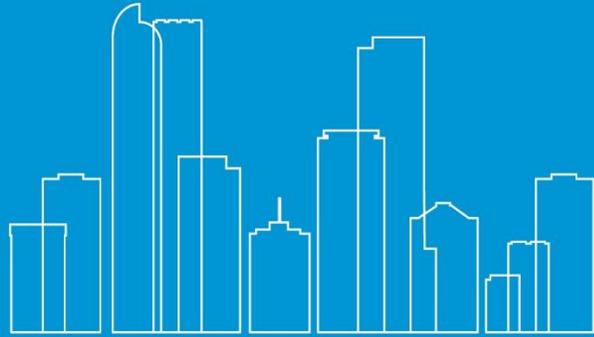


Innovative financing structures to meet housing needs in Metro Denver

Estructuras de financiación innovadoras para cumplir con las necesidades de viviendas en la región metropolitana de Denver



Innovate!

A Solutions Forum on Housing



¡Innovar!

Un Foro de Soluciones para la Vivienda

Innovative financing structures to meet housing needs in Metro Denver

Estructuras de financiación innovadoras para cumplir con las necesidades de viviendas en la región metropolitana de Denver

- Moderator: Ed Briscoe, Managing Director, Weave Social Finance, LLC
- Confirmed speakers:
 - Mary Wickersham, Co-founder and Principal, Social Impact Solutions
 - Terry Barnard, Multifamily Production and Outreach Manager, Colorado Housing and Finance Authority
 - Heather Lafferty, Executive Director and CEO, Habitat for Humanity of Metro Denver
 - Christi Smith, Vice President | Strategy and Communications, Urban Land Conservancy

Leveraging Success:
The Potential of Pay for Success to
Address Permanent Supportive Housing



What is Pay for Success?

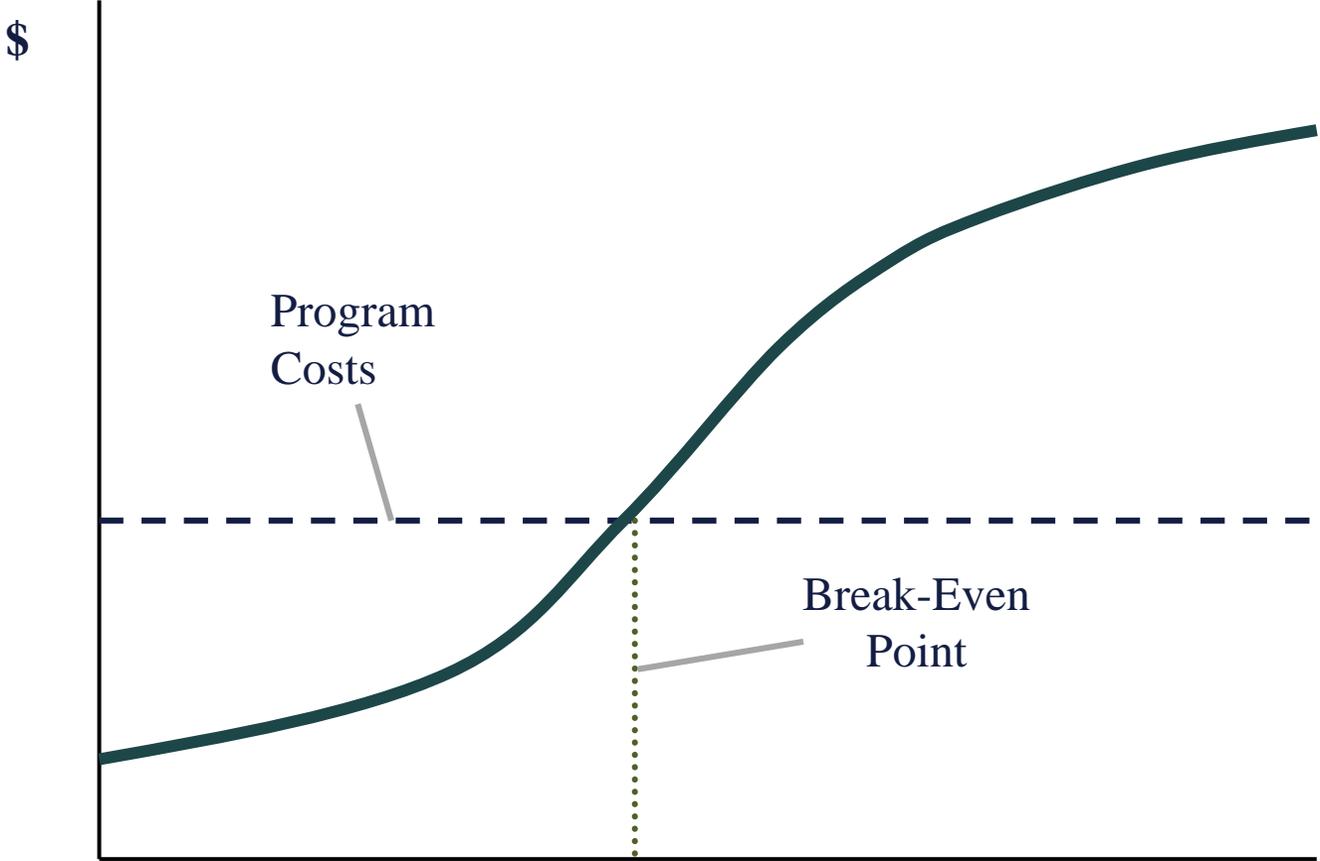
Definition of Pay for Success:



A Model through which a Government (or another “End-payer”) Pays for a Measurable Long-term Outcome, Rather than for a Program or a Service



Monetize Down-Stream Cost Savings





Denver Social Impact Bond:

Supportive Housing for Chronically Homeless Individuals



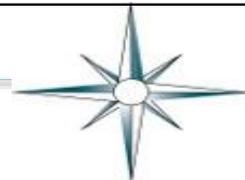
Current Lack of Housing

Even with all the progress made, there is not enough existing housing and resources to meet the needs of various populations.

