



# 2020 Affordable Housing Program Webinar

## Cultivating Communities



# Topics for Today



## Affordable Housing Program (AHP)

Overview/changes

Eligibility requirements

Financial feasibility

Scoring

Set-asides

# About FHLB Dallas and AHP

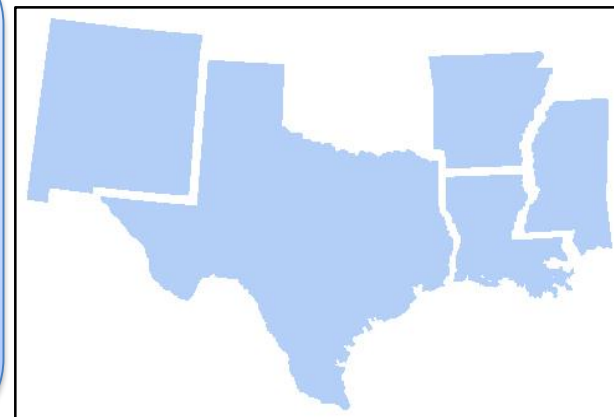
- Organized as a cooperative and owned by our approximately 805 members and associated institutions
- Operates independently as a government-sponsored enterprise and without taxpayer assistance
- Direct grants for the acquisition, rehabilitation, or construction of affordable housing
- Stable source of funding for more than 30 years

## FHLB System members are:

- Banks
- Credit unions
- Community development financial institutions
- Thrifts
- Insurance companies

## How many members are there?

- Arkansas 86
- Louisiana 127
- Mississippi 80
- New Mexico 42
- Texas 466



# Program Specifics and Changes - AHP

- Application window: **April 1, 2020** through **May 14, 2020**
- **Maximum AHP grant is \$750,000**
- Maximum AHP subsidy per AHP unit is **\$40,000**
- **Sweat equity hours** decreased from 300 to **200**
- **Definition of Rural**
  - An area eligible for USDA Rural Development housing programs
- **Modifications**
  - Know your project, its recipients and market demand prior to applying for AHP funds

# Benefits of AHP to Members

- Construction loans, lines of credit or permanent financing
- Creates long-term business/lending relationships with housing developers, community organizations and government agencies
- Qualifies for Community Reinvestment Act (CRA) credit
- Positive public relations
- Expands customer base



# AHP Roles

## Members

- Evaluate the sponsor
- Review/approve applications before submitting to FHLB Dallas
- Understand the AHP grant compliance requirements
- Review and approve compliance reports, disbursement requests and project extensions
- Maintain project oversight
- Discuss expectations for program compliance with sponsors

## Sponsors

- Create a thorough AHP application with supporting documentation
- Understand the AHP grant compliance requirements
- Promptly inform the member and FHLB Dallas of changes to the project
- Submit documents in a timely manner:
  - Conditional award requirements
  - Disbursement requests
  - Modifications and extensions
  - Semi-annual progress reports

\*conveyed in the Implementation Plan and the AHP Agreement

# Why Apply for AHP?

Equity-like Funding	Interest Free	Funds Fully Forgiven	Affordable Projects	Closes Funding "Gap"
AHP is a direct grant up to \$750,000 per project.	AHP grants are interest free funding.	If project remains in compliance, all AHP funds are forgiven.	The amount of debt and other funding needed to complete the project is reduced.	The AHP grant ensures that the money needed meets the money coming in.

# Before We Get Started

## Things to Remember

Tell us the story of your project in as much detail as possible.

Everything needs to be documented.

Numbers, dates and addresses all need to match.

Project will need to be finished within 3 years.

Documentation will be submitted through AHP online as individual pdfs for each category.

Implementation plan, funding manual, application guides and more are found at [fhlb.com/community](http://fhlb.com/community)



# Where do I Begin?

Utilize FHLB  
Dallas

Attend a training  
Call or email CID with questions  
Request a scoring review before you submit the application

Study FHLBD  
Directions

Review the following documents:  
2020 Implementation Plan  
2020 AHP Funding Manual  
AHP Application Guide  
[Found at fhlb.com/community](https://fhlb.com/community)

Secure a  
Member

Find an FHLB Dallas member to support your project, and submit your application

# Project Examples

## RENTAL PROJECT SAVING DALLAS

- Developed by Dallas United Development Corporation (DUDC)
- 63 units with 87% for VLI
- Targets a variety of at-risk populations
- \$750,000 AHP grant to offset renovation costs in the \$998,565 project



## OWNER-OCCUPIED PROJECT DALLAS REHABILITATION

- Run by Dallas Community Development Corporation (DCDC)
- 30-unit, scattered-site home repair
- Targets very-low income families in the city of Dallas and surrounding rural communities



Examples are based on real projects.

