

LRGVDC Hurricane Dolly CDBG-DR Round 2.2

Multi-Family Program Update: Updates and Question Responses

March 22, 2013

1. Under Project Info component of application, question asks if "applicant is using low income housing tax credits?" If development is a completed LIHTC project, how does applicant answer?
 - Do not understand fully because seems odd that someone would request funding for a "completed" project.
 - If funding is in place for a "submitted" project then the Response is "yes" and you need to provide the following:
 - When "Yes" it says that you must have your TDHCA underwriting report.
2. Under Project Info component of application, how does applicant determine if existing development is an "at risk development"?
 - Developments must be at risk of losing affordability from the financial benefits available to the Development and must retain or renew the existing financial benefits and affordability unless regulatory barriers necessitate elimination of a portion of that benefit for the Development. Reference Texas Government Code, §2306.6702(a)(5).
3. Will Disaster Recovery LURA be recorded and enforced, unlike the "Forgivable Notes" under the DR Single Family program that are not recorded nor a Deed of Trust, basically making it unenforceable? Concern is how DR LURA will conflict with existing LIHTC LURA?
 - LURA will be recorded and run with the Property.
 - The LURA's will be monitored and end enforced.
 - Where the LURA's are alike, they will work together. If for some reason the tenant income mix requirements are not the same, then each will be enforced for the units purchased with the CDBG funds.
 - There is the possibility that a Promissory Note could be recorded in conjunction with the LURA as well.
4. Under Project Info component of application, is the 36% target for 30% income a requirement? Will applicant be disqualified if answer is NO?
 - Does not disqualify applicant, but those who achieve the targets will be given preference.

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5. Please explain following scoring category: Applicant agrees to rent 36% of the required 51% to families at or below 30% AMFI?
 - Question is asking is applicant will agree to rent at least 36% of the units funded by CDBG to the tenants that are at or below 30% AMFI.
6. Are there any limits to costs for contractor general requirements, overhead, profit, and developer?
 - All applications must meet the reasonable cost test. Otherwise follow the information indicated or referenced in the Application, NOFA, LURA, or Guidelines.
7. Grantees will be required to execute a LURA for at least 10 years. Will this be in conflict with the current tax credit LURA?
 - Conflict not anticipated as the LITHC LURA was the foundation for the DR-LURA developed. Many tax credit properties have HUD funding. The LURA's fund different units, but will work together.
8. The application asks whether the applicant will commit to 36% of the units be occupied by households with 30% income. That's a minimum of 26 units. I can't tell if its a requirement or a request. The app just asks for a YES or NO. I don't know if the application is disqualified if the applicant indicates NO.
 - Does not disqualify applicant. This is a Preference Question
9. Is on-site development improvements eligible? Drainage?
 - As question is understood: Yes as part of an overall development plan but not stand alone project. NOFA calls out acceptable project parameters.
10. When will the awards be made for the applications?
 - Expect Late May

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11. For the scoring, the 25 points for the HA as the applicant-the HA is the 100% member/manager for the GP. Does that count for the points, as in the LP structure for Bonds, the GP will only have .01 ownership until the credits burn off in 10 years?
 - The beneficial ownership is not the issue. The HA must have control of the property as either a GP or An organization chart should reflect that the development is managed at least 51% by the HA giving them control of the development activities.
12. Two of the 10-point items deal with renting 36% and renting more than 36% of 51% of families at or below 30% AMFI. If 100% of families you are renting to are all affordable (60% or below), what percentage would need to be at or below 30% AMFI, the same 36%?
 - To get the point 36% need be below 30% AMFI
 - An application could score another 10 points if you go above the 36% mark of renting to residents that are below 30% AMFI
13. Page 3 of 3 C.-app to BRB has to be submitted within 60 days of the April 9 due date. Do you mean with 60 days of Notice of award of the application?
 - The program wanted funding secured in front of an award. Provide a narrative at time of application submission in describing why you cannot make such an arrangement for review.
14. In Excel sheets, why are the rents only at 80%, 30% and Market?
 - 80% is the threshold for the CDBG_DR Round programs
 - 30% is so the program can see the units dedicated to the “very poor”
15. Within the single family NOFA there are several required resolutions. Are there any required for the Multifamily NOFA?
 - The left column on the scoring sheet indicates the “threshold items”

