trust Fund 101

FAITH IN HOUSING ENGAGEMENT SERIES

JULY 25, 2024

AUGUST 8, 2024

# Agenda

## □ Level-Setting

- Who Needs Affordable Housing
- The Affordable Housing Crisis
- The Math Problem

## □ The Housing Trust Fund (HTF)

- History & Basics
- What It's Not
- So, What is It?

## □ How the HTF works

- Typical Schedule
- Requirements

## □ How Faith-Based Organizations can get involved

## □ *Future Sessions*

## □ Q&A

# Affordable Housing for Everyone

Neighbors who help us every day



Childcare Worker

Annual Salary: \$23,320



Construction

Annual Salary: \$49,525



Non-Profit Manager

Annual Salary: \$60,000



Janitors & Cleaners

Annual Salary: \$24,600



Healthcare Social Worker

Annual Salary: \$52,416



Teachers and Education Support

Annual Salary: \$49,712



Cashiers

Annual Salary: \$21,890



Passenger Vehicle Driver

Annual Salary: \$29,980



Fixed Income

Veterans, Seniors,  
Disabled  
*Various AMI levels*

\*Source(s): U.S. Census, National Housing Conference, Paycheck to Paycheck Data Base, Indeed

# What Do We Mean When We Say Affordable Housing?

□ It depends!

□ There is the “technical” definition:

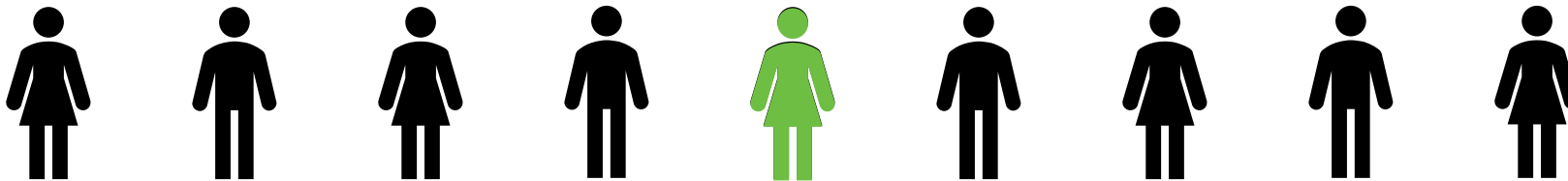
- Housing is affordable if it costs no more than 30% of your income.
  - *This could apply to anyone!*

□ Then there is the “common” understanding:

- Housing that is priced to be affordable to households earning up to 80% of the Area Median Income (AMI).

# Wait, What's “Area Median Income?”

- If you lined up every household in Charlotte in order from least to most income, the Area Median Income (AMI) is the household in the middle.



- This metric is important because it determines eligibility for affordable housing and establishes “affordable” rents or prices.