- There were over **800 chronically homeless** individuals identified in the 2015 point in time survey.
- The proportion of respondents reporting serious mental illness, a serious medical or physical condition or a problem with substance abuse has **increased** from 43.4% in 2011 and 44.1% in 2012 to 47.6% in 2013 (limited years reporting).
- The **proportion of chronically homeless respondents increased** over the past five years—8.4% in 2011, 8.9% in 2012, 12.7% in 2013, 20.8% in 2014, and 18.8% in 2015.

Rental Gap by Income, 2012, Mayor’s Housing Task Force

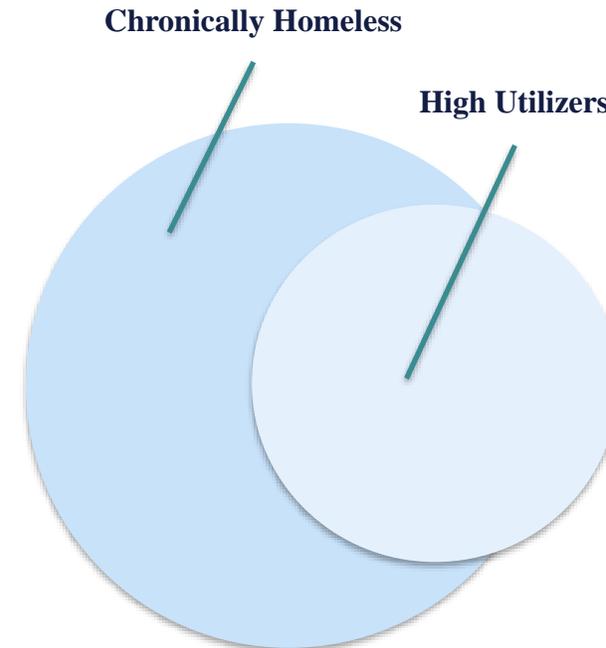
Denver Renters	Number of Affordable Rental Units	Shortage of Affordable Rental Units
21,300 earn less than \$10,000	8,400	-12,900
45,400 earn less than \$20,000	18,200	-27,200



SIB Target Population

We are currently paying for costly, ineffective emergency and penal services.

- **High Utilizers (“Front-End Users”)**—Individuals, typically chronically homeless, who are frequently before the court, in jail and habitually using a spectrum of resources.
 - Frequent usage of emergency rooms, detox, and ambulatory services.
 - High level of public safety usage (i.e. arrests, jail admissions and discharges).
 - **Low-level offense types:** Public nuisance (22%), Alcohol (30%), Panhandling (4%), Trespass (19%), Drug (11%), Other (14%)



High Utilizers: Top 250 Averages

On average, the top 250 homeless “high utilizers” use a lot of government resources—over,

- **14,000** days in jail,
- **2,200** visits to detox,
- **1,500** arrests, and
- **500** emergency room visits.

It is an extremely ineffective and expensive system, costing taxpayers over \$7 million per year.



High Utilizers: Service Usage

On a given year, the High Utilizers can touch multiple systems at extremely high rates ...

Average Usage Per High Utilizers (2013)			
	<i>Top 100</i>	<i>Top 150</i>	<i>Top 200</i>
Arrests			
Cite & Release	5.2	5.2	4.9
Custodial	4	3.7	3.2
Justice System			
Jail Days	144	104	79
Court Dates	4.6	4.5	4
Medical Expenses*			
Detox Visits	8.2	8.2	8.2
ER Visits	2.1	2.1	2.1
Other Medical Visits	1.8	1.8	1.8

High Utilizers may have high and low years, but they have high multi-year averages ...

(Target group = those who spent more than 7 days in jail in 2010)

2010 Target Group		
Average over 2010-2013	Average Total Bookings	8.08
	Yearly Average Bookings	2.7
	Average Total Jail Days	170
	Yearly Average Jail Days	57



Current System Costs

Based upon 5 year usage data, average costs across systems can be aggregated.

Cost X Usage = Front-End User Costs

Category	Item	Cost	Usage	Sub-Total	Total
Jail Costs 	Marginal	\$24	56.3 days	\$1,352	\$3,887
	Variable	\$45	56.3 days	\$2,535	
Arrest Costs 	Custodial	\$1,414.04	2.7 arrests	\$3,750	\$7,180
	Cite & Release	\$707.02	5.16 arrests	\$3,430	
Court Costs 	Arrests	\$150.98	2.7 arrests	\$400	\$400
Medical Expenses 	Denver Cares	\$431.88	8.23 visits	\$3,554	\$26,378
	ER Visits	\$4,065.88	2.13 visits	\$8,647	
	Other Medical	\$8,039.91	1.76 visits	\$14,177	

Average Annual Cost \$37,846

Proposed SIB Intervention

By properly serving this population, the City can both reduce costs and create long-term solutions...

Eligibility Criteria

Eligible participants are individuals with a record of at least eight arrests over the past three years; and a documented case of transiency at the time of their last arrest (i.e. homelessness).



