

Christ Church Cathedral Affordable Housing Equity Fund Report

The Vestry of Christ Church Cathedral approved the recommendation of the 2020 *Next Century Vision: Our Future in the Way of Love* that “Christ Church Cathedral will create the capacity to *significantly* meet the affordable housing needs in Cincinnati and Hamilton County.”¹ It would do so by providing a substantial lead investment to establish an affordable housing equity fund and by leveraging its gift to convene other financially well-resourced institutions within the Episcopal Diocese of Southern Ohio, other financially well-resourced faith communities, and other economic development organizations to match it.

This strategic vision focuses on the housing crisis in our community; builds on the legacy of the Cathedral’s historic outreach mission; and provides the Cathedral the opportunity to draw from its own resources and collaborate with other faith based, economic development and well-resourced and motivated individuals and companies to become a nexus for change.

The Affordable Housing Equity Fund Task Force was established to research and make a recommendation to the Vestry on how Christ Church Cathedral could draw on its resources to help alleviate the affordable housing crisis for families in Cincinnati and Hamilton County. Between August 2020 and March 2021, the Affordable Housing Equity Fund Task Force comprised of Elizabeth Brown, John Gillespie, Don Lane, Mary Carol Melton, and Roxanne Qualls, interviewed 16 experts in affordable housing development and financing. Interviewees included leadership of for-profit and not for profit development companies; local and non-local Episcopal churches actively engaged in addressing affordable housing in their communities; organizations that provide financing and support for affordable housing development; and the investment managers who advise the Trustees and another who manages an affordable housing investment fund.

The purpose of the interviews was to consult with local and national experts to determine the most impactful options for an affordable housing equity fund to invest in affordable housing in Cincinnati and how to structure the management and operation of the investment process. Members of the Task Force have met an additional 26 times via ZOOM to analyze and summarize the findings of each interview. Individual members have attended additional meetings with the Trustees, the endowment advisors and with the Cincinnati Development Fund. The Task Force continues to meet.

As a result of its research over the last 7 months, the Task Force recommends that Christ Church Cathedral make a lead pledge of \$10 million to establish an affordable housing equity fund for Cincinnati and Hamilton County and to leverage this pledge to help raise a total fund in the amount of \$100 million from other faith-based institutions, banks, foundations, corporations and individuals.

¹ Next Century Vision: Our Future in the Way of Love, 2020.

This report is organized as follows:

Section 1: The Affordable Housing Crisis in Cincinnati and Hamilton County

Section 2: Why could Christ Church Cathedral's Pledge Be Transformative?

Section 3: How Would Christ Church Cathedral Make Its Contribution?

Section 4: Frequently Asked Questions

Section 5: Appendices

1. Guidelines/Principles
2. Interviewees
3. Recommended Communication Plan and Timeline
4. Cincinnati Development Fund

Section 1: The Affordable Housing Crisis

Today there is an estimated deficit of 40,000 housing units that are affordable and available to extremely low- income households in Hamilton County, those making less than \$14,678. On top of this, more than 7,500 additional households experience some form of homelessness in Cincinnati and Hamilton County (The Partnership Center, 2015). Most of these extremely low-income households spend significantly more on housing than what is considered affordable, 30% or less of gross income. ²

Many of us face difficult choices as we allocate our limited household resources, but households at the bottom of the income spectrum, with such a limited budget, are forced to make decisions between many essentials such as food, healthcare, and transportation. Households that come up short may move, get evicted, remain in housing in very poor condition, or crowd into homes that are too small. All of this puts stress on families, likely rippling out through our housing market and spilling over into labor and employer issues, education, and health care. In 2017, Matthew Desmond, author of the book "Evicted," spoke at the Cathedral as part of the Taft Lecture Series. His research and best-selling book effectively show that lack of stable affordable housing is a root cause keeping many families in poverty.

