



**UNLOCKING  
POTENTIAL:  
LEVERAGING PUBLIC-  
PRIVATE  
PARTNERSHIPS FOR  
WORKFORCE  
HOUSING**

# PRESENTERS



**Melissa Buck**

- Senior Vice President, UMB Bank, n.a.
- 18 years in government and public finance



**Jared Everett**

- CEO, Pinnacle Development Group
- Previously Managing Director of University Partnerships for Greystar
- 25 years in real estate and higher education



**Christy Everett**

- President, Pinnacle Development Group
- 15 years in real estate and real estate finance

# HOW CITY MANAGERS ARE INVOLVED



## **Policy Development:**

Crafting and implementing housing policies that address local needs, e.g. zoning, building codes, and affordable housing initiatives



## **Strategic Planning:**

Oversee development of comprehensive housing plans that align with broader community goals and address issues such as affordability, accessibility, and sustainability



## **Partnership Building:**

Foster collaboration with various stakeholders such as developers, nonprofit organizations, and government agencies to leverage resources and expertise for projects



## **Budget Allocation:**

Oversee how municipal funds can be used to support housing initiatives



## **Community Engagement:**

Engagement with residents, advocacy groups, and other community members to gather input, address concerns, and build support for projects



## **Project Management:**

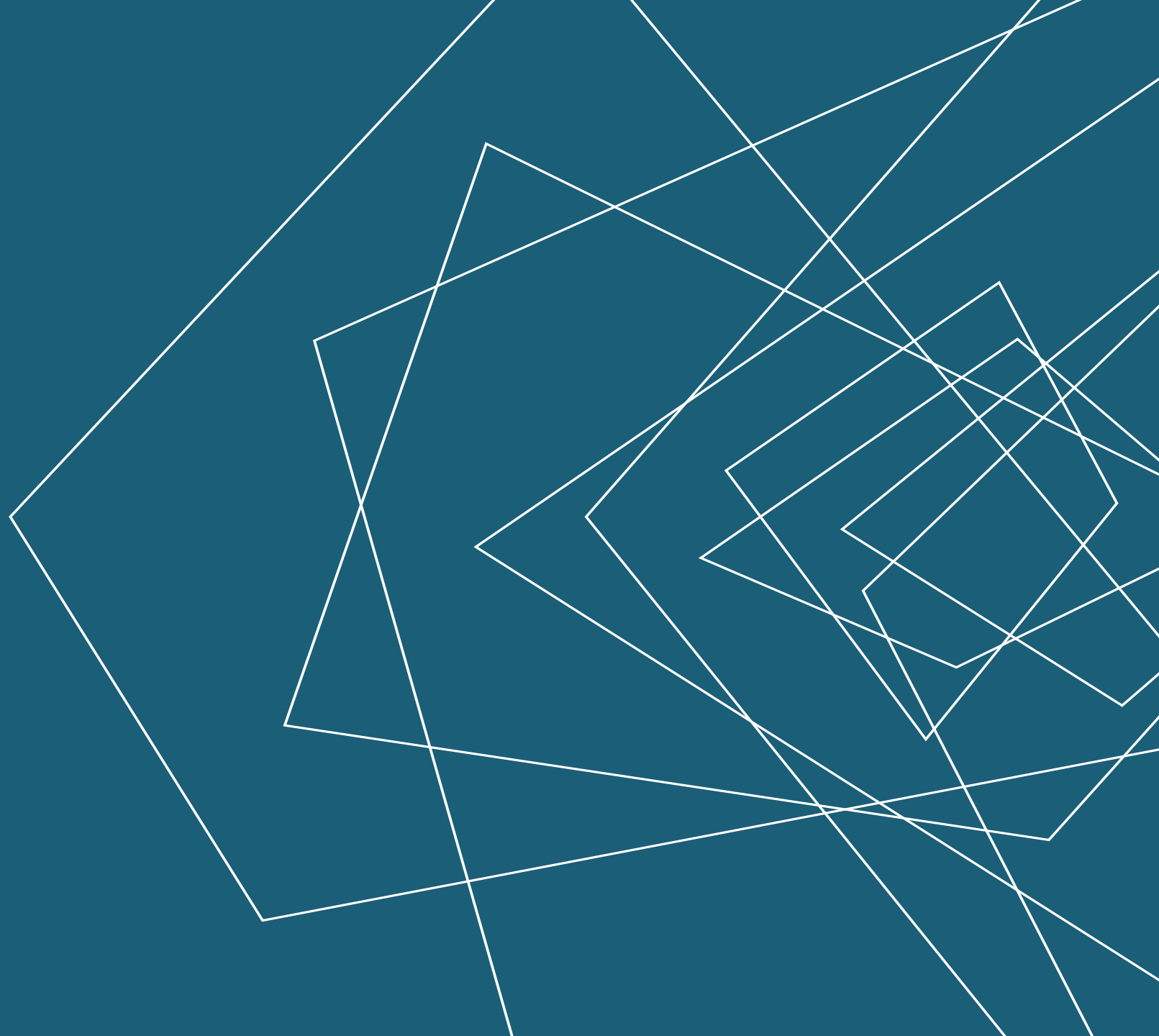
Oversee implementation of housing projects from conception to completion while ensuring timely and sufficient delivery, transparency, and accountability

