



**WORKFORCE
SERVICES**
HOUSING & COMMUNITY
DEVELOPMENT

HOUSING & **Community** DEVELOPMENT





Welcome.

Private Activity Bonds
&
Olene Walker Housing Loan Fund





Agenda

Agenda

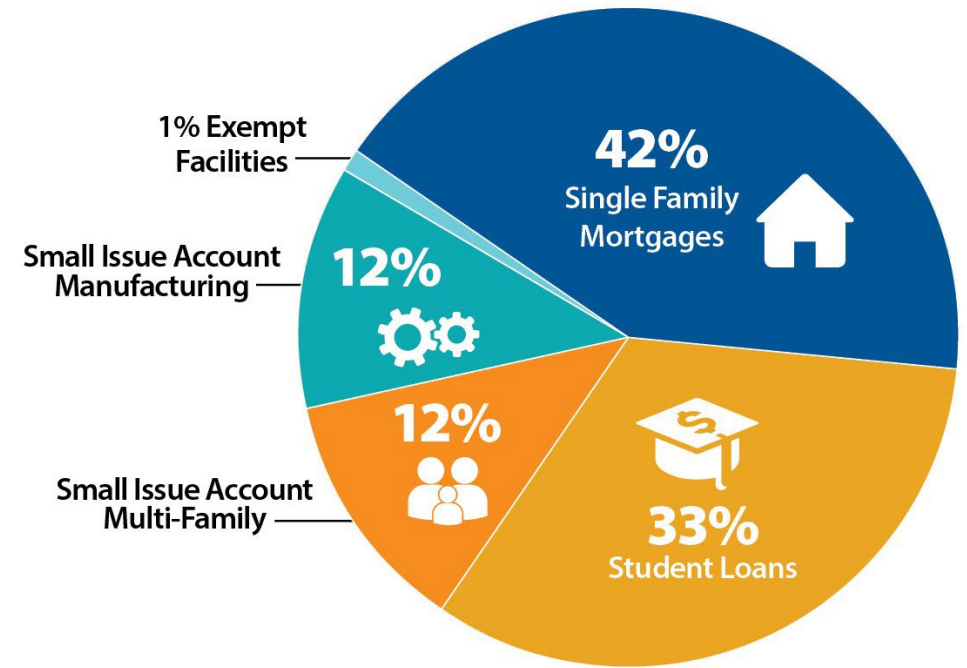
- Program Overview
 - PAB
 - OWHLF
- Application Process
 - PAB
 - OWHLF
- Details
 - PAB – extension process
 - OWHLF – underwriting process
- Questions