Housing First



Intensive Case Management



Health and Community Supports

Assertive Community Treatment (ACT) & Intensive Case Management Models

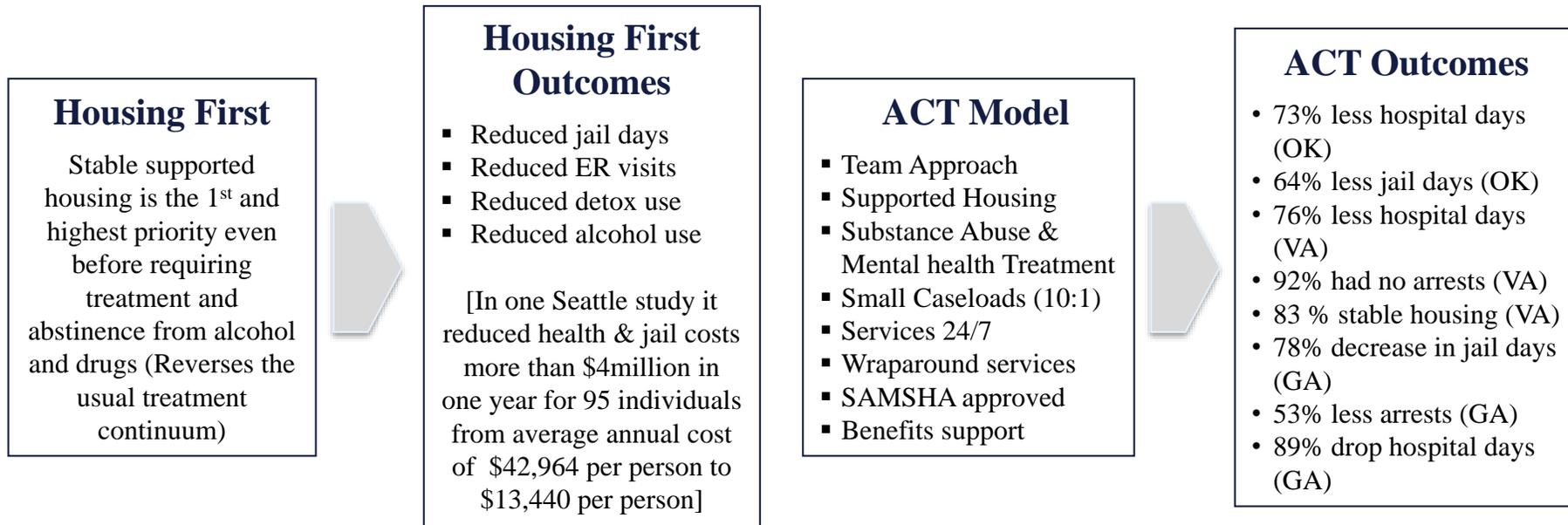
- Small Caseloads between 1:10 and 1:15
- Coordinated, team oriented approach to care
- Mobile support services, services come to the individual
- Proactive engagement with voluntary services
- Tailored services provided available 24/7 based on individual need
- Comprehensive, integrated care including:
 - Psychiatrists
 - Employment specialists
 - Substance-abuse specialists
 - Nurses
 - Mental health professionals
- Single site developments include front desk and some onsite supports
- Services tailored to meet specified needs - intensity of supports varies over time and with each person



National Evaluation Outcomes

Average Reduction Based Upon National Studies of ACT and Housing First

Jail Days	Police Contact	Arrests	Detox	ER Usage
62-95%	68%	53-92%	72%	50-89%



Project Goals:

- 1) Demonstrate that housing and intensive case management can improve lives *and* reduce taxpayer costs.
- 2) Add to the City's capacity to house vulnerable populations.
- 3) Develop new mechanisms and funding to pay for case management services that formerly received federal support.

Size:

- 250+ chronically homeless individuals

Duration:

- 5 years of SIB funding, additional time for evaluation and payment

Services:

- 2-3 new Assertive Community Treatment teams (ratio of ~ 1 case manager to 10 individuals)
- Connection to preventative health + additional services

Housing Details:

- Possible use of two new housing developments with an anticipated **210 new units** of housing (one Mental Health Center of Denver (MHCD) building, one Colorado Coalition for the Homeless (CCH) building, new 20 units at CCH's North Colorado Station, 30 units at St. Francis' new building).
- Provision of additional services and subsidies to **40 units** that are vacant through turnover and/or landlord recruitment.



Innovative Financing Structures to Meet Housing Needs in Metro Denver

Middle Income Rental Housing Finance

April 19, 2019



chfa®

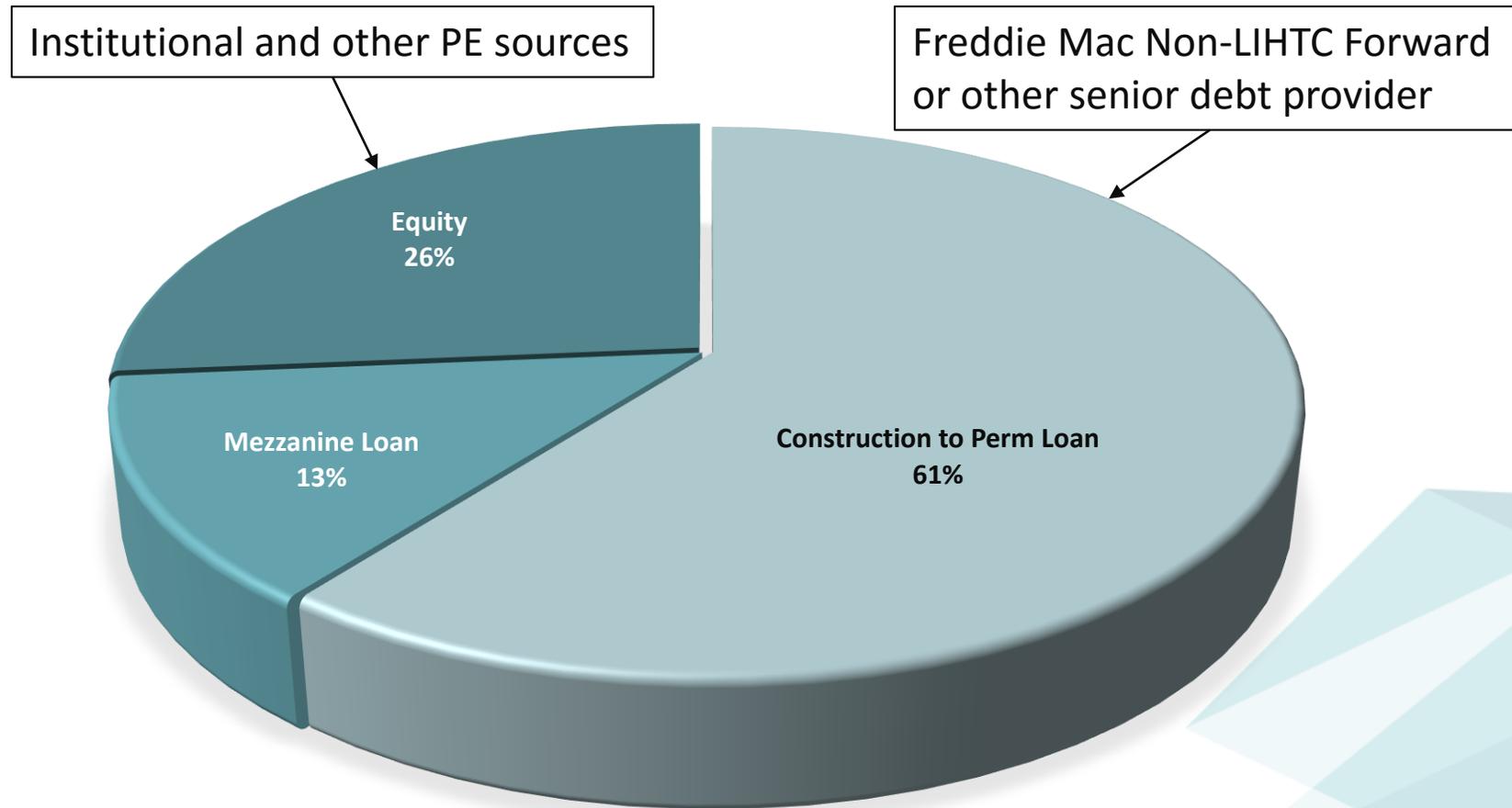
*financing the places where
people live and work*