# AGENDA

Understanding the Need

Financing Tools

Partnership Opportunities



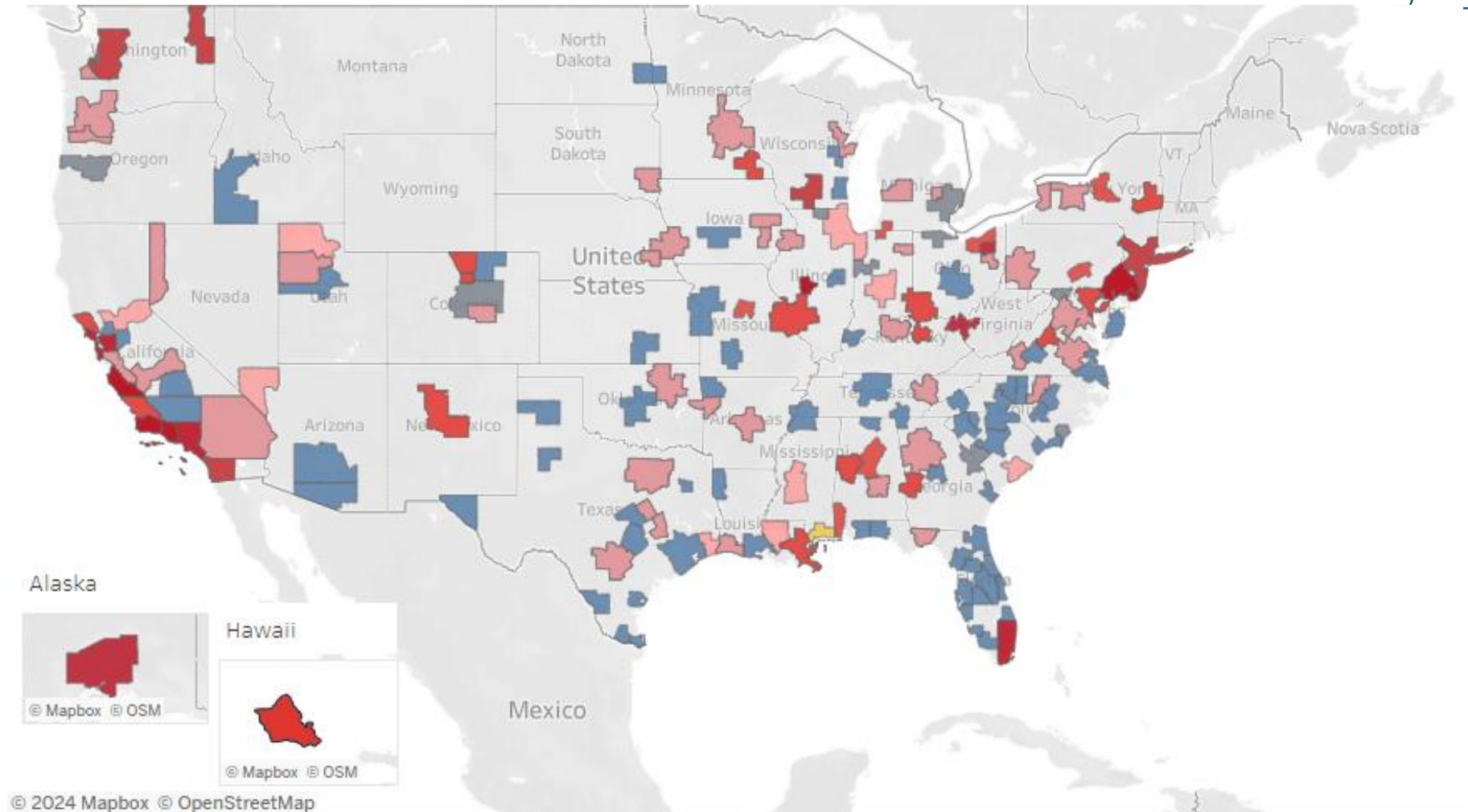


# UNDERSTANDING THE NEED

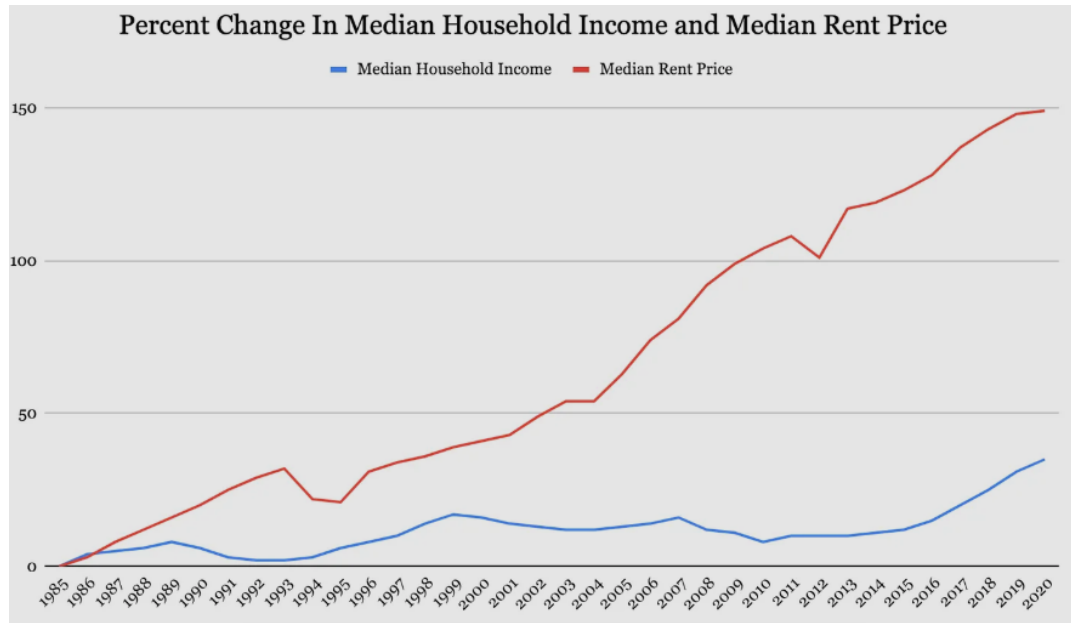
# THE HOUSING SHORTAGE

**In the worst housing shortage areas, only 1 housing unit is added for every 13 jobs created, exacerbating the problem. Housing equilibrium is 1 unit for every 2 jobs.**

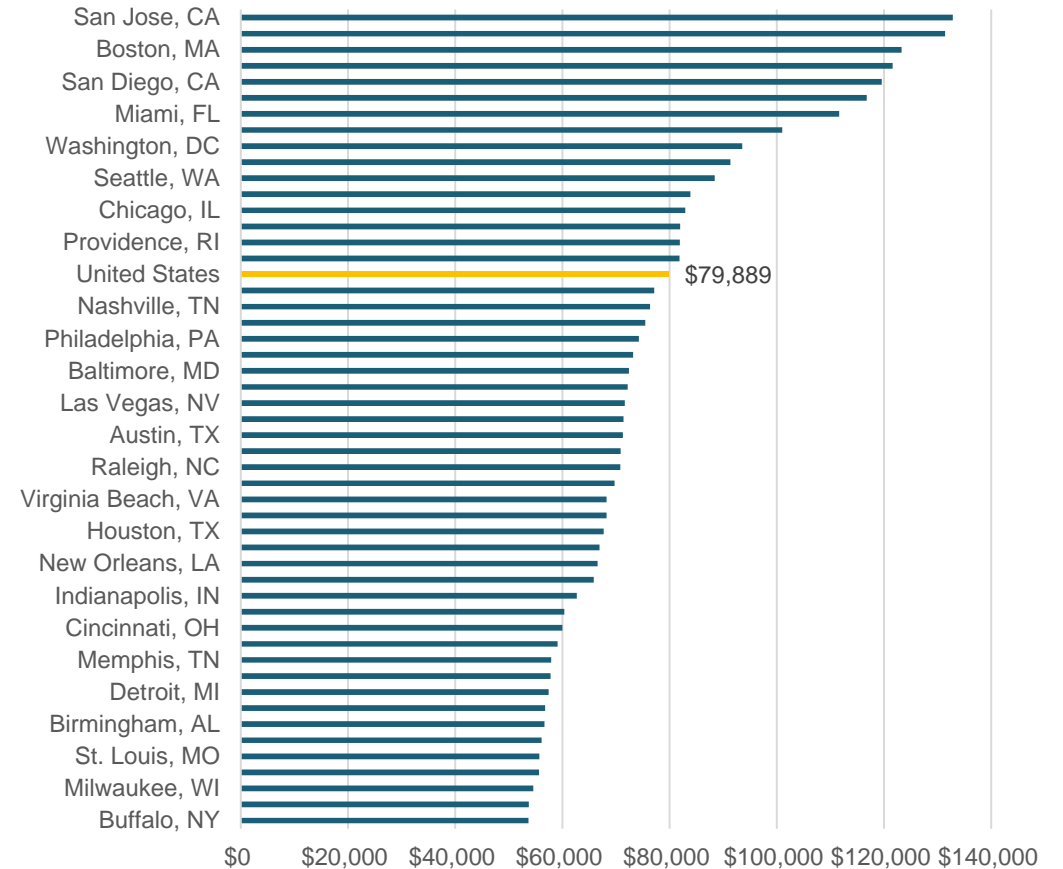
- High Housing Shortage
- Housing Shortage
- Need for More Permits
- Sufficient Supply
- No New Jobs
- No creation



