

AHFA CHDO TRAINING

An Overview of the AHFA CHDO Designation
January 26, 2017

ALABAMA HOUSING FINANCE AUTHORITY



WELCOME

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Session Objectives

- AHFA's role in Affordable Housing in Alabama
- AHFA Housing Credit/HOME Program and Requirements
- CHDO Requirements
- AHFA Application Cycle
- 2017 Cycle Timeline and Keys to Success

AHFA Affordable Housing in Alabama

AHFA Impact

- AHFA monitors over 650 Affordable Rental Properties throughout Alabama.
- Over 50 of those are funded through the HOME CHDO Set-Aside.

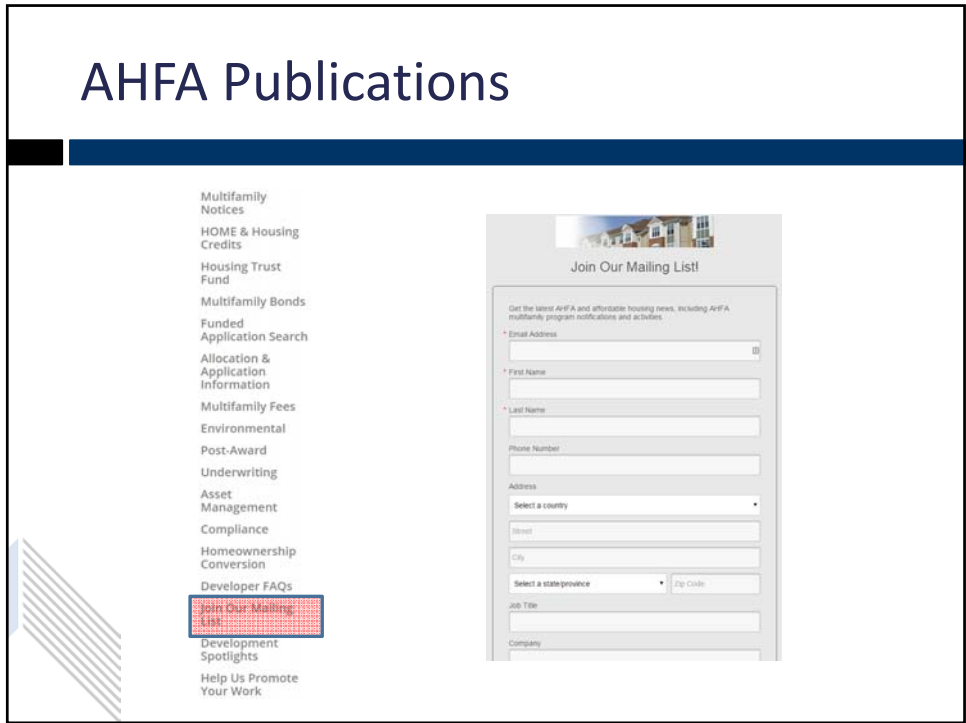
[AHFA Project Map](#)

AHFA Publications

The screenshot shows the AHFA website homepage. At the top, the URL www.ahfa.com is displayed. Below the navigation bar, there is a banner image of a house with the text "AHFA provides rental housing across Alabama." and a "LEARN MORE" button. The main content area features a grid of service categories, each with an icon and a list of links:


- HOMEBUYERS**: Programs Available, Am I Eligible?, How Do I Apply?, Pay Your Mortgage
- RENTERS**: How Do I Qualify?, Apartment Finder, Renters FAQs, Rental Resources
- MULTIFAMILY**: Multifamily Notices, HOME & Housing Credits, Multifamily Bonds, Allocation & Application Info
- LENDERS**: Become an AHFA Lender, AHFA Loan Products, Loan Renewals, ServSolutions
- INVESTORS**: Annual Reports, Audited Financial Statements, Disclosure Reports, Bond Rating

AHFA Publications



The screenshot shows a navigation menu on the left with the following items: Multifamily Notices, HOME & Housing Credits, Housing Trust Fund, Multifamily Bonds, Funded Application Search, Allocation & Application Information, Multifamily Fees, Environmental, Post-Award, Underwriting, Asset Management, Compliance, Homeownership Conversion, Developer FAQs, **Join Our Mailing List!**, Development Spotlights, and Help Us Promote Your Work. The 'Join Our Mailing List!' item is highlighted with a red box. To the right is a form titled 'Join Our Mailing List!' with a header image of houses. The form includes fields for Email Address, First Name, Last Name, Phone Number, Address (with a country dropdown), Street, City, State/Province (with a ZIP Code dropdown), Job Title, and Company.

