



Durham Affordable Housing Loan Fund *Overview*

The Current Challenge

- Strong economic and population growth are contributing to rising housing prices, threatening to displace low income Durham residents
- Growth has created a new challenge for affordable housing developers: competition for properties from market rate developers
 - All too often, affordable housing developers find themselves losing out to market rate buyers who have greater access to capital and the ability to move quickly to secure properties.

Durham Affordable Housing Loan Fund

- Duke University's Office of Durham and Regional Affairs convened a working group that includes representatives from the City, County, affordable housing developers and lenders to discuss affordable housing challenges facing the City.
- This working group developed the proposal for a Loan Fund as an important tool to aid the creation and preservation of affordable housing in Durham.

Durham Affordable Housing Loan Fund

The Loan Fund will offer affordable housing developers:

- Rapid turnaround, designed to let them compete with market-rate buyers
- 100% loan to value loans, eliminating the need for multiple acquisition sources
- Five-year terms, to allow borrowers to build a pipeline of projects and with sufficient time to secure project financing
- Below market rates, to allow borrowers to carry projects while developing plans and financing
- Risk-sharing, to allow investors and borrowers to take smart risk to secure affordable housing

Fund Characteristics

Fund Size	
	<ul style="list-style-type: none">▪ 10 years, with the possibility of renewal (with investor approval)
	<ul style="list-style-type: none">▪ Nonprofit entities, housing authorities and development teams comprised of such entities, with relevant development experience▪ For profit organizations may apply in partnership with an eligible nonprofit or housing authority
	<ul style="list-style-type: none">▪ City of Durham
	<ul style="list-style-type: none">▪ Borrowers should have a feasible business plan and agree to accept affordability deed restrictions at the time of permanent financing▪ Affordable rental units must serve households $\leq 60\%$ AMI and affordable for sale units must serve households $\leq 80\%$ AMI; at least 20% of the units must be affordable in multifamily property▪ Fund will seek to prioritize projects that target lower AMI households
	<ul style="list-style-type: none">▪ Must be certified CDFI with substantial real estate lending experience▪ Must have a balance sheet sufficient to guarantee recourse funds▪ Demonstrated commitment/ability to meet expedited underwriting requirement

Initial Loan Products

- Two products planned:
 - Acquisition loans for preservation of existing buildings or construction of new units, with >10 affordable units per transaction. Multifamily preferred, but acquisitions of portfolios of single family units may be considered on a case-by-case basis.
 - Lines of credit for acquisition of single family properties or sites, <10 units per transaction
- Up to five year term
- 100% loan to value
- Interest rate based on blended rate of fund investments, with addition of fund administration fees
- Monthly interest only payments; principal due at maturity or upon receipt of a repayment source

Loan Fund Launch

- Self-Help Ventures Fund and the North Carolina Community Development Initiative have agreed to work collaboratively as the fund administrators
 - Self Help will be the overall administrator and will be the borrower of all funds and guarantor for Tier 3 investments
 - The Initiative will underwrite acquisition line of credit requests and any requests involving Self-Help
- The Fund is scheduled to launch in mid-2019 with an initial capitalization of \$10 million
- Goal is to expand the fund to \$15-\$20 million

Initial Investors

Tier 1 (15%)	City of Durham	\$1,500,000
Tier 2 (15%)	City of Durham	\$500,000
	Duke University (via Self Help)	\$1,000,000
Tier 3 (70%)	Duke University (via Self Help)	\$2,000,000
	N.C. Community Development Initiative	\$2,000,000
	SunTrust Bank	\$3,000,000
TOTAL		\$10,000,000

Projected Impact

The Durham Community is an important part of a strategic, community-wide response to the growing crisis of affordability in Durham.

- Over 10 years, a \$20 million Durham Affordable Housing Loan Fund is projected to support the creation or preservation of **over 1,000 affordable homes**
- The Fund will enable local affordable housing developers to **stabilize and expand production** by building multiyear development pipelines

Questions?