



HOUSING FINANCE PANEL PRESENTATION

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WHAT IS “AFFORDABLE”?

- Not LIHTC
- Not public housing

Affordable: A household pays $\leq 30\%$ of its income for housing.

COOK COUNTY (2015)

	Median Income	What's Affordable?
All Households	\$57,000	\$1,425/mo
Owner Occupied (57%)	\$80,000	\$2,000/mo
Renters (43%)	\$36,000	\$900/mo

EVANSTON (2016)

	Median Income	What's Affordable?
All Households	\$71,317	\$1,783/mo
Owner Occupied (55%)	\$105,439	\$2,636/mo
Renters (45%)	\$43,124	\$1,078/mo

IS CHICAGO/COOK COUNTY AFFORDABLE?

	What's Affordable for Median Income?	Monthly Cost in Cook County
For Homeowners	\$2,000/mo	\$1,800/mo
For Renters	\$900/mo	\$1,000/mo

RENTAL HOUSING IN COOK COUNTY (2015)

Renter Households	867,000
Median Income	\$36,000 (can afford \$900/mo)
Median Rent	\$1,000

Income required to make median rent affordable:
\$40,160 (about 64% AMI)

≤ 50% AMI (\$31,576) 400,000 households → 85-90% rent
burdened

RENTAL HOUSING FACTS (US)

- 90% of rental housing is privately owned and privately financed
- 75% of low cost rental housing is privately owned and privately financed (no form of public assistance)
- Most rental housing
 - Buildings with <50 units
 - Tend to be privately owned
 - Have lower rents than large buildings

A FUNDAMENTAL CHALLENGE

	Market Rate	Affordable
Rent	\$1,650	\$850
Operations	\$600	\$600
Cash Flow Available for Debt	\$1,050	\$250

CRE CASH FLOW EXAMPLE

EXAMPLE SOURCES & USES

	WITH AFFORDABLE UNITS				WITHOUT AFFORDABLE UNITS			
Net Residential Square Feet ("NRSF")	85,000				85,000			
Gross Residential Square Feet ("GRSF")	105,000				105,000			
Gross Parking Square Feet	8,000				8,000			
Total Project Square Footage ("GSF")	113,000				113,000			
	#			%	#			%
Other Rental Units	126			90%	140			100%
Affordable Rental Units	14			10%	0			0%
Total Units	140			100%	140			100%
	\$	\$ / NRSF	\$ / GRSF	%	\$	\$ / NRSF	\$ / GRSF	%
LAND								
Purchase Price	\$ 7,000,000	\$ 82.35	\$ 66.67	21.7%	\$ 7,000,000	\$ 82.35	\$ 66.67	20.8%
Closing Costs/DD	\$ 100,000	\$ 1.18	\$ 0.95	0.3%	\$ 100,000	\$ 1.18	\$ 0.95	0.3%
TOTAL LAND	\$ 7,100,000	\$ 83.53	\$ 67.62	22.0%	\$ 7,100,000	\$ 83.53	\$ 67.62	21.1%
HARD COSTS								
Construction Contract	\$ 20,700,000	\$ 243.53	\$ 197.14	64.1%	\$ 20,700,000	\$ 243.53	\$ 197.14	61.4%
Hard Cost Contingency	\$ 1,000,000	\$ 11.76	\$ 9.52	3.1%	\$ 1,000,000	\$ 11.76	\$ 9.52	3.0%
TOTAL HARD COSTS	\$ 21,700,000	\$ 255.29	\$ 206.67	67.2%	\$ 21,700,000	\$ 255.29	\$ 206.67	64.4%
SOFT COSTS								
Affordable Housing Paid In	\$ -	\$ -	\$ -	0.0%	\$ 1,400,000	\$ 16.47	\$ 13.33	4.2%
All Other Soft Costs	\$ 3,500,000	\$ 41.18	\$ 33.33	10.8%	\$ 3,500,000	\$ 41.18	\$ 33.33	10.4%
TOTAL SOFT COSTS	\$ 3,500,000	\$ 41.18	\$ 33.33	10.8%	\$ 4,900,000	\$ 57.65	\$ 46.67	14.5%
TOTAL USES	\$ 32,300,000	\$ 380.00	\$ 307.62	100.0%	\$ 33,700,000	\$ 396.47	\$ 320.95	100.0%

EXAMPLE CAP RATES

	Price Per SF =		DIFFERENCE
	\$ 3.40	\$ 3.80	
TOTAL EGI	\$ 3,468,000	\$ 3,876,000	\$ 408,000
TOTAL EXPENSES (assumed as 35% EGI)	\$ 1,213,800	\$ 1,356,600	\$ 142,800
Net Operating Income ("NOI")	\$ 2,254,200	\$ 2,519,400	\$ 265,200
CAP RATE	6.0%	6.0%	0.0%
VALUE	\$ 37,570,000	\$ 41,990,000	\$ 4,420,000