# Why Do We Have a Housing Trust Fund (HTF)?

Varick on 7<sup>th</sup>  
Little Rock AME Zion Church

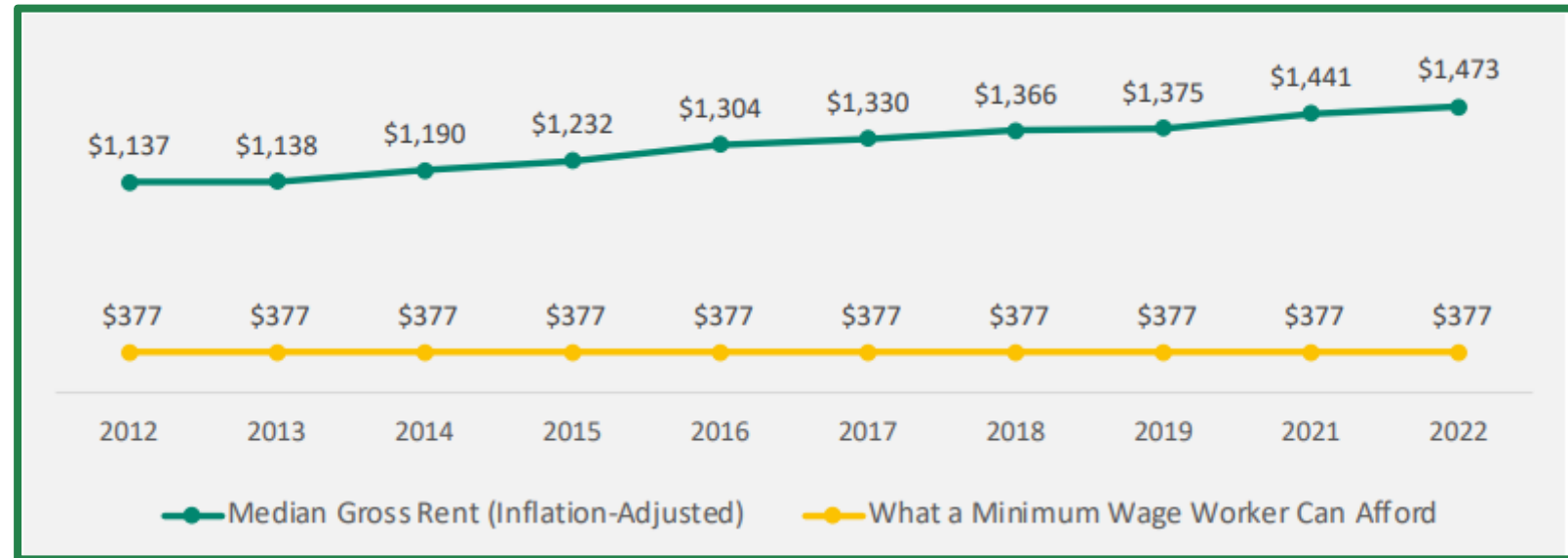
# The Affordable Housing Crisis

## □ Rising Housing Costs

- As prices go up, it becomes harder for people to afford housing.

## □ Income Inequality

- For many in Charlotte, wages are not increasing as quickly as housing costs.