# Project Description

- Tell FHLB the story of your project
  - This is your 5-minute pitch
- Describe the community's need for this affordable housing project
- Explain how your project will satisfy this need
  - Show the project's marketability, viability and practicality
- Identify why this grant will help close the funding gap

# Capacity to Complete

## Sponsor

- Has necessary staff that is experienced in housing development
  - Qualifications of key personnel must be provided
  - Complex organizations will need to submit organizational charts
- Demonstrates ability, experience, and financial capacity to complete project
- Has demonstrated success in similar capacity with comparable projects
- First-Time Applicants
  - Should have access to experienced staff, board members or consultants

## Development/Demand

- Project's site or target area is financially feasible, using either:
  - Market data that demonstrates the need and demand for the type of housing in the application
  - A list of eligible households in the target area
- Will the proposed sales price or rent be affordable to the AHP-targeted income groups upon completion?
- Does the project timeline provide adequate absorption/completion period for the proposed project?



# Project Examples – Capacity to Complete

## RENTAL PROJECT

### Sponsor Capacity – Track Record and Staff Capacity

- Previous AHP experience: Project is the organization's third location funded with the help of AHP grants
- Construction Manager has worked on 12 similar projects
- CEO has 10 years of experience managing rental properties

### Evidence of Demand - Local

- Market study shows that 40% of the households in the surrounding census tracts are VLI
  - > Also housing ranks as the highest area of need in the county

## OWNER-OCCUPIED PROJECT

### Sponsor Capacity – Track Record and Staff Capacity

- Previous rehab experience: A total of 47 projects with 18 coming through SNAP
- Assistant Director is a certified financial counselor through NeighborWorks America
- COO is certified by the National Development Council with more than 40 years' experience

### Evidence of Demand - Local

- Sponsor has a waiting list of 55 individuals with 32 scheduled for repairs
- “Consolidated Action Plan” identified a need for homeownership in the targeted project areas

# How to Show Capacity to Complete

## **Sponsor Capacity and Abilities**

(Previous Exp.)

Résumés for  
Sponsor's Key  
Leaders

Maintain compliance  
in current AHP  
projects

## **A List of Eligible Households**

\*Owner-occupied

A list of households  
that meet application  
requirements

List size should be 1.5  
to 2 times the  
requested unit  
amount

## **Adequate Absorption/ Completion Period**

\*Rental

Occupancy data

Waiting lists

Vacancy rates

Unmet housing needs

Local market data

# Rental Feasibility

Criteria	Ranges/Limits	Rental Project
Targeting	At least 20% of the units targeted below 50% of AMI	130 units (87%) targeted below 50%
Debt Service Ratio	1.15 - 1.45	N/A
Replacement Reserves	Elderly new construction: \$250/unit/year	\$240 for rehabilitation project
	New construction: \$300/unit/year	
	Rehabilitation: \$400/unit/year	
Operating Expenses	Between \$2,500 and \$4,500/unit/year excluding property taxes	\$2,500

# Rental Feasibility

Criteria	Ranges/Limits	Rental Project
Rents	Not to exceed 30% of AMI	Zero
General Requirements, Builder Overhead and Builder Profit	14% of total construction cost – MUST BE LISTED on Invoices/AIA documents	9.84%
Developers Fee	Not to exceed 15% of TDC net of developers' fee	11.75%
Hard Cost Contingency	Not to exceed 10% new/15% rehab	3.93%
Soft Construction Cost	Not to exceed 30% of TDC	20.64%



