

# More for Mission

Fixed income as a mission investment:

Structuring bonds with social and environmental goals—the Human Capital Plan

December 3, 2010

## *Presenters*

*Patricia J Braynon, Director, Miami-Dade Housing Finance Authority*

*Gene Slater, Financial Advisor, CSG Advisors*

*Barbara VanScoy, Founder, Community Capital Management*

Patricia J Braynon

Director, Housing Finance Authority of  
Miami Dade County, FL

December 3, 2010

# **Mission Investments**

## **The Human Capital Plan**

# The Issuer

- The Issuer acts as a conduit for financing and allows the Borrower to obtain tax-exempt financing if the bond issue provides a public service
- For multifamily projects, the public service is the set-aside of rental apartment units for low and moderate income tenants.

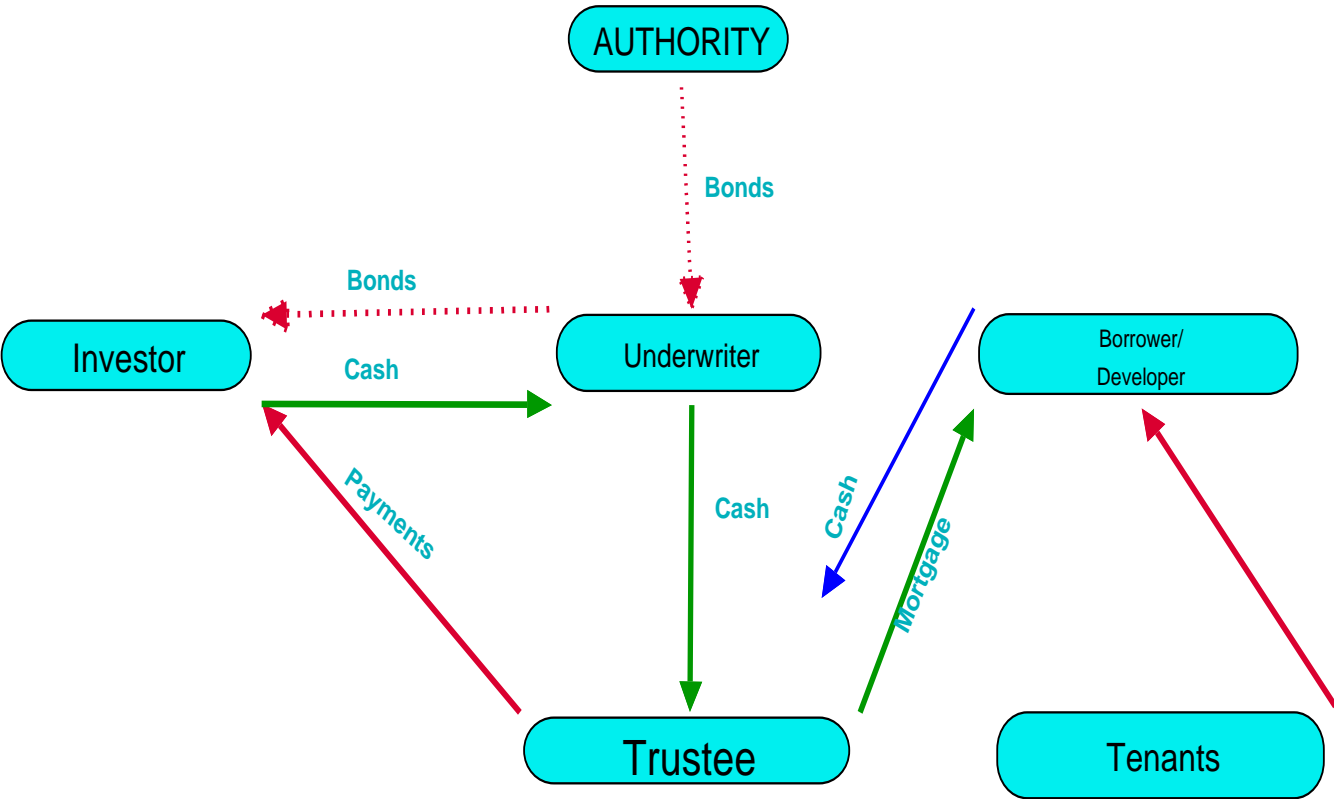
# The Financing

- The financing is regulated by local, state and federal policies, statutes and regulations
- Local policies generally dictate language that ensures that the core values of a given community are incorporated in the housing provided by a bond transaction
  - Green standards
  - Architectural standards