In addition, construction costs are going up. The number of new housing units available is going down. Income is going down. In fact, even as less new housing is built each year the average cost has grown by 31% since 2000 for single- and two-family units and by 50% for apartments or condos in multifamily buildings. While the median income in Hamilton County has slightly increased, 24,000 (12%) of Hamilton County families live below the poverty line. Poverty also is shifting. 43% of Hamilton County families who live in poverty now live in the suburbs.

² Housing Our Future: Strategy Guide, May 2020, p.7-8

Civic and philanthropic groups in the Cincinnati area are struggling to find a way to address the affordable housing crisis. A large cross section of groups worked together to produce a report entitled, “Housing Our Future” in May 2020. It is a 10-year housing strategy for Cincinnati and Hamilton County. It calls on the public and private sectors to work together to solve the crisis. A coalition of civic and faith-based groups became frustrated with the City of Cincinnati’s lack of action to address the crisis and collected signatures to put a controversial charter amendment on the May 2021 ballot. It would compel the city to allocate at least \$50 million a year for affordable housing.

These needs in our community and at our doorstep are why Christ Church Cathedral in its Next Century Vision committed to “create the capacity to significantly meet the affordable housing needs in Cincinnati and Hamilton County.”

Section 2: Why Would Christ Church Cathedral’s Pledge Be Transformative?

Throughout its history, Christ Church Cathedral has consistently demonstrated transformational leadership in response to crises in Cincinnati. In the late 1800s, Christ Church established a “settlement house” serving the marginalized and disenfranchised of a thriving, growing turn of the century city. In 1883 three women members of Christ Church Cathedral won support from their bishop to open a hospital for children as a project of the Episcopal diocese. The Hospital of the Protestant Episcopal Church is now Children’s Hospital. And, in the early 1900s, Christ Church helped found the Anna Louise Inn to serve young women dispossessed by the transformation of agriculture by the Industrial Revolution.

Throughout its history, Christ Church Cathedral has been instrumental in repairing broken institutions and systems by providing leadership. Being blessed with an Endowment approaching \$100 million, the Cathedral has the resources to make a difference.

In talking with local and national experts on housing, the Task Force identified several specific areas where the Cathedral’s resources could make a significant impact:

- Meeting a need for patient capital to bridge gaps in other financing for affordable housing projects.
- Incentivizing the inclusion of some affordable units in market-rate developments to create mixed-income housing options and stemming the trend toward gentrification in some neighborhoods.
- The major Federal subsidy of affordable housing is the Low-Income Housing Tax Credit (LIHTC). These subsidies are limited, and the 9% credit program is extremely competitive. While 4% credits are also available, they don’t provide enough subsidy alone to make affordable projects possible. Developers told the Task Force that a low-interest, patient loan would make it possible for them to use the 4% tax credits to create more affordable housing.

Section 3: How Would the Cathedral Make its Contribution?

The Affordable Housing Equity Fund Task Force recommends that Christ Church Cathedral pledge the sum of \$10 million to serve as seed money to form a loan pool (“the Loan Pool”) for the purpose of supporting the development of affordable housing in the City of Cincinnati and Hamilton County. The Loan Pool will be formed through an agreement (“the Agreement”) between Christ Church Cathedral, other participating investors and the Cincinnati Development Fund (“CDF”).

Cincinnati Development Fund (CDF) is a nonprofit lending institution established in 1988 to finance affordable housing development and community revitalization in the Greater Cincinnati area. CDF is a certified Community Development Financial Institution (CDFI). CDF is a certified Community Development Entity (CDE), which qualifies it to apply for allocations of New Markets Tax Credits (NMTC). Financial institutions invest in CDF because it is expert in evaluating complex loan applications with multiple financing sources. This experience makes it easier and more cost-effective for financial institutions to invest in the community. The funds are organized into loan pools that enable lenders to diversify their loan portfolios and share the risk on each loan with other CDF participants. CDF has originated more than \$407 million in loans resulting in the creation of more than 5,700 units of housing.

