

# Making a Difference

MHDF 2019 Annual Report



# Making a Difference

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On the Cover: The Brewery Lofts received a Gap/Construction loan from MHDF. Our loan allowed this historic renovation development to make a difference for 35 families in rural Nebraska.

Since its inception in 2000, Midwest Housing Development Fund, Inc. (MHDF) has been focused on filling financing gaps in the development of affordable housing through public and private resources. MHDF raises investments of debt and equity which are placed into a loan pool that is available to help finance affordable housing.

In 2019, MHDF was able to provide over \$18 million distributed between 23 new loans. To date, MHDF has provided 150+ loans totaling over \$80 million. These loans have helped create over 6,000 affordable rental housing units for individuals and families across the Midwest.

MHDF is providing more than loans. The development of affordable housing stimulates the economy. It creates jobs and allows residents of affordable housing to spend more of their income on items other than rent. It creates workforce housing for rural areas, helping employers. MHDF loans help provide safe, quality homes for thousands of families.

We look forward to the future and continuing to meet the ever-changing financing challenges in the development of affordable housing for our communities.

## *MHDF's Mission*

To promote sustainable community development and quality of life in the Midwest by providing resources for the development of affordable housing.

# Not Your Traditional Lender

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Frequently organizations are interested in bringing affordable housing to their communities but are unable to pay for the upfront costs or find themselves needing additional financing. Traditional lenders and financing sources are not always able to help solve this problem. This is where MHDF can help.

MHDF utilizes a loan pool that is capitalized by low cost, long term capital from various investors. Funds from this pool are loaned out to sponsors of affordable housing properties when they are unable to otherwise fill a financing need. Our loans have:

- A simple application process

- Quick turnaround
- Low origination fees
- Below market interest rates
- Flexible repayment terms based upon the specific property's needs

MHDF staff will also provide the sponsor with no cost technical assistance. This technical assistance focuses on financial structuring, feasibility and creating capacity in the local community.

Loans are made to affordable housing properties that serve households at or below 80% of the area median income or workforce housing that is not income restricted but affordable to those same families and individuals. MHDF has a priority to serve households at or below 60% of the area median income. When approving a loan, we consider market needs, how the property will satisfy these needs, community support and the borrower's ability to support the property. Our loans are not grants; they must be repaid.

# What MHDF Can Offer You

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**Predevelopment Loans** are typically made to a sponsor or developer who is in the planning and application stages of an affordable housing property. The loans are used to pay for market studies, architectural drawings and other items that are necessary to secure construction financing for the development. Most lenders consider predevelopment loans to be a high risk, and therefore they are generally not available in the traditional financing markets.

**Construction Loans** are made after the financing sources have been approved and construction is ready to begin. The loans are used to pay for construction related costs either until the traditional construction loan is secured or construction is complete. In some cases, they are used to pay for construction related costs that are not covered by the primary construction lender. Construction loans are also provided if the appraised value of the property is not high enough to allow the primary construction lender to provide 100% of the needed construction financing.

**Gap Financing Loans** are made after the property has been constructed and placed in service. Gap financing loans are necessary when the total costs of the property exceed the available sources of financing. This most frequently occurs when permanent sources of funds are either delayed or not approved. It can also occur when a property's actual costs exceed budgeted costs or when unexpected costs arise such as additional construction requirements from local government agencies.

**Permanent Loans** are made after construction is complete and the project is placed in service. Usually these loans are first lien mortgage loans used as the primary loan source after the project is completed. At times, these loans are for small projects in rural communities and other markets where property values are depressed, and it is difficult for the local lender to provide the necessary permanent loan with a fixed interest rate.

**Development Services** are offered to potential borrowers, their affordable housing development team, and key stakeholders in the housing development. Technical assistance includes determination of local housing needs, project development team formation, financial packaging, determination of feasibility, discussion of development steps, collaboration with others to obtain needed financing, and assistance to borrowers after the loan closing to address concerns that arise during project development and operation.

# Investing in MHDF

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MHDF is a tool to invest into your community and help provide:

- leveraging of private and public resources
- building capacity of nonprofit and community-based organizations
- development of much needed and frequently difficult to produce sustainable affordable housing
- economic development by providing housing for local employees and by improving neighborhoods so that more people are nearby to work and shop
- community stability

In addition to all the social benefits, an investment in MHDF can bring a return on your investment. Many of our investments are 10-year loans which we pay quarterly interest of 1% to 4%. The investor will get their capital back at year ten, or they can reinvest it with us for another term. We also have 3 to 5-year loans. Many of our investors receive CRA credit for their investment and our ability to leverage their funds with others can provide additional CRA credit.