AHFA Publications



The screenshot shows the 'Annual Report' section of the AHFA website. The text 'Annual Report' is displayed in blue. Below it is a cover image for the 'Opportunity Knocking' 2016 Annual Report, which features a wooden door with a white sign that reads 'Opportunity Knocking' and '2016 ANNUAL REPORT ALABAMA HOUSING FINANCE AUTHORITY'.

AHFA Publications

Thresholds

Online Newsletter

Published Monthly

Success Stories

Development Spotlights

Upcoming Events



AHFAs Housing Credit/HOME Program and Requirements

Housing Credit / HOME Overview

Federal

- Governing Agencies
 - US Department of Housing and Urban Development (HUD)
 - Internal Revenue Service (IRS)
- Laws:
 - TITLE II of the Cranston-Gonzalez National Affordable Housing Act
 - Section 42 of the Internal Revenue Code, 1986
- Web Sources:
 - <https://www.hudexchange.info/programs/home/>
 - <https://www.novoco.com/resource-centers/affordable-housing-tax-credits>
 - <https://www.ncsha.org/guides>
- States are Permitted to Determine How the Programs are Administered


AHFA HOME Overview

- HOME provides capital funds, **not operating**.
- There are deadlines for project completion and unit occupancy.
- There is a 20 year affordability period (greater for Housing Credits).
- If **requirements are not met**, the HOME funds must be **repaid**.
- HOME is a **Repayable and Foreclosable Loan** – Not a Grant Program

AHFA HOME Overview

Eligible/Ineligible Uses


<u>HOME Eligible Uses</u>	<u>HOME Ineligible Uses</u>
<ul style="list-style-type: none"> ➤ Acquisition/Site Improvements ➤ New Construction ➤ Project Soft Costs 	<ul style="list-style-type: none"> ➤ Non-housing ➤ Non-low-income housing ➤ Shelters ➤ Off-Site Infrastructure ➤ Project Reserves ➤ Public Housing



AHFA Housing Credit Overview

Eligible/Ineligible Uses

<u>HC Eligible Basis</u>	<u>NOT in Eligible Basis</u>
<p>Development costs related to construction that is depreciable to the building</p> <ul style="list-style-type: none"> ➤ Engineering & architecture ➤ Survey ➤ Appraisal ➤ Construction costs ➤ Market study ➤ Building permits ➤ Construction Inspections ➤ Accounting & legal ➤ Environmental ➤ Depreciable land improvement ➤ Developer fee ➤ Construction period interest, loan fees, insurance, real estate taxes 	<ul style="list-style-type: none"> ➤ Land ➤ Permanent loan fees ➤ Market and lease-up costs ➤ Housing credit fees ➤ Reserves ➤ Syndication fees ➤ Commercial or income-producing space



HOME Overview

Cross-Cutting /Other Federal Requirements

- HOME recipients are responsible for all applicable Federal Requirements
 - Environmental Review
 - Relocation: URA & HCDA 1974 S. 104(d)
 - Labor: Davis Bacon (if 12+ units)
 - EEO, M/WBE, Section 3
 - Fair Housing & Accessibility: Section 504 & FHAA
- <https://www.hudexchange.info/programs/>

HOME Overview

HOME Assisted Units - HAUs

- Any unit that receives HOME funds is considered HOME assisted.
- HOME units are subject to all HOME requirements, (income restrictions, property standards, affordability period, etc.)
- All units in AHFA Housing Credit/HOME projects are HAUs.

HOME Overview

Program Compliance - The 5 P's of Compliance

- Statutory cornerstones for HOME Assisted Units
 - **P**eople – income
 - **P**rice – rent limits
 - **P**roperty – property standards
 - **P**eriod – 20 year affordability period
 - **P**olicies: **p**rocess, **p**rocedures, **p**aper

Frankle, Monte. "HOME Essentials." Lecture, The HFA Institute, J.W. Marriott, Washington D.C., January 10, 2016.

HOME Overview

People : Income and Rent Restrictions

- An owner must meet the following occupancy restrictions:
 - At least twenty percent (20%) of the units are rent restricted at or below the fifty percent (50%) rent level with the remaining eighty percent (80%) of the units restricted at or below the sixty percent (60%) rent level or fair market value whichever is less as defined by the rent limits published by HUD.
 - At least twenty percent (20%) of the units in this project shall be rent restricted and occupied by individuals whose income is fifty percent (50%) or less of the area median income with the remaining eighty percent (80%) of the units to be rent restricted and occupied by individuals whose income is sixty percent (60%) or less of the area median income.

