

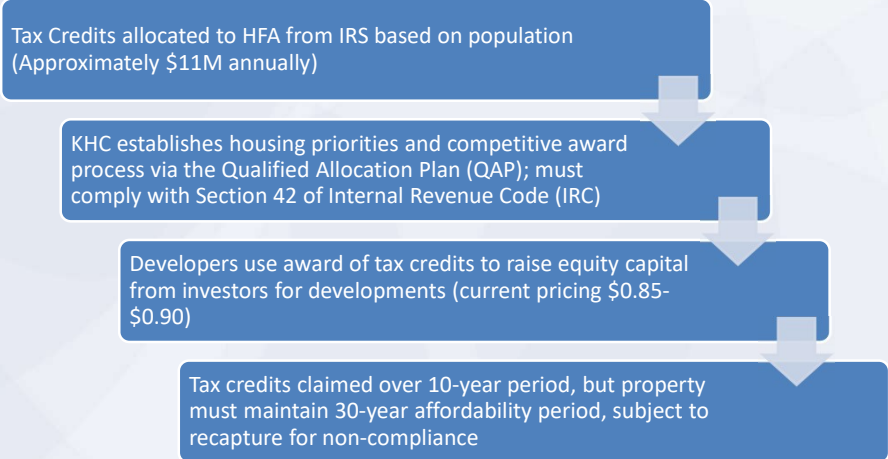
KHC Multifamily Programs



The slide features a dark blue background with a faint geometric pattern. The title 'KHC Multifamily Programs' is centered in large white font. The KHC logo is positioned in the bottom right corner.

1

Low Income Housing Tax Credits (LIHTC)




The flowchart consists of four blue rectangular boxes connected by downward-pointing arrows. The text in each box describes a step in the LIHTC process.

Tax Credits allocated to HFA from IRS based on population (Approximately \$11M annually)

KHC establishes housing priorities and competitive award process via the Qualified Allocation Plan (QAP); must comply with Section 42 of Internal Revenue Code (IRC)

Developers use award of tax credits to raise equity capital from investors for developments (current pricing \$0.85-\$0.90)

Tax credits claimed over 10-year period, but property must maintain 30-year affordability period, subject to recapture for non-compliance



The KHC logo is located at the bottom right of the slide.

2

Low-Income Housing Tax Credits (LIHTC)

- LIHTC gives investors a dollar-for-dollar reduction in their federal tax liability for 10 years in exchange for providing financing to develop affordable rental housing
- Investors, typically, pay \$0.85 to \$0.90 for each \$1 of credit
- Project awarded \$450,000 in LIHTC – investors pays \$0.90 X 10 years, creates \$4,050,000 in equity to fund development costs



3

LIHTC Rental Projects

- More Equity = Less Debt = Lower Rents
- Units must be affordable rental for 15 years (compliance period), plus an additional 15-year state administered compliance period (extended use period)
- Enforced by Land Use Restriction Agreement (LURA)
- Minimum Restriction = 20% of units at 50% AMI; 40% of units at 60% AMI; or income averaging
- Tenants pay no more than 30% of household income on rent and utilities
- Compliance regulations are STRICT



4

KHC's 2021-2022 Qualified Allocation Plan

- Qualified Allocation Plan (QAP) outlines specific criteria and eligibility requirements and establishes a scoring system to determine which projects will be funded using LIHTC
- Typically updated biennially
- Most recent QAP was approved in April 2020
- Development of 2023-2024 QAP currently underway



5

Tax-Exempt Bond with 4% credit

- KHC serves as a conduit issuer of private activity tax-exempt bonds (TEB)
- TEB program very similar to LIHTC
- If certain requirements are met, project qualifies for 4% LIHTC – less equity than 9%, so works well for larger projects with scale (100+ units)
- Not competitive, only limitation for us from a funding standpoint is our bonding authority



6

Other Funding Sources

- HOME Investment Partnerships Program
 - Serves populations up to 80% of Area Median Income
- Kentucky Affordable Housing Trust Fund
 - Serves populations up to 60% of Area Median Income
 - Requires a nonprofit to materially participate in development and ownership
- National Housing Trust Fund
 - Serves populations up to 30% of Area Median Income
- HOME for Homeless Populations (*new!)