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16. The April 14, 2014 for new construction completion and rental of 75% does not appear to be obtainable. To arrange the necessary financing that it takes to give the LRGVDC the leveraging they need for their disaster funds to service their targeted low income residents, we would like to know if there would be a built-in 90-day extension granted. In reading from the GLO website on disaster funds, every applicant appears to be given 18 months from the time of the award to complete the project. This would be a help for the residents affected by the disaster to receive the much needed new multifamily housing.
- There are no extensions granted at this time.
17. Rents & Income – Unit Characteristics: In the 3 BR Market Rate Units the Sheet is including the UA which is not applicable in Market Rents.
- Master workbook has it being removed via formulas
18. Pro-Forma – Is only Calculating the First year and there are errors in the information associated with the Calculations.
- Currently calculates as expected with only increase in expenses per year, but will see a change if clearance approved add 3% increase in expense with 2% increase in rents per year.
19. Scoring document is not posting score for units Reserved for Handicap and sensory Accessibility.
- Researched and works. Make sure data entered for entire sheet
20. Will there be updated documents forwarded with the New HUD rents and Operating Expense Increase per Year?
- Yes, but new HUD rents will follow HUD formal publication.
21. What Lien Position will the CDBG award place in associated loan documents?
- While the CDBG Grant may have subordinate lien position to the non-CDBG lienholders, the lienholders must sign the Addendum A noted below which is included in the LURA
 - **ADDENDUM A TO DECLARATION – CONSENT AND SUBORDINATION OF LIENHOLDER**

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22. What manner of subsidizing construction drawdowns will be used associated with other Loans? (i.e. will CDBG Disaster awards be drawdown first by percentage of construction and then followed by Loan instrument)

- This will be finalized with contract but expect similar parameters to TDHCA HOME Multi-Family Developments as associated to financing parameters such as:
 - 75 % shall be disbursed in accordance with percentage of construction completion as documented by the construction contract and as may be verified by an inspection by the Department
 - 25% shall be disbursed at the time that the property reaches an occupancy of 50% or at release of Retainage, whichever is later
 - Also, Developer fee will not be reimbursed by the Department unless the other lenders and syndicator confirm in writing that they do not have an existing or planned agreement to govern disbursement of Developer fees and expect that Department funds shall be used to fund Developer fees.

23. What will occur if any construction and lease-up is not finalized by the required timeline?

- The Program may reasonably withhold any disbursement of Developer fees if it is determined that the project is not progressing as necessary to meet Contract benchmarks or that cost overruns may put the Program funds or completion within budget risk. Further options may be identified in contract.

PROGRAM UPDATES

- Fixed rent to 3.15.13 HUD change in application workbook
- Benchmark for full construction plans and specs is adjusted at 120 days post award.
- Benchmark associated with full financing is adjusted to 120 days post award.
- Adjusted application workbook for 3% Expense increase per year and 2 % rent increase per year.

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- Clarify AFFH Plan versus Affirmative Marketing Plan

- A question was raised about the requirements for affirmatively furthering fair housing. The new AFFH requirements look to provide areas that are high opportunity and work to create stable diverse communities. Some areas to include in and AFFH plan are:
 - ❖ Compliance with the FFAST Form of the associated County
 - ❖ Amenities available near site
 - ❖ Foreign born population concentrations
 - ❖ Poverty rates
 - ❖ Location (if the proposed development will be outside a target area as identified on the GLO Homeowner Opportunity Program GIS system)
- The plan submitted will be reviewed by the scoring team to determine compliance with goals of the AFFH section of the Fair Housing Act and its current enforcement.

Clarify PHA 25pts for PHA ownership

- An applicant that is 100% owned by a PHA will receive the full 25 points.
- An application that is associated with a PHA and has 100% of the units set aside for tenants at 30% AMFI (through funding or project based vouchers) and below will receive the full 25 points.
- An applicant that has minimal PHA ownership but agrees to an extended LURA and is repairing/replacing a HUD funded site will receive 25 points.
- Developments that have some form of PHA sponsorship (lease of land, PHA receives profits after developer fees, or PHA Section 8 vouchers) and agree only to 10 year LURA will receive 10 points.

END DOCUMENT

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