AHP Tax Credit Rental Disbursement Manual

Affordable Housing Program
Effective January 1, 2019

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www.fhlbcin.com
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Summary

This AHP Tax Credit Rental Disbursement Manual has been designed as a reference guide for Sponsors and Members (commercial banks, credit unions, thrifts, insurance companies, and CDFIs) that have been awarded Affordable Housing Program (AHP) funds by the Federal Home Loan Bank of Cincinnati (FHLB) in one of its competitive AHP offerings. Only rental projects that will utilize equity from Historic or Low Income Housing Tax Credits as a source of development funds but not HUD 202 or 811 funds should use this manual; FHLB maintains separate manuals for projects using other funding sources. Instructions for accessing AHP funds, checklists, and documentation requirements are included in this manual.

Please review this manual and the most recently-recorded versions of the Disbursements for Tax Credit Projects webinars available at www.fhlbcin.com prior to submitting a request for funding. The project’s Sponsor and Member must both complete an AHP LIHTC/HTC Disbursement Request form (“Request Form”) and submit the relevant required documentation to request funds. Use the Request Form and this manual to identify acceptable documentation. Submitting documentation that is complete, consistent, and accurate will allow the request to be processed as expeditiously as possible. Please submit the request within 90 days of project completion (or as close to that time as is practicable) and allow at least 30 days for FHLB to process the disbursement request.

For questions regarding funding, please contact the Affordable Housing Program Manager or send an email to AHPDisbursement@fhlbcin.com. Please note that all terms in quotation marks in this document represent items specifically defined by FHLB’s AHP Implementation Plan, which is available at www.fhlbcin.com.

Disbursement Timeline

Timeline for Disbursement of Funds

Once FHLB receives the Request Form with all supporting documentation, FHLB staff will analyze the information and contact the Sponsor and the Member via e-mail or phone should additional information or clarification be required. Requested information should be submitted to FHLB within 30 days of the request. All disbursements and additional information will be processed in the order in which they are received.

Please allow 30 days for the processing of all submitted documentation. If FHLB receives incomplete or incorrect documentation, delays in the disbursement process will occur. For a timely receipt of funds, refer to the Frequently Asked Questions and Common Mistakes section of this manual for tips on how to avoid unnecessary delays.

Transfer of Funds

Once FHLB has approved the request for funds, the Member and Sponsor will receive a Confirmation of AHP Funds Disbursement via e-mail or fax confirming the amount disbursed for the project. Within one business day, FHLB will electronically deposit the approved funds into the Member’s Demand Deposit Account at FHLB. If the Member does not receive the funds within this timeframe, please contact FHLB for assistance. The Member should credit the funds to the Sponsor or project within 60 days after disbursement of funds by FHLB has occurred.
Disbursement Availability & Subsidy Adjustments

FHLB will process disbursements in accordance with FHLB’s procedures and guidelines for funding of subsidies and all applicable monitoring procedures, the latter of which are published on FHLB’s website, www.fhlbcin.com.

Restricted Access to AHP Subsidy

FHLB reserves the right to deny or delay subsidy disbursement to a Member or Sponsor if:

1. Either the Member or the Sponsor has failed to respond to a prior FHLB request for information regarding this or other AHP projects, or
2. If the Member or the Sponsor has been asked by FHLB to cure a noncompliant situation and resolution is pending, or
3. The Sponsor currently has other older, open, and incomplete AHP projects that it must complete or make adequate progress towards completion.

Subsidy Adjustments

FHLB reserves the right to make reasonable adjustments to all disbursement requests at FHLB’s discretion in accordance with FHLB’s procedures and guidelines for funding of subsidies. The majority of subsidy adjustments occur if the project’s funding sources have changed and there is no longer a need for the level of AHP subsidy previously requested, if the costs presented are not reasonable, if ineligible expenses are included as development or operating costs, if the project no longer meets the applicable scoring criteria as outlined in the AHP Agreement and AHP Application Scoring Sheet, or if the project does not meet feasibility guidelines.

Disbursement Criteria

In processing disbursement requests, FHLB reviews the information submitted with the Request Form and other pertinent project information obtained from the Member and the Sponsor during the AHP application and review process. FHLB verifies that the project continues to qualify for the awarded subsidy based on the applicable threshold requirements and scoring criteria set forth in the AHP Implementation Plan in place when the project was awarded AHP funds and that the Member and the Sponsor have fulfilled the obligations to which they committed in the approved AHP application. FHLB re-evaluates the financial and operational feasibility of the project and verifies the project’s continued need for subsidy.