Each year MHDF receives more requests for financing than it can fund given the amount of capital in the loan pool. The need for MHDF's financing products continues to grow as other sources of financing are becoming less available and affordable. Your investment in MHDF could make all the difference.

MHDF has been in operation since 2000 and has had less than 0.1% loan losses. The success of our loan fund is due to the hands-on involvement of MHDF in the development stages. We know the properties and the borrowers and can determine the potential success of each property. We will keep working with the borrower and the various financing sources until the property is a success.

# Investors & Grant Providers

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The results achieved this year and every year by MHDF are only made possible through the financial investments, grants and support from the following partners:

## 2019 Partners

- Bank of Hays
- CDFI Fund
- City of Schuyler
- Enterprise Foundation
- FHLBank of Topeka
- First National Bank Omaha
- INTRUST Bank
- Iowa Finance Authority
- Midwest Housing Equity Group
- Nebraska Dept. of Economic Development
- Peter Kiewit Foundation
- REI Oklahoma
- The Sherwood Foundation
- U.S. Bancorp CDC
- Wells Fargo CDC



## Past Partners

American National Bank, Arzon Development, Bank of Oklahoma, Bank of the West, Colorado Federal Savings Bank, Dana Point Development Corp., Dauby O'Connor & Zaleski, LLC, Fannie Mae, Farmers & Merchants Investment, Freddie Mac, First American Title Insurance Company, First National Bank of Omaha, Foutch Brothers, LLC, Holy Name Housing Corporation, Horizon Bank, J Development Company, Kansas Housing Resources Corp., Kutak Rock LLP, Lund Ross, LW Development, McAuley Fund, Mesner Development Co., Omaha Economic Dev. Corp., Opportunity Finance Network, Rural Enterprises of Oklahoma, Urban Housing Partners, Wishrock

# Loans Provided in 2019

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## **Predevelopment:**

Keeth Village Crocker, LP – Crocker, MO

Missouri Valley Community Action Agency – Westport, MO

## **Acquisition/Predevelopment:**

Girard and Ellsworth County Affordable Housing, LP – Girard,  
Ellsworth, Kanopolis, KS

## **Acquisition/Construction:**

Epworth Senior Residences, LP – Hays, KS

Stillwater Springs, LLC – Stillwater, OK

## **Predevelopment/Construction:**

OPG Canyon Lake Partners, LLC – Canyon Lake, TX

The Heights at Shackelford – Little Rock, AR

## **Gap/Construction:**

PreservingUS, Inc - Hastings, NE

## **Construction/Permanent Financing:**

7th Day Senior Housing, LLC – Kansas City, KS

## **Gap Financing:**

424 S 24th Street – Omaha, NE

Columbus Cherry Creek, LLC – Columbus, NE

HRM Development – Pittsburg, KS

OPG Canyon Lake Partners, LLC – Canyon Lake, TX

**Permanent Financing:**

- Eileen's Place – Kansas City, KS
- Epworth Senior Residences, LP – Hays, KS
- Horizon Estates – Holdrege, NE
- Lindenwoods Townhomes I - Durant, OK
- Lindenwoods Townhomes II - Durant, OK
- Neosho Plaza, LP – Council Grove, KS
- OPG Maplewood II – Wichita Falls, TX
- Osborne View Estates – Hastings, NE
- Prairie Edge Fairview, LP – Fairview, OK
- Wellness Place – Wichita, KS



*7th Day Senior Housing - Kansas City, Kansas  
Construction & Permanent Financing*

# Board of Directors & Staff

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**Barry Sandstrom**, Home Federal Bank Board Director, MHDF Chairman

**Matthew Cavanaugh**, Nebraska Housing Developers Association

**Vicky Dayton**, Housing Opportunities, Inc.

**Kim Kuhle**, Capital Consulting, MHDF Secretary

**Vicki Lea**, City Care, Inc.

**Kris Saddoris**, Hubbell Development Services

**Dena Sherrill**, REI Oklahoma Director of Housing

**Dr. Valerie Thompson**, Urban League of Greater Oklahoma City

**Jim Zimmerman**, Capitol Federal Savings Bank

**David Fisher**, President

**Lara Huskey**, Executive Vice President

**Paula Rhian**, Loan Administrator



*424 S. 24th Street - Omaha, Nebraska - Gap Financing*



*OPG Maplewood II - Wichita Falls, Texas - Permanent Financing*

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