



# 4% Tax Credit

---

## Walk-in Funding Program



## **Walk-in Financing Program**

### **INTRODUCTION**

The Maine State Housing Authority is making \$20,000,000 in American Recovery Program State and Local Fiscal Recovery Funds available to be used to leverage private and other funds for the creation of affordable housing for low-income households. Funds must be used for the construction of new affordable housing through new construction or the adaptive reuse of existing structures. Projects funded under this program must use general contractors that agree to: enter into pre-hire, collectively bargained Project Labor Agreements (PLAs) with all workers who will build the affordable housing, including those employed by a contractor and all subcontractors; and (ii) require any entity working on the housing to make a good faith effort at all time to promote workforce diversity, including diversity with regard to race and gender.

All projects must be eligible for and utilize the 4% LIHTCs. In addition to requirements specified in this document, projects must comply with MaineHousing's Rental Loan Program Guide dated October 2017 (the "RLP Guide"), MaineHousing's 2023-2024 Qualified Allocation Plan (QAP), MaineHousing's Multi-family Mortgage Loans Rule, Section 142(d) of the Internal Revenue Code of 1986, as amended (the "Code") and associated regulations regarding the use of tax-exempt bond proceeds, and Section 42 of Code and associated regulations regarding the 4% LIHTC. Unless indicated otherwise, capitalized terms have the same definitions set forth in the 2023-2024 QAP.

### **ELIGIBLE PROJECTS**

Projects must meet the following requirements.

1. The Project must create new affordable rental housing units for low-income households through new construction or the adaptive re-use of an existing building.
2. All credit units must be available for rent by persons who earn 60% or less of the area median income for a period of 45 years.
3. General Contractors must enter into a PLA with the Maine State Building and Construction Trades Council as described above.

Projects that have a Notice to Proceed from another MaineHousing program are not eligible to apply.

### **FUNDING SOURCES**

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% "automatic" Low Income Housing Tax Credit (LIHTC)
- Maine State Low Income Housing Tax Credit

- American Recovery Program State and Local Fiscal Recovery Funds
- Other sources made available by MaineHousing

Funding under this program is available for eligible projects on a walk-in basis until further notice.

**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**

If a Project’s financing requires MaineHousing to participate in the construction loan at a level greater than 60%, MaineHousing will provide all of the construction period financing, except in instances where 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. All tax-exempt debt must be secured by a first lien mortgage and security interest in the Project and related personal property.

**0% DEFERRED DEBT**

MaineHousing is making 0% Deferred Debt available for eligible projects. The amount awarded to a project will be limited as follows:

1. The per-unit amounts listed in the table below, based on geographic location and construction type

<b>Counties/HFMAs</b>	<b>New Construction</b>	<b>Historic Adaptive Reuse</b>
Cumberland, Sagadahoc, and York	\$118,000	\$88,000
Androscoggin, Hancock, Kennebec, Knox, Lincoln, and Bangor HMFA	\$142,000	\$118,000
Aroostook, Franklin, Oxford, Penobscot (exc. Bangor HMFA), Piscataquis, Somerset, Waldo, and Washington	\$160,000	\$142,000

*Effective August 8, 2021*

2. The amount necessary for the Project to achieve feasibility.

**UNDERWRITING CRITERIA**

**Construction Financing Terms**

- 3.5% interest rate per year plus a 2-point origination fee, subject to change based on market conditions at the time the tax-exempt facility bonds are issued. 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**

- 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.

## **Deferred Debt Terms**

- Loans will be structured as a non-interest deferred payment loan 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 Deferred Debt. Applicants must first maximize all other resources available for the Project.
- The amount of 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 Deferred Debt, unless the comparable market rents are lower and supported by an acceptable independent market study.
- Applicants proposing deeper affordability than 60% of area median income must provide additional resources to support the greater affordability. Additionally MaineHousing may require deeper affordability to make efficient use of funding sources.
- 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**

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, MaineHousing may award additional

resources to the Project, provided that the additional Deferred Debt (a) when combined with the equity generated by any additional 4% LIHTC awarded under 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, and (b) does not exceed the Deferred Debt limits set forth above.

### **APPLICATION REVIEW**

Eligible applications will be evaluated to ensure compliance with applicable MaineHousing requirements including threshold requirements from MaineHousing's 2023-2024 QAP. Applicants must submit the information in Appendix B to the QAP with their application. Applicants must complete all information and submit all documentation required for this program.

### **FUNDING PRIORITIES**

Projects which meet the applicable requirements of the 2023-2024 QAP and the RLP Guide will be considered eligible. Funding will be awarded to eligible projects on a first-come, first-served basis until available funding is not enough to support any of the remaining projects. Any Deferred Debt that is returned or otherwise is allocated specifically to this program may be made available to the next Application(s) received that can achieve feasibility with the available Deferred Debt.

### **SUBMISSION AND CONTACT INFORMATION**

The Application must be in the form prescribed by MaineHousing for this program, and found on the MaineHousing website, [www.mainehousing.org](http://www.mainehousing.org). Applications that MaineHousing determines are complete, eligible, and feasible will be processed. Applications that do not meet these requirements, will be rejected.

**Applications must be submitted to Kelly Purington at [kpurington@mainehousing.org](mailto:kpurington@mainehousing.org)**

Any questions about the 4% Tax Credit Walk-In Funding Program must be directed to Bill Glover, LIHTC Programs Manager, at (207) 626-4634.

### **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 Number 1-800-452-4668 (voice in state only), (207) 626-4600 (voice) or Maine Relay 711.*

Approved: September 16, 2022



Daniel E. Brennan, Director