Program Overview



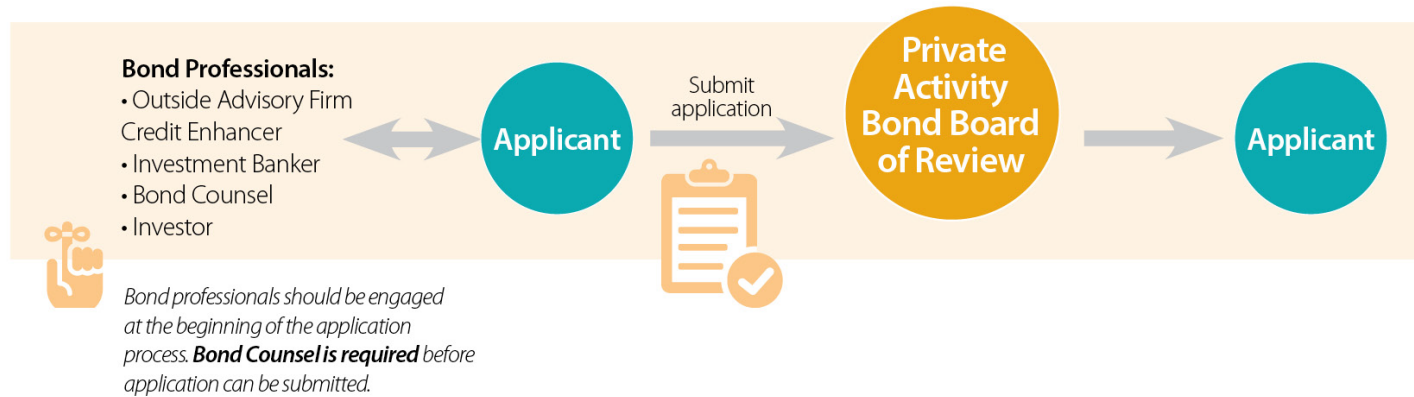
PAB



Private Activity Bond Process

1 Applicant Engages with Bond Professionals to Develop and Submit Application

2 Board Awards Volume Cap Request



3 Applicant Engages with Bond Professionals to Develop Transaction



4 Bond Counsel Prepares Bond Docs



5 Eligible Issuing Authority Issues Bond



Bond



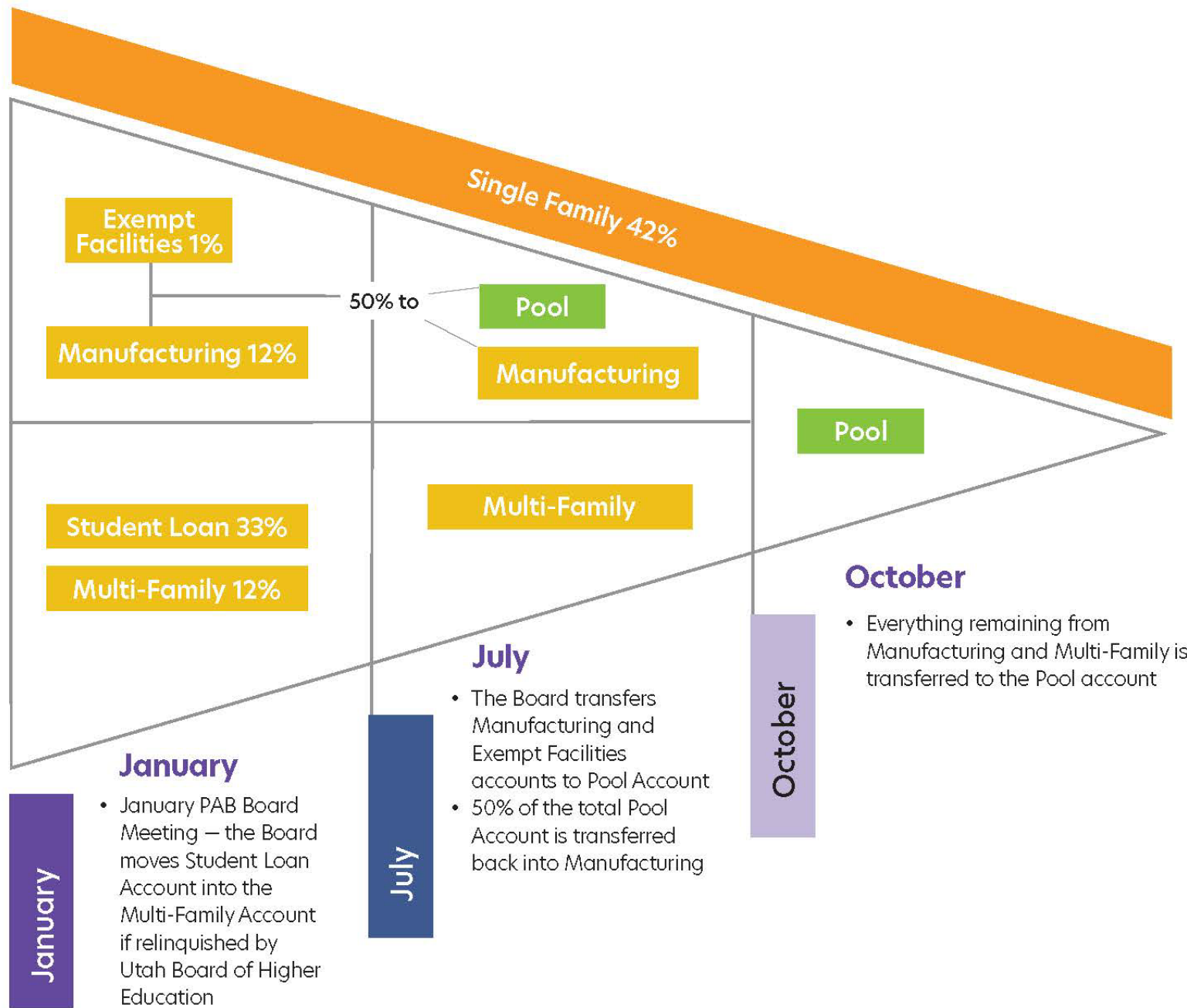
6 Investor (sell/private placement)



7 Bond Proceeds are Generated



PAB Allocation Timeline





OWHLF Program Overview

Sources of Funding:

- HOME Program
- Housing Trust Fund
- State Appropriations
- Program Income
- State Match for HOME
- Other Loans/Grants

Federal Financial Assistance – any grant, loan or contribution by HUD or other U.S. government agency except:

- Loan guarantees
- Loan insurance
- Homebuyer interest reduction payments





OWHLF

Use of HOME Funds:

- **Cannot** be used for:
 - Temporary housing
 - Student housing
- **Can** be used in conjunction with:
 - LIHTC
 - PAB/tax-exempt bonds
 - HUD-financed/insured
 - RD 515 multifamily
 - Private financing





OWHLF

Other Federal Requirements:

- Relocation (URA/104(d))
- Fair Housing
- Davis-Bacon (12 or more TOTAL HOME-assisted units only)
- HUD ERR Review
- Section 3
- Build America Buy American



Application Process





PAB

- Applications due 55 days in advance of Board Meeting
- UHC Pre-Qualification
- ARC Developer Meetings
- Corrections
- Final Verification





OWHLF Process

- Applications are taken on a quarterly basis and reviewed by OW staff
- Staff complete the underwriting and review process, and prepare an *Executive Summary* with project details and a *Staff Recommendation*
- Board meetings where projects are reviewed and funding approved are held quarterly.
- Applications are due about six weeks prior to the board meeting date.





OWHLF Application

- OW application was a “stand-alone process” but now consolidated with the UHC LIHTC 9% and 4%/PAB application process.
- Apply for all OWHLF sources of funds with the same application.
- \$2M maximum from HOME or state LIH funding.
- \$2M maximum from HTF
 - Projects with units at or below 30% AMI can qualify for both sources of funding.



Details




PAB

- Five (5) 90-day Extension Requests
 - Project Info
 - Revocation of Volume Cap
 - Change of ownership
 - Reduction of total affordable units: 10% or more
 - Reduction of total units: 15% or more
 - Change in project site
 - Increased total costs/unit: 15% or more
 - Increased total project costs: 20% or more

*For full description see R990-200-8.





OWHLF Requirements

Program Requirements:

- Area Median Income (“AMI”)
 - Multifamily – up to 60% AMI
 - HTF – units at or below 30% AMI
- Multifamily Safe Harbor Schedule
 - DCR – Minimum 1.15
 - Operating Expenses - \$2,800 - \$3,400 minimum (0-4BR)
 - Capital Replacement Reserve of \$300 for new, \$350 for acq/rehab
 - Vacancy – 1-25 units: minimum 7%, maximum 10%; 26 or more units: minimum 5%, maximum 8%





OWHLF Subsidy Limits

Subsidy Limits:

HOME (1992) – required use by bedroom size and elevator/no elevator using HUD 221(d)(3) limits, updated annually

OW (2005) – Board approved additional limits - percentage of HUD's subsidy limits – reduced as AMI increases based on percentage up to 50% AMI

HUD (2012) – discontinued 221(d)(3) program – Denver HUD Office used HUD 234-Condo limits beginning in 2015

OWHLF Current Subsidy Limits – as of November 2016 AMI subsidy increased to 60% maximum



OWHLF Terms

- *OW Interest Rates – AMI-Based:
 - 56-60% - 3.0%
 - 51-55% - 2.5%
 - 46-50% - 2.0%
 - 41-45% - 1.5%
 - 36-40% - 1.0%
 - 35% or less – To be determined
- Loan Fees – None
- HTF – **30% AMI or lower ONLY** – 0% interest unless owner defaults, then 8%
- Cash Flow Loans – minimum of \$1,000 annual payment to cover Division of Finance loan servicing costs

*At the Board's Discretion





OWHLF Scoring

14 categories for scoring:

1. Homelessness (per statute) – 25 max
2. Rehabilitation (per statute) – 5 max
3. Loan Sources/Leveraging – 95 max
4. Construction/Lending Concessions – 25 max
5. Community Concessions – 45 max
6. Project-Related Responsibility – 5 pts max
7. Project Longevity – 25 pts max
8. Previous Experience – 100 pts max
9. Aggregate AMI Targeting/Unit Size – 90 pts max
10. Economic Development – 15 pts max
11. Community Support – 30 pts max
12. Safety, Health, Welfare – 25 pts max
13. Non-Federal Funding – 5 pts max
14. Project-Based Rental Assistance – 10 pts max

Maximum of 500 points total





OWHLF Calculation of Assisted Units

Calculation of Assisted Units:

- “Assisted” unit calculation required
 - two methods used:
 - A. Percentage of total funds
EXAMPLE – 48-unit all-1BR senior project w/\$14.0M total cost; \$2M HOME funds – 14.28% of funds/units – 6.8 units, or 7 (always rounded up)
 - B. Maximum subsidy
SAME EXAMPLE – HUD 234-Condo 1BR limit w/o elevator - \$82,853 multiplied by HCM of 240% - \$198,847 max subsidy - \$2M divided by subsidy = 10.06 units, or 11 units (always rounded up)
- Must use **higher** of two calculations



Questions





**WORKFORCE
SERVICES
HOUSING & COMMUNITY
DEVELOPMENT**