# Owner-Occupied Feasibility

Criteria	Ranges/Limits	DCDC Rehab Project
Targeting	Less than 80% of AMI	100% of homes targeted to households below 50% of AMI
Subsidy Pass-Through	Clearly demonstrated on loan estimates, closing disclosure, or work bid/estimate	Provided on a home-by-home basis in the work bid with disbursement requests
Mortgage Term and Amortization Term	Mortgage term: 5+ years Amortization term: 15+ years	Not Applicable (Because it's a rehab)
Developer Fee and Profit	Not to exceed 15% of rehab or development cost	Project's developer fee was 10% for each unit
Cash Back	Cash back to homebuyer at closing is <u>NOT</u> allowed	Subsidy is based on need and will not result in cash back

# How to Show Feasibility

## Rental

Rent Roll and Income Sampling

Pro Forma

Total Development Cost Budget

## Owner-Occupied

Income Verification

Sources and Uses

Work Bid/Invoices

# 2019 Owner-Occupied Rehab Project

- **Bid/scope of work** shows the grant is used for eligible rehabilitation purposes
- **Inspections** by a third party selected by the member and unrelated to the sponsor, unless it is a government entity
- **Photos required:** both pre- and post-repair
- **Acknowledgement and agreement form** signed by:
  - Homeowner
  - Member
- Inspection fee plus the developer fee may not exceed 15% of rehab cost
- **All owner-occupied rehab grants are fully forgiven**



# Questions?



# 2020 Project Scoring Overview

Scoring Criteria	Points
Donated property	5
Nonprofit or government sponsorship	5
Income groups targeting	25
Empowerment services/programs	5
First district priority	25
Second district priority	7
Homeless housing	5
AHP subsidy per unit	10
Community stability	13
<b>Total</b>	<b>100</b>

100-point scoring system based on 9 criteria

Found in Attachment D of the  
FHLB Dallas AHP  
**Implementation Plan**

Applications are funded based on the highest scores until all AHP funds are exhausted

# Project Scoring – Last Four Years

AHP Round	Grant Funds Approved	Scoring			Total Apps	Approved	
		Cut-off	High	Spread		Number	Percent
2019	\$17,003,966	67.00	80.00	13.00	81	35	43.2%
2018	\$14,145,060	69.50	78.00	8.50	100	29	29.0%
2017	\$7,007,684	70.00	78.00	8.00	86	19	22.1%
2016	\$7,793,500	69.00	76.00	7.00	102	27	26.5%

**The “cut-off” or “lowest-approved” score depends on annual demand, the dollar amount of approved AHP applications and the amount of AHP funds available.**

# Donated Property and Sponsors

## Donated Property

- At least 20% of units or land:
  1. Given outright to the sponsorOR
  2. Given to the sponsor at a discount

## Scoring

1. Percent of project that is donated multiplied by 5
- OR
2. Percent of the discount to fair market value multiplied by 5

**Projects must have site control and proper zoning.**

## Nonprofit or Government Sponsorship

- **Nonprofit organization**
- **State or political subdivision of a state**
- **State housing agency, a local housing authority**
- **Native American entities**

## Scoring

5 points

For rental projects:

If the project sponsor receives at least 25% of the developer's fee:

Project receives 5 points

If not, project receives 2 points

# Examples – Donated Property and Sponsors

## RENTAL PROJECT

### ✓ Donated Property

- Site is owned by an outside individual and is leased rent-free for 20 years

### ✗ Sponsor

- Not Applicable

### Scoring

**Donated Property = 5 points**

## OWNER-OCCUPIED PROJECT

### ✗ Donated Property

- Not Applicable

### ✓ Sponsor

- Sponsor is a 501c3 nonprofit

### Scoring

**Sponsor = 5 points**

## Documentation

### Donated Property

**Written description of the situation**

**Lease for the property**

### Nonprofit or Government Sponsor

**501c3 certification letter**

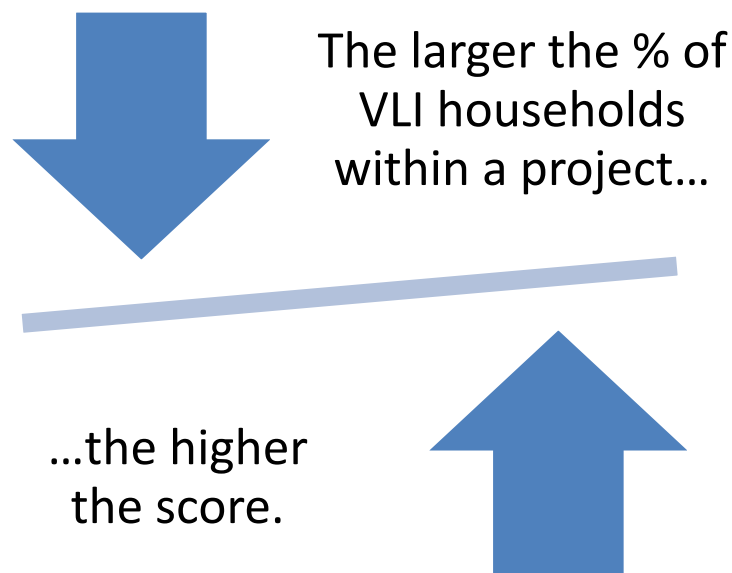
**Public charter**

# Income Targeting

## Tip for Rental Projects

If at least 60% of units are targeted to families with annual incomes  $\leq$  50%, the project receives 25 points.

Please call Community Investment with any questions related to targeting.



## Documentation

### Rental Projects

Verified throughout the project with:

Rent Roll  
Income Sampling

### Owner-Occupied Projects

Verified at disbursement with:

Income documentation for each unit



# Project Examples – Income Targeting

## RENTAL PROJECT

### ✓ Income Targeting

- 87% very low income
- 10% low income
- 3% moderate income

- Targeting is verified at completion

Targeting	Units
VLI Units	55
LI Units	6
MOD Units	2
*Other	-
Total	63
Score	25

## OWNER-OCCUPIED PROJECT

### ✓ Income Targeting

- 100% very low income
- Targeting is verified at disbursements

Targeting	Units
VLI Units	30
LI Units	0
MOD Units	0
Other	-
Total	30
Score	25

# Empowerment Program/Services

- Services to support the residents/homeowners

## Examples

- Employment/Workforce Development
- Financial Literacy Education
- Homebuyer Education
- Homeowner Maintenance
- Child Care
- Sweat Equity

## Scoring

### Rental

- 1 service = 4 points
- 2 services = 5 points

### Owner-Occupied

- 1 service = 3 points
- 2 services = 5 points

**Sweat Equity** must include:

- New construction
- Certificates of completion
- Minimum **200 hours** per home
- Apply to all homes in the project

# Project Examples – Empowerment Services

## RENTAL PROJECT

Sponsor will be providing homeowners with:

- ✓ Employment/workforce development
- ✓ Financial literacy education

### Scoring

**2 Empowerment Services = 5 points**

## OWNER-OCCUPIED PROJECT

Sponsor will be providing homeowners with:

- ✓ Employment/workforce development

### Scoring

**1 Empowerment Service = 3 points**

## Documentation

**Program Posters**

**Program  
Participation  
Rosters**

**Program Lesson  
Plans or  
Presentation**

**Program  
Description**

# First District Priority Definitions

## First-Time Homebuyer

Homebuyers haven't owned a home in 3 years\*

## Economic Diversity

Census tract is under 80% AMI:

- 20% of units must be market-rate
  - Almost always in rental projects

Census tract is over 100% AMI:

- 20% of units must be for very low,- low- or moderate-income households
  - Used in rental and owner-occupied

## Within District

Units located in Arkansas, Louisiana, Mississippi, New Mexico and Texas

## Rural

Units are in a rural area defined as:  
An area eligible for USDA Rural Development housing programs

<https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

## Special Needs

One individual in the household is:

- 55 or older
- Physically or mentally disabled
- Recovering from physical, alcohol or drug abuse
- Persons with HIV/AIDS

**\*Detailed definitions are in Attachment A of Implementation Plan**

# Project Examples – First District

## RENTAL PROJECT

### ✗ First-time Homebuyer

– Not Applicable

### ✓ Special Needs

– 60%

### ✓ Rural

– Yes

### ✗ Economic Diversity

– No

### ✓ Within District

– Yes

## Scoring

3 out of 5 = 15 points

## OWNER-OCCUPIED PROJECT

### ✗ First-time Homebuyer

– Not Applicable

### ✓ Special Needs

– 67%

### ✓ Rural

– 100%

### ✓ Economic Diversity

– 20%

### ✓ Within District

– 100%

## Scoring

4 out of 5 = 20 points

## DOCUMENTATION

First-Time Homebuyer  
Attestation

Verification of Age,  
Disability, etc.

