



# **2016-1 Multifamily Direct Loan NOFA: Underwriting, Scoring, and Set-Aside Considerations**

*February 3, 2016*

# The Five Ws and One H

## 1. Who

- ❖ Eligible for-profit and nonprofit organizations
  - ❖ Nonprofit organizations that meet Community Housing Development Organization (CHDO) in 24 CFR 92.2 definition are eligible for Operating Assistance Grants
  - ❖ Operating Assistance Grants are in addition to funds needed to develop affordable housing.



# The Five Ws and One H

## 1. Who *(continued)*

- ❖ TDHCA CHDO Certification Packet
- ❖ Multifamily Apply for Funds page
- ❖ 2016 Multifamily Direct Loan Application Section  
[www.tdhca.state.tx.us/multifamily/apply-for-funds.htm](http://www.tdhca.state.tx.us/multifamily/apply-for-funds.htm)



# The Five Ws and One H

## 2. What

- ❖ Affordable rental housing
  - ❖ New construction or rehabilitation
  - ❖ Available to households at or below 80% Area Median Income (AMI).
  - ❖ Minimum 16 units
  - ❖ Additional income/rent restrictions apply



# The Five Ws and One H

## 2. What *(continued)*

- ❖ Minimum 20% Direct Loan units at 50% AMI or below and Low HOME Rent throughout LURA term
- ❖ Minimum 90% Direct Loan units at 60% AMI and High HOME Rent at initial occupancy
- ❖ After initial occupancy:
  - ❖ 20% at 50% AMI or below requirement continues
  - ❖ Balance of Direct Loan units may be occupied by 80% AMI households



# The Five Ws and One H

## 3. When

- ❖ Applications accepted through 5/31/16
- ❖ Non-9% HTC layered applications prioritized on first come first served basis
- ❖ 9% HTC layered applications:
  - ❖ 3/1/16 Due Date
  - ❖ 4/1/16 Market Analysis Delivery
  - ❖ 4/1/16 Application received date for NOFA purposes



# The Five Ws and One H

## 4. Where

- ❖ Development sites subject to Site and Development Requirements and Restrictions
- ❖ Requirements may vary depending on rural or urban area
- ❖ HUD Site and Neighborhood Standards
- ❖ CHDO projects prohibited in Participating Jurisdictions (PJs)



# The Five Ws and One H

## 5. Why

- ❖ \$23,109,096 currently available from three sources:
  - ❖ Annual HUD HOME fund allocation
  - ❖ HOME Program loan (repayment) income
  - ❖ Tax Credit Assistance Program loan repayment funds (2009-2011)





# The Five Ws and One H

## 6. How

- ❖ Funds are available in four set-asides:
  - ❖ CHDO: \$3,236,344
  - ❖ Deferred Forgivable Loan: \$3,000,000
  - ❖ 4% HTC Layered : \$4,000,000
  - ❖ General: \$12,872,752



# The Five Ws and One H

## 6. How *(continued)*

- ❖ Maximum per-application requests:
  - ❖ New Construction: \$2,000,000
    - ❖ Deferred Forgivable Loan maximum: \$1,000,000
  - ❖ Rehabilitation: \$1,000,000



# Underwriting

- ❖ Funds awarded under every set-aside except Deferred Forgivable Loan Set-Aside
  - ❖ Repayable loans at 3.0% interest or higher
  - ❖ Amortized over 30 years
- ❖ Amount may be reduced or interest rate increased per TDHCA Real Estate Analysis review



# Underwriting

- ❖ Two ways to qualify for Deferred Forgivable Loan Set-Aside:
  1. Development meets Supportive Housing definition in 2016 Uniform Multifamily Rules
    - ❖ Includes underwriting consideration for Supportive Housing development, *or*
  2. All units assisted with Direct Loan funds must be:
    - ❖ Leased to households earning 30% AMI or less;
    - ❖ Rents no higher than 30%; AND
    - ❖ None of the 30% units receive other rental assistance.

# Underwriting

- ❖ Funds typically awarded as construction-to-permanent loans
- ❖ No interest accrued, due during construction period (up to 24 months)
- ❖ Must be proportional Direct Loan units among various unit types in development





# Underwriting

- ❖ 221(d)(4) or other FHA or HUD insured first lien loan may require repayable Direct Loan be repayable from surplus cash flow
- ❖ TDHCA surplus cash flow loans:
  - ❖ Underwritten as hard-pay loans
  - ❖ Minimum 1.15, maximum 1.35 debt coverage ratio (DCR)
- ❖ Deferred Forgivable Loan Set-Aside:
  - ❖ Non-supportive housing applications required to meet minimum 1.15 and maximum 1.35 DCR



# Scoring

- ❖ NOFA Scoring Criteria meant to:
  - ❖ Create more Direct Loan units → points for lower per unit subsidy
  - ❖ Locate housing in high opportunity areas → Opportunity Index point eligibility
  - ❖ Create housing for persons with special needs → Tenant Populations with Special Housing Needs point eligibility
  - ❖ Rehabilitate small USDA 515 deals that cannot normally access HTCs → Specific rehabilitation project criteria

# Scoring

- ❖ HOME Match
  - ❖ 5.0% Match required
  - ❖ Over 5.1% Match may score up to 5 points
  - ❖ Development sites located in counties where Match has been waived score 5 points for 5.0% Match or greater
- ❖ NOFA Scoring Criteria subordinate to QAP scoring for 9% HTC-layered applications



# Set-Asides

- ❖ Anticipate all set-asides being oversubscribed by 5/31/16
- ❖ Deferred Forgivable Loan Set-Aside: Currently oversubscribed
- ❖ CHDO Set-Aside: Not available for PJ development sites e.g., Houston, Dallas, San Antonio, etc.
- ❖ Applications under General, 4% HTC-Layered New Construction, Deferred Forgivable Loan set-asides: May have development sites in PJs or non-PJs
- ❖ Fund source determined prior to commitment
  - ❖ Applicants should assume receiving HOME funds

# Anticipated Award/Closing Timeline

- ❖ Applications received to date:
  - ❖ To be recommended for award at or before 3/31/16  
Board meeting
  - ❖ Close by 5/31/16
- ❖ Non-9% HTC-layered applications received by 3/31/16:
  - ❖ To be recommended for award at or before 5/26/16  
Board meeting
  - ❖ Close by 7/29/16



# Anticipated Award/Closing Timeline

- ❖ 9% HTC-layered applications will be recommended for approval at 7/28/16 Board meeting
- ❖ Applications received 4/2/16 - 5/31/16 will be recommended for award no later than 9/8/16 Board meeting
- ❖ Closing deadlines established at time of award



# Resources

- ❖ Multifamily Direct Loan Program

[www.tdhca.state.tx.us/multifamily/home/index.htm](http://www.tdhca.state.tx.us/multifamily/home/index.htm)

- ❖ NOFAs and Rules

[www.tdhca.state.tx.us/multifamily/nofas-rules.htm](http://www.tdhca.state.tx.us/multifamily/nofas-rules.htm)

- ❖ Apply for Funds

[www.tdhca.state.tx.us/multifamily/apply-for-funds.htm](http://www.tdhca.state.tx.us/multifamily/apply-for-funds.htm)

# Contact Information

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