7

Other Funding Sources

- HOME for Homeless Populations (HOME-ARP)
 - New source of funding allocated to KY under the American Rescue Plan
 - Designed to serve those who are homeless, at risk of homelessness, victims of domestic violence, and other populations where provision of services would prevent homelessness or serve those with the greatest risk of housing instability
 - Eligible uses include rental development and the provision of supportive services, including the development of permanent supportive housing



8

Uses of Other Funding Sources

- Gap Financing for 9%
- Gap Financing for periodic 4% TEB NOFAs
- Non-Credit Funding Rounds
 - Smaller projects that would not be viable for either the 9% Tax Credit or Tax-Exempt Bond funding rounds



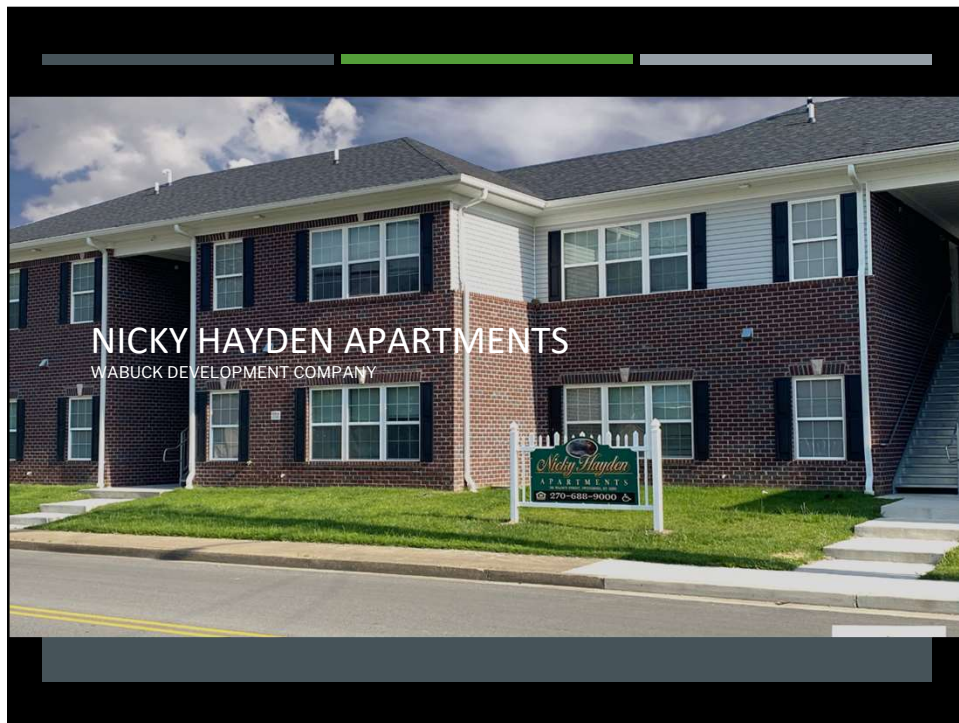
9

Development Team Capacity

- Navigating the application process, development, and compliance requirements can be extremely challenging
- KHC requires development teams and management companies to be experienced with KHC's multifamily programs OR establish a partnership with an experienced co-developer or consultant
- Separate application process to evaluate the capacity of the developer(s), management company, and consultant
 - Approval required before submitting a funding application




10



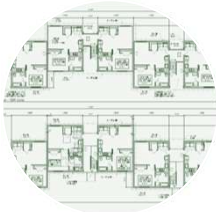
11

NARRATIVE

Owensboro Area



Located in Owensboro, KY



121-Bedroom Units

Used to transition homeless individuals from the Daniel Pitino Shelter into long-term housing

DEVELOPMENT TEAM

Sponsor: Daniel Pitino Shelter

Developer: Wabuck Development Company

Contractor: Clayton Watkins Construction, Inc.

