



ONAP Training & Technical Assistance  
*Virtual Session*

**Mixed Income Development**

June 22 & 23, 2021



This virtual training is sponsored by the  
U.S. Department of Housing & Urban Development's Office of Native American Programs and the  
National American Indian Housing Council



## Learning Environment

- Mute yourself
- Use the chat box
- Turn your video on
- Session will be recorded



## Webinar's Objectives

- Provide an overview of mixed income development considerations
- Provide tools to help guide decisions
- Provide basic understanding of financial and other considerations

## Agenda – Day 1

- 11:00 – 11:15 Introductions & Course Description
- 11:15 – 12:00 General Planning Considerations
- 12:00 – 1:00 Site Selection Considerations
- 1:00 – 2:00 Break
- 2:00 – 3:45 Determining available Funding Programs
- 3:45 – 4:00 Break
- 4:00 - 4:45 Determining Feasibility
- 4:45 - 5:00 Q & A and End Day 1

## Agenda – Day 2

- 11:00 – 11:15 New Questions from Previous Days Training
- 11:15 – 1:00 Financial Reports Explained
- 1:00 – 2:00 Break
- 2:00 – 3:45 Fair Housing and NAHASDA
- 3:45 – 4:00 Break
- 4:00 – 4:45 Putting it All Together and Other Considerations
- 4:45 - 5:00 Q & A and End Day 2

## TA Contacts by ONAP Area Office

	Name	Email	Phone Number
<b>AKONAP</b>	Deb Alston	deb.alston@hud.gov	907.677.9863
<b>EWONAP</b>	Mary White	Mary.White@hud.gov	312.913.8762
<b>NPONAP</b>	Katie Gloystein	Katie.E.Gloystein@hud.gov	303.672.5147
<b>NWONAP</b>	Kirsten Franklin-Temple	kirsten.u.franklin-temple@hud.gov	206.220.6415
<b>SPONAP</b>	Sherri Coleman	Sherri.A.Coleman@hud.gov	405.609.8549
<b>SWONAP</b>	Deborah Broermann	Deborah.S.Broermann@hud.gov	602.379.7198

## Why Mixed Income

- Market Rate may Subsidize low-income units
- Encourages all income levels to move back to community
- More availability of services on reservation (essential families)
- Encourage economic development

## Mixed Income vs. Mixed Use

- Mixed Income is for households of various income levels
- Mixed Use is the use of a building or set of buildings for more than one purpose
  - Can combine office, commercial, industrial, and residential
  - Allows for new “town center”
  - Saves travel, walkable, provides jobs
  - Residential is typically mixed income

## Mixed Use Example



## Mixed Use Example



## Determine Housing Needs - Population

- Elderly
- Families
- New Households
- Veterans
- Disabled
- Students
- Workers
- Homeowners
- Renters
- Supportive Housing
- Homeless
- Low / Moderate / High Income

## Determine Housing Needs — New Construction

- Reduce your Waiting List
- Demand
- Alleviate Overcrowding
- Homeownership
- Rental
- Green components
- Availability of Land
- Environmental Review
- Infrastructure
- Infill

## Determine Housing Needs — Rehabilitation

- Homeowner Rehab
- Rental Rehab
- Manage Maintenance Costs
- Improve Energy Efficiency
- Environmental Concerns
- Increase Space
- Increase Amenities
- Accessibility

## Determine Housing Needs – Community Space

- Fencing
- Housing Office
- Community Facility Building
- Playground / Basketball Court
- Walking Trails
- Social / Resident Services
- Swimming Pool
- Community Gardens
- Police/Fire Substation
- Resident Manager Unit

## Determine Housing Reasons

- Economic Development
- Workforce Housing
- Reduce Waiting List
- Serve over income tenants
- All of the Above



## Helpful Tools — Needs Survey

- Asks Specific Questions to membership on and off reservation
- Discusses variety of topics
  - Housing
  - Services
  - Economic Development

## Helpful Tools — Waiting List

- Current information
  - How long have people waited for housing
  - Is it up to date
- Outreach
  - Is there a reluctance to apply
  - Is the process to apply easy to understand

## Helpful Tools — Market Study

- Completed by a third party
  - Will review TDHE's waiting list and existing rentals
  - Will define a market area
- Based on Census information (demographics)
  - Population, age, renter vs. owner, income, etc.
- Compares other housing in the area
  - Rents, location, amenities, vacancies, age, etc.

