



Affordable Housing Program

2009 Round A Application Workshop



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AGENDA

Welcome and Opening Remarks	9:00 A.M.
Scoring Overview	9:15 A.M.
Break	10:45 A.M.
Project Feasibility & Need for Subsidy Overview	11:00 A.M.



Workshop Objectives

- Explain changes in the application
- Assist program participants to prepare competitive AHP applications
- Share the Bank's approach to reviewing the application
- Facilitate networking opportunities



Changes Effective 2009 Round A

Application

- Increase maximum per project subsidy request to \$1.5 MM
- Increase maximum member subsidy request to \$6.5 MM
- Increase subsidy per unit ranges
- Clarify nonprofit sponsorship developer fee scoring criterion

Worksheets/Benchmarks

- New owner-occupied discounted financing worksheet
- Increase cash development costs per unit for rental projects
- Increase cash cost per square foot for owner-occupied projects



Scoring Categories and Point Allocation

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Nonprofit Sponsorship	10
Targeting	20
Homeless Housing	6
Empowerment	15
Special Needs	5

Rural Housing	5
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Project Readiness	7
Subsidy Per Unit	8
Community Stability	<u>13</u>
Total Points	100



Donated Property (up to 5 points)

General Requirements

- At least 20% of total units or land must be donated or conveyed; donation must have been consummated
- Any third party entity donates property and/or land (must be an arms-length transaction)
- Points will not be awarded if supporting documentation is not included with application

Note: Points will be prorated based on total units



Donated Property (continued)

General Scoring

- A donation for a nominal price (\$1,000 or less) qualifies for points
- A conveyance from a Federal instrumentality earns one point
- A conveyance for significantly less than fair market value (FMV) may qualify for points



Donated Property (continued)

Detailed Scoring

- A donation for a nominal price (\$1,000 or less) qualifies for points
 - A long-term land lease = or > 15-year retention period also qualifies for points
- A conveyance at any price > 20% of FMV from a Federal instrumentality earns one point
- A conveyance for significantly less than fair market value (FMV) may qualify for scoring credit



Donated Property (continued)

- **FMV is determined by an appraisal* from a public agency or an appraiser with an MAI designation and must:**
 - be ordered by and/or for an institutional lender or public agency
 - have an 'as-of' valuation date within 6 months of the executed acquisition agreement*

- **Points will be awarded as follows:**
 - 80% price discount = 1 point
 - 85% price discount = 2 points
 - 90% price discount = 3 points
 - Price is > \$1,000 but = or > 95% = 4 points

***Required Documentation**



Nonprofit Sponsorship (up to 10 points)

General Requirements (Rental and Owner-occupied)

- Nonprofit status
- Must not be owned or controlled by a for-profit
- Must not be created by or managed by a for-profit
- Has been engaged in affordable housing for a minimum of one year

Requirement (Rental)

Must have ownership interest

Requirement (Owner-occupied)

Must be integrally involved



Nonprofit Sponsorship (continued)

General Scoring (Rental)

- Qualified nonprofit sponsor (1 point)
- Percentage of ownership interest (up to 3 points)
- Degree of integral involvement (up to 3 points)
- Percentage of developer fee received (3 points)

General Scoring (Owner-occupied)

- Qualified nonprofit sponsor (1 point)
- Degree of integral involvement (up to 6 points)
- Percentage of developer fee received (3 points)



Nonprofit Sponsorship (continued)

Detailed Scoring (Rental and Owner-occupied)

Qualifying entities (1 point):

- **State housing agency**
- **State or political subdivision of a state**
- **Native American tribe**
- **Local housing authority**
- **Nonprofit organization**



Nonprofit Sponsorship (continued)

Detailed Scoring (Rental)

- **Nonprofit sponsor must have ownership interest**
 - **Project entirely owned by nonprofit entity (3 points) or**
 - **Project owned by Limited Partnership, dependent on General Partner (GP) voting and ownership interest:**
 - > **50% voting and ownership of GP (3 points)**
 - > **40% voting and ownership of GP (2 points)**
 - > **30% voting and ownership of GP (1 point)**