CDF will act as the lead agency of the Loan Pool. The other parties to the Agreement will be investors in the Loan Pool that commit funds to be added to the seed money pledged by Christ Church Cathedral. The Affordable Housing Equity Fund Task Force recommends that the goal for the Loan Pool is to have \$100 million in total pledged investments. The Affordable Housing Equity Fund Task Force will partner with CDF to identify other Loan Pool participants.

Once the Loan Pool is established and the Agreement is signed, the funds pledged by Christ Church Cathedral and the other investors in the Loan Pool will not be invested until CDF and the investors in the Loan Pool approve a specific development project. Prior to recommending any project, CDF will conduct the financial underwriting required to ensure project viability and to determine risk. At that point, the investors in the Loan Pool will execute a participation agreement for each project and distribute funds to the project. Project investments will take the form of secured debt financing, earning a typical return of 3-5%. CDF will service loans made by the Loan Pool.

Loans will only be made from the Loan Pool if they meet financial underwriting standards and the specific guidelines established by the participating members of the loan pool and contained in the Loan Pool Agreement. (See Appendix 1: Guidelines) Further, investors will agree to participate in the Loan Pool only if they accept the guidelines which Christ Church Cathedral and CDF will develop ahead of time.

The Affordable Housing Equity Fund Task Force will work with the Trustees of the Cathedral Endowment Fund and their consultant, Cambridge Associates, to adjust the endowment investments to meet the liquidity requirements and risk profile of participation in the Loan Pool.

As stated above, once the Loan Pool is established, the pledged funds will not be invested until specific development projects are approved by the Loan Pool. Participation in the Loan Pool may affect the mix of endowment investments and could impact the draw.

Cathedral monies that will be required for the Pooled Fund will be tapped during three distinct phases.

Phase 1: After the Vestry initially makes the \$10 million seed pledge, funds need not be made available until the Cathedral and CDF work to attract other investors to join the Pooled Fund and the Agreement is finalized and signed.

Phase 2: After establishment of the Pooled Fund, the Cathedral's pledge of \$10 million will be segregated and available in liquid form so that the Cathedral can respond to cash calls as the Pooled Fund invests in specific projects.

Phase 3: Project commitments will be invested, and returns will be generated as set forth in the Agreement.

Section 4: Frequently Asked Questions

1. Aren't other non-profit, governmental and for-profit organizations better able to address the affordable housing crisis?

The need for safe, affordable housing has become a crisis. The gap between what is available, and the need of local residents is huge. According to a recent study, Hamilton County needs 40,000 additional affordable units. To meet this huge gap, action is needed by government and private sectors. No one sector or program can do it alone. Christ Church Cathedral has experience and knowledge of housing needs through its Plumblin program that provides rental assistance and the IHN ministry that works with other faith-based groups to address family homelessness. We are well positioned to expand our housing ministry to address the root cause of evictions and homelessness – the lack of affordable housing.

2. Did you investigate partnering with other groups currently doing affordable housing like Episcopal Retirement Homes or National Church Residences?

The proposed Housing Equity Fund would partner with developers like Episcopal Retirement Homes and National Church Residences by providing access to low-cost, patient capital to make new affordable housing projects possible. After approval of the Next Century Vision plan, a task group of Cathedral members spent 7 months talking with local and national housing experts, private and nonprofit developers, and churches in other parts of the country that have major housing initiatives. The consensus was the greatest need was for

access to funding to fill the gaps left by existing programs.

3. Who will make the decision to commit Endowment funds for this project? Shouldn't we wait for the new dean?

Vestry has the authority to authorize Cathedral spending, including use of Endowment funds. The Endowment Trustees oversee the investments, subject to Vestry policies and instructions. The Search Committee has made applicants for dean aware of the Next Century Vision strategic plan for the Cathedral that was completed in April 2020 after a year of discussion and discernment. Implementation of the plan, including the Housing Equity Fund, and other Cathedral ministries are continuing during the transition time.

4. How will we attract other investors into the fund?

First and foremost, the Cathedral's leadership must firm up its own commitment as a seed pledge. Secondly, the task force will identify faith-based and other institutions that align with this project and actively recruit them into partnership. Possible partners are other endowed churches, nonprofit institutions like hospitals, and for-profit institutions like insurance companies.