## Helpful Tools — Marketing Plan

- A written strategy that helps you build the Pipeline so that renters are ready when construction is completed
  - Measurable goals with a timeline
  - Periodic communication with Tribal leaders
  - Regular review of data
  - Updated as necessary to meet goals

## Helpful Tools — Marketing Plan

- Strategy for building/maintaining pipeline
  - Waiting list criteria
  - Tenant readiness (credit issues)
  - Tenant education (mixed-income)
- Outreach
  - Social media, websites, etc.
  - Advertising
- Budget
  - Tenant readiness
  - Advertising
  - Staff
  - Events

## Helpful Tools — Marketing Plan

- Challenges
  - High debt/credit issues regardless of income
  - Fear of housing rent payments
  - Perceptions of reservation housing
  - Perceptions of quality of housing (services/amenities)

## Site Selection Considerations

- Fee Land
  - Jurisdiction
  - Real Estate Taxes
  - Zoning and other approvals
  - Other nearby housing
  - Special rules for combining or leveraging federal funds

## Site Selection Considerations

- Trust Land
  - Access to financing programs
  - Tribal support for land lease
  - Special rules for combining or leveraging federal funds

## Site Selection Considerations

- Acquisition/Rehabilitation of Existing Buildings
  - Adaptive Reuse
  - Historic Tax Credits
  - Acquisition
  - Appraisal
  - Stigma / Vacancies
  - Tenant Relocation

## Determine Available Funding Programs

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>➤ Tribal</li> <li>➤ NAHASDA</li> <li>➤ ICDBG (grant)</li> <li>➤ Low Income Housing Tax Credits (LIHTC) (equity)</li> <li>➤ Housing Trust Funds (typically grant)</li> <li>➤ HOME Funds (both)</li> <li>➤ Affordable Housing Program (grant)</li> <li>➤ CDFI or other Non-Profit Lenders</li> </ul> | <ul style="list-style-type: none"> <li>➤ Title VI (loan)</li> <li>➤ Section 184 (loan)</li> <li>➤ BIA / IHS (typically grant)</li> <li>➤ Rural Development (both)</li> <li>➤ New Markets Tax Credits (NMTC) (equity)</li> <li>➤ Solar Tax Credits (equity)</li> <li>➤ IHBG Competitive (grant)</li> <li>➤ Historic Tax Credits</li> <li>➤ Conventional Loans</li> <li>➤ Other</li> </ul> |
|---|--|

## Financing Strategies

- Money that doesn't have to be paid back - grants and equity
- Funding Available
- Compliance Requirements
- Competitiveness of Program
- Gap or Leverage Required
- Predevelopment and/or Bridge Funds
- Economies of Scale

## Financing Strategies

- Restricted Funds
  - Federal funds
  - Strings attached
  - Compliance requirements
- Non-Restricted Funds
  - Typically loan funds
  - Historic Tax Credit equity
- Other Funds (strings attached and compliance requirements)
  - LIHTC Equity
  - Affordable Housing Program grants

## NAHASDA

- Principal Statutory Objectives
  - Assist and promote affordable housing
  - Improve access to mortgage finance markets for tribal housing
  - Encourage self-sufficiency
  - Plan and integrate infrastructure
  - Promote private capital market participation

## NAHASDA

- Families with incomes at or below 80% of Median Income Limits
  - Eligible for program
- Families with incomes between 81 - 100%
  - 10% of IHBG can be used if no other Housing available without HUD approval
- Essential Families
  - 10% limit is not applicable

## NAHASDA & Fair Housing Laws

- Be mindful of how you are using the NAHASDA (including Title VI) funds - only projects owned Tribe or TDHE are exempt from these laws if the project is located out of Tribe's jurisdiction
  - Market/assist only \*Indian families for Projects out of Tribal Jurisdiction, if using NAHASDA :
    - And federal funds (HOME, USDA, ICDBG/CDBG) – “combined funds” based on proportional, pro-rated basis of units (or actual costs if not comparable units) %
    - Alone, 100% of the units
    - And Private funds (e.g., LIHTC) “leveraged funds”
- \* NAHASDA Eligible
- \*Refer to PIH 2010-32 (PIH 2011-40) and as needed work with experienced fair housing lawyers, consultants and HUD ONAP

## NAHASDA Assisted Units

PIH 2010-32/2011-40 details how to determine which units/lots are assisted when using NAHASDA and what program rules will apply:

- Combined Funds: Housing located on land where Tribe does not have sovereignty/civil jurisdiction and project is funded with IHBG and other federal funds with nondiscrimination requirements.
  - Example: HOME and CDBG funds considered combined when used on non-Tribal sovereign land. Must designate NAHASDA restricted units; if all units are similar then units funded can be determined on prorate basis.
- Leveraged Funds: All units in an affordable housing project will be occupied by tribally enrolled members in accordance with NAHASDA
  - Example: NAHASDA and LIHTC projects



