



2014 Taxable Debt with Subsidy Financing

MaineHousing is making taxable debt and the following subsidy resources available under the Rental Loan Program to finance the development of multi-family affordable housing in conjunction with the 2014 State ceiling of federal low income housing tax credits (LIHTC) awarded under the 2014 Qualified Allocation Plan (QAP):

- Federal funds set aside for housing that is owned, sponsored or developed by a community housing development organization (CHDO) pursuant to Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990, 42 USC § 12701 *et seq.*, and the HOME Investment Partnerships Program Rule, 24 CFR Part 92, all as amended, (“FedHOME CHDO Funds”)
- Proceeds of taxable bonds issued by MaineHousing pursuant to the Maine Energy, Housing and Economic Recovery Program, 30-A M.R.S.A. c. 201, sub-c. 7-A (Part E Bond Funds).
- Subsidy awards will not exceed the lesser of (i) \$40,000 per low-income unit or (ii) \$1,400,000 per Project. **Applicants should use the lower floating LIHTC rate in determining the subsidy needed.**
- **All subsidy awards are subject to availability of funding and the restrictions associated with the subsidy resources.**

All capitalized terms not otherwise defined herein have the same meaning as such capitalized terms are defined in the QAP.

These resources are available only to Applicants who are awarded LIHTC from the 2014 State Ceiling under the QAP except as follows. Projects that are eligible for federal and state historic rehabilitation tax credits are not eligible for MaineHousing subsidy because these credits generate sufficient equity to pay for a reasonably priced Project. However, should financial markets experience a significant change which decreases the total equity available to an historic Project, MaineHousing, in its sole discretion, may award subsidy to the Project up to an amount which fills the resulting funding gap. Subsidy will not be used to increase the Total Development Cost of the Project upon which the Project was scored under Section 6.B.1. of the QAP, except as provided herein, and will not exceed the subsidy limits set forth above.

Applicants must comply with all of the requirements of the Rental Loan Program dated July, 2013 not specifically addressed in this document. The Rental Loan Program Guide can be found at MaineHousing’s website www.mainehousing.org.

MaineHousing will try to maximize the efficiency of scarce subsidy sources by maximizing the use of alternative resources, including without limitation LIHTC and debt financing. MaineHousing will assume during underwriting that all rental revenue will be applied toward real estate operating costs, debt service and the funding of reserves prior to the funding of service expenses. In addition, MaineHousing will use the maximum allowable tax credit rent, except in LIHTC-eligible three bedroom units in family Projects and except in Projects for which an independent market study acceptable by MaineHousing indicates that the comparable market rents for the Project are less than or equal to the applicable maximum LIHTC rents. MaineHousing will underwrite three or more bedroom units in family Projects that are LIHTC eligible at the maximum tax credit rent for two bedroom units plus \$50. If a Project is underwritten at rents that are less than the maximum rent allowed, the Project will be obligated to maintain these lower rents during the term of the MaineHousing funding.

Applicants that, in MaineHousing's sole opinion, request excessive subsidy and/or LIHTC are subject to a reduction in subsidy and/or LIHTC and may be rejected if the Project is no longer feasible. For example:

- Applicants that propose deeper low income targeting beyond the Required Affordability outlined below must demonstrate additional subsidy resources from a non-MaineHousing source to ensure project feasibility.
- Applicants must maximize the amount of non-MaineHousing resources available to them by the provider of that resource.
- MaineHousing may reduce subsidy awards if MaineHousing determines, based on its review of the operating budget during underwriting, that the Project can support more debt financing.

MaineHousing reserves the right to award all, a portion, or none of the available subsidy during any offering, depending on the quality and merits of the applications received.

To be eligible for subsidy under the Program, an Applicant must get any debt financing that MaineHousing determines the Project can support from MaineHousing under this Program, except to the extent the Project has debt financing from the Federal Home Loan Bank's Affordable Housing Program and Rural Development's 515 Program. In these instances, MaineHousing requires the lender providing the debt financing to enter into an intercreditor agreement that subordinates the lender's debt financing and lien position to MaineHousing's Extended Use Agreement and defines the relative rights of the lender and MaineHousing in the event of a default. If the lender's financing has priority over or shares a lien priority position with MaineHousing's funding, MaineHousing will require, at a minimum, written notice of and an opportunity to cure any default of the lender's financing. If the lender's financing is junior to MaineHousing's funding, MaineHousing will require the lender to subordinate its financing and security interest and to forbear from exercising its right to collect against the project and/or collateral.

Program Requirements

Required Affordability:

- 40% of the low income units at 50% AMI; balance at 60% AMI and/or market
- Term of affordability is 45 years.

Debt Financing Terms:

- 6% with interest only payments for 30 years with a final balloon payment of all amounts owed due at the end of 30 years, or at the Developer's option, interest only payments for 15 years with a 30-year amortization beginning in year 16 and a final balloon payment of all amounts owed due at the end of 30 years.
- All debt financing will be secured by a first lien mortgage and security interest in the Project.
- For projects with existing MaineHousing debt, if the existing debt is subject to a pre-payment blackout, then the maturity date of the note will be extended, but the interest rate and terms will remain the same, unless the existing rate is below the rate noted above. If it is below the rate above, the rate will be increased to 6%. If the existing note is not subject to a blackout, and is not pre-paid, the interest rate and terms will be the rate and terms noted above.

Subsidy Financing Terms:

- Subsidy will be in the form of a deferred payment loan with an interest rate of 0% and a term of 30 years, at the end of which period all amounts owed will be due and payable.
- All subsidy loans will be secured by a mortgage and security interest in the Project, the lien position of the subsidy loan to be determined on a project-by-project basis.
- 50% of the subsidy amount will be available during construction and an amount up to the balance, as determined by MaineHousing in its sole discretion based on the final cost of the Project, will be disbursed after completion of construction of the Project.

Cash Flow:

- Projects must demonstrate cash flow of at least \$500 per unit in the first year of stabilized operation.

Application Process and Deadline:

- Single application process for debt, subsidy and tax credits.
- Applications for the 2014 QAP and resources under this program are due by 5:00 PM on Thursday, September 26, 2013.

Construction Cost Increases:

- If the construction costs of a Project increase after the date of the application due to market conditions or other

reasons beyond the control of the Applicant as determined by MaineHousing, in its sole discretion, and the Project has been awarded the maximum LIHTC allowed under the QAP, MaineHousing may, at its sole discretion, award additional subsidy resources to the Project, provided that the additional subsidy, in combination with the equity generated by any additional LIHTC awarded pursuant to Section 7.F. of the QAP, will not exceed an amount equal to 5% of the Total Construction Cost for the Project estimated at the time construction bids on the Project are requested or the subsidy limits set forth above, whichever is less, and is subject to availability.

The following rules and guidelines apply: MaineHousing's Rental Loan Program Guide dated July, 2013 (to the extent not in conflict with this Program), Chapter 16 of MaineHousing's Rules, Low-Income Housing Tax Credit Rule, and Chapter 29 of MaineHousing's Rules, Multifamily Development and Supportive Housing Loans and Grants.

Please call the Development Division at (207) 626-4600 if you have any questions or need additional information.