USDA Qualification

List of Eligible Census Tracts

Project is located within the  
FHLB Dallas District

# 2<sup>nd</sup> District, Homeless, and Subsidy Per Unit

## Housing for the Homeless

Project creates:

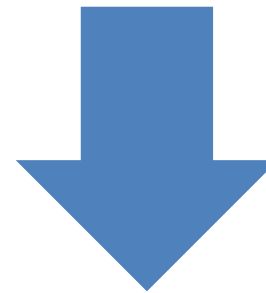
- Rental housing that reserves at least 20% of the units for homeless
- Transitional housing for homeless with a minimum of 6 months occupancy

## 2<sup>nd</sup> District

Number of rental units created/retained



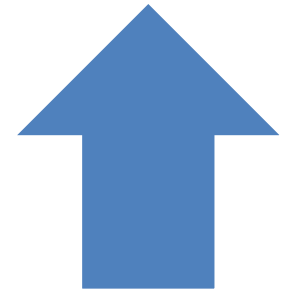
## AHP Subsidy per unit



If the subsidy per unit is at **\$10,000** or below...



...the higher the score.



Every \$250 per unit increase over \$10,000 decreases score by 0.25 points



# Project Examples – 2<sup>nd</sup> District, Homeless, Per Unit

RENTAL PROJECT	OWNER-OCCUPIED PROJECT	DOCUMENTATION
<ul style="list-style-type: none"><li>✓ <b>Second District</b><ul style="list-style-type: none"><li>– 63 rental units created</li></ul></li><li>✓ <b>Homeless</b><ul style="list-style-type: none"><li>– 60% reserved for homeless</li></ul></li><li>✓ <b>Subsidy per Unit</b><ul style="list-style-type: none"><li>– \$750,000 grant for 63 units</li><li>&gt; \$11,905 per unit</li></ul></li></ul>	<ul style="list-style-type: none"><li>✗ <b>Second District</b><ul style="list-style-type: none"><li>– Not Applicable</li></ul></li><li>✗ <b>Homeless</b><ul style="list-style-type: none"><li>– Not Applicable</li></ul></li><li>✓ <b>Subsidy per Unit</b><ul style="list-style-type: none"><li>– \$300,000 grant for 30 units</li><li>&gt; \$10,000 per unit</li></ul></li></ul>	<div>Total Number of Units in the Project</div> <div>Rent Rolls Intake Forms</div> <div>Total Grant Amount divided by Number of Units</div>
<p><u>Scoring</u> <b>18 points</b></p>	<p><u>Scoring</u> <b>10 points</b></p>	

# Community Stability

## Adaptive Reuse

Converting an existing non-housing structure into housing

## New Construction

Project is 100% new construction

## Demolition of Properties

20% of the units are new construction in place of demolished structures

## Rehabilitating Properties

20% of the units or square footage are vacant, abandoned or foreclosed and are being rehabilitated

## Redevelopment or Revitalization

Detailed definitions are in [Attachment A](#) of Implementation Plan

## Preservation

Detailed definitions are in [Attachment A](#) of Implementation Plan

Projects can receive points for 3 of the top 5 categories for 3 points each (totaling 9)

Projects can receive an additional 4 points for preservation

Maximums: Without Preservation = 9 points

With Preservation = 13 points

# Project Examples – Community Stability

## RENTAL PROJECT

- ✓ **Rehabilitation of Vacant Properties**
  - The property has been vacant for 6 years

Scoring  
**3 points**

## OWNER-OCCUPIED PROJECT

- ✓ **Rehabilitation of Vacant Properties**
  - 20% of project's units are currently vacant due to natural disasters
- ✓ **Community Revitalization**
  - City Council adopted a resolution declaring support for the project

Scoring  
**6 points**

## Documentation

Description  
of Non-  
Residential  
Conversion

Pictures,  
Blueprints  
or Building  
Usage Plans

Verification  
of Site  
Control and  
Zoning

Proof of  
Vacancy or  
Foreclosure

City Council  
Resolution

Document  
Showing  
Expiration  
Date in the  
Next 2  
Years

# 2020 Project Scoring Overview

		Example Scores	
Scoring Criteria	Max	Rental	OOP
Donated Property	5	5	0
Nonprofit or Government Sponsorship	5	0	5
Income Groups Targeting	25	25	25
Empowerment Services/Programs	5	5	3
First District Priority	25	15	20
Second District Priority	7	5	0
Homeless Housing	5	5	0
AHP Subsidy Per Unit	10	8	10
Community Stability	13	3	6
<b>Total</b>	<b>100</b>	<b>71</b>	<b>69</b>