## Preference Rules – Overview

Funding Source\Location of the Activity		Within Indian Land	Outside Indian Land
100% NAHASDA		Low-Income Indians Only Tribal Preference Allowed	Low-Income Indians Only Tribal Preference Allowed
Mixed	“Leveraged”	Low-Income Indians Only Tribal Preference Allowed  Check with other federal sources to be safe	Low-Income Indians Only Tribal Preference Allowed  Check with other federal source to be safe
	“Combined”	With Private Funding	Low-Income Indians Only Tribal Preference Allowed
With Public Funding		Low-Income Indians Only Tribal Preference Allowed  Waivers may be necessary from other public funding sources (incl. state)	Proportionality Rule  Waivers may be necessary from other public funding sources (incl. state)
0% NAHASDA		Open question as to whether Fair Housing Act applies in Indian Lands without waiver given by NAHASDA	Follow state and federal Non-Discrimination Laws. May not limit/prefer Housing to Indians and May not give Tribal preference.

## Civil Rights Statutes Relevant to Mixed-Finance Housing Activities

- Indian Civil Rights Act (25 USC 1301)
  - Sets out certain fundamental rights as inalienable for tribes.
- Fair Housing Act (“Title VIII” or “FHA,” 42 USC 3601)
  - Federal statute that prohibits any housing discrimination based on “race, color, national origin, religion, sex, disability, familial status.”
- Title VI of the Civil Rights Act of 1968 (25 USC 2000d)
  - Title VI prohibits discrimination based on race, color and national origin in programs and activities receiving federal financial assistance.
- Section 504 of the Rehabilitation Act of 1973 (29 USC 794)
  - Section 504 prohibits discrimination against people with disabilities in programs that receive federal financial assistance.
- Age Discrimination Act of 1975 (42 USC 6101)
  - Age Discrimination Act prohibits discrimination on the basis of age in programs and activities receiving federal financial assistance.

## Low Income Housing Tax Credits (LIHTC)

- IRS Program
- Generates tax credits for investors
- Private equity investment – not considered federal funds
- Dollar for dollar reduction in tax liability
- Credits calculated on number of affordable units
  - Affordable is defined as 60% and below of Area Median Income (AMI)
  - Income Averaging allows for up to 80% of AMI as long as average of 60% AMI
  - May include non-restricted units, but must have at least 40% at 60% AMI or 20% at 50% AMI

## Low Income Housing Tax Credits (LIHTC)

- 9% credits are competitive
  - Typically funds 80% or more of Total Development Costs (TDC) – if 100% affordable
  - Scoring categories typically include:
    - Deep income/rent skewing
    - Mixed income
    - Leveraging
- 4% credits are typically non-competitive
  - Uses tax exempt bonds as an additional source of funds
  - Usually has minimum score requirement

## Low Income Housing Tax Credits (LIHTC)

- Credits are allocated on a building-by-building basis
  - If not 100% affordable units, then design should be apartment type dwelling
- 15-Year mandatory compliance period and a 15-year extended use period
  - The project could be structured as a homeownership which requires rental for the first 15-years and then allows the tenants to purchase their units

## Low Income Housing Tax Credits (LIHTC)

- Developers compete for tax credits through their state allocating agency
- Investors purchase the credits and provide equity for the construction of the project
- The project is built with a limited amount of NAHASDA and/or other Tribal debt
- Allows for more units for less money and more units over less time

## Low Income Housing Tax Credits (LIHTC) 9% New Construction Example

100% Affordable

	<b>Your Project</b>	<b>TC Project</b>	<b>Difference</b>
Cost: \$150K/house & \$30K/infrastructure	\$ 5,400,000	\$ 6,710,000	
Less: excess costs (infrastructure)		\$ (1,000,000)	
Equals: Basis		\$ 5,710,000	
Basis Boost		\$ 7,423,000	
Times: Credit Rate (9%) x 10		\$ 6,680,700	
Cost from above	\$ 5,400,000	\$ 6,710,000	\$ 1,310,000
Less Investor Equity @ \$0.81	\$ -	\$ (5,411,367)	\$ (5,411,367)
Less AHP or ICDBG or Other			\$ -
Equals: Tribal Contribution	\$ 5,400,000	\$ 1,298,633	\$ (4,101,367)
Less: Developer Fee (15%)	\$ -	\$ (810,000)	\$ (810,000)
Equals: Final Cost	\$ 5,400,000	\$ 488,633	\$ (4,911,367)
# of units	30	30	
<b>Cost/Unit</b>	<b>\$ 180,000</b>	<b>\$ 16,288</b>	<b>\$ (163,712)</b>