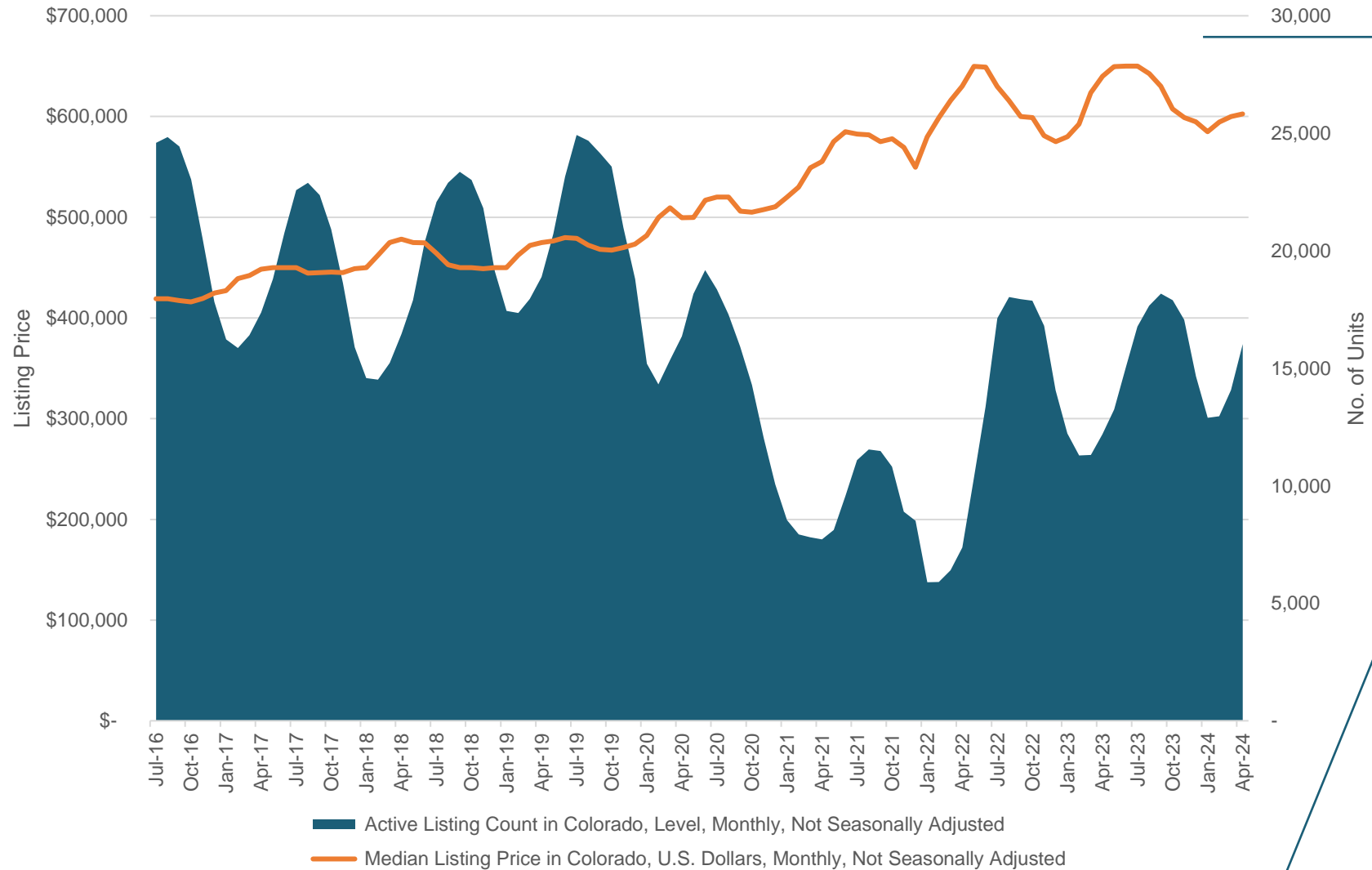
# RENTS RISE TWICE AS FAST AS INCOMES



## Income Needed to Afford Rent | April 2024



# AVAILABILITY AND PRICING OF HOUSING IN COLORADO

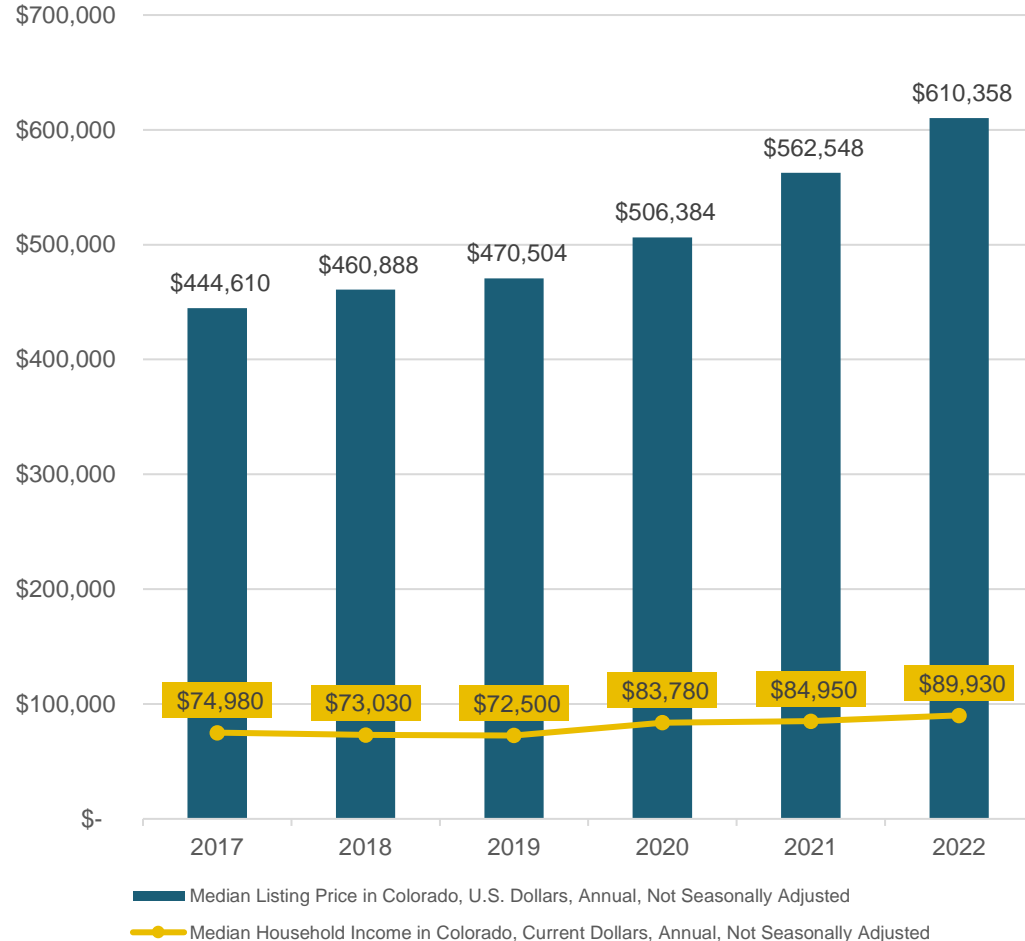


Source: FRED Economic Data, St. Louis Fed

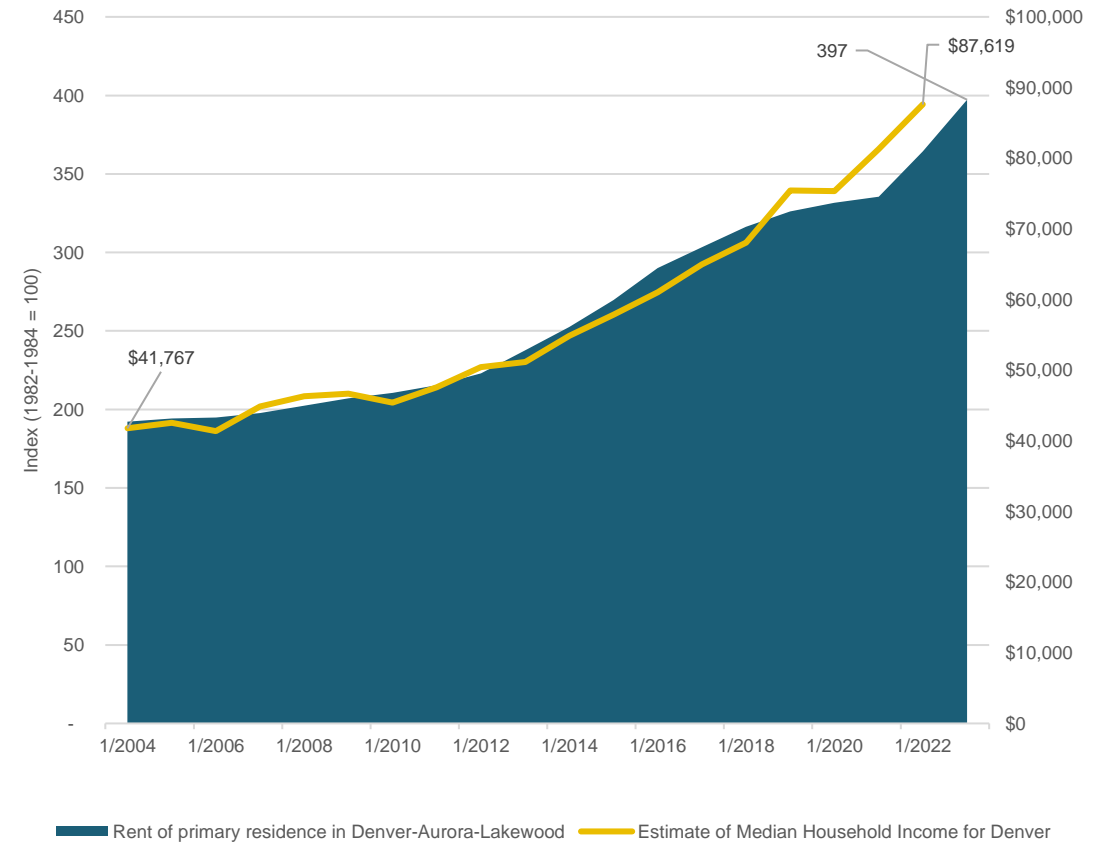