The Issue

- Unmet demand for housing that serves tenants earning above 60% AMI
- In metro areas where the median market rate rent is affordable to 80%+ AMI (mostly the Front Range)
- In rural areas, particularly rural resort counties, and adjacent counties
- Inability to use traditional affordable housing tools
- Gap financing need

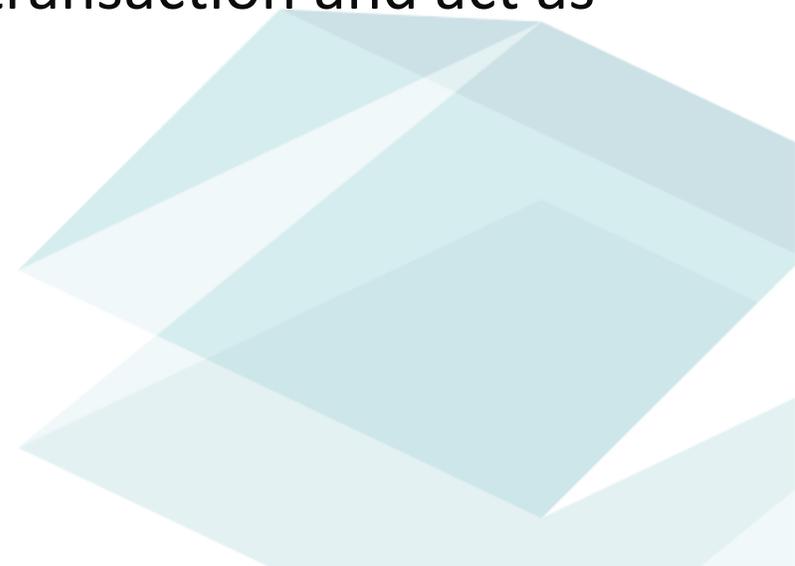


Deal Structure



Middle Income Access Program

- Low-cost mezzanine-like debt for Middle Income projects
- Meets Freddie Mac Non-LIHTC Forward product requirement for Public/Mission-Driven Investment
- CHFA originates loans with intention to simultaneously sell participation(s)
- CHFA goal to keep approximately \$1 million per transaction and act as lead servicer
 - Achieve mission
 - Multiple transactions
 - Hedge risk



Basic Terms

Loan Size	\$2million to \$6 million (before participation)
Security	2 nd DOT
Term/Amortization	10 - 15 years / 30 years
Expected Interest Rate	5.0% - 6.0%; interest only possible for early years; step up rate for later years
Expected Equity Sharing	6.0% - 10.0% of net sale or refinance
Affordability Requirement	At least 20% of the units affordable to middle income earners
Participation Size	Target of \$1 million CHFA capital per project



Examples

	PENA STATION	WINTERGREEN APARTMENTS
Type of Transaction	Multi-family Development, 216 units	Multi-family Development, 156 units
Population Served	54 units at 80% AMI	156 units at 100% AMI
Other Affordability	162 units at 100% AMI	None
Developer	MGL Partners	Gorman & Company
Project Costs	Approximately \$39,800,000	Approximately \$46,000,000
CHFA	\$4,000,000 loan	\$2,865,000 loan
Lien	2nd DOT	2nd DOT
Rate	6.0% Fixed	5.0% Fixed Years 1-3, 6.0% Fixed Years 4-5, 7.0% Remainder of term
Term	3 years with 2 year extension option	18.5 years
Repayment	Interest Only	Interest Only Years 1-5 P & I based on 33 year amortization thereafter
Equity Sharing	Entitled to 10% of net refi or sale proceeds	Entitled to 6% of net sale proceeds



Next Steps

- Refine program questions
- Find Loan Participation Partners
- Define participation sale procedures
- Draft program documentation
- Pipeline of three additional transactions totaling approximately \$10-12 million





Habitat
for Humanity[®]
of Metro Denver

Affordable Mortgage Solutions, LLC
Social Impact Term Loans



We believe that everyone deserves a decent place to live.

We believe that quality, affordable housing is something we all need to thrive.

We believe strong and stable homes help build strong and stable communities.



Core Competencies

Nearly 40 years of experience building high quality homes and lending affordable mortgages



150-200 Homes Annually

Currently, we build, renovate and repair homes in partnership with low-income families and volunteers



0.3% Foreclosures

800+ loans in current mortgage portfolio



Partnership Housing

Homeowners invest their own time (sweat equity), energy (financial literacy classes) and financial resources (closing costs).