## Low Income Housing Tax Credits (LIHTC) 9% New Construction Example

80% Affordable

	<b>80%</b>	<b>100%</b>	<b>Difference</b>
Cost: \$150K/house & \$30K/infrastructure	\$ 6,710,000	\$ 6,710,000	
Less: excess costs (infrastructure)	\$ (1,000,000)	\$ (1,000,000)	
Equals: Basis	\$ 5,710,000	\$ 5,710,000	
Times: Affordability %	\$ 4,568,000	\$ 5,710,000	
Basis Boost	\$ 5,938,400	\$ 7,423,000	
Times: Credit Rate (9%) x 10	\$ 5,344,560	\$ 6,680,700	
Cost from above	\$ 6,710,000	\$ 6,710,000	\$ -
Less Investor Equity @ \$0.81	\$ (4,329,094)	\$ (5,411,367)	\$ (1,082,273)
Equals: Tribal Contribution	\$ 2,380,906	\$ 1,298,633	\$ (1,082,273)
Less: Developer Fee (15%)	\$ (1,006,500)	\$ (1,006,500)	\$ -
Equals: Final Cost	\$ 1,374,406	\$ 292,133	\$ (1,082,273)
# of units	30	30	
<b>Cost/Unit</b>	<b>\$ 45,814</b>	<b>\$ 9,738</b>	<b>\$ (36,076)</b>

# Low Income Housing Tax Credits (LIHTC) 4% New Construction Example

100% Affordable

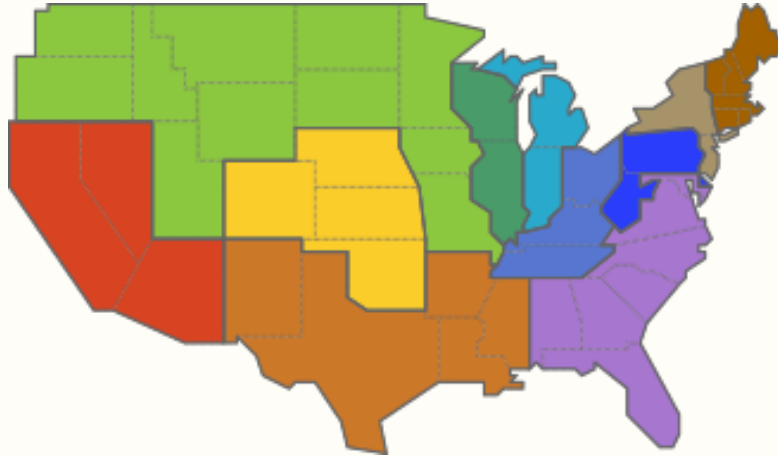
	<u>Your Project</u>	<u>TC Project</u>	<u>Difference</u>
Cost: \$150K/house & \$30K/infrastructure	\$ 5,400,000	\$ 6,910,000	
Less: ineligible costs		\$ (300,000)	
Equals: Basis		\$ 6,610,000	
Basis Boost		\$ 8,593,000	
Times: Credit Rate (4%) x 10		\$ 3,437,200	
Cost from above	\$ 5,400,000	\$ 6,910,000	\$ 1,510,000
Less Investor Equity @ \$0.82	\$ -	\$ (2,818,504)	\$ (2,818,504)
Less AHP or ICDBG or Other			\$ -
Equals: Tribal Contribution	\$ 5,400,000	\$ 4,091,496	\$ (1,308,504)
Less: Developer Fee (15%)	\$ -	\$ (1,036,500)	\$ (1,036,500)
Equals: Final Cost	\$ 5,400,000	\$ 3,054,996	\$ (2,345,004)
# of units	30	30	
<b>Cost/Unit</b>	<b>\$ 180,000</b>	<b>\$ 101,833</b>	<b>\$ (78,167)</b>