Local Government: Tom Watson, Mayor, City of Owensboro

12

SOURCES AND USES OF FUNDS

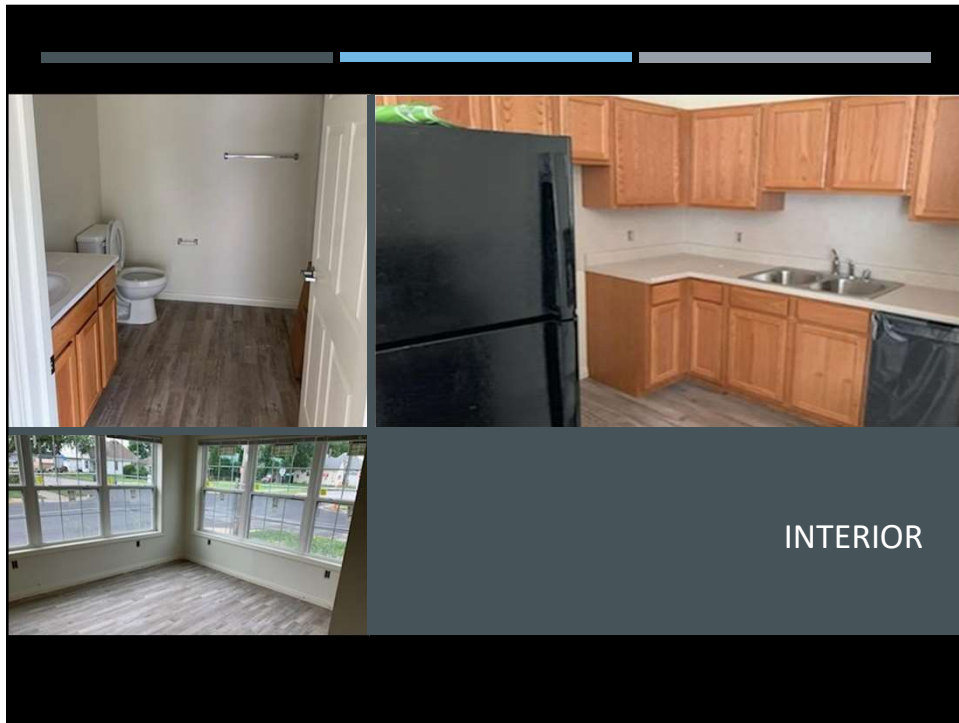
SOURCES		USES	
■ HOME Grant	\$700,000	■ Construction Contract	\$1,232,218
■ Affordable Housing Trust Fund Grant	\$200,000	■ Developer Fee	\$197,000
■ Federal Home Loan Bank Grant	\$600,000	■ Cash Reserves	\$47,000
■ Sponsor Equity	<u>\$69,840</u>	■ Other Soft Funds	<u>\$93,622</u>
	Total - \$1,569,840		Total - \$1,569,840

13

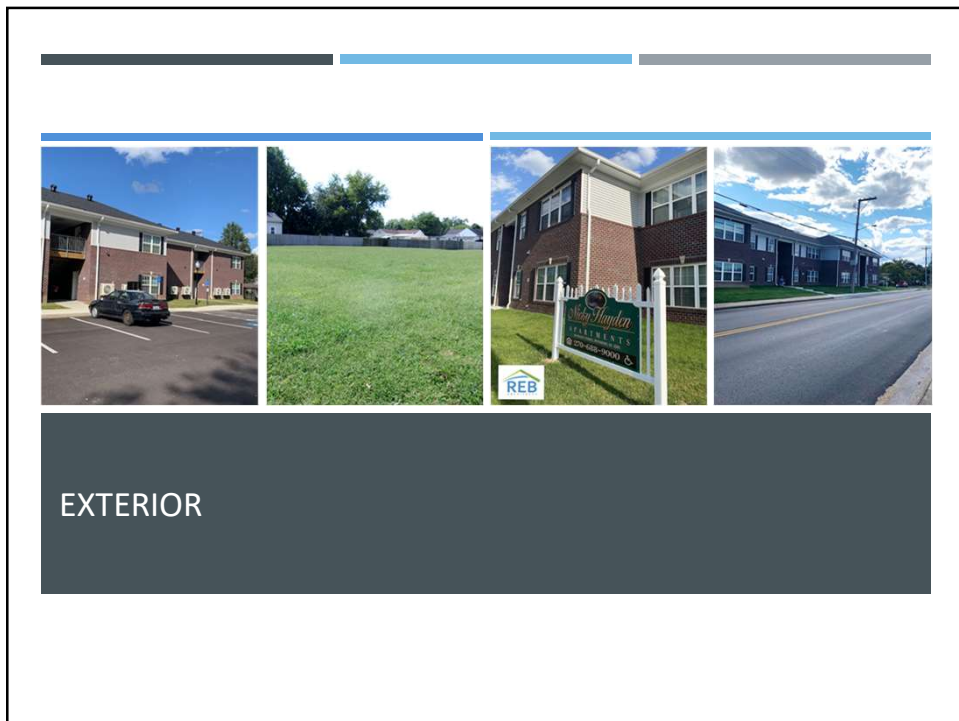
ANNUAL OPERATING BUDGET

Revenue	
12 Units @ \$400/month	\$57,600
Vacancy (7% annual)	(<u>\$4,032</u>)
Net Revenue	<u>\$53,568</u>
Operating Expenses	
Management & Administration	\$13,433
Maintenance & Operations	\$14,350
Utilities	\$10,500
Insurance	<u>\$3,500</u>
Total Operation Costs	<u>\$41,783</u>
Net Operating Income	<u>\$11,785</u>

