



## 2023 4% LIHTC Walk-In Program for Choice Neighborhood Projects

### INTRODUCTION

The Maine State Housing Authority (“MaineHousing”) is making \$3,000,000 of MaineHousing resources available as zero interest deferred debt to be used to leverage other public and private funds for multifamily rental housing projects that have been awarded a U.S. Department of Housing and Urban Development Choice Neighborhoods grant. The projects must be eligible for, and utilize, proceeds of tax-exempt facility bonds issued pursuant to Section 142(d) of the Internal Revenue Code of 1986, as amended (the “Code”) and the 4% Low Income Housing Tax Credits (“LIHTC”) generated by the tax-exempt bonds. Funds must be used for the construction of new multifamily affordable rental housing units through new construction. The projects funded under this program must use general contractors that agree to (i) make a good faith effort to promote workforce diversity, including diversity with regard to race and gender and (ii) comply with Section 3 of the Housing and Urban Development Act of 1968, as amended by the Housing and Community Development Act of 1992, if required by the project’s funding sources.

In addition to requirements specified in this document, projects must comply with MaineHousing’s 2023 Rental Loan Program Guide (the “RLP Guide”), MaineHousing’s 2023-2024 Qualified Allocation Plan (“QAP”), MaineHousing’s Multi-family Mortgage Loans Rule, Section 142(d) of the Code and associated regulations regarding the use of tax-exempt bond proceeds, and Section 42 of the Code and associated regulations regarding the 4% LIHTC. Unless indicated otherwise, capitalized terms have the same definitions set forth in the 2023-2024 QAP.

The projects must also meet the following requirement to be eligible for the State Low Income Housing Tax Credit (“SLIHTC”):

At least 60% of the units must be available for rent by persons who earn 50% or less of the area median income (“AMI”) for a period of 45 years (the “credit units”).

MaineHousing may make available one, some, or all of the following resources under the Rental Loan Program:

- Proceeds of tax-exempt facility bonds issued pursuant to Section 142(d) of the Code
- 4% LIHTC
- SLIHTC
- Other sources made available by MaineHousing

**MaineHousing may suspend or terminate this program at any time, reject or cease processing any application prior to closing, and award all, a portion of, additional, or none of the available Deferred Debt.**

## **CONSTRUCTION FINANCING**

MaineHousing will provide all of the construction period financing, except if the applicant is using the Affordable Housing Program from the Federal Home Loan Bank and the member bank needs to participate with MaineHousing in the construction loan pursuant to a competitive scoring selection process. MaineHousing reserves the right to request that Affordable Housing Program loans or subsidized advances be returned if they increase the need for MaineHousing zero interest deferred debt.

## **ZERO INTEREST DEFERRED DEBT**

MaineHousing is making Zero Interest Deferred Debt available for the credit units in the project. The amount awarded to a project will be limited to the lesser of (i) \$70,000 per credit unit, (ii) the amount necessary for the project to achieve feasibility, (iii) the total project cap of \$3,000,000.

## **UNDERWRITING CRITERIA**

### **Construction Financing Terms**

4.5% interest rate per year plus a 1.75 point origination fee on the total construction loan, subject to change based on market conditions at the time the tax-exempt facility bonds are issued. Construction financing must be secured by a first lien mortgage and security interest in the project and related personal property. Repayment will not be allowed until construction completion. The project must meet the 50% test for tax-exempt bonds.

### **Debt Financing Terms**

- The source of funding for all debt for projects under this program will be proceeds from the issuance of qualified tax-exempt facility bonds pursuant to Section 142(d) of the Code.
- 5.5% interest rate per year, subject to change based on market conditions at the time the tax-exempt facility bonds are issued.
- At the Applicant's option, debt may be structured as (a) interest only payments for 30 years with a final balloon payment of all amounts owed due at the end of 30 years, (b) 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, or (c) interest only payments for 15 years with a 40-year amortization beginning in year 16 and a final balloon payment of all amounts owed due at the end of 30 years.
- Debt must be supported by an acceptable operating budget.
- Debt cannot be prepaid during the term of the loan.