Rent for Units	Income of Tenants
20% of units @ 50% Rent Level	20% of occupants @ 50% AMI
80% of units @ 60% Rent Level	80% of occupants @ 60% AMI

*Rent and Income Restrictions apply to 100% of AHFA rental property units for the duration of the Affordability Period

HOME Overview

Price : Affordability

- Rent Limits
 - HUD publishes annually
 - All rents adjusted for tenant-paid utility allowances
 - AHFA must approve rents annually
 - Limits on fees beyond rent (92.214)

HOME Overview

Property : Property Standards

- All HAUs must meet property standards to ensure decent & sustainable housing
- All HAUs must meet applicable state/local codes (or model codes in absence)
- Applicable for the full affordability period
 - Owners certify annually
- Additional HUD standards
 - Federal requirements (e.g., LBP, accessibility)

HOME Overview

Period – Affordability Period

- Deed restriction (Land Use Restrictive Covenant)
- 20 year Affordability period for New Construction Rental
- During Affordability Period (reviewed annually):
 - 92.252(f)(2): owners must provide info to PJ.
 - Certify property standards
 - 92.504(d): on-site sample of files & property inspections.
 - Within 12 months of completion & every 3* years.
 - 92.504(d)(2): annual financial oversight

*AHFA conducts annual onsite inspections.

HOME Overview

Policies: process, procedures, paper

Written Agreements	<ul style="list-style-type: none"> • Unit Mix, occupancy requirements, initial rents, deadlines, affordability start
Affirmative Marketing Plan	<ul style="list-style-type: none"> • Special outreach to those least likely to apply
Tenant Selection Plan	<ul style="list-style-type: none"> • Preferences, selection policies, and procedures for intake, processing, grievances, waitlist
Lease	<ul style="list-style-type: none"> • HUD Lease Addendum* must be included in Tenant Leases
Tenant Participation Plan (CHDOs only)	<ul style="list-style-type: none"> • Fair lease & grievance procedure • Tenant participation in management decisions

*Provided as Addendum to AHFA HOME Written Agreement

AHFA Housing Credit/HOME Comparison

	Housing Credit	HOME
2016 Allocation	\$11.4 Million (\$2.35 per capita)	\$7.8 Million
Set Aside	Non Profit (10%) ~\$1.1 million	CHDO (15%) ~\$1.2
Owner Cap	12%	20%
Uses	New Construction Acquisition/Rehabilitation Adaptive Reuse	New Construction
Units	Minimum 12 Maximum based on Owner/Project Cap	Minimum 12 Maximum 56
Income/Rent Restrictions	100% of units at 60% AMI* 20%/50% 40%/60% Deeper Targeting	20% of units at 50% AMI 80% of units at 60% AMI
*Area Median Income		

AHFA Community Housing Development Organization (CHDO) Requirements

HOME Overview

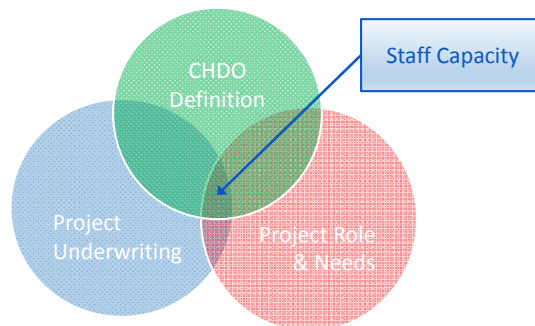
The CHDO Set-Aside

- Community Housing Development Organization
 - Specific type of designation for non-profits
- 15% of the Annual HOME Allocation is reserved for CHDO projects:
 - Rental Housing
 - HOME Written Agreement = project commitment
 - § 92.300 definitions of CHDO role in project

CHDO Certification

Challenges resulting from HOME Final Rule

- Certification is linked to Project Commitment (HOME Written Agreement)
- CHDOs must meet staff capacity threshold and role requirements



CHDO Certification Project Commitment

- Written Agreement for Project
- Secure All Necessary Funding
- Estimated Budget, all Sources/Uses & Costs are Reasonable
- Underwriting/Subsidy Layering
- Market Assessment
- CHDO Capacity (org. & financial capacity)
- Project Schedule (construction start w/in 12 months)
- Environmental Review

The diagram shows three interlocking gears. The top gear is purple and labeled '\$ 92,300 CHDO Certification'. The bottom-left gear is dark green and labeled '\$ 92,250 Underwriting'. The bottom-right gear is blue and labeled '\$ 92,200 Commitment'. Arrows indicate a clockwise flow between the gears.