Members and Sponsors requesting AHP funds from FHLB must have documents in place in a form satisfactory to FHLB to meet the requirements of the AHP regulation and must provide copies of such documents to FHLB prior to FHLB’s disbursement of funds. Below is a detailed list of the documents required. FHLB reserves the right to request further documentation as necessary or to request the amendment of documentation, including closing documentation, if it does not meet FHLB’s requirements.

All AHP funds are subject to FHLB’s funding requirements. Receipt of a disbursement does not guarantee compliance with AHP guidelines. FHLB reserves the right to reduce or recapture funds at any time, should the project be found out of compliance or no longer demonstrate the need for subsidy.
Disbursement Feasibility

Please refer to the AHP Implementation Plan available at www.fhlbcin.com for current feasibility targets and parameters. Note that projects approved for AHP funds in offerings prior to the current offering may be subject to different feasibility guidelines. Projects that deviate from the parameters in place at the time of AHP award will undergo additional review and underwriting to determine the reason for, and the reasonableness of, the deviation. Projects that are outside any of the guidelines may not be able to receive AHP funds.

FHLB may allow reasonable deviations from the guidelines based on the nature, location, and type of project and based on explanations provided by the Sponsor to justify such deviations. However, the Sponsor or project owner is ultimately responsible for ensuring that financial information is correct and consistent and that the project’s financial structure meets FHLB’s guidelines, or that any deviations are adequately explained, justified, and documented. If justification for a deviation was submitted with the approved AHP application or an approved project modification, and the value that is outside FHLB’s guideline has not changed from the value shown in the approved AHP application or approved project modification, as applicable, no further justification is necessary.

Reasonableness of Project Development Costs

Reasonableness of project costs will be reviewed and assessed at time of application, at time of disbursement, and at any project modification (the requirements for which are guided by FHLB’s modification procedures, available at www.fhlbcin.com). FHLB will determine the reasonableness of proposed or actual costs based on its experience with similar projects, similar locations, and similar populations being served. FHLB’s determination will be final, and any costs determined not reasonable will be disallowed and will not be reimbursed with AHP funds.

Initial Monitoring and Tenant File Information

Nine months after final disbursement of AHP funds for the project, FHLB will request that the Sponsor/owner and Member submit a completed initial Owner’s/Member’s Certificate of Program Compliance and an occupancy report for all units in the project. FHLB will use the information supplied on the occupancy report to initiate an Initial Audit. Reference the AHP Implementation Plan available at www.fhlbcin.com for more information. In the meantime, please keep in mind that the project’s manager is expected to maintain a tenant file containing all of the following for each unit of the project:

1. Housing intake/tenant application form that includes:
   - Tenant name (head of household) or other tenant identification
   - Household size (total number of household members)
   - List of all household members’ names and ages
   - Annual household income by source for all household members
   - Signatures of the tenant(s) and the project owner representative/management company/property manager
   - Date of application
   - Fair housing logo or wording
   - Unit transfer date, if applicable
2. Verification of income for each income source (not including assets) listed on the housing intake/tenant application form that is dated prior to the tenant or resident’s move-in date, but not more than 120 days prior to the move-in date; income calculations and acceptable forms of verification can be found in the Income Eligibility Guide portion of the AHP Implementation Plan, which may include:
   - Two consecutive pay stubs showing dates, employer name, and tenant name
   - Previous two years’ worth of signed tax returns for self-employment income
   - Verification of employment forms signed by the employer
   - Certifications of zero income, which are required for all adults 18 years of age and older who do not earn or receive any income
   - Social Security Administration benefits letters
   - Pay histories from child support enforcement agencies
   - Notarized statements from payer to payee for child support

3. Lease or rental agreement that includes:
   - Tenant name (head of household)
   - Property address
   - Unit number
   - Unit size (efficiency, one-bedroom, two-bedroom, etc.)
   - Lease date and term
   - Amount of rent to be paid by tenant
   - Total contract rent (tenant-paid rent plus any rental subsidy paid on behalf of the tenant)
   - Signatures of the tenant(s) and the project owner representative/management company/property manager
   - Fair housing logo or wording

4. Verification of the household’s “Special needs” if applicable to the project that is signed and dated prior to the tenant’s move-in date, but not more than 120 days prior to the move-in date
   - Third-party verification is required
   - See FHLB’s definition of “Special needs”