## **Zero Interest Deferred Debt Terms**

- Loans will be structured as non-interest deferred payment loans with payment due on the earliest of (a) 30 years, (b) a sale, transfer, or assignment of the project, (c) the discontinuation of the intended public purpose, or (d) a default of the MaineHousing loan(s). The loan must be secured by a mortgage and security interest in the project and related personal property, the priority of which will be determined on a project-by-project basis.
- All other resources available for the project will be considered in determining the need for Zero Interest Deferred Debt. Applicants must first maximize all other resources available for the project.
- The amount of Zero Interest Deferred Debt awarded to a project may be less than the amount requested by the Applicant if MaineHousing determines that the project can support more debt financing or reduce costs.
- Maximum tax credit rents will be used for credit-eligible units to determine the need for Zero Interest Deferred Debt, unless the comparable market rents are lower and supported by an acceptable independent market study.
- Projects will be required to maintain the rents used in underwriting if lower than tax credit rent maximums.
- Net Developer Fee. The amount of Developer Fee not deferred may not exceed \$750,000 plus any unused construction contingency returned to the Applicant after completion.

## **Construction Cost Increases**

MaineHousing may not have additional non-paying resources to add to projects.

## **APPLICATION PROCESS**

Applications must include all documents set forth in **Section 5 of the QAP** with the non-refundable application fee of \$2,500 to MaineHousing. The Application must be completed and submitted electronically in the form and manner prescribed by MaineHousing. MaineHousing may require the Applicant to submit additional information.

## **SECTION 3 REQUIREMENTS**

Applicants receiving Federal funding from the FedHOME, National Housing Trust Fund, HOME-ARP, ESG-CV, CDBG-CV, and/or Recovery Housing Programs must comply with HUD Section 3 requirements. Projects will not be allowed to participate in a Permanent Loan Closing before meeting these requirements.

Please see MaineHousing's [Section 3 Policies & Procedures](#) and [Section 3 - Contractor, Subcontractor and Subrecipient Package](#) for more information.

## SUBMISSION AND CONTACT INFORMATION

The Application must be completed as described in Section 5 of the QAP. The application will not be processed until MaineHousing determines that it is complete, eligible, and feasible. Applications will be evaluated to ensure compliance with this program and its funding sources; successful applicants will be notified and funding will be awarded contingent upon successful underwriting.

**Applications must be submitted via upload to MaineHousing's Sharefile system. Please contact [kpurington@mainehousing.org](mailto:kpurington@mainehousing.org) for instructions.**

Any questions about the 2023 4% LIHTC Walk-In Program for Choice Neighborhood Projects must be directed to [MFDDev@mainehousing.org](mailto:MFDDev@mainehousing.org).

## MAINEHOUSING'S NONDISCRIMINATION POLICY

*MaineHousing does not discriminate on the basis of race, color, religion, sex, sexual orientation, national origin, ancestry, physical or mental disability, age, familial status or receipt of public assistance in the admission or access to or treatment in its programs and activities. In employment, MaineHousing does not discriminate on the basis of race, color, religion, sex, sexual orientation, national origin, ancestry, age, physical or mental disability or genetic information. MaineHousing will provide appropriate communication auxiliary aids and services upon sufficient notice. MaineHousing will also provide this document in alternative formats upon sufficient notice. MaineHousing has designated the following person responsible for coordinating compliance with applicable federal and state nondiscrimination requirements and addressing grievances:*

*Lauren Bustard  
Maine State Housing Authority  
26 Edison Drive  
Augusta, Maine 04330-4633  
Telephone Numbers  
1-800-452-4668 (voice in state only)  
(207) 626-4600 (voice)  
Maine Relay 711.*

**Approved:**



Daniel E. Brennan  
Director  
November 27, 2023