The AHFA CHDO Project Timeline

The flowchart illustrates the project timeline with the following steps and durations:

- Project Application** leads to three parallel boxes: **Project Underwriting**, **CHDO Certification (if CHDO project)**, and **Environmental Clearance**. The **CHDO Certification** box is circled in orange.
- These three boxes lead to a central box: **Project Commitment -- HOME Written Agreement**.
- A red curved arrow above this box is labeled **Maximum 2 years**.
- The **Project Commitment** box leads to **Project Completion (ready for occupancy)**.
- A red curved arrow below this transition is labeled **18 months***.
- Project Completion** leads to the final step: **Full Occupancy**.

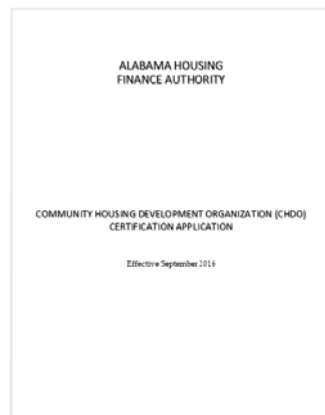
*Occupancy must be at least 90% in order to close HOME Loan.

CHDO Certification

- Each time funds are committed to a CHDO project, the nonprofit must:
 - Meet CHDO definition (including staff capacity)
 - Show it has capacity to fulfill the its role in project
- This is in addition to meeting the underwriting and other conditions for project commitment.

Checklist Item	Set-Aside Reservation
1. Legal Structure	✓
2. Independence	✓
3. LI Community Accountability	✓
4. Capacity	✓
5. Role	✓

CHDO Application



Draft found at:
<http://www.ahfa.com/multifamily/allocati-on-application-information/apply-for-funding>

Due with Initial Project Application:
February 9th

Organizations meeting Requirements will be issued a CHDO Designation which must be included with the Final Application:
March 9th

CHDO Legal Status

- To be eligible the nonprofit must:
 - Be organized under Alabama and local law
 - Have among its purposes to provide decent, safe and affordable housing to low income persons
 - Not benefit from net earnings to members, founders, or individuals
 - Not be under control of individuals/entities seeking to profit from the development
 - Have an IRS tax exempt status
 - **Not be a Government Entity**

What are Governmental Entities?

- Governmental Entities include:
 - Participating Jurisdictions
 - Other State or Local Unit of Government
 - Indian Tribe
 - Public Housing Authority
 - Indian Housing Authority
 - Housing Finance Agency
 - Redevelopment Authority

Organizational Independence

- Applicable to all CHDOs
 - Maximum 1/3 of Board may be public officials or government employees
 - CHDO employees CANNOT be government officials or employees
- If created by a Governmental Entity
 - Governmental Entity cannot appoint more than 1/3 of the Board, those members may not appoint remaining 2/3 of the Board
- If created by a For-Profit Entity
 - For-Profit cannot be housing development or management entity
 - For-Profit cannot appoint more than 1/3 of the Board
 - For-Profit officers/employees cannot be CHDO employees

Accountability to the LI Community

- CHDO must have designated service area
 - May be multi-jurisdictional, but not entire state
 - Minimum of 1-year of service in area (not limited to housing)
- Minimum of 1/3 LI representation on the Board
 - LI residents of the community
 - Residents of LI neighborhoods
 - Elected representatives of LI neighborhood organization
 - Note: Gov't official/employees/appointees are not counted in LI representation
- Show evidence of formal process for LI input on project design, development & management

Organizational Capacity

- Organization must utilize a financial management system conforming to 2 CFR 200.302 - .303
- Organization must have paid staff with capacity to oversee project (housing experience)
- Organization must demonstrate capacity in relation to its role (development, management)
 - Defined by §92.300(a)(2) – (6)

Staff Capacity

- Paid staff capacity must be appropriate to the CHDO role
 - May include full-time or part-time employees
 - Directly paid by the organization (W-2 or contracted)
- Staff cannot be:
 - Donated by, contracted through, or cost allocated from another entity (including parent nonprofit)
 - Board members or volunteers
 - Consultants (except 1st year of CHDO funding)
 - No officials/employees of any government or for-profit creator

CHDO Role

- Role is defined by §92.300(a)(2) – (6)
- Organization must demonstrate capacity in relation to its role
- Under AHFA HOME Program, Owner or Sponsor are the only possible role options; Sponsor will be the option 99.9% of the time.