5. Verification of homeless status if applicable to the project that is signed and dated prior to the tenant’s or resident’s move-in date, but not more than 120 days prior to the move-in date
   - See FHLB sample form immediately below and FHLB’s definition of “Homeless household”
   - Third-party supporting verification is required

This is not an exhaustive list of required documents; see the most current Initial and Long-term Monitoring webinar available at www.fhlbcin.com for additional details. It is the responsibility of the project owner to ensure that these items are being collected and maintained in the tenant file, as the owner will be liable for repaying FHLB funds if the documentation cannot be furnished to the satisfaction of FHLB when requested. The project manager should maintain this documentation in each tenant's file for at least seven years subsequent to the tenant's move-out or for the duration of the FHLB retention period, whichever comes first.
Verification of Homeless Household Status

Project Name: 

Resident Name: 

Address: ___________________________ Unit #: ________

City: ___________________________ State: _____ Zip: ______

This AHP project is receiving financial assistance from FHLB Cincinnati, in part, for committing to house homeless households according to the definition below. Please check below the condition(s) under which the household qualifies as “homeless.” The household was (is):

1. A homeless household of 2 or more persons residing in overcrowded housing; “overcrowded housing” means a housing unit. (must attach a self-declaration or signed letter from a case manager, social worker or similar authority):  
   a. [ ] Occupied by more than one household; or 
   b. [ ] Any housing unit with an average of more than two persons per sleeping area (including a living room as a sleeping area); or

2. [ ] Facing imminent loss of their home due to condemnation or eviction; that is, the household has received a notice of eviction, foreclosure, or condemnation (must attach copy of the notice).

3. [ ] Lacks a fixed, regular, and adequate nighttime residence. (must attach a self-declaration or signed letter from a case manager, social worker or similar authority.)

4. Residing in a primary nighttime residence that is:  
   a. [ ] A supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill. (must attach a signed letter from institution). Name of shelter/housing: ___________________________ 
   b. [ ] An institution that provides a temporary residence for individuals intended to be institutionalized. (must attach a signed letter from institution). Name of institution: ___________________________ 
   c. [ ] A public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings. For example, living on the street or in a car. (must attach a self-declaration or signed letter from a case manager, social worker or similar authority.)
   d. [ ] A “mobile home” that does not meet the requirements of the National Manufactured Housing Construction and Safety Standards Act, Title VI, Public Law 93-383; 42 U.S.C. 5401, appearing at 24 CFR 3280, et seq., generally referred to as “pre-1976 mobile homes.” (must attach copy of the notice)
## AHP LIHTC/HTC Disbursement Request Instructions

Collaboration between the project’s Member and Sponsor contacts is necessary to complete the Request Form and provide the required documentation. Please follow the steps below to request funds and note that FHLB does not currently accept the initial AHP disbursement request package via e-mail, although any additional information that FHLB requests may be submitted by e-mail at the address listed below. If additional assistance is necessary, contact the Affordable Housing Program Manager or send an e-mail to AHPDisbursement@fhlbcin.com.

### Step 1: Complete the AHP LIHTC/HTC Disbursement Request Form

- Print the form from the Program Documents and Forms page at [www.fhlbcin.com](http://www.fhlbcin.com). FHLB needs one form per Member if multiple Members will draw AHP funds for the project.
- Complete all sections of the form. Mark each of the Required Documents as “Already on file” (meaning that the documentation was provided during the AHP application or early disbursement process or with an approved AHP modification), “Enclosed,” or, if the item does not apply to the project, “N/A.”
- Attach additional sheets if any explanations are required.

### Step 2: Gather Required Documents

- Collect anything marked “Enclosed” on the AHP LIHTC/HTC Disbursement Request form for inclusion in the request package and transmission to FHLB. All documents that pertain to the project are required.
- Use the listings in this manual below to ensure that the documentation provided meets FHLB’s needs.

### Step 3: Obtain Required Signatures

- The Sponsor contact listed on the AHP LIHTC/HTC Disbursement Request form must sign in the appropriate location on the form and then send the entire package to the Member contact for signature.
- The Member contact should review the materials and then, if acceptable, sign the form on its fourth page and send the entire package to FHLB.