5. Should a desirable project be submitted before other entities have committed, would the cathedral go ahead with that project alone?

After Vestry approves the pledge of \$10 million, the Cathedral will take 6 months to invite other well-resourced institutions into the Housing Equity Fund. No projects will be funded during that time.

6. Will the Cathedral actually own any of the housing projects in which we invest?

The Cathedral will not be the owner. However, the Housing Equity Fund will have a lien on the property.

7. Will there be opportunities for parishioners to be involved or volunteer with residents?

There will likely be many opportunities for parishioners to be involved. Affordable housing property managers generally welcome volunteer groups to provide programming for residents. Currently the Cathedral provides a regular Bible study at Central Parkway Towers and tutoring at Scholar House. With the additional connection to affordable housing, it is likely more Cathedral parishioners will choose these ministries.

8. How would the Fund be set up as a legal entity and how would administrative fees be paid, from what source?

The Fund would be established by an agreement between Cincinnati Development Fund, the Cathedral and the other investors in the Pooled Fund. The participants in the Fund would pay administrative fees as part of their contributions.

9. Who will make decisions on which projects to fund?

Cincinnati Development Fund will do the financial underwriting and recommend projects to the Fund. Christ Church Cathedral and the other investors in the Fund will have the final decision as to whether the Fund will support a specific project.

10. Would the project impact the Cathedral operating budget?

There will not be an immediate impact on the Cathedral operating budget because funds remain in the Endowment until loans are made from the Housing Equity Fund. Participation in the Loan Pool may affect the mix of endowment investments and could impact the draw.

11. What is the risk of loss to the endowment funds pledged for the project?

There is a risk of loss with most investments. Even a conservative portfolio can lose value when the stock market is down. According to the experienced developers and financial experts interviewed by the task force, the risk of loss on affordable housing projects is small compared to other investments.

Section 5: Appendices

Appendix 1: Guidelines/Principles

1. Priority will be given to the preservation of existing affordable housing and to the integration of a minimum of 15% affordable units into the total number of units in market rate multi-family development for the life of the project. 15% means the number of households that meet the affordability criteria in guideline #8.
2. The area of focus is Cincinnati and Hamilton County.
3. In order to address the greatest need for affordable housing, the fund will target rental housing, rather than homeownership.
4. Affordable units will be comparable to market rate units in design, amenities, size, and finishes
5. Affordable units are energy efficient, designed to minimize impacts of climate change, are sustainable based on, for example LEED-ND and LEED for multi-family
6. Affordable units are within a half mile of public transportation to employment centers.
7. Multi-family developments that are being preserved or are integrating affordable units will integrate amenities that encourage health and wellness, social engagement, and community engagement.

8. “Affordable” means rent and utilities are no more than 30% of household income for a family/individual at 60% Area Median Income (AMI). (60% of the AMI in Greater Cincinnati is about \$39,000 for a 2-person household.)
9. Owners/managers will accept Housing Choice Vouchers (“Section 8”) for the affordable units.

Appendix 2: Interviewees

Steve Leeper, President and CEO of the Cincinnati Center City Development Corporation (3CDC), a private, non-profit real-estate development and finance organization focused on strategically revitalizing Cincinnati's downtown urban core in partnership with the City of Cincinnati and the Cincinnati corporate community

Kathy Schwab, former Executive Director of Cincinnati LISC (Local Initiative Support Corporation), a U.S. non-profit community development financial institution (CDFI) that supports community development initiatives in 35 cities and across 2,100 rural counties in 44 states. LISC was created in 1979 by executives from the Ford Foundation. LISC's affiliates include the National Equity Fund (NEF), the largest national syndicator of Low Income Housing Tax Credits (LIHTC), the New Markets Support Company, a national syndicator of New Markets Tax Credits, and immito, which specializes in SBA 7a lending.