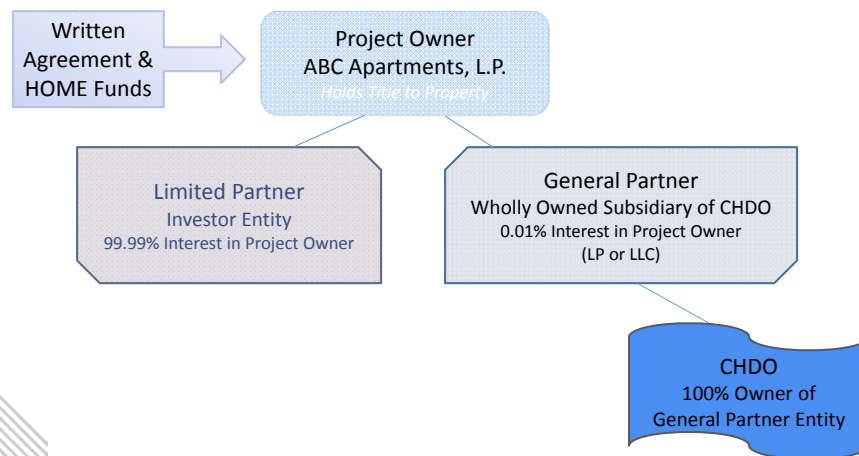
CHDO as Owner (Rental)

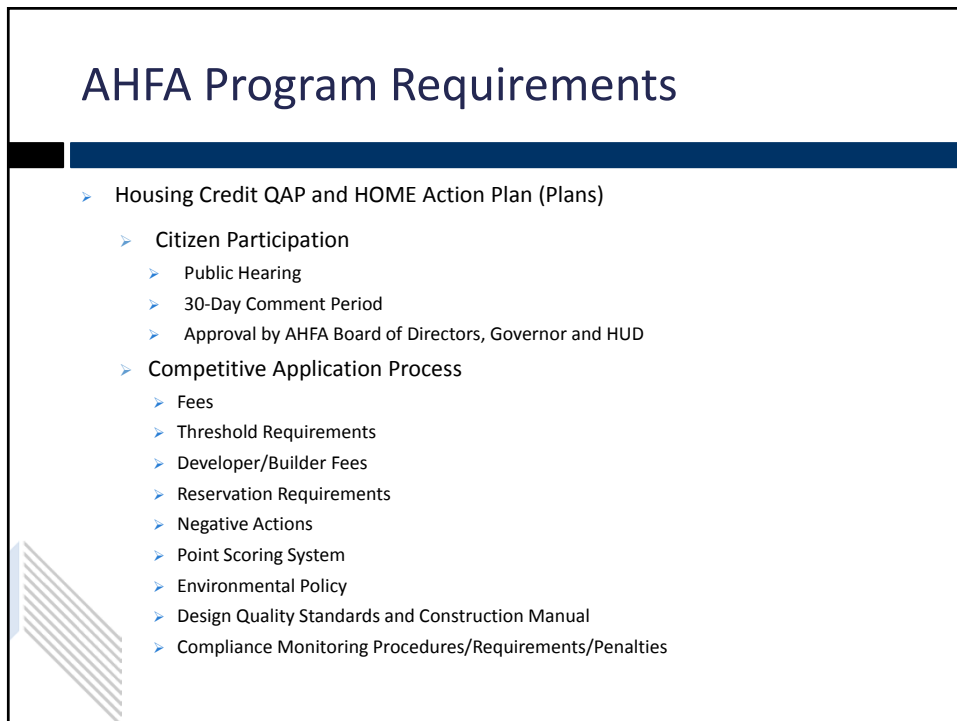
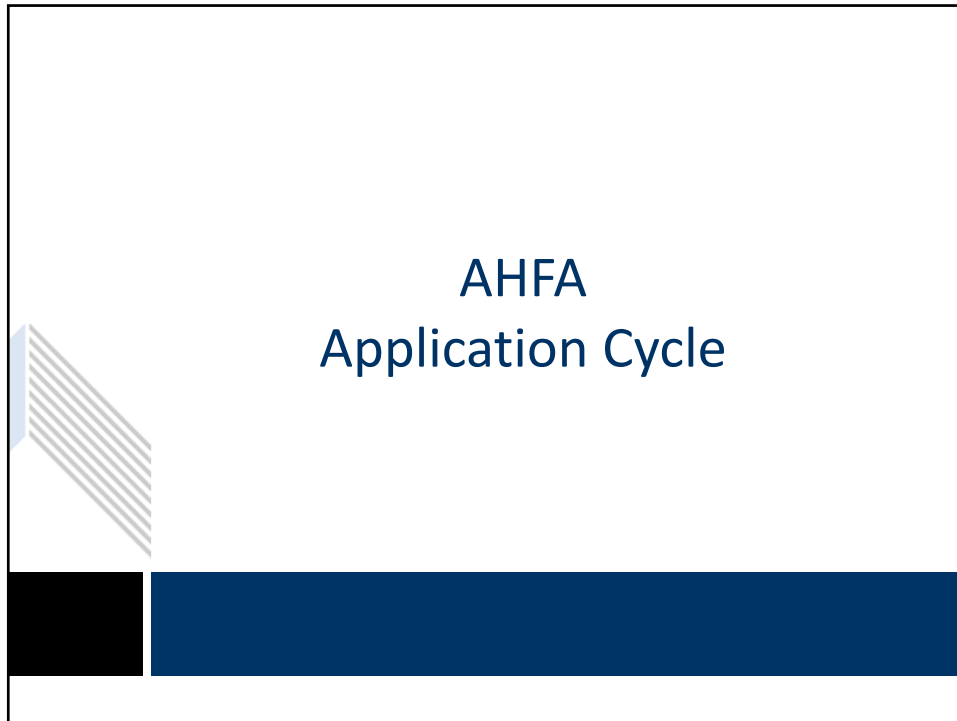
- Organization acquires and owns rental housing
 - Not required to develop property
 - Organization may hire and oversee project manager or contract with developer to perform construction
- Organization must be owner in fee simple or have long-term ground lease during development and affordability period (20-years)
- CHDO replacement scenario.