Meaningful and Lasting Impact

98%

High School Graduation Rate
for children 18+
who lived in Habitat
Denver homes.

Colorado's average is 79%.

\$1.5_{MM}

An estimated \$1,500,000
in
public assistance funding
was
saved in 2016
because Habitat
homeowners no
longer needed it.

70%

of Habitat
homeowners
feel that they are
doing better financially
now than they
were in the past.

Habitat Homeowners

Average annual income of \$53,900 (60% AMI) and an average credit score over 760

Lab Technicians

Teachers

Airport Employees

Construction Workers

Servers

Nurses

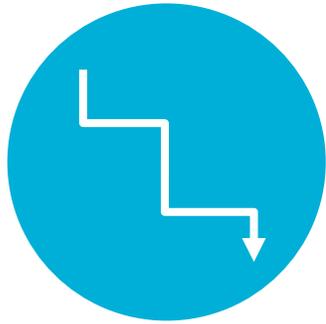
Taxi Drivers

Grocery Store Clerks

Veterans



Problem: More Families Need Assistance



Declining Homeownership

Homeownership rates across the country are declining in low-income and communities of color. Colorado's rate is 62.4%, down from 71.1% in 2005.



Decreasing Affordable Supply

Denver's hot housing market is creating limited inventory of <\$400K homes for sale.

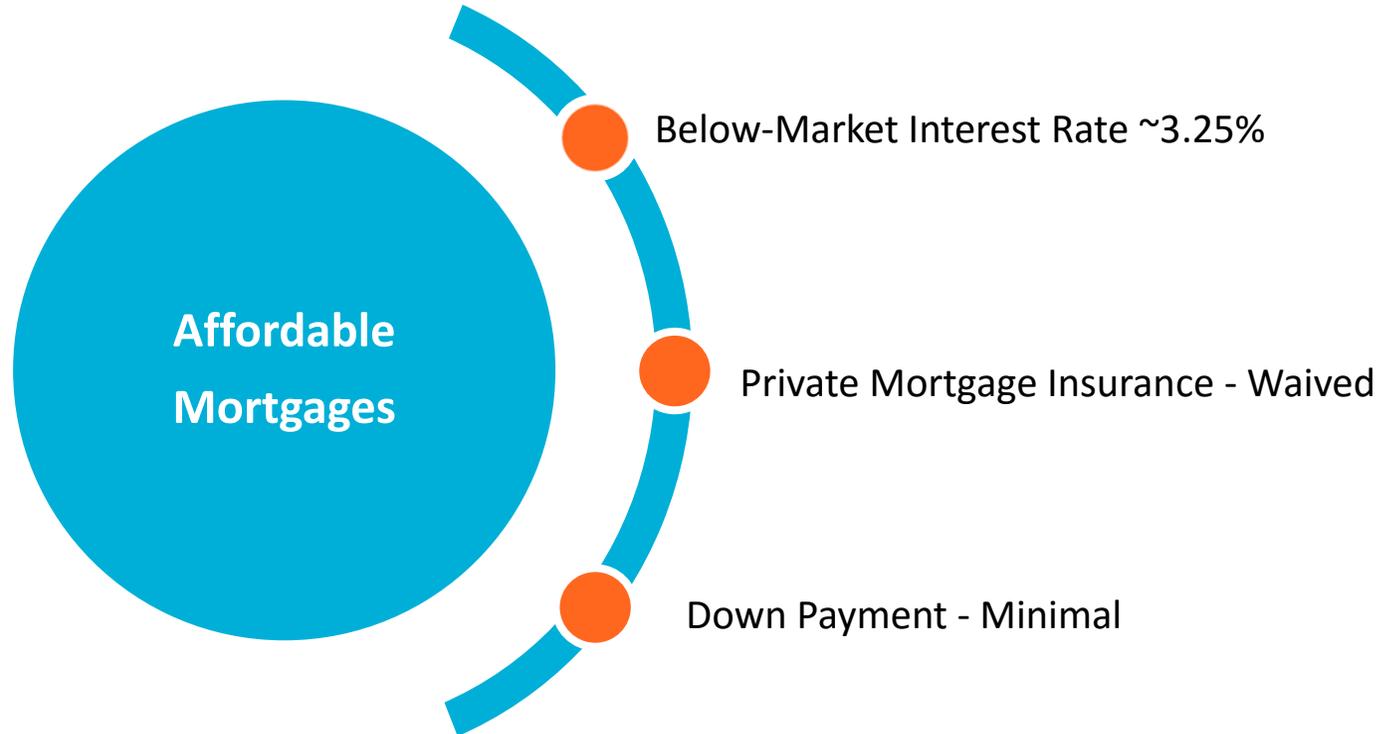


Limited Mortgage Lending

Securing an affordable mortgage is challenging for low-income buyers at 60–100% of Area Median Income (AMI) with enough purchasing power in current market.

Solution: Expand Affordable Mortgage Lending

Habitat is uniquely positioned to expand affordable mortgage lending to more low and moderate income homebuyers. Homeowner's monthly housing costs **will not exceed 30% of their gross monthly income**.



Affordable Mortgage Impact - Example

Monthly Housing Costs			
	Market-Rate Model	Affordable Model	Habitat/AMS Model
Interest Rate	6.00%*	4.75%	3.25%
Payment (P+I)	\$ 1,499	\$ 1,304	\$ 1,088
Utilities, Ins., etc.	\$ 350	\$ 350	\$ 350
Total	\$ 1,849	\$ 1,644	\$ 1,438

The Habitat loan increases purchasing power by over 35% and saves \$148,000 over the life of the loan.

*Mortgage insurance included in interest rate.

Impact: Increased Purchasing Power

\$1,438 Monthly Payment Example

	Interest Rate	Maximum Mortgage
Market Rate*	6.00%	\$182K
Affordable Program	4.75%	\$210K
Habitat/AMS	3.25%	\$250K

The Habitat loan increases purchasing power by more than 37%.