# ABILITY TO AFFORD HOUSING IN COLORADO

## Home Purchase



## Rent



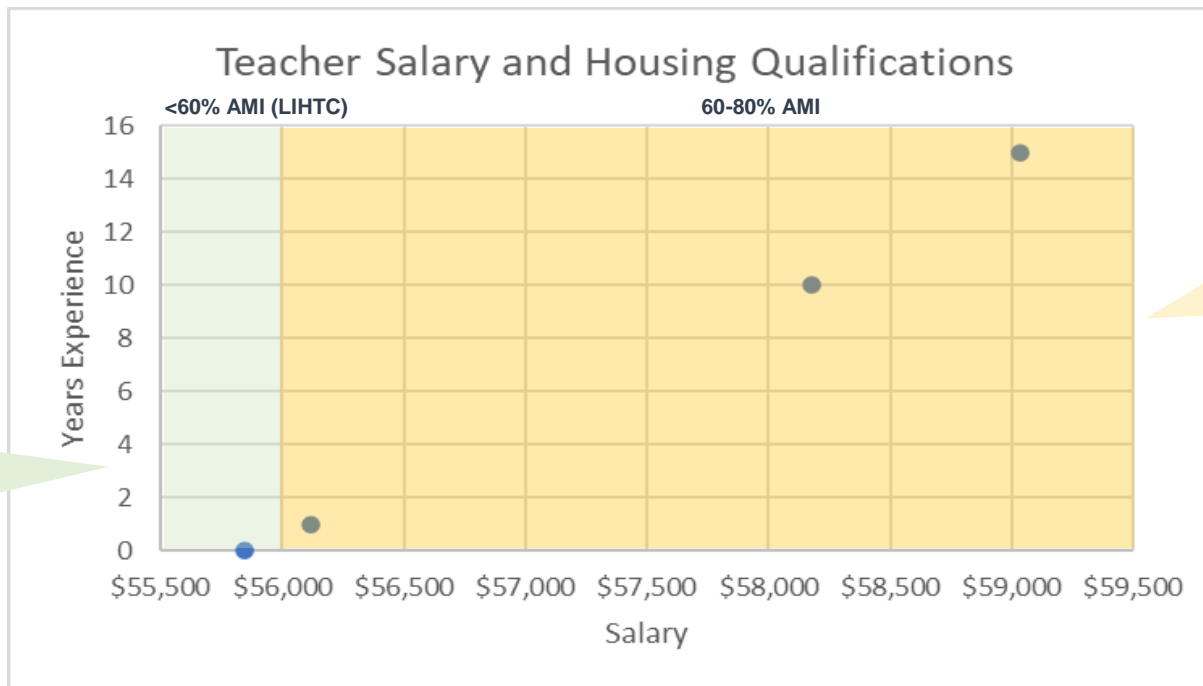
# “THE MISSING MIDDLE”

*LIHTC Cannot Help. Market Is Too Expensive.*

## INCOME DISTRIBUTION

**30%**

	Less than 60% AMI	60%-80% AMI	80%-100% AMI	100%-120% AMI	More than 120% AM	Total
Households	2,254,050	854,984	777,259	699,533	3,264,486	7,850,312
Distribution	29%	11%	10%	9%	42%	100%