# Low Income Housing Tax Credits (LIHTC) 4% New Construction Example

80% Affordable

	<u>80%</u>	<u>100%</u>	<u>Difference</u>
Cost: \$150K/house & \$30K/infrastructure	\$ 6,910,000	\$ 6,910,000	
Less: ineligible costs	\$ (300,000)	\$ (300,000)	
Equals: Basis	\$ 6,610,000	\$ 6,610,000	
Affordability %	\$ 5,288,000	\$ 6,610,000	
Basis Boost	\$ 6,874,400	\$ 8,593,000	
Times: Credit Rate (4%) x 10	\$ 2,749,760	\$ 3,437,200	
Cost from above	\$ 6,910,000	\$ 6,910,000	\$ -
Less Investor Equity @ \$0.82	\$ (2,254,803)	\$ (2,818,504)	\$ (563,701)
Equals: Tribal Contribution	\$ 4,655,197	\$ 4,091,496	\$ (563,701)
Less: Developer Fee (15%)	\$ (1,036,500)	\$ (1,036,500)	\$ -
Equals: Final Cost	\$ 3,618,697	\$ 3,054,996	\$ (563,701)
# of units	30	30	
<b>Cost/Unit</b>	<b>\$ 120,623</b>	<b>\$ 101,833</b>	<b>\$ (18,790)</b>

## Affordable Housing Program (AHP) through the Federal Home Loan Bank (FHLB)



## Affordable Housing Program (AHP)

- Rental
  - Development Projects - New Construction and Acquisition/Rehab
  - Rental Rehabilitation Projects
- Homeownership
  - Development Projects - New Construction and Acquisition/Rehab
  - Development - Habitat for Humanity Projects
  - Owner Occupied Rehabilitation
  - Down Payment and Closing Cost Assistance

## Affordable Housing Program (AHP)

- Competitive scoring
  - Income targeting
  - Homeless
  - Special needs
  - Subsidy per unit
  - Small projects
  - Member participation
  - Empowerment
  - Other
- May be mixed-income

## Affordable Housing Program (AHP)

- Each district has an array of other programs
- Examples of other programs (through Dallas district)
  - Homebuyer Equity Leverage Partnership (HELP) – 1<sup>st</sup> time homebuyers
  - Special Needs Assistance Program (SNAP) – rehabilitation assistance
  - Housing Assistance for Veterans (HAVEN) – accessibility assistance
  - Partnership Grant Program (PGP) – operations assistance for community organizations
  - Community Investment Program (CIP) – favorable financing for projects
  - Economic Development Program (EDP) – favorable financing for economic development
  - Disaster Relief Program (DRP) – favorable financing in federally declared disaster areas

## New Markets Tax Credits (NMTC)

- Community Development Financial Institution (CDFI) administered
- NMTCs provide a credit against Federal income taxes for investors that make Qualified Equity Investments (QEIs) in certified financial intermediaries called “Community Development Entities (CDEs).” – NMTCs are awarded to CDEs, not to individuals or businesses
- CDEs, in turn, use the proceeds of these QEIs to make Qualified Low-Income Community Investments (QLICs), such as business loans, in Low-Income Communities

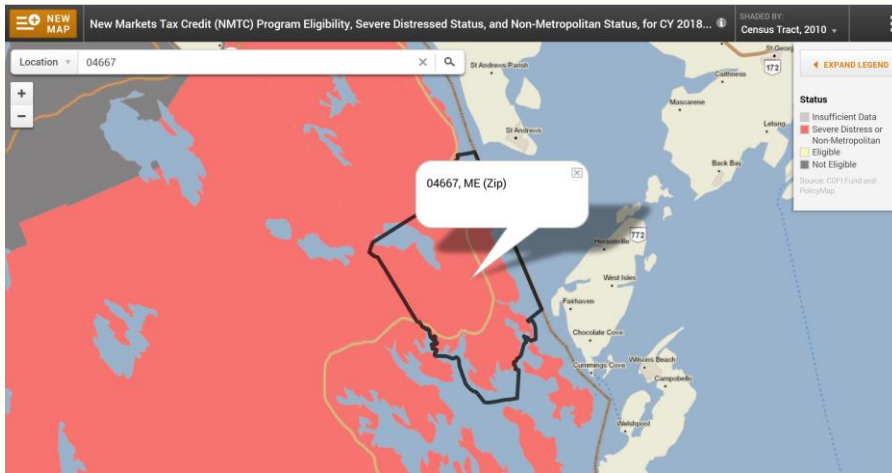
## New Markets Tax Credits (NMTC)

- The NMTC Program provides an incentive for investment in “Low-Income Communities” (LICs). LICs are census tracts:
  - Where the poverty rate is at least 20%; or
  - Where the median family income does not exceed 80% of the area median family income; or
  - Where the median family income does not exceed 85% of the area median family income provided the census tract is located in a high migration rural county; or
  - Where the census tract has a population of less than 2,000 and is contained within a Federally designated Empowerment Zone and is contiguous to at least one other LIC



