KHC Multifamily Programs

Low Income Housing Tax Credits (LIHTC)

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
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

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
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

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
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!)

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
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

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
NICKY HAYDEN APARTMENTS
WABUCK DEVELOPMENT COMPANY

Sponsor: Daniel Pitino Shelter
Developer: Wabuck Development Company
Contractor: Clayton Watkins Construction, Inc.
Local Government: Tom Watson, Mayor, City of Owensboro

Located in Owensboro, KY

12 1-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
SOURCES AND USES OF FUNDS

**SOURCES**
- HOME Grant $700,000
- Affordable Housing Trust Fund Grant $200,000
- Federal Home Loan Bank Grant $600,000
- Sponsor Equity $69,840

**USES**
- Construction Contract $1,232,218
- Developer Fee $197,000
- Cash Reserves $47,000
- Other Soft Funds $93,622

Total - $1,569,840

ANNUAL OPERATING BUDGET

**Revenue**
- 12 Units @ $400/month $57,600
- Vacancy (7% annual) ($4,032)
- Net Revenue $53,568

**Operating Expenses**
- Management & Administration $11,433
- Maintenance & Operations $14,350
- Utilities $10,500
- Insurance $3,500
- Total Operation Costs $41,783

**Net Operating Income** $11,785
THANK YOU
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

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
## Springfield Robertson Building 1896

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<th>Total Development Costs:</th>
<th>$1,594,000</th>
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<tr>
<td>7 Apartments with Downstairs Retail</td>
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<tr>
<td>Kentucky Housing Corporation: HOME</td>
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<tr>
<td>CDBG</td>
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<tr>
<td>Springfield State Bank: Investor for Federal Historic Tax Credit</td>
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<tr>
<td>State Historic Tax Credit</td>
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### Images of the Robertson Building

1. Exterior view of the Robertson Building.
2. Interior views showcasing the architectural details.
3. Close-up images of historic elements.

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### Images of the Robertson Building with Ladder

4. Ladder placed against the building's exterior.
5. Close-up of the ladder's climbable structure.
6. View from above the ladder's position.

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### Images of the Robertson Building's Features

7. Detailed views of stained glass windows.
8. Architectural elements highlighting the building's historical significance.
9. Images of the building's foundation and structural details.
Vacant Lots in Jenkins, KY

<table>
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<td>4 Apartments (Two Duplexes)</td>
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<tr>
<td>Kentucky Housing Corporation: HOME</td>
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<td>Equity + Volunteer Labor + Waived Fees</td>
<td>$26,054</td>
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