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CDBG-DR Gap To LIHTC Program: Driving PR's Affordable Housing Supply

PUERTO RICO HOUSING FINANCING AUTHORITY (PRHFA)

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PR Housing Finance Authority (PRHFA)

The PRHFA manages programs that:

- (i) Support homeownership for low-and moderate- income persons.
- (ii) Support the development of social-interest housing.
- (iii) Transform development sites into sustainable and viable communities

Homeownership

- Mortgage loans
- Homebuyer Assistance Program

Development

- Construction loans
- Low-Income Housing Tax Credits (LIHTC)

These activities are supported by Community Development Block Grant - Disaster Recovery (CDBG-DR) funds and HOME funds that are managed by the PRHFA.





CDBG-DR Action Plan: PRHFA's Role

CDBG-DR Housing Programs*	1st Allocation	2nd Allocation	Total Allocation
Home Repair, Reconstruction or Relocation Program	835,570,050	2,109,710,569	2,945,280,619
Title Clearance Program	25,000,000	15,000,000	40,000,000
Rental Assistance Program	10,000,000	10,000,000	20,000,000
Social Interest Housing Program	12,500,000	25,000,000	37,500,000
Housing Counseling Program	7,500,000	10,000,000	17,500,000
CDBG-DR Gap to Low Income Housing Tax Credits (LIHTC)	113,000,000	850,000,000	963,000,000
Community Energy and Water Resilience Installations Program	-	300,000,000	300,000,000
Homebuyer Assistance Program	-	295,000,000	295,000,000
Blue Roof Repair Program	750,000	474,250,000	475,000,000
	1,004,320,050	4,088,960,569	5,093,280,619



Source: Disaster Recovery Action Plan for The Use of SCBG-DR Funds in response to the 2017 Hurricanes Irma and María.

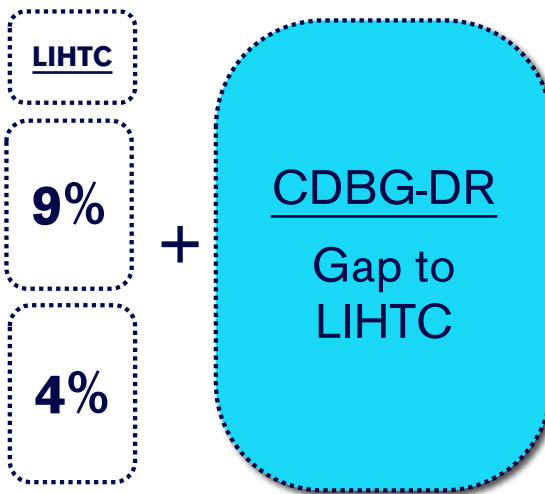




Low-Income Housing Tax Credits (LIHTC)

What are LIHTCs?

- An important source of subsidy for new affordable housing construction, with over 3 million units built.
- Included in the Tax Reform Act of 1986, 26 U.S.C. § 1, et seq., which introduced the Internal Revenue Code Section 42 to incentivize the development of affordable housing.
- At its basic level, LIHTC subsidizes development costs of affordable rental housing. It does so, by providing an incentive (i.e., tax credits) for private investors to support these developments.



Provides grants and/or or low cost financing to bridge financing gaps after LIHTC equity is received.

Reduces the need to find multiple funding sources.

A variety of costs are allowable expenses under CDBG-DR Program.

Reduces the development costs and allows for deeper subsidies.

Criteria that will be audited by the federal government:

- **Cost per sq. feet limit** (\$616 psf new construction; \$734 psf subst. rehab.)
- **Occupancy:** Property must be occupied by x% of tenants that earn y% of the Median Income
- **"Affordability Period"** extends 15 to 20 years.

**STRICT
CONTROLS
IN PLACE**





CDBG-DR Investments: Phase I

PHASE I | 9% LIHTC

For New Developments or Substantial Rehabilitation which is not financed with tax exempt bonds.

Development	Municipality	Type	Units	Development Cost	Grant Amount.
José Gautier Benítez (Family)	Caguas	Multifamily	238	\$55,858,464	\$31,715,900
José Gautier Benítez (Elderly)	Caguas	Elderly	200	\$33,542,481	\$14,479,390
De Diego Village	San Juan	Multifamily	94	\$19,550,000	\$18,127,253
Hogar Mediavilla	Humacao	Elderly	90	\$13,838,000	\$8,576,778
San Blas	Coamo	Elderly	69	\$11,918,000	\$7,969,563
Sabana Village	San Juan	Multifamily	160	\$11,100,800	\$9,995,987
TOTAL			851	\$145,807,746	\$90,864,871

DISBURSEMENTS

2020 **\$8,366,907**

2021 **\$27,824,235**

2022 **\$11,566,671**

2.5 Yrs.: \$47,757,813





LIHTC Developments: Las Gladiolas

BEFORE



AFTER: Renaissance Square

152 UNITS



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LIHTC Developments: Puerta De Tierra

BEFORE



AFTER: Bayshore Villas



192 UNITS





LIHTC Developments: Gautier Benítez (Elderly & Multifamily)

404 UNITS



PR
SUMMIT





CDBG-DR Investments: Phases II & III

PHASE II | 4% LIHTC

- Phase 2 is for New Developments or Substantial Rehabilitation which are financed with tax exempt bonds.
- HFA is evaluating proposals, and in active discussions with key stakeholders (e.g., banks) to finalize award processes.
- Proposals for this round were received according to the 2020 Qualified Allocation Plan.

PHASE III | 9% LIHTC

- For New Developments or Substantial Rehabilitation which is NOT financed with tax exempt bonds.
- Department of Housing has set aside \$250 million of the CDBG-DR funds for construction projects to rebuild, replace or rehabilitate public housing inventory.
- **HFA Will begin this Phase 3, under the 2022 QAP (to be published).**

***A MARKET DRIVEN PROCESS ENSURES THAT PROJECTS ARE
ALIGNED WITH THE COMMUNITY NEEDS.***



Closing statements

- Puerto Rico's recovery depends largely on meeting the affordable housing demand
- Crucial events (hurricanes + pandemic) have brought an unprecedented amount of federal funding support to rebuild the island's housing infrastructure
- The CDBG-DR Gap To LIHTC program makes Puerto Rico a unique opportunity for experienced developers and investors
- HFA plays a key role in deploying over a billion dollars in disaster recovery funds
- For more information, please visit www.afv.pr.gov or e-mail javier.trogolo@afv.pr.gov