Jeanne Golliver, President and CEO, & **Joe Huber**, Chief Lending Officer and COO, Cincinnati Development Fund (CDF), a nonprofit lending institution that fills a gap not covered by traditional lenders. It provides funding for real estate development in under-served markets in the Greater Cincinnati area. It also offers facilities and equipment funding for nonprofit organizations in our region. CDF's mission is to provide innovative real estate financing for projects that strengthen low-income neighborhoods and improve lives.

Cami Caudill, **Deacon David Griswold** & **Ron Wisor** of St Columba Episcopal Church, Washington D.C., a church with a vision to use its property to develop affordable transitional housing.

Jay Kittenbrink, Affordable Living Senior Development Manager, Episcopal Retirement Services, owns and/or manages 27 rent-subsidized, affordable senior living communities that provide a variety of options and services not often found in communities for seniors with limited incomes.

Darren Elin, Rector, St. Thomas Episcopal Church, Terrace Park, has built affordable housing as a project of the church.

Steve Smith, Principal, Model Group, an integrated property development, construction, and management company that revitalizes urban neighborhoods and was a major developer and manager of affordable housing in Cincinnati.

Michael Dunleavy & Caroline Lewis, Cambridge Associates, a privately held investment firm based in the United States. It provides investment portfolio management and advisory services to institutional investors, including foundations and endowments, pensions, private clients, and corporate and government entities. It currently advises the Christ Church Cathedral Trustees.

Luke Blocher, former Cincinnati Deputy Solicitor and currently Senior Counsel at Taft Stettinius & Hollister LLP, who specializes in affordable housing finance.

Mary Burke Rivers, Executive Director, Over-the-Rhine Community Housing, a community development corporation that provides property development, property management, resident services and tenant advocacy.

Philip Melton, Executive Vice President, National Director of Affordable Housing and FHA for Bellwether Enterprise Real Estate Capital, LLC, a national, full-service commercial and multifamily banking company with a multi-dimensional, diverse origination platform. It is a subsidiary of Enterprise Community Investment, Inc., (ECI) and supports its mission of creating and preserving affordable housing.

Amy Rosenthal, Vice President Affordable Housing, National Church Residence, the nation's largest not-for-profit developer and manager of affordable senior housing and services with 330+ communities in 28 states and Puerto Rico.

Dobbs Ackerman, President and CEO, Ackerman Group, a development and management company that manages a regional network of multi-family communities ranging in size, style, price point and amenities. Each location has its own unique set of characteristics to complement the surrounding neighborhood services, building features and community.

Nicole Barnes, Executive Director, Jericho Road Episcopal Housing Initiative, a project of the Episcopal Diocese of Louisiana, is a neighborhood-based nonprofit homebuilder that provides families with healthy and energy-efficient affordable housing opportunities. We partner with neighborhood residents, organizations and businesses to create and maintain stable and thriving communities.

Rukaiyah Adams, Chief Investment Officer, Meyer Memorial Trust, a non-profit that has awarded roughly \$840 million in grants and program-related investments to more than 3,380 organizations in Oregon and Southwest Washington.

Vince Bennett, CEO, McCormack Baron Salazar, the nation's leading for-profit developer, manager and asset manager of economically integrated urban neighborhoods. Since 1973, the

firm has worked in 47 cities and has built more than 22000 homes for families, children, seniors and veterans.

Appendix 3: Recommended Communication Plan and Timeline

Apr. 14	Report and Recommendations to Vestry
May 7	GPS announcement of Town Hall meetings with link to Report & NCV
May 16	Sunday Town Hall with Congregation to present plan and answer questions
May 23	Sunday Town Hall to listen to Congregation
May 25	Tuesday Town Hall to listen to Congregation

Appendix 4: Cincinnati Development Fund

About the Cincinnati Development Fund

Since 1988, Cincinnati Development Fund (CDF) has provided flexible, affordable financing for projects that revitalize disadvantaged, underinvested neighborhoods and support the provision of critical goods and services for low-income persons (LIPs) and residents of low-income communities (LICs).