Impact Investment Model



Each dollar raised is used more than 3x a year

Social Impact Investment Opportunity

Habitat is seeking an initial **\$5 million** to originate affordable mortgages for low and moderate-income families, growing to \$25 million over five years.



Terms:

- 8-10 year term; principal due at maturity
- 2% or lower fixed interest rate paid quarterly
- Target \$500k-\$1 million commitments
- Unsecured
- Subject to customary covenants

Thank You!





Innovative Financing Structures
to Meet Housing Needs in Metro Denver

April 19, 2019

Who is ULC

theguardian

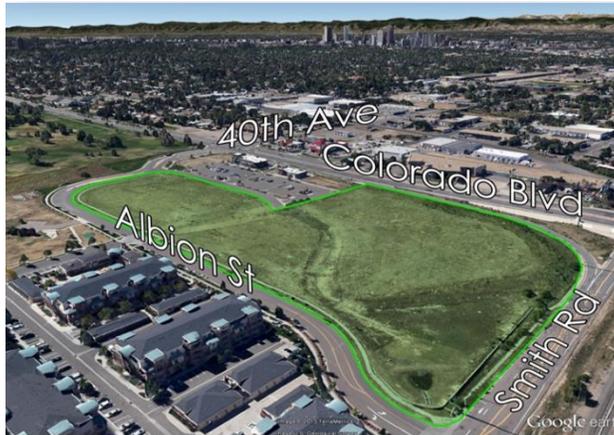
Fair Cities would be committed to inclusive growth through a variety of tools, including the creation of public Land Banks such as Denver's Urban Land Conservancy

**THE
DENVER
POST**

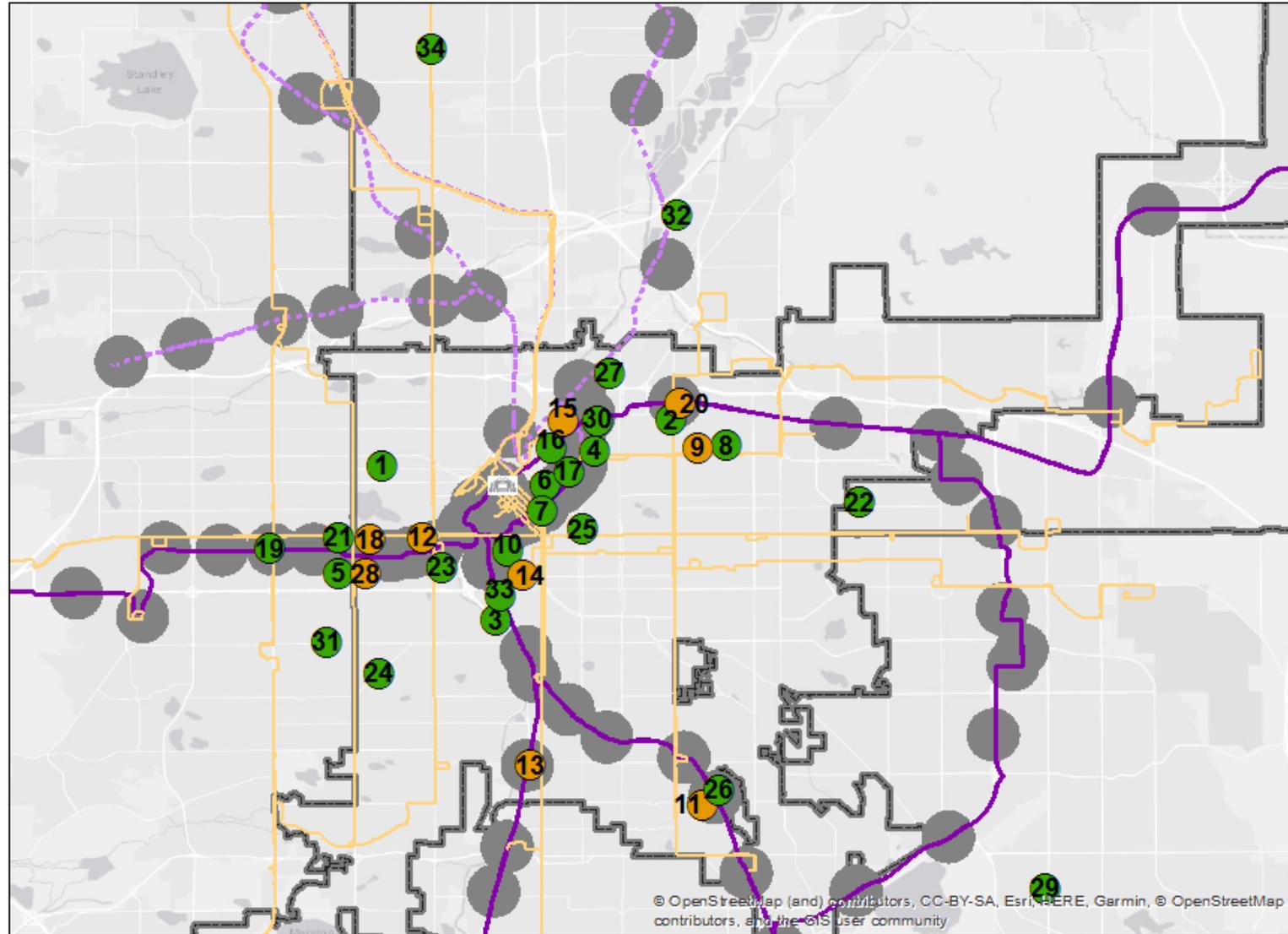
Denver group is a major player behind the scenes in affordable housing

*The
Atlantic*

Part Land Bank, Part Community-Focused Credit Line Denver's Urban Land Conservancy aims to put transit-oriented development to work for the greater good



ULC's Investments



Creating Unique Resources for Strategic Real Estate Acquisitions

ULC's Track Record: Acquisition Loan Funds

Denver \$15 million Transit Oriented Development Fund

- The country's first TOD Fund created to develop and preserve affordable housing along transit. ULC fully deployed the \$15M Denver Fund in 8 acquisitions, all loans are repaid.
- Proven success led to the expanded \$24M Regional TOD Fund, ULC has 1 active loan.

