

# AFFORDABLE HOUSING FINANCE AND DEVELOPMENT

**Adjunct Professor: Emily Youssouf**

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**REAL1-GC.3015.001/DEVE1-GC.3015.001**

**14 Weeks** : **3 Credits Spring 2021**  
**Period** : **02/03/21 – 05/05/21**  
**Wednesdays** : **6:20 pm – 8:50 pm**

**Suggested Text:**

Fabozzi, Frank and Sylvan Feldstein. The Handbook of Municipal Bonds – 2008. (Wiley publications, 2008), 1,376 pages

Affordable Housing Development: Financial Feasibility, Tax Increment Financing and Tax Credits. Author – Jaimie P. Luque

Affordable Housing and Public-Private Partnerships (Law, Property and Society). Author- Nestor M. Davidson and Robin Paul Malloy.

Additional readings will be posted to Blackboard throughout the semester.

**Course Description:**

This course provides an introduction to the income, market and cost approaches with treatment of the highest and best use concept and applications of discounted cash flow, income capitalization and residual techniques. It emphasizes investment, risk and lease valuation and looks at their role in providing essential income and cash flow measurements used in arriving at sound value-based decisions. Feasibility analysis realistically grounded in market analysis is also treated.

**Course**

**Structure and Objective:**

The U.S. Market for Affordable Housing encompasses various types of financing: the Municipal Bond Market, Government-Sponsored Enterprises (GSE), Residential Mortgage-Backed Securities (RMBS) and Commercial Mortgage Backed Securities, (CMBS) markets, to name a few.

New York City is home to the largest market for multi-family affordable housing and provides developers with a myriad of financing options to build and preserve this type of housing. Due to the depth of government subsidy programs -- especially in NYC -- many large real estate developers started their companies in affordable housing and grew from there.

Taught by an industry veteran, students will be prepared to enter the affordable housing field, armed with the knowledge to finance a deal, interact with City agencies, and understand State and Federal subsidy programs. Classes will also explore the politics and policy of Affordable Housing on both a national and local level and how this affects financing. There will be an emphasis on Bond and Tax Credit financing – students will learn to build a detailed affordable housing model and analyze distressed multi-family housing to be re-positioned in the market. The market includes developers and investors from banks to pension funds.

**Examinations and Grading:**

Students will be evaluated on class participation, a mid-term and a final project. Class participation means asking questions and being involved in discussions. The project assignments will be handed out during the semester and will require a presentation.

**Grading criteria is as follows:**

<b>Mid-Term:</b>	<b>30 Points</b>
<b>Final Project:</b>	<b>40 Points</b>
<b>Class participation:</b>	<b>30 Points</b>
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<b>Total:</b>	<b>100 Points</b>
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**Assignments will be distributed.**

**Deadlines:**

Late papers will suffer a loss of up to one full letter grade for up to one week late. After one week, unless special permission is granted, no credit will be given.

**Papers:**

All written submissions are to be typed. Please maintain a copy for your file. All assignments are to be submitted in hard copy format.

**All required reading materials, other than the books are currently available in the resource and lesson sections in NYU Classes. In addition, extra readings and ones posted during the semester will be available in the same location. Textbooks should be used as resource material.**

**Week 1: 02/03/21 - Introduction to Affordable Housing**

- Intro to class requirements and overview of semester goal
- What does affordable mean?
- Evolution of AH: From Public Housing to LIHTC
- Single-family and multi-family: Original purpose and how it has changed
- Mt. Laurel Case and its influences
- Supreme Court Fair Housing Decision

**Readings:**

- Mayor DeBlasio's Housing Plan, 2018
- JA Stoloff, "*A Brief History of Public Housing*"
- City Limits Article on Public Housing
- Housing Crisis Lingers in New Orleans
- University of Chicago Report
- Congressional Budget Office, "*An Overview of Federal Support for Housing*"
- The Urban Institute, "*Federal Programs for Low Income Housing*"

## **Week 2: 02/10/21 - Affordable Housing Agencies**

### **Programs:**

- Federal – GNMA, HUD, FHLMC/FNMA
  - History, Function and uses in Affordable Housing
  - Allocation of Federal programs
- New York State – HRC, SONYMA
- New York City – HPD, HDC, NYCHA
- Subsidies available
- Section 8 Vouchers
- How politics influences affordable housing
- Constituents: Renters, Buyers, Communities, Developers, Elected Officials

