

# New Issue Bond Program

## DCHFA/SOME – A Case Study

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# The New Issue Bond Program (NIBP)

- Objective – As part of its economic recovery package, the Obama Administration sought to make a market for State Housing Finance Agency Bonds
- Authority – The US Treasury was authorized to purchase GSE (Fannie Mae and Freddie Mac) Securities pursuant to the Housing Economic Recovery Act
- Plan of Action – Allow State HFAs to issue housing bonds that will be exchanged for GSE Securities and purchased by the Treasury

# NIBP – The Bonds

- State HFAs applied for allocations under the New Issue Bond Program - Treasury determined the program size and individual issuer allocations
- \$15 Billion of NIBP Program Bonds were issued in December 2009 nationwide to fund both single-family and multifamily loans
- Interest rates on the Bonds were fixed in December and proceeds were placed in escrow pending release in 2010 to fund individual projects
- HFAs are allowed 3 escrow releases to roll out their NIBP allocations
- Multifamily Program Bonds are available for acquisition, construction and/or rehabilitation of multifamily projects

# NIBP –Fannie Mae and Freddie Mac (GSEs)

- Upon release, Multifamily Bonds must be credit enhanced by Freddie Mac or Fannie Mae, Secured by GNMA or FHA, or underwritten by the State HFA
- GSE credit enhancement provides a AAA rating on the Bonds and results in the lowest credit spread on the Bonds (Fixed Rate plus 60 basis points)
- The GSE credit enhancement remains in place through the full term of the Bonds

# New Issue Bond Program - Strengths

## **The NIBP Program will...**

- provide hundreds of thousands of affordable mortgages for working families;
- enable the development and rehabilitation of tens of thousands of affordable rental properties;
- provide refinancing opportunities for at-risk borrowers to convert to sustainable mortgages;
- be paid for by HFAs - not taxpayers;
- incentivize HFAs to transition back to market sources of capital as quickly as possible;
- maintain viability of HFAs to preserve important role in providing housing resources.

# DCHFA – Making Urban Living Affordable



- The District of Columbia Housing Finance Agency - like all State and Local Housing Finance Agencies - experienced a difficult 2009
  - The tax credit equity market dried up
  - The market for HFA bonds weakened, making the cost of borrowing prohibitive
- The DCHFA NIBP program has made \$193 Million of bond proceeds available to finance affordable housing projects in the District of Columbia

# DCHFA - Pooled NIBP Transactions

- In April 2010, DCHFA became the first HFA nationally to close a multi-project NIBP escrow release with a combined roll-out of \$20 Million in NIBP bond proceeds
- The NIBP Program has allowed DCHFA to finance projects that were stalled by the frozen liquidity and tax credit equity markets
- The all-in interest rates on NIBP loans make financing multifamily residential rental projects feasible in the absence of tax credit equity
- DCHFA has in excess of \$40 Million of NIBP Proceeds still available to finance projects in the District

# SOME (So Others Might Eat)



- So Others Might Eat offers a comprehensive, holistic approach to caring for the homeless and extremely low-income citizens of our city.
- SOME's Housing Development Initiative is aimed at developing 1000 new housing units in the District



# SOME – Scattered Site Project

- SOME will use NIBP Bonds to finance a five property project that will provide 240 housing units, together with supportive services, to the homeless and extremely low-income residents of the District of Columbia
- The five properties in the Scattered Site Project will provide housing for families, single adults and the elderly
- The SOME Scattered-Site Project was delayed due to market conditions, but is now moving forward under NIBP and the financing is expected to close in July 2010