## New Markets Tax Credits (NMTC)

- The NMTC Program is location based



## New Markets Tax Credits (NMTC)

- Prohibited Businesses

- Residential rental property – if 80% or more of revenue is from rental incomes from dwelling units
- Certain businesses, such as:
  - Golf courses
  - Race tracks
  - Gambling facilities
  - Certain farming businesses
  - Country clubs
  - Massage parlors
  - Hot tub facilities
  - Suntan facilities
  - Liquor stores

## New Markets Tax Credits (NMTC)

- Structured as a loan with interest only payments for seven years
- Will yield about 20-25% of TDC
- NMTC fees
  - Up front financing fee (typically 3-5%)
  - Attorney and Accountant fees
  - Consulting fees
  - Exit fees

## Title VI Loans

- Authorizes HUD to guarantee financing for the purpose of affordable housing activities.
- Eligible Activities:
  - Modernization of existing 1937 Act housing
  - New construction
  - Model Housing Activities
- Guarantee covers 95% of the principal and interest outstanding
- Maximum commitment is the annual NAHASDA grant less the amount required to maintain CAS multiplied by 5.
- Must evidence financial capacity to repay loan

## CDFI or Other Mission Driven Lender Loans

- Typically require collateral
- Typically Market rate
- Ability to repay
- Threat of foreclosure
- Closing costs
- Loan origination fees
- Rely on financial underwriting
- May be comfortable lending on tribal trust land

## Conventional Bank Loans

- Typically require collateral
- Market rate
- Ability to repay
- Threat of foreclosure
- Closing costs
- Loan origination fees
- Rely on financial underwriting
- Banks are reluctant to lend on tribal trust land

## Determining Feasibility — Predevelopment Costs

- Costs that are required to be paid before funds are available
- Examples:
  - Architect & Engineering
  - Appraisals
  - Consultants
  - Market Studies
  - Surveys
  - Application Fees
  - Environmental Studies
- At risk of losing if development falls through
- May be able to apply for predevelopment grants or loans – but usually small amounts

## Determining Feasibility — Sources and Uses

- A schedule showing that the development costs and the sources of funds used to pay for the costs
- Depending on programs used, there may be a need to separate by project type
  - Water/Sewer project – Indian Health Services
  - Roads project – Bureau of Indian Affairs
  - Community Facility project – Rural Development
  - Infrastructure project – Indian Community Development Block Grant
  - Housing project – may include all of the above or may be separated
- The sources and uses need to match exactly
  - Funding gap – too few sources
  - Funding surplus – too many sources
- Initially based on estimates and updated based on contract amounts

## Determining Feasibility — Sources and Uses

### Sources:

LIHTC Equity	\$5,411,367
AHP	\$ 500,000
TDHE Funds	<u>\$ 798,633</u>
Total	\$6,710,000

### Uses:

Construction	\$5,360,000
Soft Costs	\$ 500,000
Developer Fee	\$ 810,000
Reserves	<u>\$ 40,000</u>
Total	\$6,710,000

## Determining Feasibility — Operating Pro-Forma

### ➤ Rents

- Vary depending on financing used
- Increase each year
- Substantiated by market study