### Step 4: Submit the AHP LIHTC/HTC Disbursement Request Form and All Required Documents

**Mail documents** in the order in which they appear on the Request Form to:

Housing and Community Investment Department  
Federal Home Loan Bank of Cincinnati  
221 East Fourth St., Suite 600  
Cincinnati, OH 45202

### Step 5: Submit Additional Information as Requested (if applicable)

**E-mail to:** AHPDisbursement@fhlbcin.com or the analyst who requested the additional information (include the project number in the subject line), or  
**Fax to:** 513-852-7647
Required Documents Descriptions

AHP LIHTC/HTC Disbursement Request form
The Sponsor and Member contacts that will be long-term contacts for the project must both sign the form, and all sections of the form must be complete. Check the boxes for “Already on file,” “Enclosed,” or “N/A” as instructed on the previous page. If any of the contacts signing the form differ from those whom FHLB has on file as project contacts, indicate that FHLB’s files should be updated.

Item 1: Dates of disbursement training completion
One person from the Sponsor organization is required to participate in two FHLB disbursement training webinars or one live disbursement training workshop involving tax credits within a year of receiving a disbursement of AHP funds. This person should ideally be the person who is assembling the AHP disbursement request package or most closely in contact with the project’s developer or the consultant who is preparing the disbursement request package. Input the dates that the Sponsor contact(s) viewed the audio versions of the most current Disbursements for Tax Credit Projects webinars (not the .pdf-only versions) or the date the Sponsor contact(s) attended the live workshop onto the AHP LIHTC/HTC Disbursement Request form. If a contact of the Sponsor has not completed the most current training, the Sponsor must complete training again. If the Sponsor representative (who cannot be a consultant) has yet to complete the training, s/he can access the webinars at www.fhlbcin.com. Be sure to view both webinars. Please note that FHLB will verify with WebEx or the workshop sign-in sheet that training for projects involving tax credits was completed on or around the date entered on the AHP LIHTC/HTC Disbursement Request form.

Item 2: Evidence of completion (Certificate of Occupancy et al.)
Provide evidence of project completion via the first of the following that applies to the project and for all property addresses in the project:

1. A certificate of occupancy;
2. Certification by the project architect that the work is complete (through, for example, AIA document G704 Certificate of Substantial Completion);
3. Certification by the general contractor that the work is substantially complete and in compliance with the standards set forth in local code; or,
4. Certification from a certified/licensed multi-family inspector verifying that the work is complete and in compliance with the standards set forth in local code AND a copy of the inspector’s license.

The listing on this page is in order of FHLB preference. If the items at the top of the list do not pertain to the project, submit an explanation of why they do not apply. For example, indicate that a rehabilitation project did not require a permit to be pulled and that there was no architect on the project to explain why certification from the general contractor is being submitted. Whichever form of documentation is submitted must be dated, and the date must indicate that the work on the project was completed after the award of AHP funds to the project. If the project did not entail construction or rehabilitation work (the Sponsor merely acquired the property and converted it to affordable housing), submit the settlement statement for the transaction.

Section 3: Financial documentation
Item 3a: Cost certification executed by an independent auditor that documents all expended project costs
The cost certification should be the same as the one submitted to the tax credit allocating agency and must contain all of the following:

- The independent auditor/accountant’s signature
- The date of the report
- A categorized list of all the project’s final costs

Continued...
If the cost certification contains a list of all permanent development funding sources for the project, make sure that the list contains the Member’s and Sponsor’s cash contributions, if applicable. A list included in the cost certification can take the place of a separate list of funding sources as requested with item #3b below. No costs or funding sources on the certification may be labeled “miscellaneous,” “additional,” “other,” or any similarly indefinite label. FHLB will require a breakdown for any costs or funding sources that it cannot clearly identify and reserves the right to request backup documentation in the form of invoices and receipts for anything on the cost certification. Please note that construction hard costs per unit must equal or exceed $10,000.00 for any units for which the project received points for substantial rehabilitation.

If the listing contains costs that FHLB deems ineligible development costs, the AHP grant may be reduced by the amount of the ineligible costs. Such costs include the following and those listed under item #5 below:

- Overpayments for land
- Sponsor operating expenses
- Sponsor/contractor capital expenditures not associated with real estate or real estate improvements
- Furnishings and appliances besides those listed below:
- For an SRO or permanent supportive housing unit:
  - Bed frame
  - Mattress/box spring
  - Chest of drawers
  - Chair
  - Kitchen table and chair(s)
  - Nightstand or bedside table
- For one or more bedrooms in housing that is not “Permanent supportive housing:”
  - None of the above
- Appliances:
  - Oven
  - Stove
  - Dishwasher
  - Refrigerator
  - Microwave
- Residential and common areas:
  - Blinds
  - Security cameras and equipment
  - One television
  - One couch
  - Chairs
  - Tables
  - Normal signage
- Laundry room
  - Washer
  - Dryer
  - Table
- One management office
  - Desk
  - Chair
  - Credenza
  - Computer
  - Multifunction printer
Item 3b: List of all permanent development funding sources with Sponsor and Member contributions that matches the sum of project costs
Provide a list of all permanent development funding sources to the project, the total of which must match the sum of all costs shown on the cost certification provided for item #3a above. If the cost certification contains a list of all permanent funding sources for the project, no separate listing needs to be provided for this item. No funding sources on the list may be labeled “miscellaneous,” “additional,” “other,” or any similarly indefinite label. FHLB will require a breakdown for any funding sources that it cannot clearly identify and will require backup documentation for the funding source with item #8 below. If the project was approved with a point(s) for the project’s Member or Sponsor providing a cash contribution to the project, the amount of the contribution documented with item #8 below must appear on the list of permanent funding sources for the project and be at least $500.

Item 3c: Construction contract with all change orders, signed by all parties
Submit an executed copy of all construction contracts for the project containing information on the scope of work and fully executed copies of all change orders associated with each contract. If the project required more than one contract, submit all of the contracts and all of the change orders for each contract. All contracts and change orders must be signed by all necessary parties. Do not send the back-up documentation for the change orders. This item is not required for acquisition-only projects.

Item 3d: Executed partnership/operating agreement with all attachments
Submit the final partnership or operating agreement with the signatures of all partners and all attachments. If the agreement has been modified since initial execution, submit the amended and restated version and/or signed copies of the amendments along with the original agreement. The agreement must contain the equity pay-in schedule. The capital contributions of each partner/member, developer fee, and capitalized reserves and costs (including operating, lease-up, and replacement reserves on the development budget, as well as asset management fees and any other operating costs that will be paid up front instead of during operations) must match such amounts shown on the cost certification submitted for item #3a above. Management fees and replacement reserves paid in during project operations dictated in the agreement should match such items as shown in the operating budget submitted with item #3f below.

Item 3e: Final tax credit pro forma as prepared for the tax credit investor
Submit the most recent version of the tax credit pro forma prepared for the tax credit investor that includes the development budget, the 15-year operating budget, and a schedule of rents. If a legible copy of the pro forma is attached to the partnership/operating agreement referenced in item #3d above and its projections are still the most current for the project, a copy of the pro forma need not be provided separately.

Item 3f: Current, itemized 15-year operating budget for the project
Submit the most up-to-date 15-year operating budget for the project that escalates income and expenses at rates that differ by at least one percent (the income must trend at a rate at least one percent lower than the expenses). Do not accelerate income by more than 3% per year or expenses by more than 4% per year, and be sure to break out income and expenses by category/type. See FHLB’s feasibility guidelines in its AHP Implementation Plan, available at www.fhlbcin.com, for requirements on project operations. FHLB’s format for the operating budget is available in the FHLB Online Application System in the FAQ menu as “AHP Development Budget-Excel Form.” If the figures on the budget match the operating figures submitted in the approved AHP application, indicate that there have been no changes foreseen for the budget since the AHP application was approved. Submit an explanation of the differences if the figures in this item differ significantly from those appearing on the operating budget contained within the tax credit pro forma submitted with item #3e above.

Continued...
The debt service shown on this item must match the payments identified in the note submitted for item #8 below unless the principal shown on the note represents soft debt or more debt than should be attributed to this project alone. For example, if the project constitutes only one floor of a three-floor building or one building of a three-building community, and the debt on the note applies to all three floors or buildings, only a third of the debt service should appear on the operating budget. Submit an explanation if the amounts do not match. The rental income shown on the budget must match the amount the project expects to receive from rent as shown in item #3j below. If the amount of rent shown on these two items differ, provide an explanation. Label any other income sources specifically so that FHLB can pinpoint where the project will get the funds. Do not include funding sources or expenses on the 15-year operating budget that relate to social services such as case management, transportation, or anything else that is not related to operations of the housing component of the project. The project should show positive cash flow for the entire 15 years. If the cash flow goes negative in year 12 or after, submit a detailed explanation of how the project will cover its expenses in the later years of operations. If the cash flow goes negative in year 11 or earlier, the project is not eligible for AHP funds.