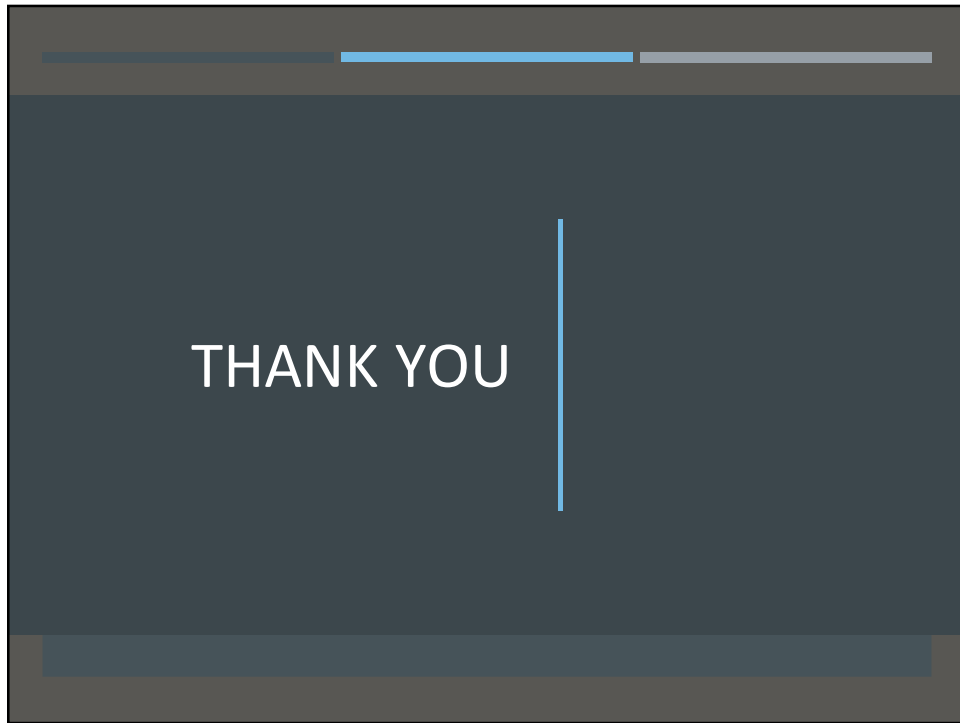
14



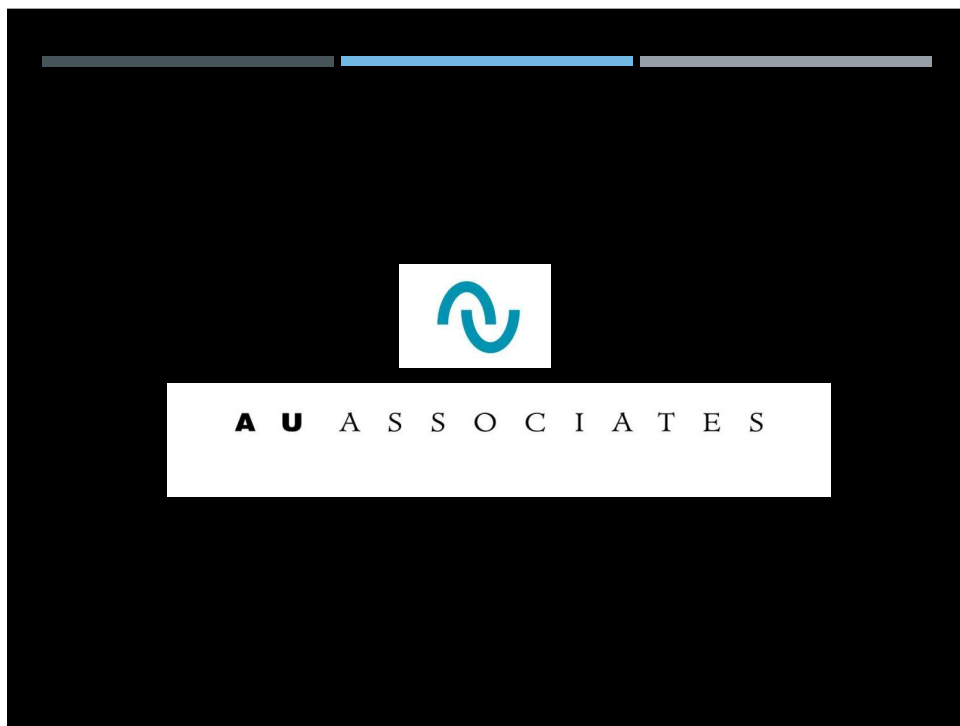
15



16



17



18

About AU Associates, Inc.