**LIHTC:**

- Food and Beverage
- 
- Construction
- 
- Skilled Trades

**Workforce Housing:**

- Teachers
- 
- Support Staff
- 
- Entry Level Professionals

# WHO ARE THE MISSING MIDDLE?



**9%**

2 Parent  
Households  
With Children



**54%**

Single Parent  
Households



**4%**

Household with  
an Elderly Parent



**24%**

Single  
Households



**3%**

Couples no  
Children

# CHALLENGES TO NEW HOUSING SUPPLY THROUGH TRADITIONAL DEVELOPMENT



## High land and construction costs

- Cost of land is very high in many areas, making it difficult to develop affordable housing without substantial subsidies



## Financing challenges

- Traditional lenders may be hesitant due to perceived lower returns on investment
- Public funding and grants are often limited and highly competitive



## Regulatory barriers

- Zoning laws, land-use regulations, and lengthy permitting processes can significantly delay or restrict development and/or limit a project's feasibility



## Community opposition

- Often referred to as NIMBY, which can influence local stakeholders and lead to the rejection or scaling back of projects



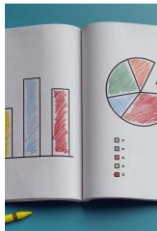
## Economic and market dynamic

- Fluctuations in the real estate market, interest rates, and overall economy can impact the viability and sustainability of affordable housing projects



## Scalability and sustainability issues

- Scaling a project(s) to meet actual demand in the area is often challenging, as can maintaining affordability over time without subsidies or other solutions



## Limited public resources

- Government budgets are often finite and affordable housing projects often compete with other priorities for funding, which can lead to insufficient funding for affordable housing initiatives.



## Inadequate infrastructure

- Often projects need additional infrastructure such as roads, school, and public transportation that can add to the overall cost and complexity of the development



## Lack of developer incentives

- There may be insufficient incentives for developers to choose affordable housing projects over more lucrative market-rate developments. Without financial or regulatory incentives, private developers likely see little benefit in pursuing these types of projects.



# FINANCING TOOLS



PUBLIC  
FUNDING FOR  
MIDDLE INCOME  
HOUSING

# FEDERAL AND STATE GRANTS AND SUBSIDIES

## Middle Income Housing Authority (MIHA)

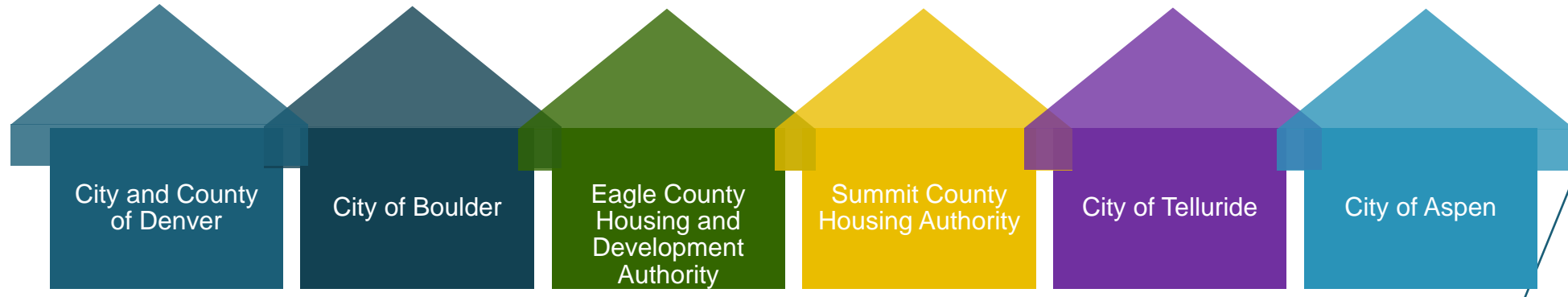
- Supports middle-income workforce housing by providing financing opportunities for rental units between 80% and 120% AMI, or 140% AMI for rural resort areas.
- MIHA has the power to issue bonds to finance affordable rental housing projects or to accomplish any of its powers or duties relating to affordable rental housing projects.
- The bonds may be payable from any the revenues or assets of MIHA and may be secured by any of MIHA's revenues, assets or property.
- MIHA's income, property, bonds and interest on MIHA's bonds are exempt from state and local taxation and assessments and its purchase and use of property are exempt from state and local sales and use taxes.
- MIHA may make payments in lieu of taxes to the state or local governments.
- 80% of units financed must be new build construction.

## Proposition 123

- In November 2022, voters authorized the state to allocate 0.1% of state income tax revenue towards affordable housing investments. These funds are split 60/40 between the Office of Economic Development and International Trade (OEDIT) and the Department of Local Affairs (DOLA) through its Division of Housing (DOH), respectively. OEDIT manages the Affordable Housing Financing Fund in partnership with Colorado Housing and Finance Authority (CHFA), which serves as Contract Administrator. DOH manages the Affordable Housing Support Fund.
- It is estimated that about \$310M will be directed towards Prop 123 for FY 2024, to be spent as follows:
  - Land Banking: 15% to 25%
    - Grants to eligible local and tribal governments and forgivable loans to eligible nonprofits to acquire and preserve land for affordable housing development purposes
  - Equity: 40% to 70%
    - Below-market equity investments to eligible for-profit and nonprofit entities for the construction of low and middle-income multifamily rental developments
  - Concessionary Debt: 15% to 35%
    - Loans to for-profit and nonprofit entities

# DEDICATED TAX LEVIES

Often a sales tax, property tax, or specific fees earmarked for the development and support of affordable housing projects. Voter approval required for any new or tax increase.



- Fund established in 2016
- Funded through general property tax revenues and developer impact fees ranging from \$0.40 to \$1.70 PSF
- Estimated to raise \$150M over the next 10 years

- Two programs: Boulder Affordable Housing Fund (AHF) and Community Housing Assistance Fund (CHAP)
  - AHF is mostly funded via general fund commercial linkage fees based on square footage
  - CHAP is funded via a property tax levy (generates about \$3M annually) and a housing excise tax

- Authority established in 2008
- Initially funded with \$10M of county funds and various state and federal grants

- Authority established in 2006
- Primarily funded with proceeds from a 0.125% sales and use tax and a 0.6% sales tax
- Estimated \$17M available for projects in FY 2024

- Primary revenue sources include a .50% sales tax, a 2.50% excise tax on short-term rentals, and a 2 mill property tax levy
- Estimated \$22M available for FY 2024

- Primary revenue sources include allocations from the general fund, a short-term rental excise tax ranging from 5% (condotels and owner-occupied homes) to 10% (all other types of properties), and a real estate transfer tax



