

# OAH HOME Workshop

## 2011 Funding Round



# Welcome!

## OAH HOME Workshop

### Housekeeping

- Bathrooms
- Cell phones
- Break

Thank you for participating!



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# OAH HOME Workshop Agenda

- Finding HOME Documents on the website
- Pre-application Process
- HOME Policies
- HOME Investment
- HOME Rents
- Q&A



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# Finding HOME Documents on the DCA Website

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Things do not happen. Things are made to  
happen.

John F. Kennedy



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# Finding HOME Documents on DCA Website

<http://www.dca.ga.gov/housing/HousingDevelopment/programs/QAP2011docs.asp>

(no spaces)

Refer to Attachment A



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# Finding HOME Documents on DCA Website

The screenshot shows a Windows Internet Explorer browser window displaying the DCA website. The address bar shows the URL: [www.dca.ga.gov/housing/HousingDevelopment/programs/QAP2011docs.asp](http://www.dca.ga.gov/housing/HousingDevelopment/programs/QAP2011docs.asp). The page title is "2011 Core Application and Instructions". The main content area is titled "2011 Manuals and Forms" and contains a list of documents. A red box with the text "Refer to Attachment A" is overlaid on the page content.

- 2011 OAH Manual
- Application Process to Construction Completion
  - A. Approval
  - B. Architectural
  - C. Environmental
  - D. Federal Compliance and Relocation
  - E. HOME
    - 01 2011 HOME Rental Housing Program
    - 02 2011 HOME Loan Consent Request
    - 03 2011 HOME Loan Consent Project Info Request
    - 04 2011 GA HOME Loan Experience Form
    - 05 2011 GA LHMIC Property Survey Methodology Export Form
    - 06 2011 HOME WBE Waiver Form
    - 07 2011 HOME Manual HOME WBE Outreach Plan
    - 08 2011 HOME WBE Collection Form Instructions
    - 09 2011 HOME Credit Investigation Authorization
    - 10 2011 HOME Manual Instructions Affirm Fair Housing Plan
    - 11 2011 HOME Manual Affirm Fair Housing Plan
    - 12 2011 HOME Manual Applicant Worksheet Enclosure Update
    - 13 2011 HOME Manual Certification Contracts Loans Comp Agreem
    - 14 2011 HOME Environmental And Relocation Notice
    - 15 2011 HOME Manual Contractor Cost Card
    - 16 2011 HOME Manual General Contractor Certification
    - 17 2011 HOME Manual General Contractor Actual Cost
    - 18 2011 HOME Manual Certification Of Independent Accountant
    - 19 2011 Sample Pre-Contract Agreement
    - 20 2011 Right To Withdraw Letter
    - 21 2011 HOME Site And Neighbourhood Standards Certification
  - F. LHFC
  - G. Market Study
  - H. Other
  - I. Forms
  - J. Manuals



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# Pre-application Process

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# Pre-application Process

## Core Plan - Section 6

- \$2.5 Million Maximum loan
- \$800k Minimum loan
- 15% set aside for DCA pre-qualified CHDOs
- CHDO must be Sole or Joint Owner



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## Pre-application Process

- Submission to DCA no later than May 12, 2011
- DCA will provide Consent Letter by June 6, 2011
- Must include DCA Consent in 2011 Funding Application or will not pass Threshold
- Must utilize HOME funds
- If selected in the 2011 Competitive Round, a Preliminary Commitment letter will be issued



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## Pre-application Documents

1. 2011 DCA Application (Parts I through VII only)
2. HOME Loan Consent Request Form
3. HOME Loan Consent Request Form – Project Information
4. Narrative / Project Description
5. Organizational Chart- Project Team must be pre-qualified with or without conditions (see QAP Appendix I XIX B)



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## Pre-application Documents (con't)

6. CHDO Certification
7. GA HOME Loan Experience Form
8. GA Tax Credit Experience & Syndication History Form
9. Project Map
10. Executed release for each principal of the GP and Developer for credit history
11. Environmental / Relocation Acknowledgement



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## Pre-application Documents

- Due no later than **4PM on May 12, 2011**
- Deliver to: DCA  
60 Executive Park South, NE  
Atlanta, GA 30329  
Attn: Andria Williams
- Attach check in the amount of:  
\$1,000 for-profit or joint venture; \$500 non-profit  
payable to the:  
**Georgia Housing & Finance Authority (GHFA)**

One hard  
copy



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# OAH HOME Program Updates

1. State Designated Boost-  
Not eligible with DCA HOME funds
2. Borrower limited to 50% of developer fee (overhead+ consultant's fee) before conversion  
**less deferred portion of developer fee (see page 29 of 58 QAP Core)**