# Multifamily Mortgage Revenue Bonds

- Project Finance
  - Bonds are secured by the revenues of a specific project
  - May require reserves, guarantees and/or credit enhancement
- Application Process
  - Developer presents application package and fee
  - Staff, Financial Advisor, Legal Counsel, Architectural Review Committee review and make formal recommendations to the Authority

# Multifamily Mortgage Revenue Bonds



# Multifamily Developments

## BONITA POINTE

- 164 UNITS
- 2003
- \$7,980,000 BONDS - \$15,892,035 PROJECT COST



## MONTEREY POINTE

- 336 UNITS
- 2001
- \$13,490,000 & \$1,685,000 BONDS - \$27,217,896 PROJECT COST



# Multifamily Developments

## MIAMI STADIUM

- 336 UNITS
- 2001
- \$14,200,000 & \$1,705,000 BONDS - \$30,047,640 PROJECT COST



## ALHAMBRA COVE

- 240 UNITS
- 2003
- \$13,000,000 & \$770,000 BONDS - \$26,412,673 PROJECT COST



# LEED Certified Affordable Single Family Home

## FIRST GREEN HOME

- 2007
- \$236K



## SECOND GREEN HOME

- 2010
- 225K



# LEED Certified Affordable Single Family Home

**CITY PROVIDED IN-FILL LOT FOR HOME AND MORTGAGE SUBSIDY FOR HOMEBUYER**

**GREEN JOBS FOR INNER-CITY YOUTH:  
PARTNERSHIP WITH LOCAL SCHOOL BOARD**



# LEED Certified Affordable Single Family Home

INTERIOR AND EXTERIOR OF HOME INCORPORATED GREEN PRACTICES



THE LOOK AND CHARACTER OF A NEIGHBORHOOD ALTERED



# For Additional Information:

- Visit our website: [www.miamidade.gov/hfa](http://www.miamidade.gov/hfa)
- Join us on Facebook:  
<http://www.facebook.com/pages/Miami-FL/Housing-Finance-Authority-of-Miami-Dade-County/118133488470>
- Email us: [hfa@miamidade.gov](mailto:hfa@miamidade.gov)
- Call us: 305-594-2518

---

# Mission Investments in Affordable Housing and Redevelopment

for More for Mission

December 3, 2010

# Role of Financial Advisor

## CSG Advisors Background

---

### **National independent financial advisor**

- Not a bond underwriter or broker

### **Specialize in affordable housing and community development**

- Represent 60 local and state agencies and non-profits
- **#1**-ranked financial advisor for affordable housing each year since 1982
- \$65 billion of housing and redevelopment financings

**Clients** include: Colorado, Delaware, District of Columbia, Illinois, Iowa, Massachusetts, Michigan, Minnesota, Missouri, New York State, South Carolina, Tennessee, Washington State

**Cities or housing authorities:** Dallas, Denver, Indianapolis, Los Angeles, New York City, Oakland, Orange County (FL) and (CA), Phoenix, Portland Oregon, Puerto Rico, Richmond, San Francisco, San Jose, Seattle, Tacoma, Tampa, Wilmington