\$10 million Calvert Impact Capital Facility Fund

- Created to preserve and develop affordable housing and community facilities in Metro Denver.
- Unable to expand resource due to Calvert's capacity.

These two resources resulted in over \$28 million invested into 12 properties:

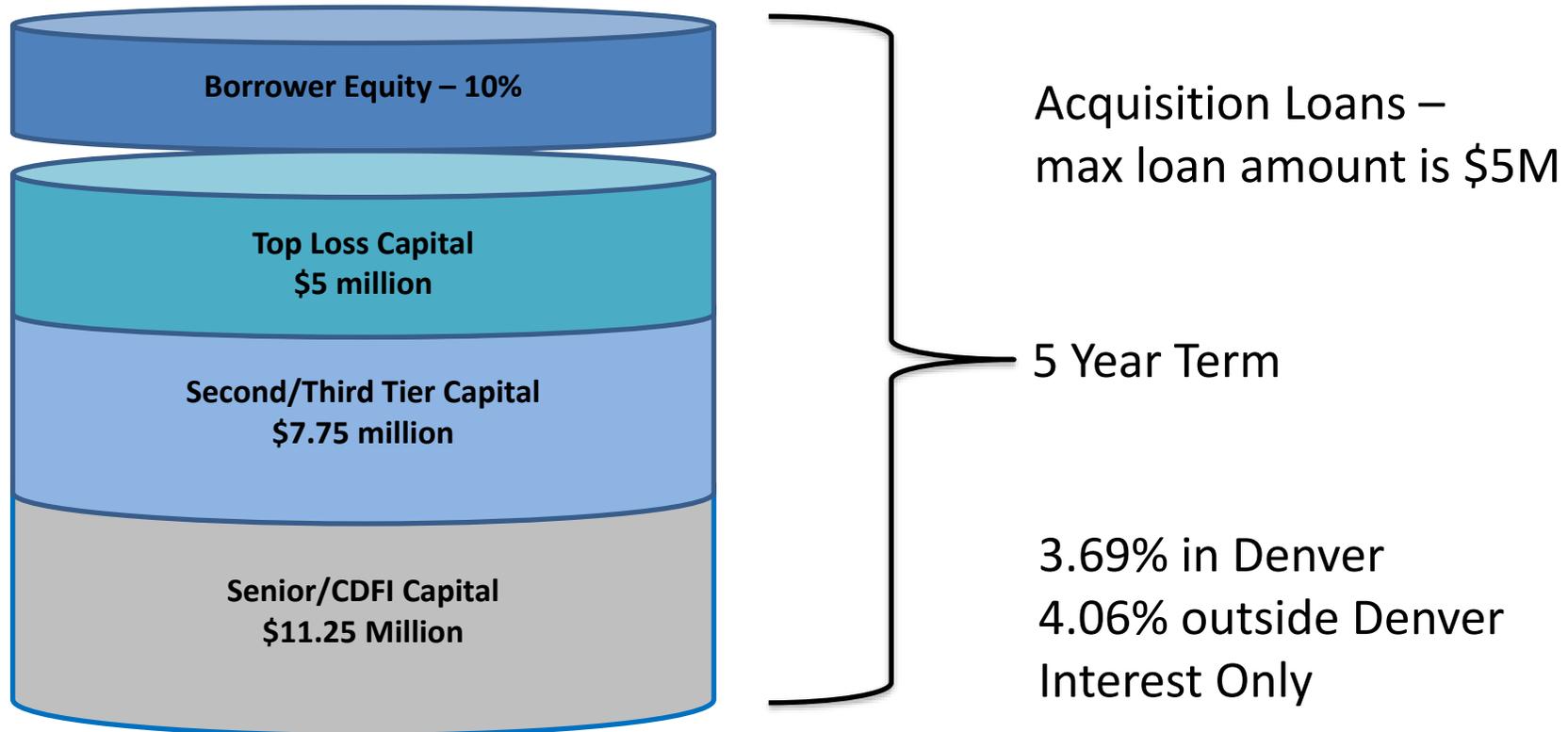
- Preserving 80,000 sf of commercial space and 52 units of affordable housing
- Developed 52,000 sf of commercial space and 352 units of affordable housing
- Created a pipeline for over 200,000 sf of commercial space and 650 affordable units