**Item 3g: Evidence of tax credit commitment from the tax credit allocating agency (e.g. Carryover Allocation for LIHTC projects)**
Projects receiving 9% Low Income Housing Tax Credits must submit an award letter or Carryover Allocation signed by the tax credit allocating entity verifying the amount of tax credits the project will receive. The annual amount of tax credits awarded as shown on this document must match the amount on the tax credit pro forma submitted for item #3e above. Projects receiving 4% Low Income Housing Tax Credits must submit an executed copy of the letter of eligibility for housing credits. Projects receiving federal Historic Tax Credits must provide copies of Parts 1, 2, and 3 signed by the National Park Service, the latter of which must contain the same eligible basis as shown on the cost certification. Projects receiving state tax credits must provide documentation similar to that listed above that is executed by a representative of the tax credit allocating agency or state historic preservation office showing an award amount that matches the cost certification and/or tax credit pro forma, as appropriate. If the document provided for this item shows the income targets to which the project committed for the tax credit allocating agency, they must be at least as or more restrictive than the AHP income targets.

**Item 3h: Do the total replacement reserve, management fee, income targets, capital contribution(s), “Capitalized costs,” and “Developer fee” amounts in the partnership/ operating agreement match any such amounts identified on the cost certification, source list, and operating budget? Corresponding amounts must match.**
The partnership/operating agreement must identify the same amount of the following as does the final tax credit pro forma and the cost certification submitted:
- Total capital contributions (equity from the investor and general partner, if applicable)
- Funding sources besides equity from the sale of tax credits
- Developer fee (including developer overhead, consultant fees, application preparer fees, and similar costs)
- Capitalized reserves and costs, which include operating, lease-up, and replacement reserves on the development budget, as well as asset management fees and any other operating costs that will be paid up front instead of during operations

The partnership/operating agreement must also identify the same amount of the following as does the final tax credit pro forma and the 15-year operating budget submitted:
- Income targets
- Management fee
- Annual replacement reserve

If the amounts do not match each other, the partnership/operating agreement, final tax credit pro forma, and/or cost certification must be corrected and resigned by all parties to the document(s).

**Item 3i: AHP note to project, which must contain the required language**
Provide the note between the AHP Sponsor and the single-purpose tax credit entity if the AHP funds are under note. (Mark “N/A” on the request form if the AHP funds are not under note.) Per AHP Regulation §1291.9(a)(9), the note must indicate that any repayments of principal and any payments of interest must be paid forthwith to FHLB. Additionally, the interest rate identified in the note cannot exceed 0%, because the FHLB does not make gains on direct subsidies. The term of the note cannot exceed 15 years to coincide with FHLB’s retention period.

**Item 3j: Current occupancy report for the project in FHLB’s format**
Submit the FHLB occupancy report for the project that lists the following for all units, even if they are vacant:
- Unit number
- Unit size (number of bedrooms)
- Current head of household name(s) (or household ID number if names are confidential)
- Gross annual household income at time of move-in
- Household size at time of move-in
- Move-in date
- Contract rent amount (tenant rent payment plus any rental or operating subsidy paid on behalf of tenant)
- Special needs/elderly status (if the project claimed points for serving households with “Special needs”)
- Whether or not the household met FHLB’s definition of a “Homeless household” at move-in

FHLB requires the use of its formatting for this item, as this format is required for future reporting during the initial monitoring process mentioned above. Access the “Initial Monitoring Occupancy Report Form” at www.fhlbcin.com for a blank version of this form. The move-in date and information for tenants already living in the project at the time of AHP application should reflect the information for the year the project received an award of AHP funds. For example, if the Smith household has lived at the property since 2016 but the project did not receive an award of AHP funds until 2018, the household’s move-in date, household size, and gross annual household income as entered onto the occupancy report should reflect the household’s 2018 information, not the 2016 information or the current year’s data. The sum of all contract rent shown on this report should match the gross residential rent amount shown on the 15-year operating budget. If it does not, provide an explanation for the discrepancy. The contract rent amount for each unit must not exceed 30 percent of the area median income for the appropriate household size, assuming 1.5 persons per bedroom (or one person per efficiency or SRO unit) unless the project was approved for an exception to this requirement.

**Item 3k: Formation documents or other verification of the Sponsor’s ownership interest in the single-purpose tax credit entity**
The AHP project was approved with the Sponsor having at least a 51 percent ownership interest in the general partner or managing member of the project. If the Sponsor is not identified as a general partner directly by name in the partnership/operating agreement, verify the Sponsor’s ownership interest via the general partner or managing member’s articles of incorporation, bylaws, or other evidence of what entity or entities legally control the general partner or managing member identified in the partnership/operating agreement. If the partnership/operating agreement specifies the Sponsor by name, FHLB does not require further documentation for this item.