EXAMPLE BANK DEBT ANALYSIS

	WITH AFFORDABLE UNITS	WITHOUT AFFORDABLE UNITS	DIFFERENCE
BANK LOAN (70% LTC)	\$ 22,610,000	\$ 23,590,000	\$ 980,000
Equity	\$ 9,690,000	\$ 10,110,000	\$ 420,000
TOTAL PROJECT COSTS	\$ 32,300,000	\$ 33,700,000	\$ 1,400,000
YEAR 1 NET OPERATING INCOME (NOI)	\$ 2,254,200	\$ 2,519,400	\$ 265,200
YEAR 1 DEBT SERVICE (6% / 30-Year)	\$ 1,626,700	\$ 1,697,208	\$ 70,507
EXCESS CASH FLOW	\$ 627,500	\$ 822,192	\$ 194,693
ROI	6.48%	8.13%	1.7%

LAUREL APARTMENTS, HIGHLAND PARK



LAUREL COURT, HIGHLAND PARK



OAKWOOD RESIDENCES, HIGHLAND PARK



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AFFORDABLE HOUSING SUBSIDIES

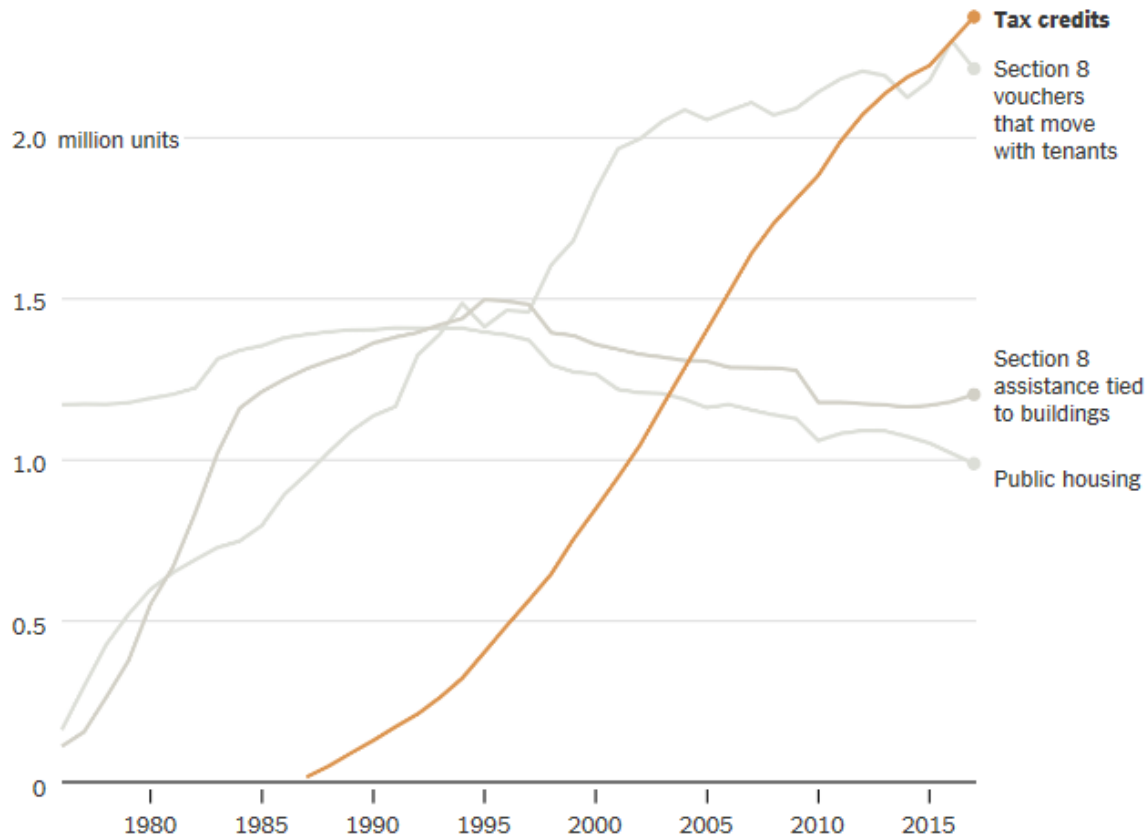
○ Development subsidies

- Tax credits (LIHTC, Historic, Donation)
- Federal entitlement programs (HOME, CDBG)
- Local Housing Trust Funds
- FHLBank Affordable Housing Program
- Tax Increment Financing

○ Operating/Rental subsidies

- Housing Choice Vouchers
- Veterans Affairs Supportive Housing (VASH)
- Project-based rental assistance
- Capitalized operating reserves

THE CHANGING SHAPE OF HOUSING ASSISTANCE



Sources: Harvard University Joint Center for Housing Studies, Ingrid Ellen, HUD, LIHTC database

DECLINING VALUE OF LOW INCOME HOUSING TAX CREDITS



Source: Novogradac & Company LLP

13 UNITS OF NEW CONSTRUCTION

Illinois Department of Commerce and Economic Opportunity	\$45,972
Deferred Developer Fee	\$135,614
FHLBank Chicago AHP	\$234,000
First Mortgage	\$313,162
Sponsor Entity	\$370,125
Tax Increment Financing	\$1,000,000
Illinois Housing Development Authority PSH	\$3,210,162
Total	\$5,309,035

50 UNITS OF NEW CONSTRUCTION

Deferred Developer Fee	\$393,934
FHLBank Chicago AHP	\$850,000
Community Development Block Grant	\$1,250,000
FHLBank Chicago Member Loan	\$1,560,000
Illinois Housing Development Authority	\$2,000,000
Low Income Housing Tax Credit Equity	\$11,869,876
Total	\$17,932,800