- Founded in 1990
- Adaptive re-Use, Urban Infill, Historic Preservation
- 35 developments in Kentucky and West Virginia
- Over 1,200 housing units; 285,000 sq ft commercial space
- Recognized by over 30 State & National Awards
- Featured in multiple Local & National Publications including: *Residential Architect*, *Novogradac's Journal of Tax Credit Housing*, *The Tax Credit Advisor*, *Affordable Housing Finance*, and *NPS Annual Report*



19

Types of Funding Sources

- Federal Historic Tax Credit
- State Historic Tax Credit
- Low Income Housing Tax Credit
- Community Development Block Grants
- KHC Affordable Housing Trust Fund
- HOME (KHC and Entitlement Communities)
- National Stabilization Program
- TCAP/Exchange
- Federal Home Loan Bank AHP Program
- Lexington and Louisville's Affordable Housing Fund



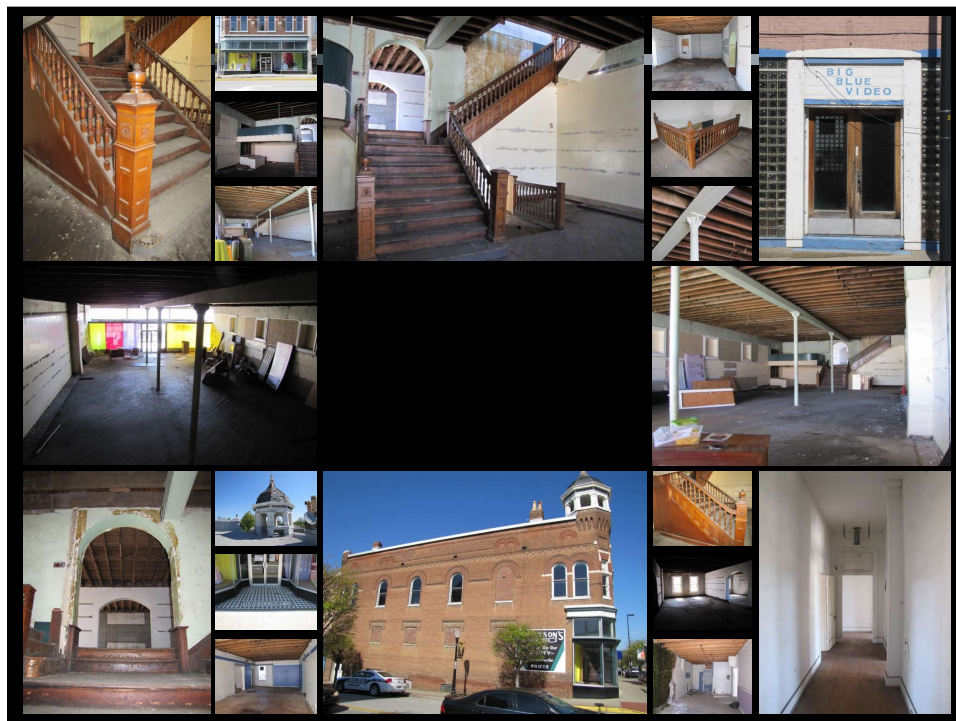
20

Springfield Robertson Building 1896



Total Development Costs:	\$1,594,000
7 Apartments with Downstairs Retail	
Kentucky Housing Corporation: HOME	\$394,318
CDBG	\$780,000
Springfield State Bank: Investor for Federal Historic Tax Credit	\$262,737
State Historic Tax Credit	\$156,945

21



22



23




Vacant Lots in Jenkins, KY



Total Development Costs:	\$547,134
4 Apartments (Two Duplexes)	
Kentucky Housing Corporation: HOME	\$521,080
Equity + Volunteer Labor + Waived Fees	\$26,054

24



25



26