Source: 2023 Charlotte-Mecklenburg State of Housing Instability & Homelessness

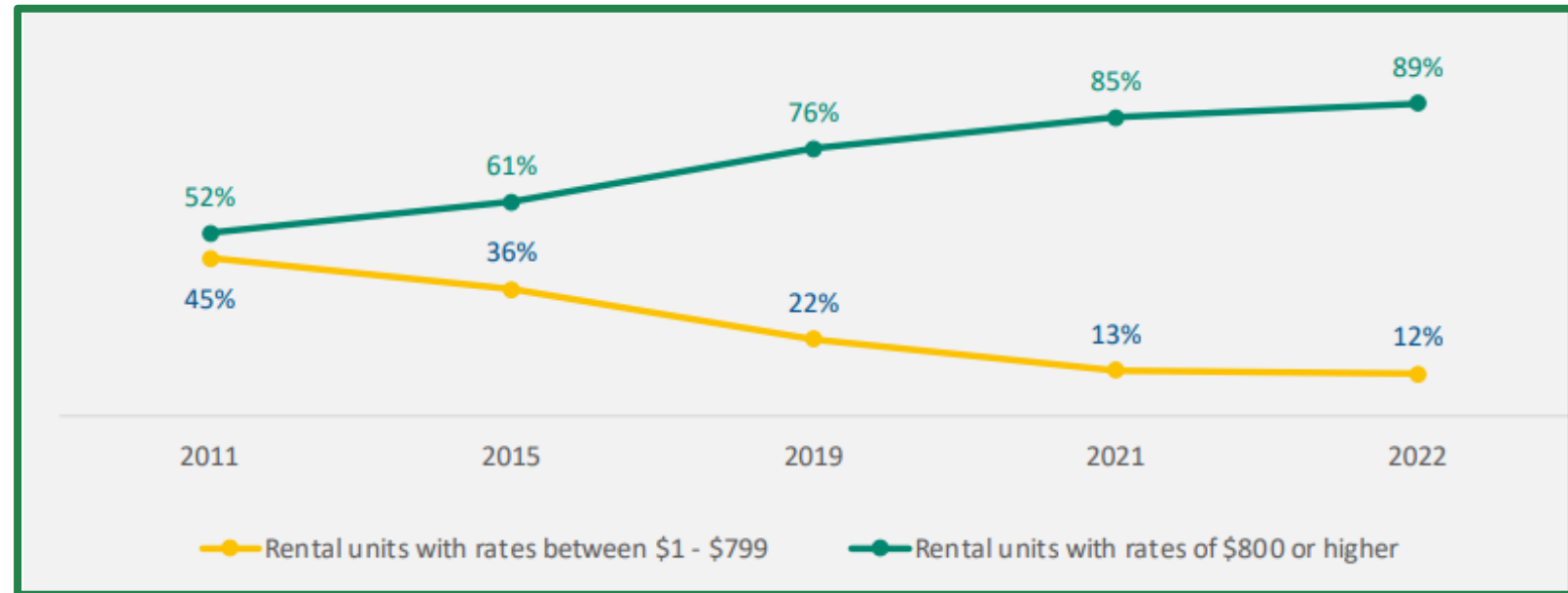
# The Affordable Housing Crisis

## □ Limited Supply

- There aren't enough homes for people with lower or moderate incomes, and housing production is not keeping up with growth.

## □ Population Growth

- More people means more demand for housing.



Source: 2023 Charlotte-Mecklenburg State of Housing Instability & Homelessness



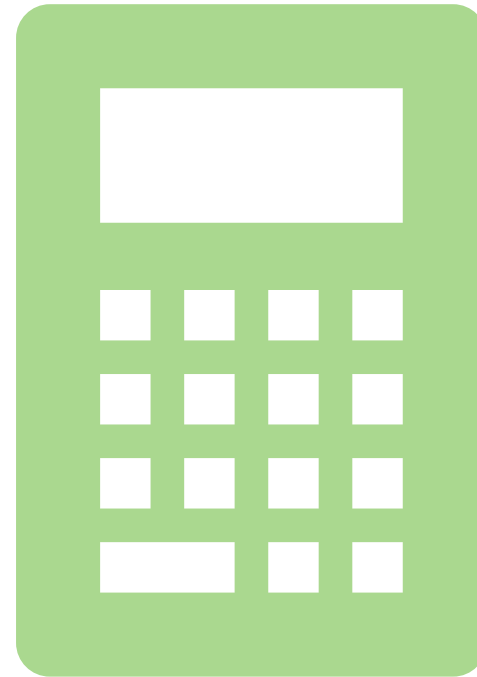


**Sugaree Place  
Mayfield Memorial Baptist Church**

# **Why Don't Developers Build More Affordable Housing?**

# It's a Math Problem

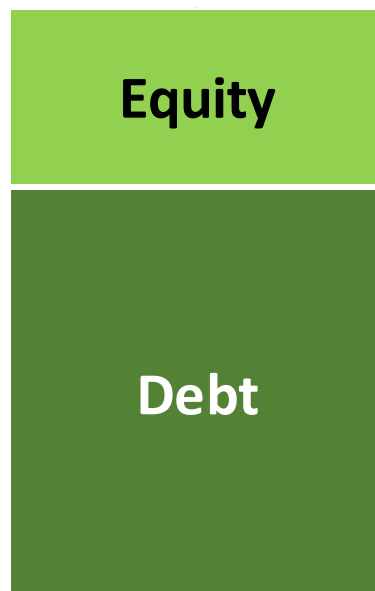
- ❑ Affordable housing is not cheaper to build.
- ❑ Even for non-profit and other mission-oriented housing developers, the income produced by affordable housing is not enough to support the costs to build and maintain it.



# How Do Developers Pay for Affordable Housing?

**The Capital Stack:** Traditional market rate developments are paid for using a combination of debt and equity—aka “**The Capital Stack**”