### ➤ Expenses

- Vary depending on financing used
- Increase each year

### ➤ Vacancy allowance

### ➤ Reserves

### ➤ Breakeven operations versus subsidized units versus economic development

- Waiting list
- Availability of Section 8 Vouchers

### ➤ Initially based on estimates and updated based on performance

## Determining Feasibility — Operating Pro-Forma

	YR 1	YR 2	YR 3	YR 4	YR 5
Gross Rent	186,300.00	190,026.00	193,826.52	197,703.05	201,657.11
Rental Assistance	-	-	-	-	-
Other Income	-	-	-	-	-
Total Revenue	186,300.00	190,026.00	193,826.52	197,703.05	201,657.11
(Vacancy Loss)	(13,041.00)	(13,301.82)	(13,567.86)	(13,839.21)	(14,116.00)
<b>NET REVENUE</b>	<b>173,259.00</b>	<b>\$ 176,724.18</b>	<b>\$ 180,258.66</b>	<b>\$ 183,863.84</b>	<b>\$ 187,541.11</b>
Management Fee	10,395.54	10,707.41	11,028.63	11,359.49	11,700.27
Advertising	1,500.00	1,545.00	1,591.35	1,639.09	1,688.26
Compliance / Audit	1,800.00	1,854.00	1,909.62	1,966.91	2,025.92
Asset Management Fee	5,000.00	5,150.00	5,304.50	5,463.64	5,627.54
Legal	5,000.00	5,150.00	5,304.50	5,463.64	5,627.54
Accounting / Audit	12,000.00	12,360.00	12,730.80	13,112.72	13,506.11
Insurance	22,000.00	22,660.00	23,339.80	24,039.99	24,761.19
Decorating	2,700.00	2,781.00	2,864.43	2,950.36	3,038.87
Grounds Maintenance	21,600.00	22,248.00	22,915.44	23,602.90	24,310.99
Repairs/Maintenance	14,400.00	14,832.00	15,276.96	15,735.27	16,207.33
Supplies	4,380.00	4,511.40	4,646.74	4,786.14	4,929.73
Pest Control	4,800.00	4,944.00	5,092.32	5,245.09	5,402.44
Electric & Gas	8,800.00	9,064.00	9,335.92	9,616.00	9,904.48
Water & Sewer	8,000.00	8,240.00	8,487.20	8,741.82	9,004.07
Trash & Snow Removal	5,000.00	5,150.00	5,304.50	5,463.64	5,627.54
Other - Admin	6,400.00	6,592.00	6,789.76	6,993.45	7,203.26
Other - Enrichment Services	3,500.00	3,605.00	3,713.15	3,824.54	3,939.28
Replacement Reserves Deposits	12,000.00	12,360.00	12,730.80	13,112.72	13,506.11
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 149,275.54</b>	<b>\$ 153,753.81</b>	<b>\$ 158,366.42</b>	<b>\$ 163,117.41</b>	<b>\$ 168,070.94</b>
Expenses per unit	3,731.89	3,843.85	3,959.16	4,077.94	4,200.27
Expenses per unit per month	310.99	320.32	329.93	339.83	350.02
<b>NET OPERATING INCOME</b>	<b>\$23,983.46</b>	<b>\$22,970.37</b>	<b>\$21,892.24</b>	<b>\$20,746.43</b>	<b>\$19,530.17</b>

## Determining Feasibility — Marketability

- Design
  - Community Amenities
  - Unit Amenities
  - Comparable units for each income type
  
- Alternative Housing
  - Location
  - Amenities
  - Vacancies
  - Demand/Waiting lists

## Determining Feasibility – Construction

- Design
- Specifications
- Location
- Availability of contractors
- Required green components, depending on funding
- Economies of scale

## Determining Feasibility – Other

- Capacity
- Timelines
- Competitiveness
- Guarantor

## Financial Information Explained

- Limits
  - AMI limits on income and rent
  - Per unit and/or per project TDC limits
- Loan to Value Ratio (LTV)
  - The ratio of a loan to the value of an asset purchased
  - The higher the LTV, the riskier the loan for the lender
  - Example: If the loan is \$130,000 and the value of the asset is \$150,000, the LTV Ratio is 87%
- Debt Service Coverage Ratio (DSC)
  - Used to size the mortgage loan
  - The ratio of net operating income (NOI) available after operating expenses to service debt payments
  - Example:  $\text{NOI} = \$50,000$  divided by required 1.2 DSC ratio = \$41,667 available to pay debt

## Financial Information Explained

- NAHASDA Assisted Units
  - Units may be fixed or floating
  - Pro-rating the costs
    - For projects where the units are comparable in size, amenities
    - For common costs that benefit all residents
  - Unit by unit costs
    - For projects where units are not comparable in size, amenities



## Financial Information Explained

- NAHASDA Assisted Units – 40 units comparable
  - Prorate NAHASDA
    - Amount of NAHASDA divided by total eligible costs/sources = NAHASDA %, then multiply total costs/sources by that NAHASDA %
    - Example:
      - \$100,000 NAHASDA / \$1,000,000 TDC = 10%
      - 40 units x 10% = 4 NAHASDA assisted units

## Financial Information Explained

Rental Prorated Share Allocation of Comparable Units/Costs in Mixed Income				
Number of Units	15	Per Unit	# of Units Targeted Low Income	# of Units Targeted Market Rate
Uses	Total	Per Unit	11	4
Acquisition of Rental Project	\$375,000	\$25,000	\$275,000	\$100,000
Rehabilitation	\$750,000	\$50,000	\$550,000	\$200,000
Financing Costs	\$15,000	\$1,000	\$11,000	\$4,000
Professional Fees	\$20,000	\$1,333	\$14,667	\$5,333
Relocation	\$37,500	\$2,500	\$27,500	\$10,000
Subtotal	\$1,197,500	\$79,833	\$878,167	\$319,333
Developer Fee	3% \$35,925	\$2,395	\$26,345	\$9,580
<b>Total Costs</b>	<b>\$1,233,425</b>	<b>\$82,228</b>	<b>\$904,512</b>	<b>\$328,913</b>
<b>Sources</b>	<b>Total</b>	<b>% of Source</b>		
IHGB - Required Based on Other Sources	\$733,425	59%		
Program Income	\$500,000	41%		
Bank	\$-	0%		
Tribal Funds	\$-	0%		
	\$1,233,425	100%		

Minimum NAHASDA Assisted Units

9

Meet NAHASDA Minimum?

