IDAHO STATE BAR REAL ESTATE SECTION

Skinner Fawcett LLP

Presentation on Public Finance for Multifamily Housing

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Introductions:

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Multifamily Housing – IHFA

1. **Overview**
    a. What is a Bond?
        i. Long term "IOUs" that governments issue to borrower money
        ii. Investors who buy tax-exempt bonds do not pay taxes (federal and usually state) on interest earned so they will accept lower interest rates.
    b. What role does Idaho Housing and Finance Association serve (IFHA)?
    c. Why consider financing multifamily housing through IHFA?
        i. Lower interest rates
        ii. Longer maturity
        iii. In some cases, less equity required
    d. What financing vehicles are available?
        i. HOME Investment Partnerships Program (HOME) (often combined with other finance options)
        ii. Low Income Housing Tax Credit (LIHTC) (usually combined with debt financing)
        iii. Tax Exempt Bonds (may be less competitive than other options)
        iv. IHFA direct loans (limited and often combined with other finance options)
    e. How does the application process with IHFA work?
        i. Check IHFA website for HOME and LIHTC provisions
        ii. HOME - contact the Grant Programs, HOME Department
        iii. LIHTC, tax exempt bonds or direct loans- contact the Multifamily Financing Department
2. **Financing Options**
    a. IHFA Loan Options
        i. HOME

1. Various documents—IHFA format
2. Regulatory requirements
    a. Regulatory Agreement
    b. Memo of Restrictive Covenants
    c. Recording Priority

ii. Low Income Housing Tax Credits (LIHTC)
1. Regulatory Requirements
    a. Various documents – IHFA format
    b. Regulatory requirements/restrictive covenants
    c. Regulatory Agreement
    d. Recording Priority

iii. Idaho Community Reinvestment Corporation (ICRC)
iv. Letter of Credit (LOC) Loans
v. IHFA direct loans (can be combined to some extent);
vi. Federal Housing Administration (FHA) insured loans through IHFA
1. Risk is shared on insurance; loan is funded by a bond or private lender

3. Non-IHFA Loan Options

a. Rural Development – USDA
b. Urban Renewal Agency
    i. URA financing for improvements in qualifying areas
    ii. Tax increment Financing: may have limitations or covenants for use
    iii. Often combined with other financing options
c. Direct Financing from HUD
d. Local Improvement Districts (LID)
    i. Very procedural in nature
    ii. Must create an LID
    iii. Assessment- district will levy LID tax on property
e. Community Infrastructure Districts (CID)
    i. Rare, usually only works well for rapidly developing larger communities, with larger, open land areas
f. Commercial Real Estate Loans

4. Restrictions

a. HUD/HOME, Tax Credit, Bond, IHFA limits by statute
b. Regulatory Agreements
    i. HOME – MORC
        1. Designates number of units that must meet affordability restrictions

2. EX- Specific number of 2-bedroom or 3-bedroom units occupied by households whose income does not exceed 50% or 60% of the median income for that county; plus other restrictions.

ii. LIHTC – either 20% of units must be occupied by persons whose income are less than 50% of area median income or 40% of rents occupied by persons whose income is less than 60%, plus other IHFA state law restrictions and rent requirements

iii. Bond – same income restrictions as for LIHTC plus other IHFA limitations

c. IHFA general restrictions, e.g. restrictions for IHFA statutory and policy matters

d. HAP Contract—not many new projects

e. Questions of priority in title. IHFA Agreed/required priority is as follows:

i. HOME MORC

ii. LIHTC Regulatory Agreement

iii. Bond Regulatory Agreement

iv. DOT

v. May be required to enter subordination agreement to subordinate DOTs

vi. In FHA Insured financings where there is a HUD Regulatory Agreement, the above regulatory agreements may be subject to HUD priority in limited circumstances