Market Rate  
Development

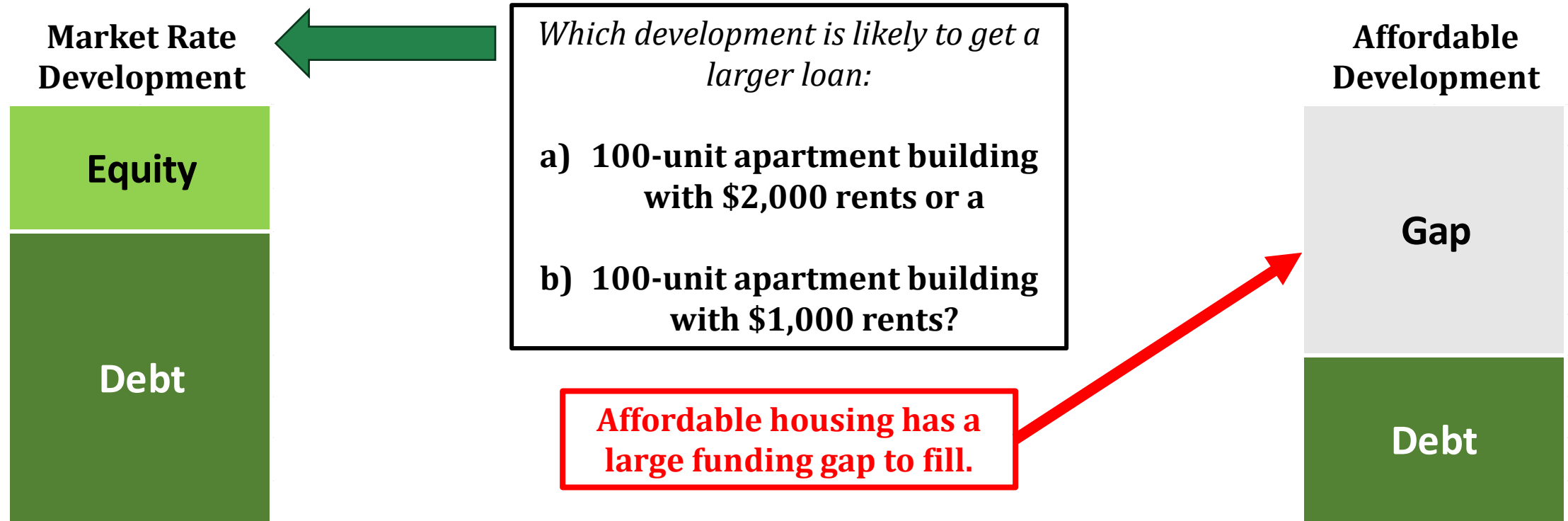


**Equity** is an ownership stake. It’s the portion owned outright. It can come from the developer’s own investment, or from investors.



**Debt** is money that is borrowed—typically from a bank—and needs to be paid back over time, usually with interest. *The amount of debt you can attract is dependent on the projected value of your project.*

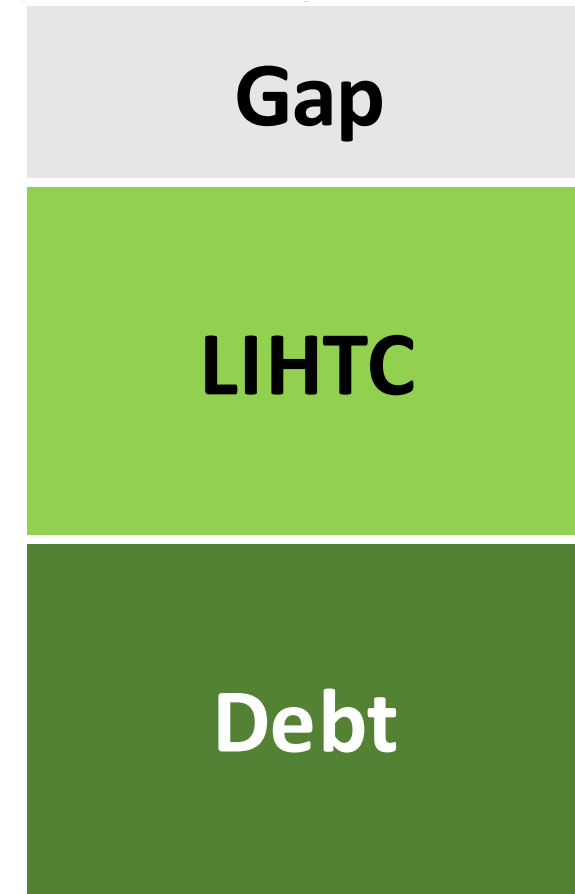
# How Do Developers Pay for Affordable Housing?