# LOCAL ASSISTANCE

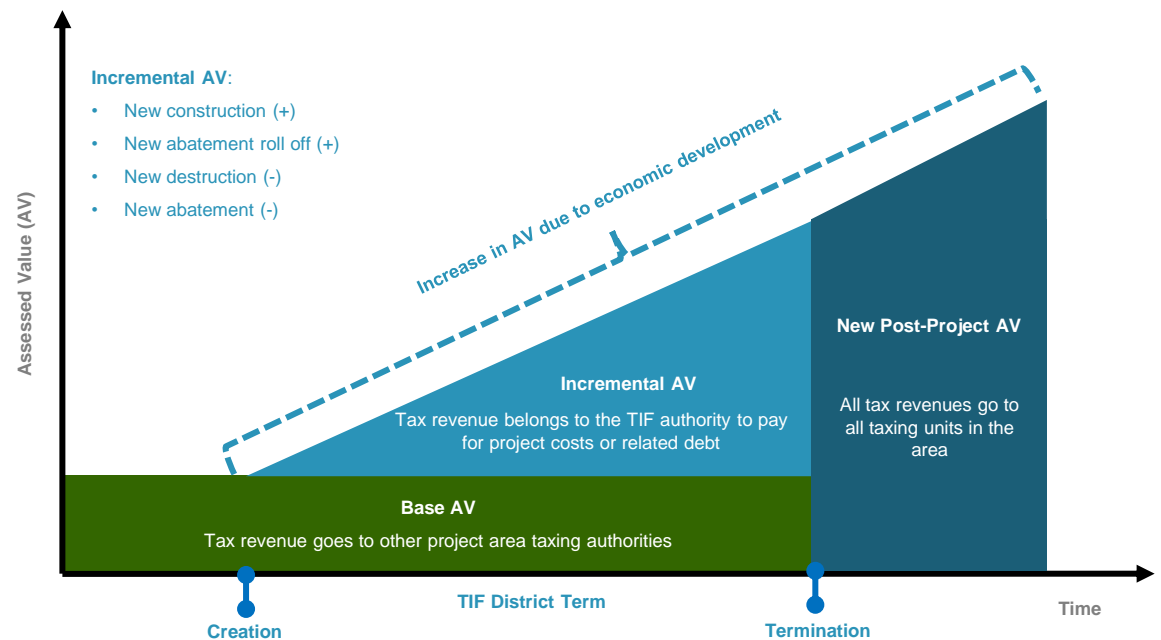
## Tax Increment Financing (TIF)

- **What it is:**
  - Encourages economic development and redevelopment within a specific area.
  - TIF works by capturing the increased property tax (or sometimes sales tax) revenue generated by a development project and allocating those captured revenues to eligible costs, e.g. debt service.
  - The idea is that the development will increase property values and economic activity, the incremental revenues of which can be used to provide upfront financing for the initial project costs without increasing taxes.
- **How it's used:**
  - TIF funds are typically used to finance public infrastructure improvements and other eligible costs within the TIF district, e.g. roads, utilities, lighting, and environmental remediation.
  - Eligible projects may include commercial developments, industrial projects, local infrastructure improvements, affordable housing, etc.

## Tax Relief

1. Local municipalities can agree to relieve some or all portions of property/sales and use taxes and/or impact and other similar fees on projects that meet their target AMI thresholds.
2. Eligible projects are up to the municipality's discretion and may include commercial developments, industrial projects, local infrastructure improvements, affordable housing, etc.

## How TIF Works:



# MUNICIPAL BOND FINANCING

## General Obligation (GO) Bonds:

- Backed by the full faith, credit, and taxing power of the municipality, GO bonds can be used for a broad range of projects, including infrastructure projects supporting certain development initiatives

## Revenue Bonds:

- These bonds are backed by the revenue generated from the specific project they fund, e.g. tolls from a bridge or user fees from a water treatment plant.

## Private Activity Bonds (PABs):

- PABs are typically used to attract private investment for projects that have some public benefit, for instance affordable or workforce housing.
- There are strict rules as to which projects qualify and generally speaking, these bonds are considered taxable unless they are deemed qualified private activity bonds.
- Additionally, this type of municipal bond is limited to an issuer's allocation or volume cap, which is based on population and computed annually.





# PRIVATE FUNDING

# INCENTIVES FOR PRIVATE SECTOR PARTICIPATION



## Tax Exemptions

- E.g. Property or sales tax exemptions or reductions



## Zoning Changes

- E.g. increased density bonuses, relaxed height restrictions, and reduced setback requirements



## Expedited Permitting

- Streamlining the process can reduce delays and lower costs for developers, making projects more attractive



## Subsidized Land Costs

- Either donating land or offering it at reduced prices can decrease the upfront cost



## Grants and Subsidies

- E.g. direct financial contributions for development costs



## Flexible Loan Terms

- E.g. offering below-market interest rates, longer amortization periods, and/or higher loan-to-value ratios for affordable/attainable housing projects



## Regulatory Relief

- E.g. streamlined environmental reviews and reduced parking requirements



## Public Private Partnerships

- Leveraging public resources and expertise with private sector efficiency and/or capital, reducing risk and providing financial benefits to private developers

# PUBLIC PRIVATE PARTNERSHIPS (P3)

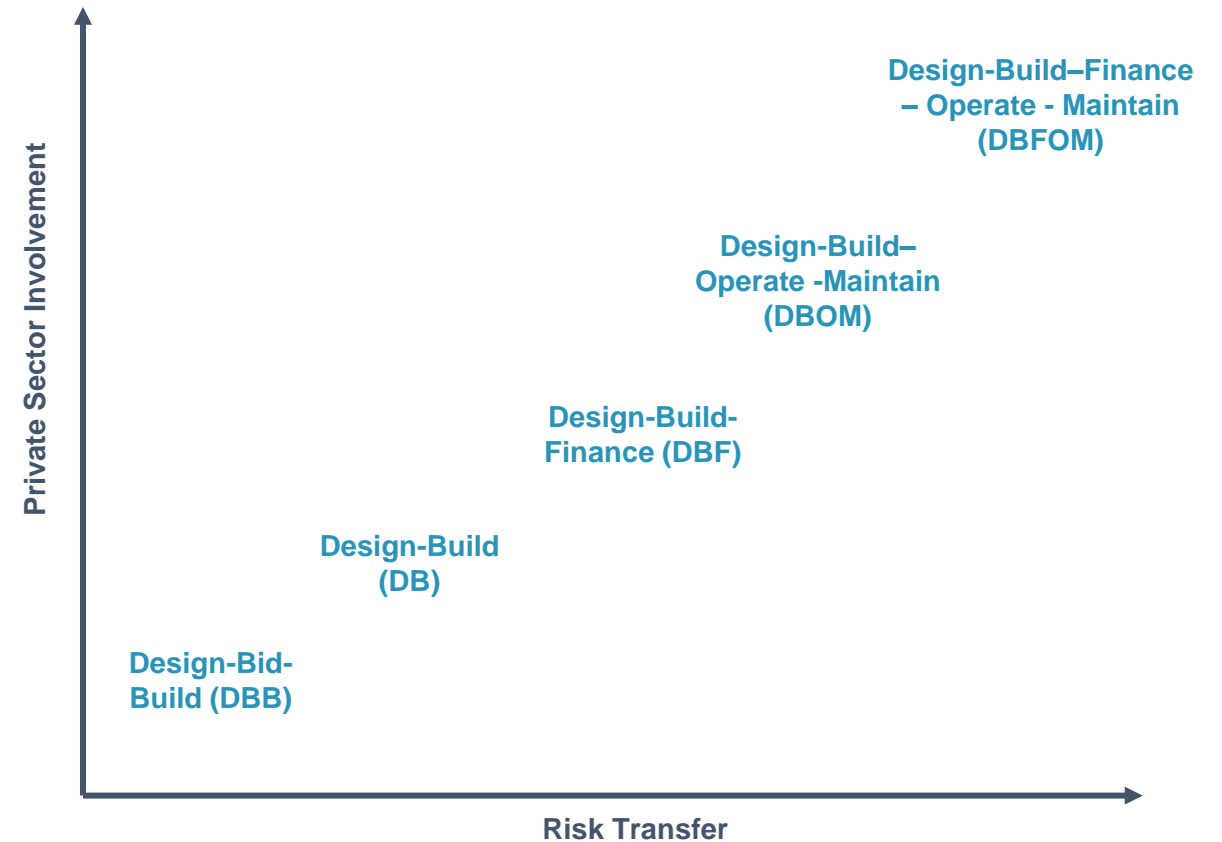
- What it is:

- P3s are collaborative arrangements between the public and private sectors for the purpose of delivering public infrastructure projects, services, or facilities.
  - They are meant to leverage the strengths of both sectors with the private side generally taking the lead in the financing, design, construction, operation, and maintenance of projects.
- P3s are generally structured to share the risk between the public and private sectors. These risks may include construction delays, cost overruns, and regulatory changes.

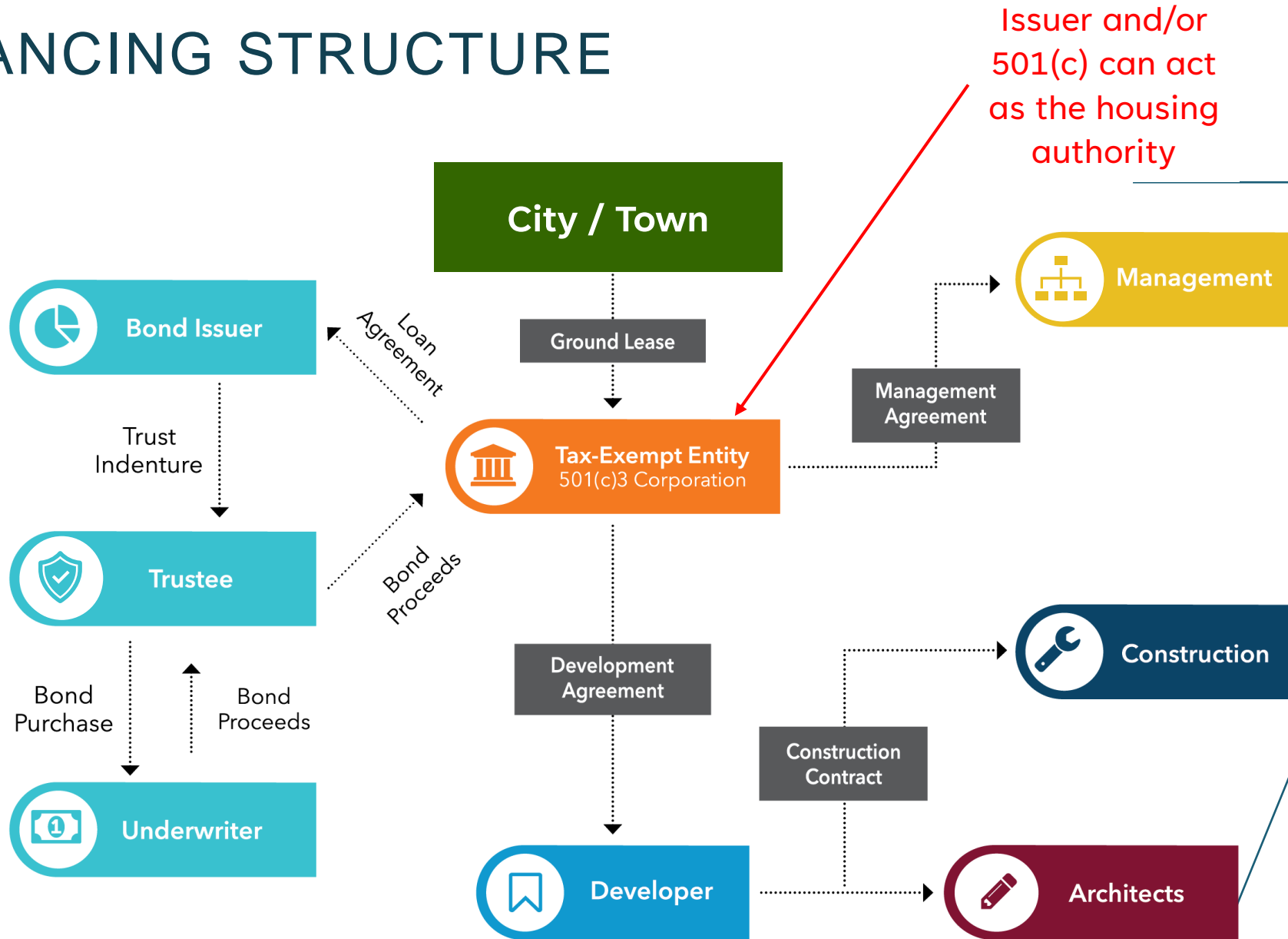
- How it's used:

- Not all projects should be done as a P3. Most successful P3's are large infrastructure projects with proper risk allocation (crucial to the success).

## Procuring Infrastructure Projects



# P3 FINANCING STRUCTURE



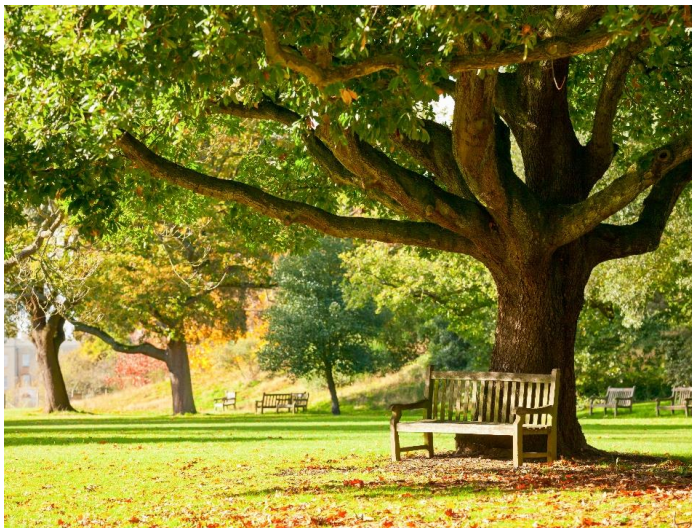


**PARTNERSHIP  
OPPORTUNITIES**

# EXAMPLE WORKFORCE HOUSING PROFILE

\$401

Saved on average each month by a staff's reduced commute times and expense



9/10

Units set aside for households earning less than 80% AMI



1/10

Units set aside for households earning less than 60% AMI



# WHY DO A P3



# CASE STUDY: TEACHER HOUSING NEAR AUSTIN, TX

**The Problem:** Extremely high housing costs in Pflugerville, TX, a suburb of Austin, TX is hurting teacher retention and recruiting

- New teachers turn down jobs because they can't afford housing
- Current teachers share housing, live far away, work second jobs, or leave the profession