# CSG Advisors Background (*cont.*)

---

## For Foundations and Non-Profits:

### Living Cities

- Helped design site acquisition program initiative

### Neighborhood Housing Services of America

- National taxable bond investment for major insurance companies

### Ford Foundation / LISC

- PRI design

### Non-Profits

- More than 500 financings

# Mission Investments

---

## Focus Discussion on Investments That Are:

- Taxable, fixed income, and highly rated or low risk, *and*
- Help meet key community development objectives

# District of Columbia

## Housing Production Trust Fund Bonds

---

- Issuer (*borrower*): District of Columbia
- Purpose: Mixed-income development of major public housing projects and distressed neighborhoods
- Approach: Housing, human capital, recreation and community facilities  
Replace 100% existing low-income units with new, high-quality, well-managed units in mixed income developments with long-term affordability
- Program: New Communities – long-term plan for each New Community  
Mayoral and Council commitment and high-priority  
Dedication of District revenue stream (property transfer taxes) to Housing Production Trust Fund

# District of Columbia (*cont.*)

---

Specific Investment:	August 2010 Bond Issue \$53.19 million
Use of Bond Proceeds:	Capital costs for community recreation center, site purchase and portion of development cost for affordable housing units
Bond Maturities:	From 4 to 34 years
Security:	Dedicated revenue stream, very high debt coverage, multiple years reserves
Ratings:	Moody's: A1 Fitch: A
Liquidity:	Highly liquid, rated, publicly sold bonds

---

## Taxable Bond Investment

\$3.46 million

4 year maturity

3.387% rate

Semi-annual interest and sinking fund

Not optionally callable

## Why was portion of bond issue taxable:

Affordable projects with 9% Low Income Housing Tax Credits

Loans rather than grants to project developers

# Taxable Bonds Nationally

---

Generally, state and local bonds are tax-exempt

1. Taxable bonds to meet specific IRS tax rules
  - Downpayment assistance for homebuyers
  - Commercial parts of mixed-use development (often difficult to finance)
  - 9% Low Income Housing Tax Credit projects
  - Certain types, or timing, of project costs
  - Not enough tax-exempt bond authority for 100% of all projects
2. Inherently taxable bonds
  - Directly federally guaranteed
  - Special federal subsidies

---

## Structure

May be:

- a) Part of a larger bond issue
  - taxable bonds often are the shorter bonds
- b) Entirely taxable issue

Security, Rating, Liquidity

Same as equivalent municipal bonds that are tax-exempt

# Examples

---

- San Francisco General Obligation bonds for affordable housing
- Redevelopment tax increment bonds
- State and local bonds for tax credit projects
- Non-housing facilities
- Mixed-use development/redevelopment
- Homes for the disabled with social services

# Mission Investments More Broadly

---

- Publicly sold bonds and private placements
- Comparing to and sharing in bank private placements
- Third party evaluation of credit risk

# How Mission Investments Can Make a Difference

---

Inherent Tension:      Meet 'but for' test, *yet*  
Provide a market return

How Potential  
Value Added:            Providing a buyer for private  
placements  
New types of programs  
Locking in interest rate  
Banks and CRA investments

# Community Capital Management - Introduction

---

- **Community Investing (CI):** the practice of using financial instruments to help underserved communities and support community investment initiatives while earning a financial return.
- **Market-Rate Mission Related Investing (MRI):** the practice of using financial instruments to advance a specific mission while earning competitive market rates of financial return.
- **Economically Targeted Investing (ETI):** the practice of using financial instruments to assist in the economic stimulation and improvement of specific geographies while earning a financial return. Economically targeted investments provide capital to under-financed regions of the economy, thus filling “capital gaps”.