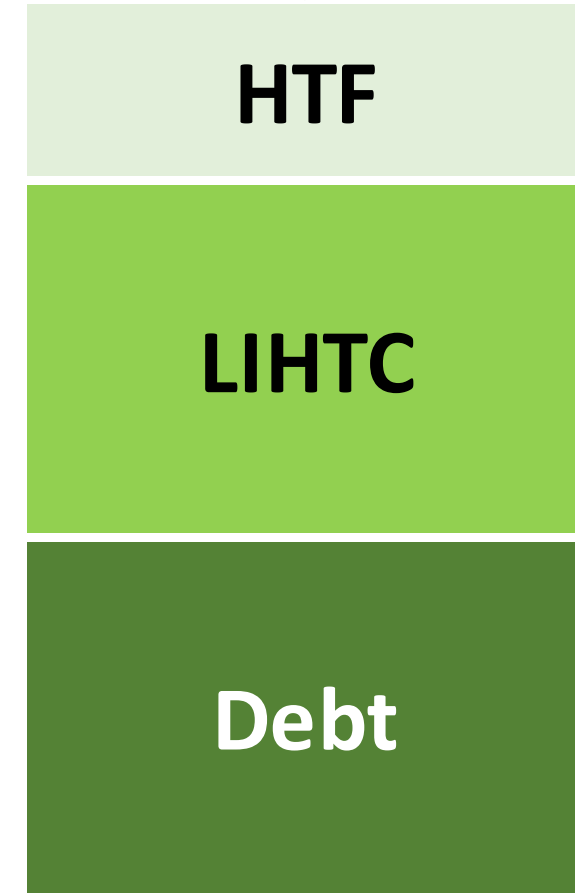
# Filling the Gap

- ❑ The LIHTC program helps by providing equity.
- ❑ However, with rising costs, it is still not enough.
- ❑ The “gap” persists.

**Low Income Housing Tax Credits (LIHTC):** Pronounced Lie-Tech, this program allocates federal tax credits to state housing finance agencies – in our case, the North Carolina Housing Finance Agency (NCHFA) – which then awards these credits to private developers through a competitive application process.



**The  
Housing  
Trust Fund  
helps close  
the gap.**





# What is the Housing Trust Fund?

Mezzanine on Freedom  
Covenant Presbyterian

# HTF History & Basics

- **Created in 2001, the HTF is the City's primary tool to create and preserve affordable housing**
  - Includes rental, homeownership, and supportive housing
- **Funded by voter-approved Affordable Housing Bonds**
  - Typically, every two (2) years
- **City investment is leveraged with private-sector funds through partnerships with developers**
  - Frequently also includes LIHTCs





# What the Housing Trust Fund is Not

- **HTF is not a grant**

- HTF provides loans—not grants—and developers must prove economic viability and demonstrate a repayment strategy

- **HTF is not a rental subsidy / voucher program**

- NC General Statute does not allow bond funds to be used for rental subsidies

- **HTF is not a housing locational service**

- Those in need of this should call 211

- **HTF is not a housing provider**

- The City does not own or manage any properties

# So, What is the Housing Trust Fund?

## □ HTF is a gap financing tool

- Provides low-cost capital for the following activities:
  - Construction (including rehabilitation)
  - Infrastructure
  - Property & land acquisition



**The Charlotte Post**  
The Voice of the Black Community

Business

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**The Park Ministries developing affordable senior apartment homes**