**Item 4: Do the project’s financials meet the FHLB feasibility guidelines that were in place at the time the project was approved/modified?**
See FHLB’s feasibility guidelines in the AHP Implementation Plan available at www.fhlbcin.com for current underwriting requirements. Projects approved for AHP funds in offerings prior to the current offering may be subject to different feasibility guidelines than those shown.

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If the project does not meet the FHLB feasibility guidelines that were in place at the time the AHP project was approved and was not approved for an exception to the deviation at the time of AHP award or project modification, submit an explanation that justifies the project’s value and why FHLB should provide AHP funds to the project despite the deviation. If justification for a deviation was submitted with the approved AHP application or approved project modification and the value has not changed materially from the value shown in the approved AHP application or approved project modification, no further justification is necessary. If justification for a deviation was submitted with the approved AHP application or approved project modification and the value has materially changed from the value shown in the approved AHP application or approved project modification, submit an explanation of the change, justification of the project’s value, and why FHLB should consider the change acceptable. If the project meets the FHLB feasibility guidelines that were in place at the time the AHP project was approved, check “Yes” for this item on the AHP LIHTC/HTC Disbursement Request form and provide nothing further. Projects that are outside any of the guidelines that were in place at the time of AHP award will not be able to receive AHP funds without adequate justification of the deviated value.

**Item 5: Are any costs that FHLB deems ineligible included on the cost certification? Does the project contain non-residential costs or commercial costs?** If “Yes,” provide a list of such costs, the amount of each, and evidence that another of the project’s funding sources is willing to pay for these costs. The following are examples of costs that are ineligible for reimbursement by AHP but that FHLB regards as legitimate expenses for inclusion on a cost certification (please see the AHP Implementation Plan for definitions of the items in quotation marks below):

- “Non-residential space”
- “Capitalized costs”/reserves
- Specialized equipment for “Non-residential space” such as workout equipment or office furnishings
- Unit furnishings and appliances, subject to the limitations mentioned in item #3a above

If the project’s cost certification contains costs for non-residential or commercial spaces or other legitimate development costs that are ineligible for reimbursement by AHP, submit a breakdown of the costs on the cost certification that are ineligible or that were incurred to acquire, build, or rehabilitate the non-residential or commercial space AND evidence that a funding source is willing to pay for such costs from one of the funding sources documented with items #3b and #8 above. The evidence may take the form of a signed letter from the source or indication from the source’s program materials that the program is willing to pay for such costs but may not come from the AHP Sponsor, the project’s developer, or any source besides the funding source provider. The following are examples of costs that are ineligible for reimbursement by AHP that FHLB does NOT regard as legitimate expenses for inclusion on a cost certification:

- Maintenance costs incurred while the project is being rehabsbed or other project operating costs
- Tenant personal items such as computers or dishware
- Sponsor operating costs such as volunteer or fundraising event expenses
- Tenant turnover expenses
- Construction tools
- Lawn mowers, snow blowers, or other capital operating expenditures, including vehicles

If the cost certification includes such ineligible and illegitimate expenses, FHLB may reduce the AHP grant by the amount associated with the ineligible cost.

**Item 6: Completed and executed AHP Sponsor Commitment Verification Form**

Print the AHP Sponsor Commitment Verification Form located at [www.fhlbcin.com](http://www.fhlbcin.com). Complete all portions of the form, checking which of the activities the Sponsor completed. Describe the activities completed in the spaces in which the form requests it. Be sure to sign the form.

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In order to receive the points in the AHP scoring system for the categories listed on the form not related to the Empowerment scoring categories, the Sponsor must have completed activities meeting FHLB’s definition(s) of “Predevelopment activities” and/or “Contractor,” and the remainder of the documentation submitted in the disbursement request package must support the certification on this form (e.g. the construction contract). All activities that the Sponsor committed to provide in the approved AHP application must be checked, but the form is not required if the project was not approved with points in the AHP scoring system for the Sponsor’s provision of any of the activities listed on the form.