# SOME – Scattered Site Properties

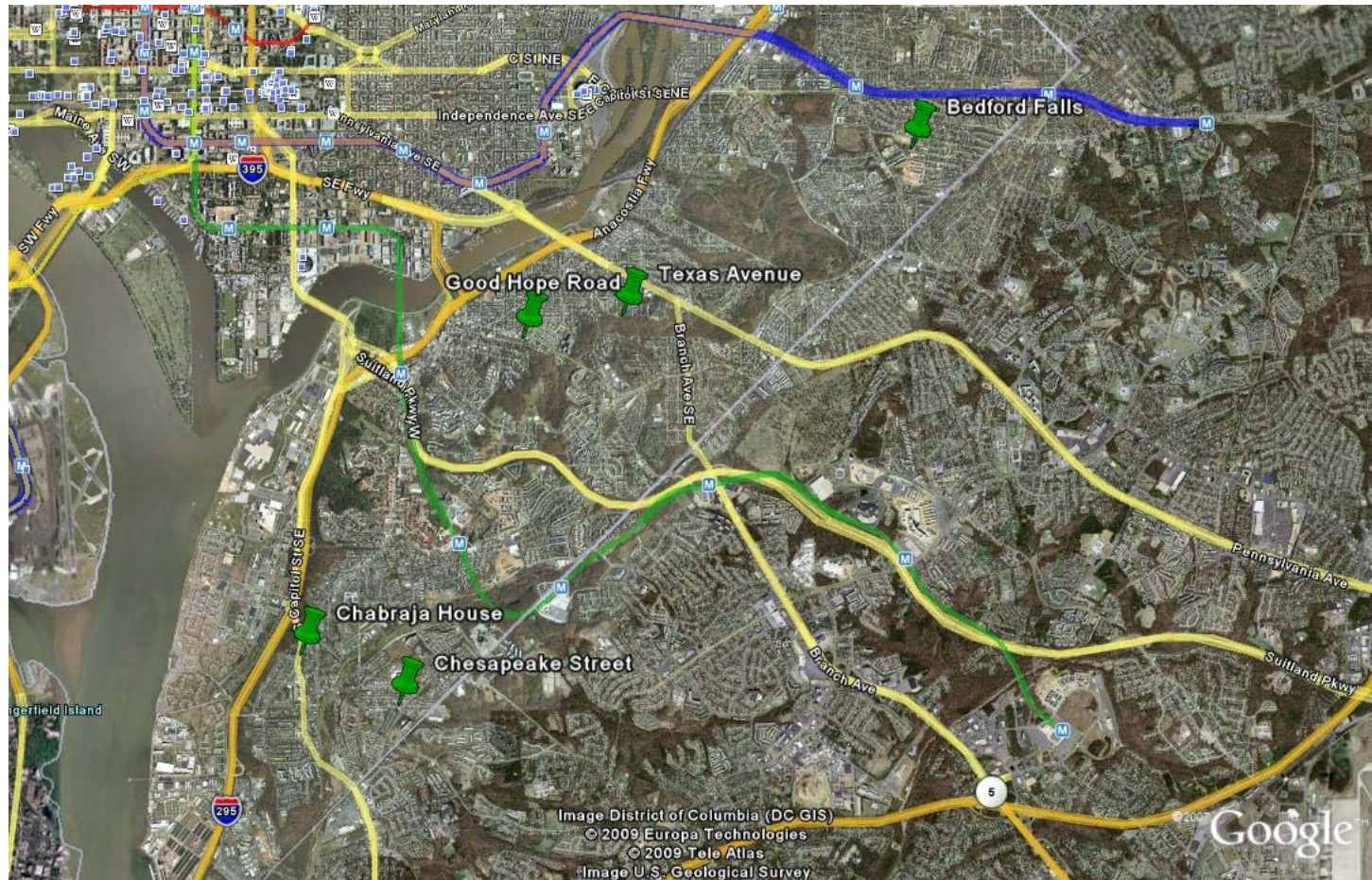
<b>Project</b>	<b>Address</b>	<b>Use</b>	<b>Number of Units</b>
Bedford Falls	350 50th St. SE	Single Adults	46 Single Rooms and 32 Efficiencies
South Capitol St.	3828 South Capitol St. SE	Single Adults	51 Single Rooms and 2 Efficiencies
Texas Avenue	2810 Texas Avenue SE	Single Adults	49 Efficiencies
Chesapeake Street	730 Chesapeake St. SE	Families	10 2-Bedrooms, 10 3-Bedrooms and 2 5-Bedrooms
Good Hope Road	1667 Good Hope Road SE	Seniors	25 Single Rooms, 16 Efficiencies, 1 1-Bedroom and 1 4-Bedroom

# SOME – Scattered Site Properties





# SOME – Scattered Site Project Locations



# SOME – Scattered Site Sources

<b>Sources of Funds</b> <b>(subject to final underwriting)</b>	
DC Housing Finance Agency Permanent Tax Exempt Bonds*	8,100,000
DHCD Housing Production Trust Fund	11,503,000
Low-Income Housing Tax Credit Proceeds	6,752,081
DC Housing Authority LRSP Capital Grant	2,900,000
SOME Financing	7,309,074
<b>Total Sources of Funds</b>	
<b>\$ 36,564,155</b>	

# SOME – Scattered Site Uses

<b>Uses of Funds</b>	
Acquisition Costs	11,400,690
Construction or Rehabilitation Costs	15,463,345
Fees Related to Construction or Rehabilitation	1,070,020
Financing Fees and Charges	2,650,301
Syndication Related Costs	296,622
Guarantees and Reserves	1,644,501
Developer's Fee	4,038,676
<b>Total Uses of Funds</b>	<b>\$ 36,564,155</b>

# NIBP Challenges and Victories

## Challenges

- Growing Pains – As with any new program, there are issues to work through to make the program function efficiently
- Time – The lights go out on the NIBP Program at the end of 2010
- Projects – HFAs need shovel ready projects in order to use their full NIBP allocations
- Multi-project Releases – HFAs have three releases and must bundle projects together in each release. If one project is delayed, it can effect the other project timelines

# NIBP Challenges and Victories

## Victories

- Volume - NIBP has made \$15 Billion of housing bond proceeds available nationwide and \$193 Million available in the District of Columbia alone
- Groundbreaking - DCHFA has been able to advance projects that were stalled by the market downturn, and is making urban housing affordable in the District of Columbia
- SOME and other developers are receiving low-cost financing and providing new affordable and supportive housing to District residents