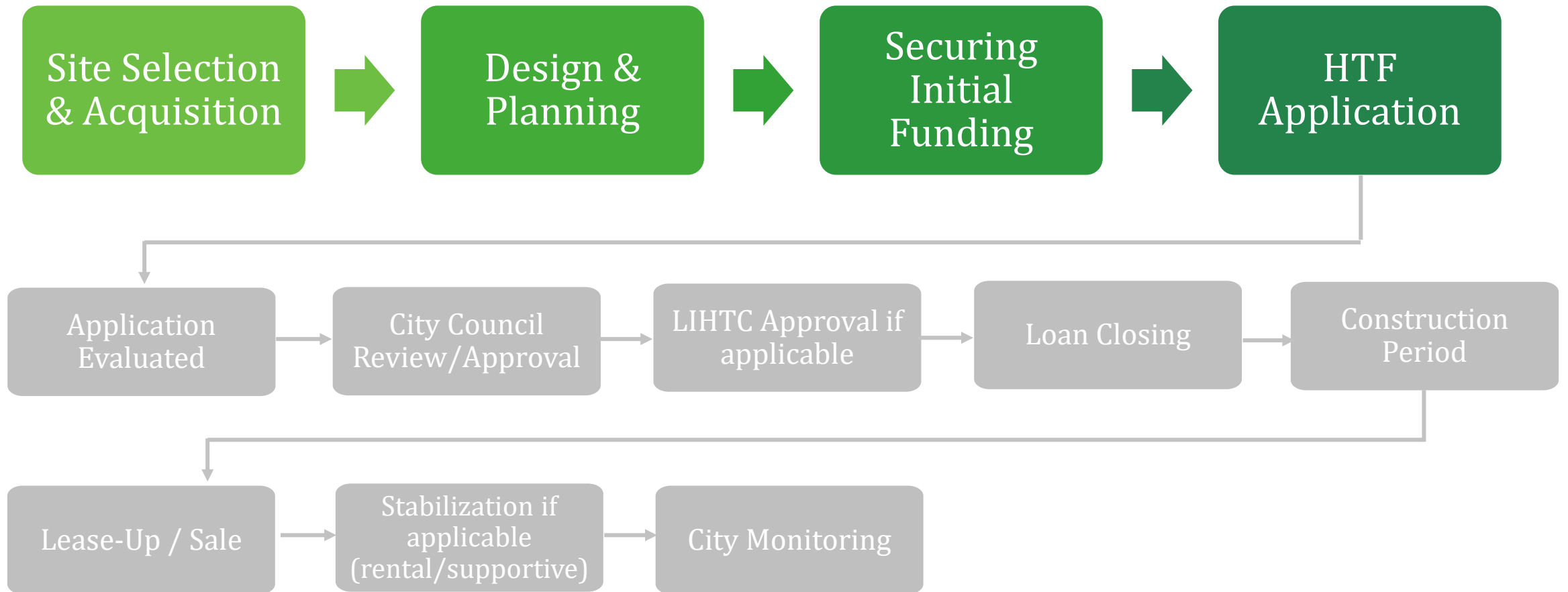
*News Story: December 15, 2021*



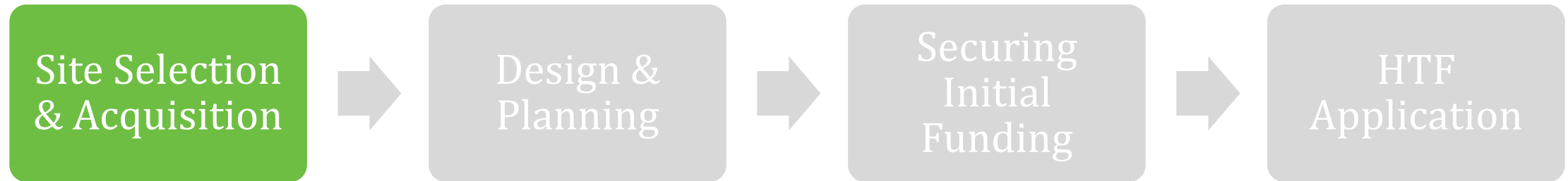
Centra Square  
St. Paul Baptist Church

# When Should a Development Team Apply for Housing Trust Fund Support?

# Where HTF Fits in the Development Process

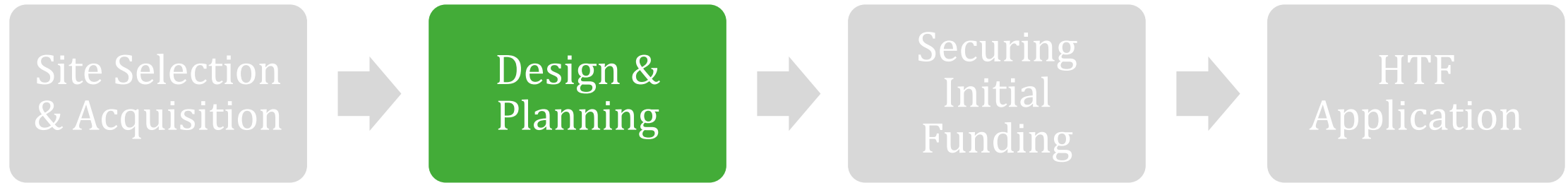


# Where HTF Fits in the Development Process



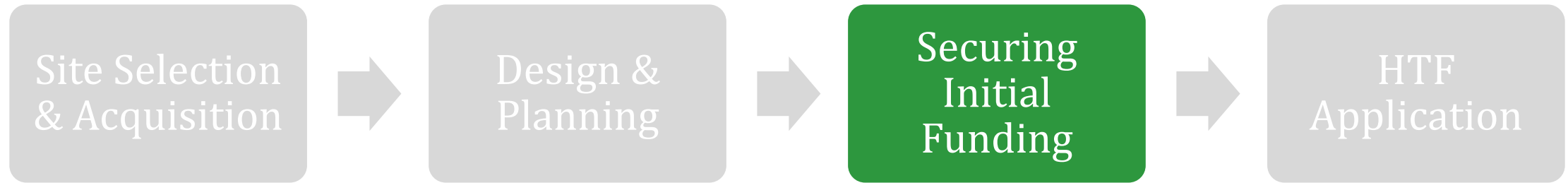
- ✓ Site Identification
- ✓ Market Analysis
- ✓ Due Diligence (Environmental, Title, Land Use/Zoning)
- ✓ Site Evaluation (Topography, Soil Conditions, Infrastructure, Legal Encumbrances)
- ✓ Financial Feasibility
- ✓ Securing Site (Negotiate, Execute Contracts)
- ✓ Community & Stakeholder Considerations

# Where HTF Fits in the Development Process



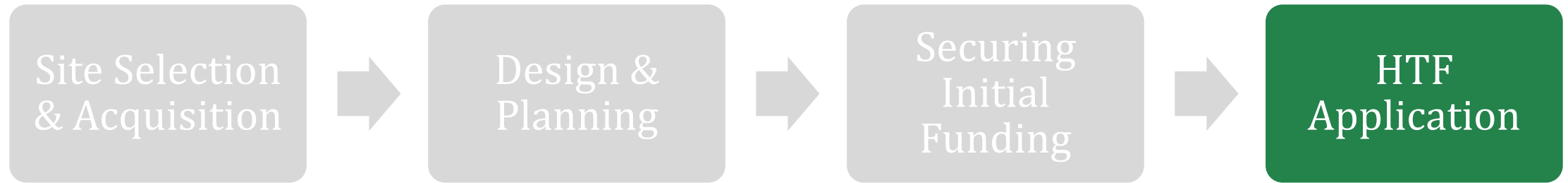
- ✓ Concept Design (Site Layout, Number & Type of Units)
- ✓ Architectural & Engineering (Drawings, Floor Plans, Systems Design)
- ✓ Permitting & Approvals (Plan Submission, Receive Permits)
- ✓ Financing Plan (Cost Estimates for Construction & Consultants)
- ✓ Project Scheduling

# Where HTF Fits in the Development Process



- ✓ Develop Business Plan
- ✓ Identify Funding Sources
- ✓ Prepare Financial Documents  
(Cost Estimates, Operating Proforma, Development Budget)
- ✓ Apply for Financing
- ✓ Negotiate LIHTC Pricing
- ✓ Identify Legal Counsel to Negotiate Complex Agreements