Yes

Total NAHASDA ÷ Total Sources = % of NAHASDA Funds. Multiply that Percentage Times the Number of Total Units = NAHASDA Assisted Units

## Financial Information Explained

- NAHASDA Assisted Units – 40 units not comparable
  - Determine costs for low income versus market units
  - If the site and common areas are comparable, then costs for these items may be prorated
  - Calculate

## Financial Information Explained

Desired # of Affordable Units in Basic	10
Desired # of Affordable Units in Moderate	5
<b>Total Affordable Units</b>	<b>15</b>
Desired # of Market Rate in Moderate	15
Desired # of Market Rate in High End	10
<b>Total Market Rate Units</b>	<b>25</b>

Costs For Units by Income and Type	Total
<b>Basic and Moderate Units for Affordable</b>	<b>\$2,438,750</b>
Affordable Units - Land/Infrastructure/Common	\$330,000
Developer Fee	\$91,631
<b>Total Costs for LI Targets</b>	<b>\$2,860,381</b>
Moderate and High-End Units for Market	\$4,826,250
Market Units - Land/Infrastructure/Common	\$550,000
Developer Fee	\$152,719
<b>Total Costs for Market Rate</b>	<b>\$5,528,969</b>
<b>Total Project Costs</b>	<b>\$8,389,350</b>

<b>Total Costs for Comparable Site</b>	<b>\$880,000</b>
Per Unit/40 Units	\$22,000
Total for LI Units	\$330,000
Total for Market	\$550,000
<b>Total</b>	<b>\$880,000</b>

## NAHASDA - Limiting Assistance to Low-Income Indian Households / Tribal Preference

Section 201 generally limits assistance to “low-income Indian families”  
 Additionally, NAHASDA allows recipients to have tribal preference in contracting, employment, training, and housing assistance. 24 CFR 1000.48 & 1000.120

Section 201(b)(6) of NAHASDA

“Title VI ... and Title VIII ... shall not apply to actions by federally recognized tribes and the tribally designated housing entities of those tribes under this Act.”

## Fair Housing and NAHASDA

- Many federal and state funds come with their own non-discrimination requirements.
- Some non-discrimination requirements are waivable by agencies, others are not.
- Usually these non-discrimination requirements are interpreted to apply to the whole project, even in mixed projects.
- Agencies and offices handling those funds should be informed of the mixed-finance projects at early stages. They may demand specific annual waivers even if they agree that NAHASDA requires housing to be limited to low-income Indians.
- Because receipt of public funds serves to bind the recipient contractually, agencies may not approve mixed-finance projects if the tribe will violate terms of the funding, including non-discrimination requirements.
- State/local authorities have their own say regarding state funds involved.

## Compliance — What you need to know.

- There are federal, state, local and private sector sources that can be utilized for mixed income projects but planning requires that you understand all of the rules for each source and choose the appropriate ones for your project
- Federal, State Local
  - Rules on eligible applicants, beneficiaries, eligible and ineligible uses, maximum rents and housing payments, maximum subsidy/per unit costs and project funding limits, reports and inspections
- Private Sector
  - Reporting requirements and deadlines, inspections

***Remember: Strictest Program Rule Applies***

## Compliance — What you need to know.

Must identify ALL financing sources and related rules/restrictions:

- Preferences (tribally enrolled; homeownership; special populations}
- Income & Rent Limits
- Utility Allowances
- Special Set-Asides (homeless, disabled, large families, etc.)
- Reporting requirements
- Special program rules

## Putting it all Together

- Build all at once or phasing approach
  - Ensuring demand
  - Economies of scale
- Using gap financing approach
  - How many sources needed
  - Determines affordable housing component
- Building single projects
  - Infrastructure
  - Market rate housing
  - Affordable housing

## Putting it all Together

- Track costs and sources of funding
  - Segregate based on funding programs
  - Reports
  - Disbursements
  - Timelines

## Questions?

RTHawk Housing Alliance  
[www.rthawkhousing.com](http://www.rthawkhousing.com)

Lorna Fogg  
[lorna@rthawkhousing.com](mailto:lorna@rthawkhousing.com)

727-514-2730

Robin Thorne  
[robin@rthawkhousing.com](mailto:robin@rthawkhousing.com)

727-808-4066