Nonprofit Sponsorship (continued)

Detailed Scoring (Rental)

- **Integrally involved in (up to 3 points):**
 - **Project planning and design**
 - **Project development**
 - **Construction**
 - **Property management**
 - **Project financing or securing funding commitments**
- **Receives developer fee for involvement (3 points)**
 - **Less than 25% of the developer fee (0 points)**
 - **Equal to or greater than 25% of developer fee (3 points)**
 - **Project has no developer fee (3 points)**

Note: *The primary nonprofit project sponsor must receive at least 25% of any and all developer fee distributions, including future investor payouts and/or cashflow*



Nonprofit Sponsorship (continued)

Detailed Scoring (Owner-occupied)

- **Must be integrally involved in (up to 6 points):**
 - Project planning and design
 - Project development
 - Project financing
 - Construction
 - Management of self-help households
 - Qualification of borrowers
 - Pre- or post-purchase counseling
- **Receives developer fee for involvement (3 points)**
 - Less than 25% of the developer fee (0 points)
 - Equal to or greater than 25% of developer fee (3 points)
 - Project has no developer fee (3 points)

Note: *The primary nonprofit project sponsor must receive at least 25% of any and all developer fee distributions, including future investor payouts and/or cashflow*



Targeting (up to 20 points)

Rental

- Full 20 points when at least 60% of units are very low-income (50% AMI)
- Where $< 60\%$ of units are very low-income, scored on declining scale
- No additional points for units targeted $< 50\%$ AMI
- Self-score worksheet provided



Targeting (continued)

Owner-occupied

- **Four income categories**
 - 65% AMI or less**
 - >65% AMI <= 70% AMI**
 - >70% AMI <= 75% AMI**
 - >75% AMI <= 80% AMI**
- **Full 20 points for all units at 65% AMI or less**
- **Self-score worksheet provided**



Homeless Housing (up to 6 points)

- Three points awarded for *reserving* the first 20% of units; remaining 3 points prorated for additional reserved units
- Homeless definition:
 - Lack fixed, regular, adequate residence
 - Live in shelter, pre-institution temporary dwelling, or place not designed for sleeping accommodations
- Transitional housing for at least 6 months
- Reflect appropriate income targets and rent levels



Promotion of Empowerment (up to 15 points)

Points awarded to the degree that programs:

- **Play integral part in project concept**
- **Have been actively secured for residents**
- **Demonstrate a direct link or commitment to project residents**
- **Are appropriate for target population**



Promotion of Empowerment

Programs that promote financial independence and economically empower the project's residents including:

- **Direct economic empowerment**
- **Supportive and educational services**
- **Resident involvement**
- **Project location**



Special Needs (up to 5 points)

- **At least 20% of total units *reserved* for households with special needs:**
 - **Elderly**
 - **Mentally or physically disabled**
 - **Recovery from physical abuse**
 - **Recovery from substance abuse**
 - **People with AIDS or who are HIV-positive**



Rural Housing (up to 5 points)

- **At least 20% of total units must be in rural area**
- **Rural area, as designated by Federal or state government**



First-time Homebuyers (up to 6 points)

- **At least 20% of total units must be *reserved for* first-time homebuyers**
- **Rental projects do not qualify for scoring credit**
- **Definition may include displaced households**



Project Readiness (up to 7 points)

Scoring (Rental and Owner-occupied)

- **Site control (up to 2.5 points)**
 - Full title / ownership (2.50 points)
 - Sole right to purchase (1.25 points)
- **Zoning approval (up to 2.5 points)**
 - Attachment 9A
- **Building permit issuance (up to 2 points)**
 - Attachment 9B and Building Permits

Note: *Points will be prorated based on total units*

Additional Consideration (Owner-occupied)

- **Scattered site/downpayment assistance project (2.5 points)**
- **Buyers identified, income-qualified (up to 2 points)**
- **Project cannot receive more than 7 points**



Subsidy Per Unit (up to 8 points)