# Where HTF Fits in the Development Process



**As you can see, there are many steps a developer goes through before they are ready to apply to the Housing Trust Fund.**





# What Do You Need to Know About Applying to the Housing Trust Fund?

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Marvin Road Apartments  
Myers Park Presbyterian  
Antioch Missionary Baptist  
Grier Heights Presbyterian Church

# Development is a Team Sport

**While “developers” oversee the overall process, they are the metaphorical “head coach.”**

**There are many other “players” involved that developers identify, coordinate, and manage!**

- Lenders (usually multiple!)
- Attorneys
- Architects
- Engineers
- Environmental Consultants
- Insurance Providers
- Market Analysts
- Appraisers
- Surveyors
- General Contractors
- Public Officials
- Property Management

# Funding is Cyclical

1. City issues a Request for Proposal (RFP)
2. Developers apply
3. City evaluates applications
4. City Council reviews & awards funding
5. Developer closes on financing
6. Developer begins construction
7. City monitors throughout affordability period

*The City's RFP schedule is coordinated to align with LIHTC application deadlines.*

## RFP Timeline Example from Spring 2024 HTF funding cycle:

Activity	Dates
<b>Post RFP</b>	<b>Nov. 16, 2023</b>
RFP Review Webinar	Nov. 16, 2023
<b>Application Submission Deadline:</b>	<b>Jan. 26, 2024</b>
Planning Comments Returned	Feb. 23, 2024
Revised Site Plan Due	Mar. 8, 2024
Planning Support Determination	Apr. 3, 2024
City Council Review Meeting	Apr. 8, 2024
<b>City Council Approval</b>	<b>Apr. 22, 2024</b>
NCHFA Final App. Deadline (9%)	May 10, 2024

