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OCTOBER 14–17, 2014 • THE SHERATON DOWNTOWN DENVER, COLORADO

# Multi-family Affordable Housing Capital Solutions

Becky Christoffersen, Midwest Housing Development Fund, Inc.

## Midwest Housing Development Fund, Inc.

- CDFI since 2000
- Revolving loan fund
  - Affordable Housing
  - Primarily rental housing at or below 60% AMI
- Predevelopment/Acquisition
- Construction
- Gap Financing
- Permanent Financing
- Since inception 128 loans, \$32MM
- Loan capital \$13MM

## Capital to Support CDFI's

- Since financial meltdown of 2008.....
  - Predevelopment
  - Construction
  - Gap financing
  - Permanent financing

# Predevelopment Lending

- Unique challenges
  - Unsecured
  - Take out financing
  - Underwriting in process
  - Sunk costs

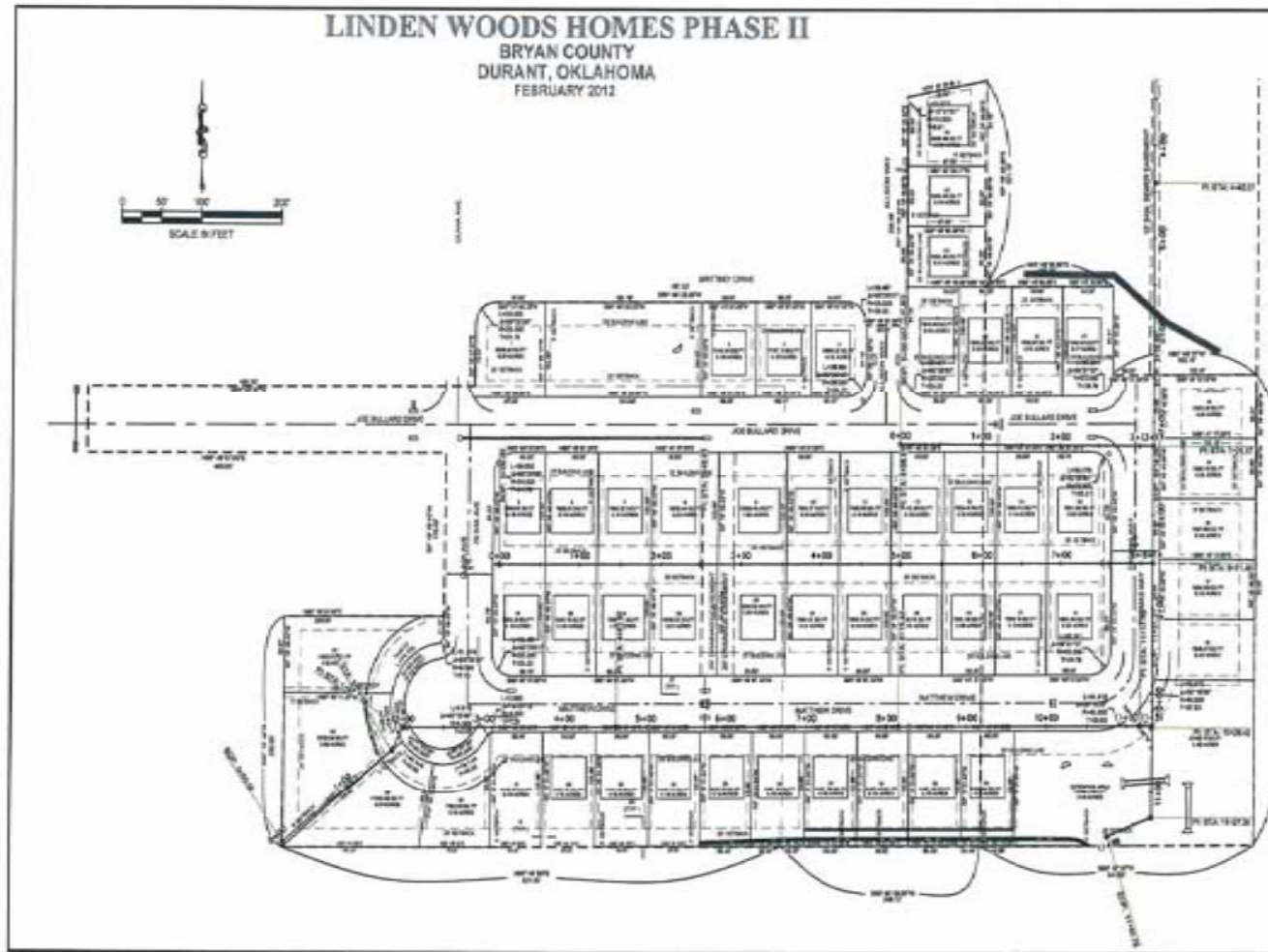
# 2014 OPPORTUNITY FINANCE NETWORK CONFERENCE



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# Predevelopment Lending

- Loan funded by a state wide nonprofit
  - Geographical requirements
  - 3.5%, 5 year
  - Participate in process
- Sources of capital
  - Equity
  - Grants
  - Other CDFI's and nonprofit organizations
    - Serving the area
    - Available cash
    - Desire to invest that cash
    - Mission related to community stability



# Construction Lending

- Unique challenges
  - Subordinated lien/guaranty position
  - Required funding position
  - Security from the GC
  - Construction management policies
  - Tax out financing
  - Cost cap limitations

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## Crane Building

- Sources of financing:
  - Primary construction loan-amount determined by appraisal
  - 15 year tax abatement
  - State historic tax credits
  - State enterprise zone tax credits
  - Federal historic tax credits
  - Federal low income housing tax credits

# Construction Lending

- Loan funded by state HFA
  - Secured
  - HFA approves each loan
  - Geographical requirements
  - 5 year term
- Sources of capital
  - Banks
  - State/local governments

# Gap Financing Lending

- Unique challenges
  - No guaranty
  - Subordinated lien position, maybe
  - Underwriting and believing repayment
    - May be cash flow contingent
    - May rely on some future source of funding
    - May rely on balloon payment





# Gap Financing Lending

- Loan funded by CDFI Award
  - Preserve affordable housing in Kansas
  - Last year matching funds were not required
  - Grant capital
- Sources of capital
  - CDFI Fund
  - FHLB-revolving loan fund
  - State and local government-HOME, Trust Funds
  - Foundations



# Permanent Lending

- Unique challenges
  - Loans not fully amortizing
  - Conversion periods
  - Forward commitments
  - Fixed interest rates
  - Need may arise from a work out



# Permanent Lending

- Loan funded by a local nonprofits
  - Preserve this property
  - We have to make effort to refinance once stabilized
- Sources of capital
  - 15-30 year capital is a challenge
  - FHLB membership
  - Insurance companies
  - Take out-CRF
  - Other panelists.....