Structuring Resources



\$24M Denver Regional TOD Fund

City of Denver is a \$2M Investor



ULC was sole borrower of the \$15M Denver TOD Fund

Denver TOD Fund at Work



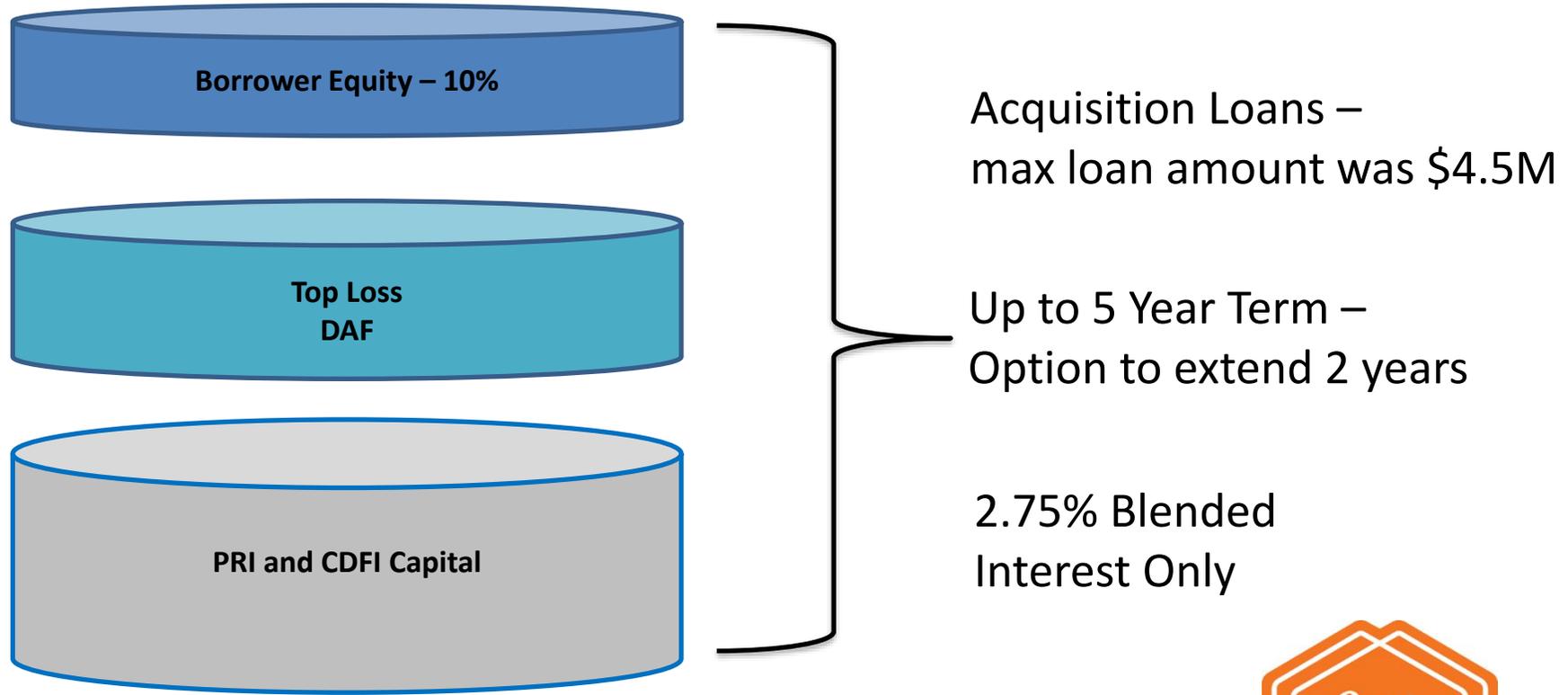
Evans Station Lofts
50 affordable units + 7,500 sf commercial



Mile High Vista
80 affordable units + 10,000 sf commercial
Corky Gonzales Denver Public Library



\$10M Calvert Facility Fund



Calvert Facility Fund at Work

\$10,500,000 Million Deployed in 12 months

Mountain View Nonprofit Tower



Race Street TOD

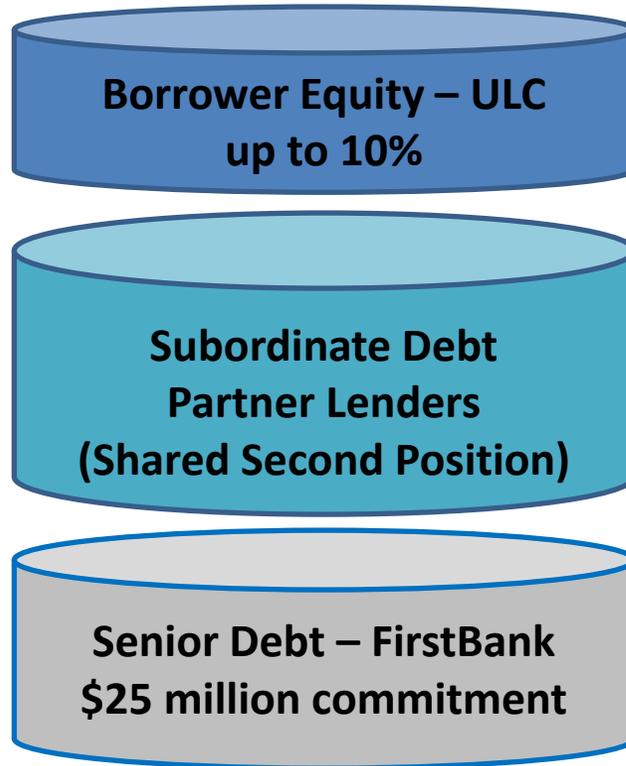


Social Enterprise Foundry



\$50M Metro Denver Impact Facility

\$24.5M in Capital Currently



Purpose: Acquisition Loans +
Option for Capital Needs Financing

Term: 5 or 7 year interest only,
Blended rate of 3% or less

Current Partner Lenders:

- Colorado Health Foundation
- The Denver Foundation
- Colorado Housing and Financing Authority
- The Colorado Trust
- Northern Trust

MDIF is a **locally managed revolving facility** for ULC real estate acquisitions, a flexible resource to invest in affordable housing **AND** nonprofit facilities.

MDIF at Work in 2018

\$10 million invested into three properties

Harlan Nonprofit Center:

Affordable, transit accessible commercial space for nonprofits and mission minded businesses - home to Lutheran Family Services headquarters.



South Platte Crossing and Future Affordable Housing:

80,000 sf building at a rail station for city services, healthcare facilities and nonprofits serving the Denver region. Future affordable housing to be developed on excess land.



Inca Commons:

This .41 acre parcel near Denver's Arts District will be developed into 86 affordable for-sale condominium units including studios, two- and three bedrooms. The land will held in a 99 year ground lease.

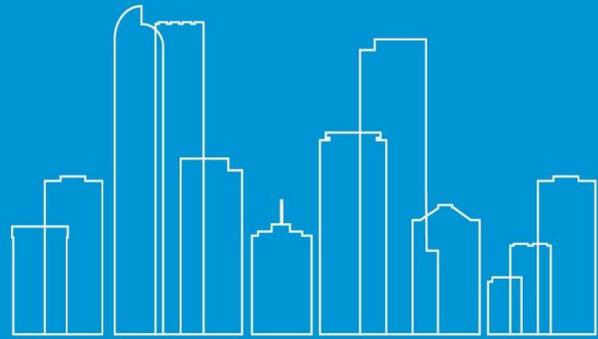




Thank You!
csmith@urbanlandc.org

urbanlandc.org

Thank you!
¡Gracias!



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