# Basic Requirements

- ✓ **All supported units must serve households earning up to 80% AMI**
  - ✓ Deeper affordability targeting for rental (20% at 30% AMI)
- ✓ **Long-term deed restrictions**
  - ✓ 40 years for rental
  - ✓ 15 years for homeownership
- ✓ **Charlotte Business Inclusion Commitments**
  - ✓ Support Minority-Owned, Woman-Owned, and Small Business Enterprises (MWSBE)
- ✓ **Source of Income Protections**
- ✓ **Community engagement**
  - ✓ Minimum of one (1) required community meeting
  - ✓ Engage early & often to gain support

# Comprehensive Application Process

- Proposal Narrative & Overview
- References
- Financial Statements
- Organizational Information
- Appraisal

- Development Financials
  - Proforma, Sources & Uses
- Evidence of Site Control
- Site Plan
- Community Engagement Plan

# Proposal Evaluation

- Meets basic requirements
- “But for” requirement
- Supports the City’s affordable housing policies & goals
- Financial feasibility
- Developer’s capability and experience
- Site location
- Timeliness
- Number of affordable housing units and targeting of incomes

# What is a Typical HTF Loan?

## □ “Soft” financing

- Below-market interest rate, typically 1-2%
- Flexible term

## □ Requires a debt coverage ratio of 1.15

- Example: If annual expenses are \$1,000,000, then income must be at least \$1,150,000

## □ Debt service is cash-flow contingent

# Important Notes

- **The Housing Trust Fund is a critical but ultimately small part of the development process and capital stack.**
- **The Housing Trust Fund is the last piece of capital needed.**
- **In other words, there are many other questions/challenges that developers must answer before seeking HTF support**
  - *Do you have the experience and capacity to navigate this complex process alone?*
  - *Do you have other hard financial commitments to cover at least 80-90% of the total costs?*
  - *Is your proposal possible given existing zoning and land constraints?*



# How Can Faith-Based Orgs Get Involved?

□ **There are three fundamental components of real estate development:**

1. Land
2. Capital
3. Labor

□ **But there are other just as important ways as well!**

- Provide Supportive Services, or partner with an agency that can
- Rental Assistance
- Housing Navigation
- Advocate
- And more!

# Future Sessions:

Land Use  
Others TBD

# Q&A

Michael Englehart  
Housing Trust Fund Manager  
980-297-1732  
Michael.Englehart@charlottenc.gov

**Sign up to receive emails about City Funding Opportunities:**  
**<https://publicinput.com/f8105>**

# Appendix

# Resources

- **Receive emails about City Housing Funding Opportunities:** <https://publicinput.com/f8105>
- **LIHTC Information:**
  - North Carolina Housing Finance Agency: <https://nchfa.com>
  - LIHTC for Regular People: <https://shelterforce.org/2023/11/30/lihtc-for-regular-people/>
  - LIHTC, The Good, Bad and Complicated: <https://shelterforce.org/series/lihtc-the-good-the-bad-and-the-very-complicated>
  - Tax Policy Center LIHTC briefing: <https://tpc.io/3WDyfB3>
  - Housing Forward Virginia LIHTC Basics: [https://bit.ly/LIHTC\\_Basics](https://bit.ly/LIHTC_Basics)
- **City's Data Resources (housing dashboard, affordable housing gap, quality of life explorer):** <https://data.charlottenc.gov>



**The Park Seniors**  
**FBO: The Park Church**

**Development Partner: Laurel Street**

<b>HTF Investment</b>	\$2 million
CHOIF (a private-sector fund)	\$4.3 million
Faith-based Land Contribution	\$480,000
<b>Total Development Cost</b>	<b>\$14.7 million</b>
Affordability Period	30 years
Leverage Ratio	1:7
Number Affordable Units	80
AMI Targeting	</= 80%
LIHTC?	Yes



**Varick on 7th**

**FBO: Little Rock AME Zion**

**Development Partner: Laurel Street**

<b>HTF Investment</b>	\$1.5 million
CHOIF (a private-sector fund)	\$3.2 million
City Land Contribution	\$1.3 million
<b>Total Development Cost</b>	<b>\$18 million</b>
Affordability Period	35 years
Leverage Ratio	1:9
Number Affordable Units	50
AMI Targeting	</= 80%
Number Market Rate Units	50
LIHTC?	No