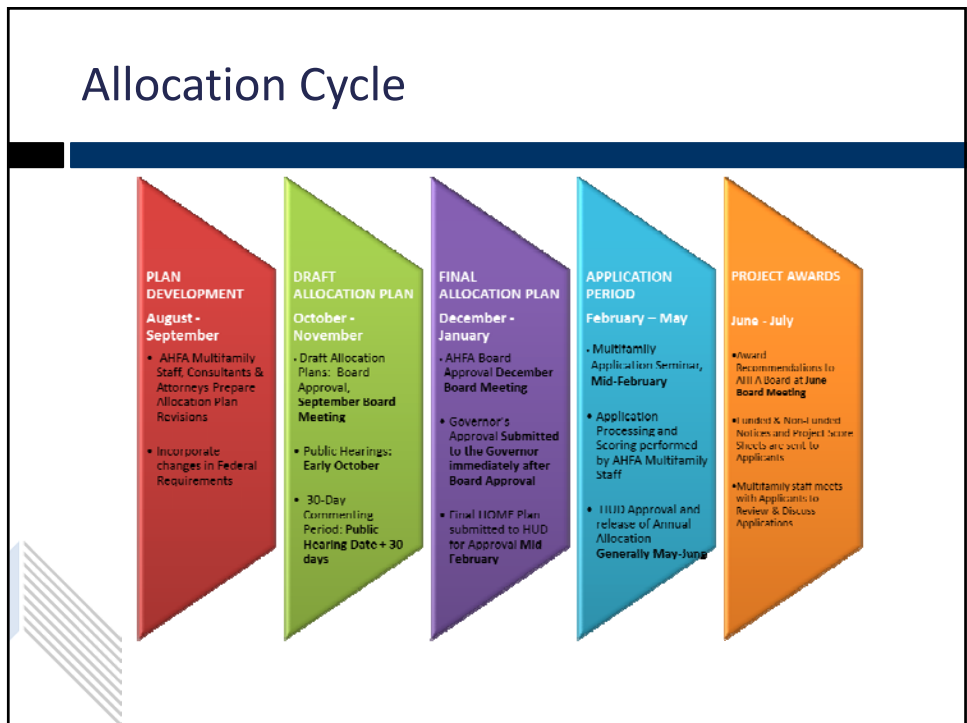
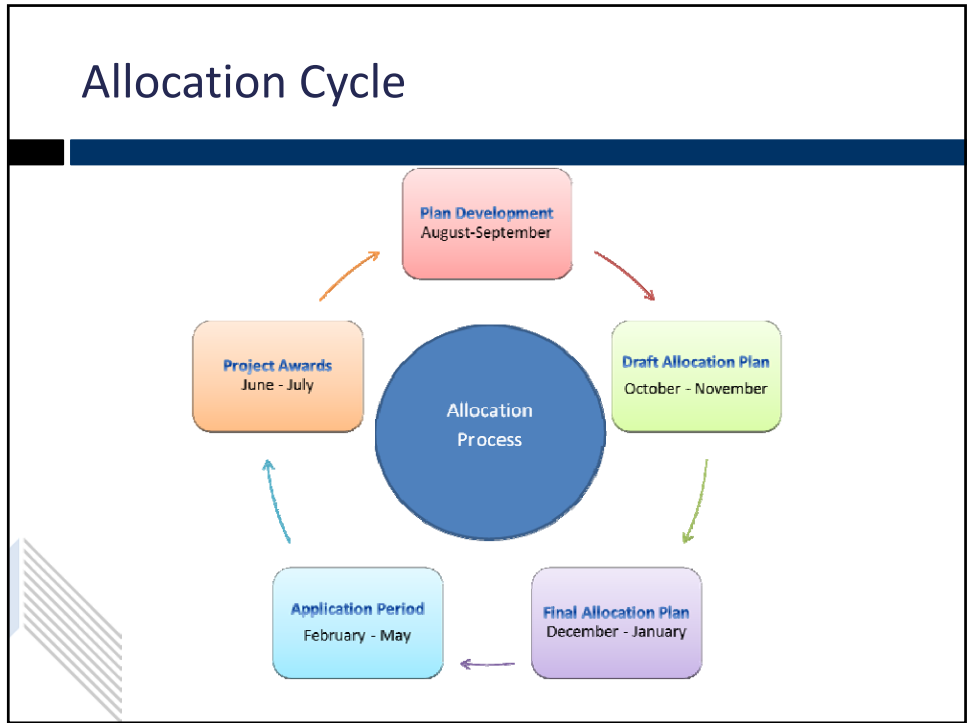
CHDO as Sponsor (Rental)