### **Readings:**

- MF Glossary of Terms
- MF Securitization Overview
- MF Investor Presentation

### **Week 3: 02/17/21 - Affordable Housing Finance Bonds**

- Tax Exempt and Taxable Bonds, Bond Rules, Bond Allocations Nationally and Local –
- Elements of a Deal
- Issuers
- Investors
- Structuring a bond deal
- Parties involved
- Fixed vs. Variable Financing
- Credit Enhancement
- Calculating Affordability
- Tax Abatements and Zoning

#### **Readings:**

- The Handbook of Municipal Bonds – 2008.  
Chapters 5,7,34,49,60 & Case Study - Bond Financing – Agency Financing
- Steering the New Course
- Supreme Court vs. Neighborhood Segregation
- The Real Impact of the Supreme Court’s Fair Housing
- Supreme Court Keeps Fair Housing Law
- The Handbook of Municipal Bonds – 2008. Chapters 50,51,52,53,54
- Property Shark.com: definition of NYC Zoning Classes (BB)
- Tax-Exempt Housing Bond Basics –Novogradac.pdf
- Bond Market Slides

### **Week 4: 02/24/21 - Low Income Housing Tax Credits (LIHTC) 9% and 4%**

Their value:

- How they drive a deal
- Their future
- How to calculate
- Pricing
- Allocation

**Readings:**

- LIHTC Slides & Readings posted to Black Board
- LIHTC Income Averaging Proposal
- LIHTC Rent Income Limits

**Week 5: 03/03/21 - Affordable Housing Tiers & Term Sheets**

- Structures which allow mixed income developments
- Co-Op structures
- 80/20 projects
- Overview of various agencies term sheets
- Additional Gap financings

**Creation of the Affordable Housing Development Team:**

**Intro to AH Project Management**

- Development Team for Affordable Housing
- Overview of Project Timeline – from acquisition to permanent financing.

**(Note: No readings. Slide presentation in-class).**

**MID-TERM ASSIGNMENT POSTED**

## **Week 6: 03/10/21 - Creating an Affordable Housing Model – Guest Speaker**

- Review affordable housing models
- Detail construction financing, bond financing, LIHTC and how it is represented in various AH models

**(Note: No readings. Slide presentation in-class)**

## **Week 7: 03/17/21 – Review RFP Sections**

## **Week 8: 03/24/21 – Mid-Term PRESENTATIONS**

## **Week 9: 03/31/21 – Documents and Timeline**

- Documents Required
- Relevant Laws
- Timing

## **Week 10: 04/07/21 – Review of Putting a transaction together**

- Review how Bonds, LIHTC, RE Tax Abatements and additional subsidies work in a single transaction.
- FINALS DISTRIBUTED

## **Week 11: 04/14/21 - Preservation Programs**

- HUD 23.221d4
- NYSERDA
- Mitchell-Lama
- Expiring Tax Credit Deal

## **Week 12: 04/21/21 – Second Review of Putting a transaction together**

**Week 13: 04/28/21 - Mortgage Crisis 2008 and Impact of COVID Pandemic**

- Review Sty-Town
- Discussion of Forebearance
- COVID Impact on Affordable Housing
- CMBS Review

**Week 14: 05/05/21 - Final Presentations**

**Statement of Academic Integrity:**

NYU Schack Institute of Real Estate of New York University strives to promote an ethical learning environment and wants to ensure that all students understand the concepts of academic integrity. We see this as an extremely important issue for the students' time at NYU, but also for after graduation. Hence, we require that all students familiarize themselves with the Statement of Academic Integrity as found on the following link:

**<http://www.scps.nyu.edu/student-affairs/graduate/academic-policies/#scps-statement-on-academic-integrity-and-plagiarism>**

Please read the Statement of Academic Integrity carefully and make sure that you follow it whenever you submit any work for this course. Also realize that there are a number of penalties associated with violating the Statement of Academic Integrity: They range from failure for a paper or course to dismissal from the University.

**TurnItIn:**

TurnItIn is plagiarism detection software used to verify academic originality. It is available only to degree courses and students. Some assignments in this course may be checked for plagiarism using TurnItIn.

Grading policies can be found at the following link: **<http://sps.nyu.edu/academic-policies-and-procedures/graduate-academic-policies-and-procedures.html#Grades>**