CDF's mission is to provide innovative real estate financing for projects that strengthen low-income neighborhoods and improve lives. Its vision is to be at the forefront of redevelopment plans in Greater Cincinnati, helping low-income communities preserve their historic buildings and create vibrant, inclusive neighborhoods.

For CDF to extend financing, the project must result in substantial redevelopment of property and do at least one of the following: (1) align with the goals of a Community Development Corporation (CDC), neighborhood council or neighborhood business district, municipality or economic development agency; (2) create or preserve affordable housing; (3) produce market-rate development in areas experiencing population loss or blight; (4) contribute to job creation through commercial or mixed-use development; (5) improve access to healthy food for low-income households lacking access; and (6) strengthen communities through the arts.

Impact in Low-Income Neighborhoods

- More than \$400 million in lending
- Leveraged \$1.2 billion in investment
- Lending (including New Markets Tax Credit deployment) has resulted in:
 - 6,326 housing units created; 3,624 (57%) of which were affordable at 80-120% of area medium income (AMI)
 - 1.6 million square feet of community space (healthcare, education, arts)
 - 3.4 million square feet of commercial space (office, retail, manufacturing)

Community Involvement

CDF staff is active in the following organizations/initiatives:

- Housing Our Future Steering Committee
- Hamilton County Development Company) Board (HCDC)
- Affordable Housing Advocates Board
- Homebase Board (Community Development Corporation association)
- Ohio Capital Corporation for Housing Board
- Hamilton County Community Development Advisory Committee
- Hamilton County Community and Economic Development Assistance Program Advisory Committee
- Cincinnati Neighborhood Business Districts United Board
- Greater Cincinnati Regenerator Alliance

Sample Affordable Housing Projects Financed

- Tender Mercies: 821 Flats, 57 units of permanent supportive housing, West End
- Carrie's Place: 36 units of permanent supportive housing, Over-the-Rhine
- Mercer Commons: mixed use development with 67 rental units, 30 affordable, Over-the-Rhine
- Lower Price Hill Thrives: 47 units of restricted affordable housing, Lower Price Hill
- Melrose Place: 26 units of permanent supportive housing, Walnut Hills
- Apple Street Housing: 57 units of affordable senior housing, Northside

Other Recognizable Projects Financed

- Washington Park (Over-the-Rhine)
- University Station (Evanston/Norwood)
- U-Square (Clifton Heights, University Heights, Fairfax)
- Madcap Education Center (Westwood)
- Incline Theater (Price Hill)
- Broadway Square (Pendleton)
- Market Square (Over-the-Rhine, Findlay Market)
- Paramount Square (Walnut Hills)
- Avondale Town Center (Avondale)
- Nehemiah Manufacturing (Lower Price Hill)
- Central Parkway YMCA (Over-the-Rhine)
- Ziegler Park (Pendleton/Over-the-Rhine)

CDF and OTR

CDF's lending has contributed to significant long-term outcomes. One example is the revitalization of Cincinnati's Over-the-Rhine (OTR) neighborhood, where CDF's leadership in providing \$146M in financing (2010-2020) supported 99 renovation and construction projects in this dense (0.8 square mile) urban community. These projects, like those CDF finances in other emerging neighborhoods, have created 1,095 housing units, 295 (27%) of which are affordable,

as well as 742,640 square feet of new commercial space. Once considered one of the nation's most dangerous neighborhoods, OTR has been experiencing a true renaissance that is accessible to a spectrum of household incomes. The population nearly doubled from 2,775 in 2010 to 5,426 in 2018. Nearly 300 locally owned businesses have opened in newly renovated buildings. CDF remains committed to OTR to ensure that its continued revitalization elevates rather than displaces the long-time residents and businesses of this historic neighborhood.

See accompanying materials:

- [Background on Cincinnati Development Fund/Greater Cincinnati Foundation Affordable Housing, March 17, 2021](#)
- [Cincinnati Development Fund Quarterly Financial Report, December 31, 2020](#)