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# Selection Criteria for Consent

- CHDO Projects
- Rural Projects
- Special Needs Projects
- Projects that are proposed to have no debt other than DCA HOME
- Successful Georgia HOME Loan Experience



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## Selection Criteria for Consent (con't)

- Successfully operated Ga. LIHTC Projects
- Recent 3-Year History of Syndicator Closings
- Compliance History
- Typically, each Applicant will only receive one HOME Loan Consent



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## HOME Policies

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“The winner is the chef who takes the same ingredients as everyone else and produces the best results.” - Dr. Edward De Bono



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# HOME Underwriting Policies

## Core Plan – Section 7 B

### Allowed:

- Construction hard costs with conversion to permanent debt
- Includes site costs and contractor services

### Not Allowed:

- Soft costs
- Acquisition costs
- Stored materials cost (unless consent given by DCA)
- Reserves



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# HOME Underwriting Policies

## Prohibited Activities (P. 8 HOME Manual)

- ~~Transitional Housing~~
- ~~Public Housing~~
- ~~Mixed Use Projects~~
- ~~Refinance/Payoff Existing Loan~~
- ~~Projects located in a Local P.J.~~



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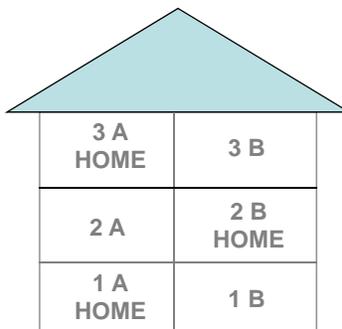
# HOME Underwriting Policies

## Core Plan – Section 7 B

- 2011 QAP
  - If funding has HOME funds, all low income units are HOME units.
- Fixed or Floating Units?
  - Units will be assumed to be floating unless designated as fixed
  - When units are not comparable, fixed is required



# Fixed & Floating Units



- Fixed = 1A, 2B, 3A always HOME units
- Floating = Unit numbers change but always have 3 HOME units



# HOME Underwriting Policies

## Loan Terms

- **Interest during construction:** 0%
- **Convert to perm within 24 months**
- **Permanent interest rate:** 1%
- **Term:** 15-35 years



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# HOME Underwriting Policies

## Non-fully amortizing loans

- Rural loans can have an irregular payment stream, but...
  - Interest and portion of principal must be paid annually (the loan can not negatively amortize)
  - DCR at least 1.25 for entire term (Rehabs) and 1.20 (New Construction). Generally no higher than 1.50 for rural deals
- 1/2 of cash flow to reserve account
- Future Market Value must exceed outstanding loan balance at maturity



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# HOME Underwriting Policies

## Construction Policies

- Construction commencement within 1 year of award
- Construction completion within 24 months of closing
- Contractor change orders must be approved by DCA before work is done
- Unused construction contingency at conversion will reduce principal of HOME loan
- Retainage
  - 10% until 50% complete
  - 5% thereafter



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# HOME Underwriting Policies

## Payment and Performance Bonds

- 100% bond required, cost is NOT included in 8% Builder's Overhead/General Requirements limit (see page 21 of 58 QAP Core)
- If identity of interest exists:
  - Borrower may receive waiver (fee required) if letter of credit or private construction loan is utilized in lieu of bond
  - Letter of credit must be  $\geq 50\%$  of total construction cost



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# HOME Underwriting Policies

## Other notable policies

- Land acquisition costs will be limited for underwriting purposes to the lesser of sales price or the appraised “as-is” value
- Required third party front-end analysis of construction costs when identity of interest exists between developer and contractor
- Operating Deficit Reserve (ODR) is:
  - 6 months debt service plus
  - 6 months operating expenses



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# HOME Investment

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## HOME-Assisted Units

- All Low Income units are “HOME-assisted units”
- Five or more “HOME-assisted units”
  - At least 20% of the HOME assisted units must be occupied by very low income families (  $\leq$  50% AMI)
  - Remaining HOME-assisted units must be occupied by families with incomes  $\leq$  60% AMI
- HOME-assisted (*all* low income) unit rents may not exceed HUD Fair Market Rent (FMR)



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## HOME Investment

HOME investment is **lowest** of:

1. 221(d)(3) limits applied to HOME-assisted units
  - QAP Threshold, Appendix I, Page 6 of 41 (Sect I, Subsection M-Unit Cost Limitations)
2. Proportion of HOME units to all residential units applied to the total HOME eligible costs
3. Actual amount of the HOME Funding Request
  - Determined in Part Three–D: HOME Allocation in Application