- **Score based on subsidy requested divided by the number of income-restricted units \leq 80% AMI**
- **Owner-occupied and rental projects scored according to different ranges:**
 - **Rental: \$10,000 - \$40,000**
 - **Owner-occupied: \$15,000 - \$45,000**
- **Self-score worksheet provided**



Community Stability (up to 13 points)

Five key elements and 10 questions on how a project promotes the stability of its community by:

- **Preventing or minimizing household displacement**
- **Optimizing project site use**
- **Revitalizing neighborhoods**
- **Pursuing community-building initiatives**
- **Demonstrating smart growth**




Reminders / Hints

- Go to Bank's website for application downloading instructions and links to other important program information
- Projects must be fully funded and complete within four years of award date
- Provide the project's nine digit zip code
Link: www.usps.gov




Bank's Website Access Application at fhlsf.com



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community investment

<ul style="list-style-type: none">▶ Grant Programs▶ Credit Programs▶ Initiatives<ul style="list-style-type: none">▶ Applications<ul style="list-style-type: none">• AHP• HPS• IDEA• WISH• AHEAD• ACE/CIP/HPA▶ Procedures	<h3>Applications</h3> <p>We provide the applications you need to tap our affordable housing and economic development programs. Only Bank members are eligible to apply.</p> <h4>Affordable Housing Program (AHP)</h4> <p>The 2008 Round B Application will be available in August, 2008.</p> <ul style="list-style-type: none">• Attend an upcoming AHP Application Workshop.
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Questions & Answers



Affordable Housing Program

Need for Subsidy and Project Feasibility

2009 Round A Application Workshop



Overview

- **Financial review / benchmarks**
- **Evaluating need for subsidy / financial feasibility**
- **Helpful hints**
- **Workbook protocols**
- **Application workbooks**



Financial Review / Benchmarks

- **Gap financing**
 - Demonstrate need for subsidy
- **Financial feasibility**
 - Demonstrate financial feasibility throughout AHP retention period
- **Financial benchmarks**
 - Demonstrate operational feasibility and evaluate financing gap

Note: *A project must demonstrate need for subsidy and financial feasibility at application, disbursement and compliance monitoring*



Evaluating Need for Subsidy / Financial Feasibility

Owner-occupied

- **Do total financing sources equal home sales prices?**
- **Are development costs reasonable and customary?**
- **Are benchmark deviations justified?**
- **Are housing payments to income ratios less than 45%?**



Need for Subsidy

Rental

- Are sources greater than uses?
- Can rental project cash flow support conventional debt service?
- Are capitalized reserves and developer fee excessive?
- Are acquisition costs documented and consistent with information in application?
- Are there ineligible, excessive, or non-standard development or operational line items?



Financial Feasibility

Rental

- Do sources cover uses?
- Does the project generate positive cash flow from operations?
- Is there a financing source or reserve account available to fund operating deficits?
- What are the terms of project- or unit-based operating subsidies?
- Does “soft” financing require any repayment?
- Are benchmark deviations justified?



Additional Considerations

Transitional Housing

- Support reliable sources of funds for development costs (i.e., historical data)
- Support reliable income stream for operations

Mixed-Use

- Demonstrate stand alone viability
- Explain lease arrangement
- Submit separate pro forma
- Properly identify sources & uses for commercial development



Helpful Hints

- **Provide the most current available financing and project budget information**
- **Explain all variances from Bank benchmarks - clear & appropriate justification must be included**
- **Avoid overly optimistic or pessimistic assumptions or projections**



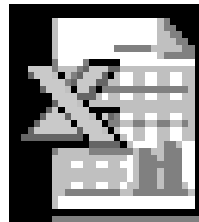
Workbook Protocols

- **Bank requires the submission of current financial Microsoft excel workbooks located on our website**
- **Workbooks include multiple linked worksheets and must be filled out sequentially as numbered**
- **Data entry fields**
 - Enter data into clear cells only
 - *Shaded* cells are reference or calculated fields - no input
- **Review all worksheets for consistency and accuracy prior to submission**



Rental and Owner-occupied Workbooks

Financial spreadsheets



Microsoft Excel
Worksheet