# Items of Note

- “Sources and uses of funds” within the AHP application **must equal** the “total development cost” on the construction budget attachment
- Any staff or management units on the pro-forma and the rental project worksheet should be market rate units
- Rental rehabilitation projects: If AHP funds represent the majority of the funding, pre- and post-inspections of the property are required by a qualified third-party.
- Mixed-use projects need separate commercial proforma
- Variances to feasibility thresholds need to be explained with actual cost/numbers associated with unique or unusual features in the development
- **Start your application early and take advantage of FHLB Dallas technical assistance**

# Common Errors

There is a lack of supporting documentation for development costs exceeding feasibility guidelines

Rents and income targeting on the application do not match “rent roll”

Sources of funds on application do not match supporting documentation

Application completed by a consultant without input and approval by the sponsor

Missing the supportive service operating pro-forma for projects involving homeless and/or permanent supportive housing

Projects fail to “electronically” upload FHLB Dallas’ list of required documents as individual files



# Changes to a Project

- Project sponsors and members are responsible for maintaining the scoring of an application
  - The scoring components committed at application must be achieved over the 15-year life cycle of a rental project

All changes to the project should be disclosed to FHLB Dallas

- If the change results in scoring:
  - The sponsor will be required to provide reasonable justification for the change, which is subject to review and approval by FHLB Dallas

## Project Example



# 2020 AHP Timeline

## Application Process

- April 1: 2020 AHP application round opens
- May 14: 2020 AHP application round closes
- May through October: CID reviews applications

## Approval

- October: FHLB Dallas Board of Directors approves applications
- Award letters mailed
- Member/Sponsor/FHLB Dallas execute the AHP Tri-Party Agreement

## Progress

- Semi-annual progress report (until project completion)
- AHP disbursement request submitted (need for subsidy exists)
- Extensions and modifications

## Monitoring

- Before November 2023: Completion: construction or rehabilitation for rental projects and homes sold/repared for owner-occupied projects
- AHP initial monitoring initiated and completed
- Long-term monitoring (rental only)

# Questions?

# 2020 AHP Set Asides

➤ To learn more, [recorded webinars](#) are available on [fhlb.com](http://fhlb.com)

	HELP	Disaster	PGP	HAVEN	SNAP
What is it?	Down Payment / Closing Costs	Home Repair in FEMA Disaster Areas	Operating Cost Matching Grant	Home Repair or DPA for Disabled Veterans	Home Repair
How much?	<b>\$4.5 million</b> Up to \$10,000 per household	<b>\$400,000</b> Up to \$10,000 per household	<b>\$300,000</b> 3:1 match up to \$12,000 per member	<b>\$300,000</b> Up to \$10,000 per household	<b>\$2.5 million</b> Up to \$7,000 per household
Eligibility	-80% AMI -First-Time Homebuyer	-80% AMI -FEMA Ind. Assistance -Homeowner in disaster	-501c3 nonprofit -<\$600,000 revenue	-165% AMI -Disabled Post-9/11 Veteran	-55 and over -Disabled -Recovering from Abuse or Addiction

# Questions?

# Next Up: Case Study

**Grab your coworkers, grab a pen and work through two real project descriptions on your own. Score the project and identify what documentation is needed for a successful AHP application.**

**If this is your first year applying for AHP: Do the case study.**

**If you've done an AHP application in the past: Do the case study.**

Shortly after this webinar, all registrants will receive an email that includes a case study and recorded webinar.



# Community Investment Team



**Please utilize the Community Investment department analysts.**

We can see your application as soon as it is in the online portal.

Contact Information	
AHP Department	800.362.2944
Email	ahp@fhlb.com

Analysts	
Liz Jewell	Mark Loya
Eric Leonard	Steven Matkovich
Jill Droge	

Additional information is available online at ***[fhlb.com/community](http://fhlb.com/community)***