**The Solution:** Partnered with UMB Bank, n.a. for bond-funded housing specifically for teachers

- 500 units over two phases
- Rents are pegged to salaries – will be at no more than 30% of teacher's salary
- Teachers will be prioritized, other school district employees will be permitted as well

**The Results:** Delivering in 2026, the housing is already attracting new teachers

- \$401 average monthly savings on commuting
- 90% of units will be 80% AMI; 10% of units will be 60% AMI





## CASE STUDY: ARTIST/WORKFORCE HOUSING IN MIAMI BEACH, FL

**The Problem:** High housing costs in Miami Beach threaten their unique “Artist” identity; city employees cannot live near their workplace

- Extremely long employee commutes
- Artists, ballet-dancers, and teachers are unable live in or near Miami Beach

**The Solution:** Bond-funded housing for a prioritized group of workforce

- 90 units in high-rise building
- Waterfall of permitted tenants include artists, ballet-dancers, first responders, and city employees

**The Results:** Delivering in 2024, the housing already has a waitlist

- Improved recruitment and retention by Miami Beach Ballet
- 50% of units will be 80% AMI; 50% of units will be 120% AMI

# WHAT MAKES A SUCCESSFUL P3

- **Clear objectives and scope:** Specific, achievable project goals
- **Appropriate risk allocation:** Risks related to construction, financing, and operation are managed effectively
- **Financial viability:** Utilize a mix of public funding, private investment and incentives to ensure economic sustainability
- **Community engagement and stakeholder involvement:** Ensure project meets community needs and goals and ongoing reporting is regular, clearly communicated, and transparent

## Ideal Project aka “the sweet spot”

- Number of Units: 250+
- Unit Size and Mix: Market Driven; typically Studio – 3 BD
- Affordability Levels: Middle Income
- Location and Site Selection: Level / Flat Already Identified
- Design and Amenities: Unique to Market
- Financing/Funding Sources: Project Specific

# SETTING HOUSING UP FOR SUCCESS: ASPEN WORKFORCE HOUSING



**The Problem:** Some of the highest housing costs in the U.S., which has pushed city and resort employees and service workers far away from their place of work

- Extremely long and congested commutes
- Employees have to share homes or even rooms with others

**The Solution:** P3 with the City of Aspen for Workforce Housing

- *Well Teed Up to make it easier for developers*
- City did site studies and preliminary architect plans prior to engaging developers
- City will assist with capital requirements
- Broad AMI restrictions (60% - 240%)

**The Results:** Flexible options for design, development, and financing lets developers “think outside the box”, improving development options

- Shorter timeframe for construction
- Reduced costs with flexible financing options

# Q&A



# CONTACT INFORMATION



**Melissa Buck**

*Senior Vice President  
Public Finance*

UMB Bank, n.a.  
Denver, CO  
303.839.2287  
[melissa.buck@umb.com](mailto:melissa.buck@umb.com)



**Jared Everett**

*CEO  
Pinnacle Development*

Pinnacle Development  
Dallas, TX  
208.863.8379  
[jared@pinnacledevgroup.com](mailto:jared@pinnacledevgroup.com)



**Christy Everett**

*President  
Pinnacle Development*

Pinnacle Development  
Dallas, TX  
901.359.9683  
[christy@pinnacledevgroup.com](mailto:christy@pinnacledevgroup.com)

The image features two thin, teal-colored lines that intersect on a light gray background. One line is oriented vertically, extending from the top edge towards the bottom. The other line is oriented diagonally, sloping downwards from the top-left towards the bottom-right. The intersection point is located in the upper-left quadrant of the frame.

**DISCLOSURE**



# DISCLOSURE

UMB Bank, n.a. Capital Markets Division (“UMB”) is providing the information contained in this document for discussion purposes only in anticipation of serving as underwriter to the Issuer. The primary role of UMB, as an underwriter, is to purchase securities for resale to investors in an arm's-length commercial transaction between the Issuer and UMB, and that UMB has financial and other interests that differ from those of the Issuer. UMB is not acting as a municipal advisor, financial advisor or fiduciary to the Issuer or any other person or entity. The information provided is not intended to be and should not be construed as "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934. The Issuer should consult with its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate. If the Issuer would like a municipal advisor in this transaction that has legal fiduciary duties to the Issuer, then the Issuer is free to engage a municipal advisor to serve in that capacity.

## MSRB Rule G-17 Disclosure

This is intended to provide you, as an authorized official of the Issuer, with certain disclosures relating to the proposed bond issue (the “Bonds”) as required by the Municipal Securities Rulemaking Board (MSRB) Rule G-17.

UMB proposes to serve as an underwriter or placement agent, and not as a financial advisor or municipal advisor, in connection with the issuance of the Bonds. As part of our services as underwriter or placement agent, UMB may provide advice concerning the structure, timing, terms, and other similar matters concerning the issuance of the Bonds.

## Disclosures Concerning UMB’s Role:

- (i) Municipal Securities Rulemaking Board Rule G-17 requires an underwriter to deal fairly at all times with both issuers and investors;
- (ii) the underwriter’s primary role is to purchase securities with a view to distribution in an arm’s-length commercial transaction with the issuer and it has financial and other interests that differ from those of the issuer;
- (iii) unlike a municipal advisor, an underwriter does not have a fiduciary duty to the issuer under the federal securities laws and is, therefore, not required by federal law to act in the best interests of the issuer without regard to its own financial or other interests;
- (iv) the issuer may choose to engage the services of a municipal advisor with a fiduciary obligation to represent the issuer’s interests in the transaction;
- (v) the underwriter has a duty to purchase securities from the issuer at a fair and reasonable price, but must balance that duty with its duty to sell municipal securities to investors at prices that are fair and reasonable; and
- (vi) the underwriter will review the official statement for the issuer’s securities in accordance with, and as part of, its responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of the transaction.

# DISCLOSURE

## Disclosures Concerning UMB's Compensation

The underwriter will be compensated by a fee and/or an underwriting discount that will be set forth in the bond purchase agreement to be entered into in connection with the issuance of the Bonds. Payment or receipt of the underwriting fee or discount will be contingent on the closing of the transaction and the amount of the fee or discount may be based, in whole or in part, on a percentage of the principal amount of the Bonds. This form of compensation is customary in the municipal market, but it should be disclosed that compensation contingent upon closing may, by its nature, create a conflict of interest.

## Additional Conflicts Disclosures

UMB has not identified any additional potential or actual material conflicts that require disclosure.

This communication is provided for informational purposes only. UMB Bank, n.a. and UMB Financial Corporation are not liable for any errors, omissions, or misstatements. This is not an offer or solicitation for the purchase or sale of any financial instrument, nor a solicitation to participate in any trading strategy, nor an official confirmation of any transaction. The information is believed to be reliable, but we do not warrant its completeness or accuracy. There are risks associated with all transactions involving investment securities. As with any investment, please read all offering information, prospectus, or any other required disclosures before initiating any transaction. Past performance is no indication of future results. The numbers cited are for illustrative purposes only. The opinions expressed herein are those of the author and do not necessarily represent the opinions of UMB Bank, n.a. or UMB Financial Corporation. Future results may vary.

Products offered through UMB Bank, n.a. Capital Markets Division are:

**NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED**