Permanent Supportive Housing (PSH) Funding

EXHIBIT A

- **Funding Request: $25,000,000**
- The addition of new, deeply affordable units dedicated to households with incomes 0-30% AMI and set asides in developments for Permanent Supportive Housing (PSH)
- These will be awarded through the Metro Development & Housing Authority (MDHA) as a competitive RFP. They will provide low-cost loans to developers with development transactions that are unable to close due to a financing gap, e.g., due to construction cost increase, insurance increases and/or changes in originally sufficient financial commitments prior to closing. Program income generated from these loans will be dedicated to housing and/or services for our citizens experiencing homelessness. The affordability period for the units will be 20 to 35 years. Unlike many other affordable housing units, these will be dedicated for households experiencing homelessness. Units will be filled through Coordinated Entry process and matched with the appropriate case management provider
- Support Services: Will be required to work with the Housing First case management program providing ongoing support services

Overview of the Deeply Affordable Housing Gap Financing (AHGF) Program

Overview

The Deeply Affordable Housing Gap Financing program (AHGF) is a $25,000,000 loan fund dedicated to the creation of new units for permanent supportive housing. The program will provide subordinate financing for affordable rental housing projects for families at 30% of the Area Median Income (AMI). AHGF is intended to address the financing needs of projects that have a financing gap due to construction cost increases and/or supply chain disruptions.

Additional Information

For more information on the AHGF Program, please reference the handout

AHGF Program Q and A

Q: What would be the best mixture of subsidized unit and permanent supportive housing – or how will this be determined?
A: MDHA mixture of subsidized (units that are affordable to families at 30% AMI) and permanent supportive housing (units that will be set aside for permanent supportive housing vouchers and come with services) will be based upon the amount of AHGF invested into the project. The maximum amount of AHGF funds invested will not exceed the maximum per unit subsidy limits established by HUD for the Section 234-Condominium Housing (elevator-type) and basic mortgage limits for Nashville, Tennessee multiplied by the high-cost percentage of 375% to account for rapid price increases. The applicable limits are listed in the following table.

2022 Maximum Per Unit Subsidy Limits				
0 BR	1 BR	2 BR	3 BR	4+ BR
$249,615	$286,144	$347,959	$450,146	$494,119

Q: What happens to the funds when money comes back – where is the accountability and who manages this?
A: MDHA will manage loan proceeds from the AHGF program. Loan proceeds will be used to address affordable housing and/or services for the homeless as outlined in Nashville’s Consolidated Plan for Housing and Community Development. MDHA will report the AHGF program outcomes annually in the Consolidated Annual Performance Evaluation Report (CAPER).

Q: Concern re: affordable housing with private developers – it’s not forever. How do we ensure we’re sustaining it
A: All units will be required to meet certain rent and occupancy requirements for a period of up to 35 years (“affordability restrictions”). Affordability restrictions remain in force regardless of transfer of ownership or repayment of the AHFG loan. Affordability restrictions will be enforced with a deed restriction (“Declaration of Restrictive Covenants”) which will be recorded with the Davidson County Register of Deeds.

AHGF Program Q and A

Q: Is this new or different from existing MDHA programs or the Catalyst Fund?

A: This AHGF program is different in its focus on encouraging the creation of new units for permanent supportive housing targeting households at thirty percent (30%) and below through Coordinated Entry. The HOME Investment Partnership program is a federal program that serves households at up to eighty percent (80%) of area median income. The program is restricted by federal guidelines for eligible activities. The AHGF program will provide a substantial amount of additional funding beyond what is provided through the HOME program along with greater flexibility.

The Catalyst Fund is a recommendation of the Affordable Housing Task Force that is primarily intended to make funds available to developers to acquire housing in which the affordable term is about to expire and/or preserve naturally occurring affordable housing. The entire purpose of the Catalyst Fund is different than the Gap Financing program being proposed in which the latter is meant to make funding available in existing projects to get deep affordability.

Q: How do you guarantee the affordability timeframe? What are the teeth? Can you provide examples?

A: All units will be required to meet certain rent and occupancy requirements for a period of up to 35 years (“affordability restrictions”). Affordability restrictions remain in force regardless of transfer of ownership or repayment of the AHFG loan. Affordability restrictions will be enforced with a deed restriction (“Declaration of Restrictive Covenants”) which will be recorded with the Davidson County Register of Deeds.

AHGF Program Q and A

Q: Who are the developers? How will they be recruited? Can developers with worker safety issues be excluded?

A: The AHGF program will target nonprofit or for-profit developers that have applied to the Tennessee Housing and Development Agency and been awarded low-income housing tax credits (LIHTCs) reserved under either the 4% or 9% programs. THDA requirements with respect to worker safety will apply.

Q: How will the HPC be engaged in this?

A: MDHA will provide program information to members of the Homeless Planning Council (HPC). In addition developers will be required to accept households via referral from Coordinated Entry.

AHGF Program Q and A

Q: Please walk through the process: what is meant by program income, and how is its use determined? What does the projection look like?

A: Program income is the yearly amount of AHGF loan proceeds repaid by the developer. Reuse of loan proceeds will be determined by homeless priorities outlined in Nashville's Consolidated Plan and reallocated in the Annual Update to the Consolidated Plan (Action Plan). Below is a sample example of loan proceeds reallocated to provide affordable housing in conjunction with the HOME Investment Partnership Program annual Request for Applications (RFA) process

Sample Loan Proceeds

AHGF Loans Awarded $ 18,750,000

Interest Rate .5%

Term 20 Years

Annual Loan Proceeds $ 985,356

Sample Reuse of AHGF Loan Proceeds

HUD HOME Affordable Rental Funding $ 1,795,132

AHGF Loan Proceeds $ 985,356

Total Available Funding $ 2,780,488 (awarded via RFA process)