- Rental housing is sponsored by CHDO if owned or developed by a:
 - For-profit or nonprofit which is a wholly-owned subsidiary of the CHDO; or
 - If owned by an Limited Partnership (LP) or Limited Liability Company (LLC), the CHDO or its wholly owned subsidiary must be the sole general partner (LP) or sole managing member (LLC) (with limitations on replacement)
- Must provide (loan) fund directly to ownership entity
- AHFA Housing Credit/HOME scenario

CHDO as Sponsor (Rental)







Application Cycle

Threshold Requirements

- Application Fee
- Complete Application
- Site Control
- Proper Zoning
- Market Study Analysis
- Design Quality Standards and Construction Manual
- Flood Certification
- Applications submitted in other Participating Jurisdictions
- Environmental Site Assessment
- Architect’s Certification of Project Progress
- Site Location (2-mile radius)
- Extended Low-Income Use (5-years)

Application Cycle

Initial Application

- Application Profile and Initial Application Checklist
 - Application Fee
- Ownership Entity forms
- Credit Authorization form
- Market Study Certification
- Market Study
- Electronic copy of Market Study
- Environmental Site Assessment Phase I Report

Application Cycle

Final Application

- Final Application Completeness Checklist
 - Application Fee
- Applicant Self Score Form
- Online Application
- Statement of Application and Certification
- Certification of Bid Law Compliance
- Square Footage and Architect Certification
- Organizational Documents
- Non-Profit Status IRS Letter and Legal Opinion (if applicable)
- CHDO Certification Letter

Application Cycle

Final Application

- Previous Participation Form
- Schedule of Real Estate Owned
- Relevant Experience Form
- Development Team Resume
- Identity of Interest
- Financial & Credit Statements
- Credit Authorization Forms
- Other State Activities Form
- Owner/Developer Responsibilities Form

Application Cycle

Final Application

- Management Previous Participation Certification
- Management Relevant Experience Form
- Management Financial & Credit Statement
- 2016 Management Verification Letter
- Management State Compliance Form
- Management Credit Authorization Form