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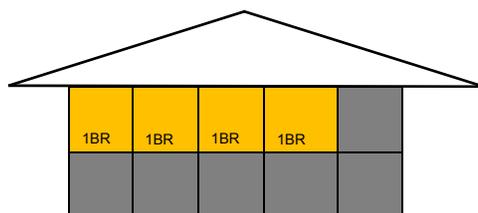
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# HOME Investment

## Nbr of HOME Units Example #1

- Total cost: \$800,000
- 221(d)(3) Limit (1BR): \$126,647/unit
- Proportion of units: 40% of units
- HOME investment: \$320,000



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# HOME Investment

## Nbr of HOME Units Example #1

- Maximum investment for HOME-assisted units per 221(d)(3) limit:

$$4 \text{ units} \times \$126,647 = \$506,580$$

- Proportion of units that are HOME-assisted: (40% of total units x total cost)

$$40\% \times \$800,000 = \$320,000$$



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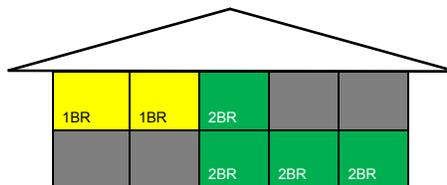
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# HOME Investment

## Nbr of HOME Units Example #2

- Total cost: \$900,000
- 221(d)(3) limit (1BR): \$126,647
- 221(d)(3) limit (2BR): \$154,003
- Proportion of units: 60% of units
- HOME investment: \$540,000



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# HOME Investment

## Nbr of HOME Units Example #2

- Maximum investment for HOME-assisted units per 221(d)(3) limit:

$$2 \text{ units} \times \$126,647 = \$253,294$$

$$4 \text{ units} \times \$154,003 = \underline{\$616,012}$$

$$\$869,306$$

- Proportion of units that are HOME-assisted:  
(60% or HOME unit ratio X total HOME eligible cost)

$$60\% \times \$900,000 = \$540,000$$



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## HOME Investment - Minimum Length of Affordability

Equal to the greater of the term of the HOME loan or the following statutory limits:

### Rehabilitation

Less than \$15,000 / unit	5	Years
\$15,000 \$40,000 / unit	10	Years
More than \$40,000 / unit	15	Years

### New Construction

20 Years



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## Allocating Costs to HOME-assisted units

### Determining Total HOME-Eligible Costs

For projects with HOME and non-HOME units (unrestricted units), allocate costs across units:

- If HOME and non-HOME units are *comparable*, costs can be pro-rated ('floating' units must be comparable)
- If units are not comparable, actual costs must be determined unit-by-unit (must have 'fixed' units)



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# HOME Investment

Home Fund\$ = Federal Fund\$

Compliance is required:

- Davis Bacon Wage (12 or more units)
- National Environmental Policy Act (NEPA)
- Section 504, Fair Housing, ADA, Compliance
- Uniform Relocation Act
- More...(See Sections IX -XVI of the HOME Manual)



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# HOME Rents

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## Calculating Rents

- High HOME (60% tax credit limit) & Low HOME (50%) rent limit, not to exceed HUD FMR
  - Published around March
- Adjust rents for tenant-paid utilities
  - Subtract utilities to determine rent paid by tenant
- HOME rents may go up or down over time
  - But not lower than floor rents



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## Calculating Rents (example)

MSA					
Albany	Eff.	1 BR	2 BR	3 BR	4 BR
60% High HOME Rent	511	547	657	758	846
50% Low HOME Rent	426	456	547	631	705
Fair Market Rent (FMR)	516	550	646	867	895
Utility Allowance	75	100	150	175	200



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## Calculating Rents

- What is the High HOME rent for a 2 BR unit?

Answer:  $\$657 - \$150 = \$507$

- What is the Low HOME rent for a 3 BR unit?

Answer:  $\$631 - \$175 = \$456$



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## HOME Rents

### Most Frequent Errors:

- Fair Market Rents not used when applicable
- Using outdated or inappropriate Utility Allowances
  - Local PHA that administers Section 8 in locality where property is located (Page 8 of 41 of QAP Threshold)



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## HOME Rents continued

- Consequences
  - Project deemed infeasible and fails threshold because of insufficient cash flow
  - Reminder: **FEASIBILITY MATTERS**
- Solutions
  - Carefully select rents and double check them
  - Make sure the FMRs are used when applicable



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## Questions?



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THANK YOU!  
(very much)



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