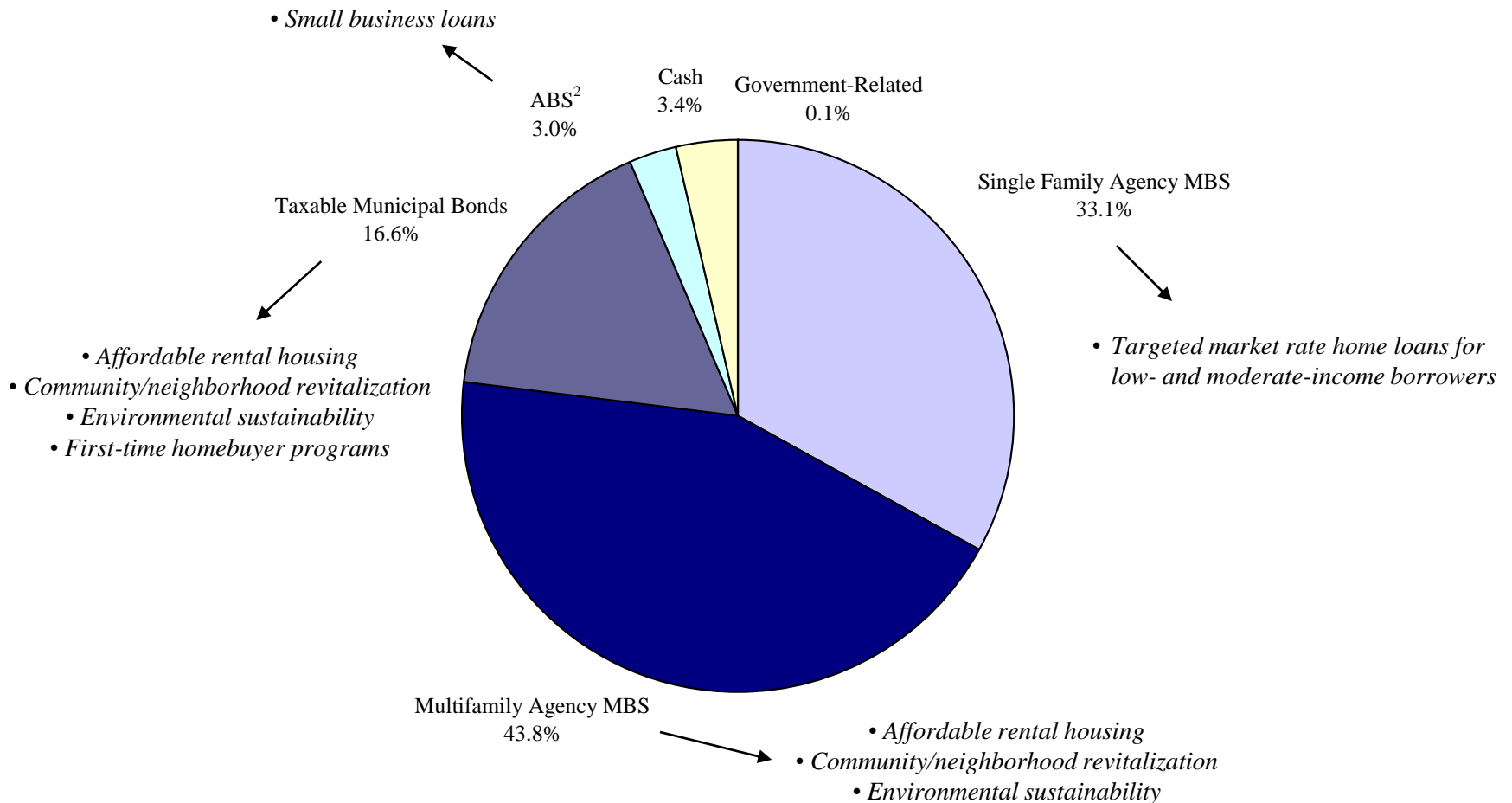
# Role of Fixed Income Manager

---

<b>Products Available:</b>	Mortgage Backed Securities; Asset Backed Securities; Municipal Bonds.	
<b>Complementary Strategy:</b>	Seeks to reduce volatility while replicating the returns of the Barclays Capital U.S. Aggregate Index.	
<b>Income:</b>	Seeks to increase income without taking on additional interest rate or credit risk.	
<b>Diversification:</b>	Negatively correlated to equities in up and down markets.	
<b>Financial Returns:</b>	Seeks competitive and consistent returns with less risk.	
<b>Tailored Portfolios:</b>	Ability to customize a portfolio based on mission or geographic targets.	
<b>Community Development:</b>		
➤ Homeownership	➤ Affordable Rental Housing	➤ Environmental Sustainability
➤ Jobs/Small Business Development	➤ Affordable Healthcare	➤ Neighborhood Revitalization
➤ Human Capital Plan: <i>Helping families live healthy, productive lives in safe, stable, self-sustaining communities.</i>		



# Sector Impact<sup>1</sup>



<sup>1</sup> Source: BondEdge. Sector allocation data as of 9/30/10.

<sup>2</sup> Asset Backed Securities (ABS) within the Core Fixed Income Composite include U.S. Government-guaranteed Small Business Administration (SBA) loans and pools.

# Investment Profile

## Scott/Carver HOPE VI Project Liberty City, FL (Miami-Dade County)

### Impact

- Affordable Rental Housing
- Environmental Sustainability
- Neighborhood Revitalization
- High Quality Mixed-Income Community
- Educational Opportunities
- Human Capital Plan

### Project

- Improvement and renovation of Phase II of the Scott/Carver HOPE VI Project. Phase II is planned as a mixed-income development and will create 354 new mixed-income rental units.
- The project aims to build a stronger community that enhances social, recreational, economic and educational opportunities for residents of all abilities and backgrounds.
- The project will incorporate Green Building Concepts which are intended to substantially improve energy efficiency and environmental performance.
- Urban Strategies, a non-profit corporation that rebuilds the physical and human infrastructure of redeveloping urban communities, is helping to create a human capital plan that identifies resident needs and resources to assist them in achieving personal goals, greater self-sufficiency and upward mobility.



The security identified and described herein is for illustrative purposes only and its selection was based upon non-performance criteria, such as the security's social and/or environmental attributes.



# Investment Profile

## New Communities Initiatives

Washington, D.C.

### Impact

- Affordable Housing
- Economic Development
- Job Creation
- Environmental Sustainability
- Education
- Healthy Communities/Human Services



### Project

- The “New Communities Initiative” is a comprehensive partnership designed to improve the quality of life for people in four Washington DC neighborhoods: Barry Farm, Lincoln Heights/Richardson Dwellings, Northwest One and Park Morton.
- The New Communities Initiative *provides housing infrastructure with a special focus on public housing, provides critical social support services, decreases the concentration of poverty and crime, enhances access to education, and provides training and employment education to neighborhoods where crime, unemployment, and truancy converge to create intractable physical and social conditions.*
- The redevelopment plan for the Northwest One Neighborhood is comprised of three critical elements – a physical Master Plan, a Human Capital Plan and a Development and Finance Strategy. Based on the New Communities Initiative, redevelopment of Northwest One must include the “human architecture” along with the physical architecture. Current families must be supported and have the tools to prosper and flourish as their neighborhood evolves.

*The security identified and described herein is for illustrative purposes only and its selection was based upon non-performance criteria, such as the security’s social and/or environmental attributes.*



# Contact Information/Disclosures

---

Barbara VanScoy  
Founder/Chair of the Board/Senior Portfolio Manager  
[bvanscoy@ccmfixedincome.com](mailto:bvanscoy@ccmfixedincome.com)  
704.887.5276

---

*Community Capital Management, Inc. is a Florida-based investment advisor registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. Investing involves risk, including possible loss of principal. Current and future holdings are subject to risk.*

*Past performance does not guarantee future results. This performance report should not be construed as a recommendation to purchase or sell any particular securities held in composite accounts. The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the security identified was or will be profitable. Market conditions can vary widely over time and can result in a loss of portfolio value. The results portrayed included the reinvestment of dividends, interest and other earnings. The information provided herein is not intended to be a forecast of future events, a guarantee of future results or investment advice.*