Application Cycle

Final Application

- Evidence of Site Control
- Site/Project Information Form
- Neighborhood Services
- Negative Neighborhood Services
- Location Map with Site and Services
- Color photos of site
- Color photos of services

Application Cycle

Final Application

- Registered Historic documentation (if applicable)
- Lead Based Paint and Asbestos Testing reports (if applicable)
- Utility Letters
- Schematic Site Plan
- Legal Description
- USGS Topographic 7.5 minute Quadrangle Map

Application Cycle

Final Application

- Zoning Letter
- Title Insurance Commitment
- Notice of Real Property Acquisition
 - Certified Survey
 - Surveyor's Certification
- Census Tract Verification Letter
- Utility Allowance Documentation

Application Cycle

Final Application

- Construction and Permanent Commitment Letters
- Certification of Consistency with Consolidated Plan (if applicable)
- Architect Certification of Project Progress
- Notice to Tenants Concerning Relocation/Displacement
- Tenant Roll

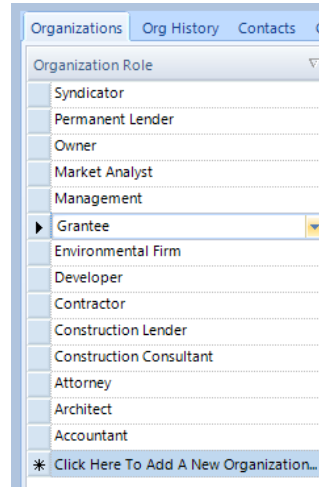
Application Cycle

Final Application

- Commitment Letters for Additional Subsidies
- Public Housing Authority Certification
- AHFA 2016 Application Workshop Certificate
- Census Tract Verification for Median Family Income
- Evidence of Previously existing multifamily housing
- Minority or Women-Owned Business Certification

Team Building Organizational Roles

- Seek experienced partners
- Joint Venture with successful organizations
- Cash Reserves are a must
- Seek Risk Averse Investors



AHFA 2017 Cycle Timeline and Keys to Success

2017 AHFA Application Cycle

Proposed Timeline

- Release of 2017 HOME/Housing Credit Plans, Applications and Forms in early January 2017
- AHFA HOME/Housing Credit Workshop January 26th, 2017
- Initial Application Documents and Fees typically due in February
- Final Application Documents and Fees typically due in March
- Award Announcements typically in in June

Keys to Success

- Read the PLANS, Application Instructions, etc. in entirety.
- Read CHDO Requirement Regs (§92.300)
- Sign Up for Constant Contact Notices
- Thoroughly Check Application Prior to Submitting (QA/QC)
- Partnering with knowledgeable Team Members experienced in the industry

Questions



Sources and Resource Sites

Sources

"2016 HOME ACTION PLAN - Alabama Housing Finance Authority." Accessed January 26, 2016. [http://www.ahfa.com/sites/www/Uploads/files/MF Allocation/2016 HOME Action Plan DRAFT.pdf](http://www.ahfa.com/sites/www/Uploads/files/MF%20Allocation/2016%20HOME%20Action%20Plan%20DRAFT.pdf).

"2016 HOUSING CREDIT QUALIFIED ALLOCATION PLAN - Ahfa.com." Accessed January 26, 2016. [http://www.ahfa.com/sites/www/Uploads/files/MF Allocation/2016 QAP.pdf](http://www.ahfa.com/sites/www/Uploads/files/MF%20Allocation/2016%20QAP.pdf).

Franke, Monte. "HOME Essentials." Lecture, The HFA Institute, J.W. Marriott, Washington D.C., January 10, 2016.

Franke, Monte. "CHDO Roles & Certification." Lecture, The HFA Institute, J.W. Marriott, Washington D.C., January 11, 2016.

HOME Final Rule, § 24 CFR-Part 92 (2013).

Low-Income Housing Credit, § 26 CFR-42.

Title II of the Cranston-Gonzalez National Affordable Housing Act, § Subpart A - HOME Investment Partnership.

Resource Sites

Alabama Housing Finance Authority (AHFA) – www.ahfa.com

Alabama Department of Economic & Community Affairs (ADECA) – www.adeca.alabama.gov

Alabama Affordable Housing Association (AAHA) – www.theaaha.org

HUD Exchange (US Department of Housing and Urban Development) –
www.hudexchange.info/programs/home

Novogradac & Company, Tax Credit Resource Center -
www.novoco.com/resource_center/index.php