**Item 7a: Verification of property acquisition cost paid by Sponsor/owner**

If the project’s Sponsor/owner did not pay a different amount to a third party for any portion of the project property than what was documented in the approved AHP application, check “No” for item #7 on the AHP LIHTC/HTC Disbursement Request form and see the paragraph beginning with the italicized text in this section below. If the project incurred more or less acquisition costs than what was documented in the approved AHP application (due to acquisition of additional parcels of land, for example, or a reduction in the amount of principal on a loan that the project paid off as part of its acquisition cost), provide one of the following for each parcel that constitutes part of the AHP project that documents its acquisition cost:

- A fully executed purchase contract,
- A settlement statement or closing disclosure signed by both buyer and seller or settlement agent,
- A signed letter from the grantor,
- A signed copy of the foreclosure/sheriff’s sale document,
- The executed note and mortgage and evidence from the lender of the loan balance at the time of payoff,
- A Property Value Assessment showing a nominal sales price in the transaction history for the property (valid for donations ONLY), or
- A signed warranty deed or lease with price indicated.

Property acquisition costs on the cost certification may not match the acquisition costs shown on the items listed above since FHLB considers acquisition cost only the amount paid for the property to a third party, not the amount agreed upon between a single-purpose tax credit entity and a party (often the AHP Sponsor) with an interest in that entity. Because FHLB considers acquisition cost the amount it cost the project Sponsor/owner to acquire the property from a third party, FHLB will not recognize the cost between the project Sponsor/owner and the single-purpose entity as a valid cost for the purpose of calculating the amount of “Developer fee” for which the project is eligible. If the acquisition cost on the cost certification represents a transaction between such related entities, FHLB will calculate the project’s Developer Fee Percentage using the acquisition cost documented in the approved AHP application or using the documentation provided for this item instead of the acquisition cost appearing in the cost certification. FHLB does not consider loan assumptions acquisition costs but will require documentation of loan assumptions with item #8 below.

If the project was approved with a commitment to produce a certain number of units on property that was donated to the Sponsor/owner, the documentation submitted for this item must show that the Sponsor/owner acquired the project’s property from a third party without financial consideration, other than a nominal amount. Depending on the project’s commitments, the property may also have to have been donated from an unrelated party within five years of the AHP application deadline for the offering in which the project was approved. If the Sponsor paid any substantial acquisition costs, including back taxes or loan payoffs, the property does not meet FHLB’s definition of “Donated property.” Also, conveying land or property for less than full value does not constitute a donation of that part of value for which compensation was not received. Part of a property cannot be considered “Donated property” unless that part is individually identified and conveyed separately from other parts. If the property was donated, the market value of the land can be shown as a source and a use on the cost certification, but it does not have to appear there.

Rent payments on a lease agreement must match the operating budget submitted for item #3f above.

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If the project was approved with a commitment to produce a certain number of units on property that the federal government conveyed to the Sponsor/owner, the documentation submitted for this item must show that the Sponsor/owner acquired the property from the federal government or any agency or instrumentality thereof. Regardless of the answer to the question on the AHP LIHTC/HTC Disbursement Request form, compare the legal description of the project’s property as contained in its current warranty deed to the evidence of acquisition cost submitted for this item at the time of AHP application to ensure that the description matches the acquisition cost documentation submitted. If the description does not match (because, for example, the project consolidated parcels to create the project’s property), provide an explanation of the discrepancy and appropriate back-up documentation, such as evidence of consolidation of project parcels or omission of part of the property purchased from the project’s property.

**Item 7b: Appraisal or Property Value Assessment dated within six months of the date the Sponsor/owner acquired the property**

If the project’s Sponsor/owner did not pay a different amount for any portion of the project property than what was documented in the approved AHP application, check “No” for item #7 on the AHP LIHTC/HTC Disbursement Request form and provide nothing further for item #7b. If the project incurred more acquisition costs than what was documented in the approved AHP application (due to acquisition of additional parcels of land, for example), provide an appraisal or Property Value Assessment (PVA) for each parcel to verify the market value of the purchased property. The documentation provided must be dated within the six months prior to the date the Sponsor/owner acquired the property from a third party. Appraisals must be signed by a state-licensed/certified appraiser and show the “as-is” value of the property.

Related-party transactions require an independent appraisal instead of a PVA. Please see the definition of “Related party” in the AHP Implementation Plan, which is available at [www.fhlbcin.com](http://www.fhlbcin.com).

If the project was approved with a commitment to produce a certain number of units on property that the Sponsor purchased for a price at least 50 percent below market, the PVA or appraisal must show that the property’s value at the time of acquisition by the Sponsor or owner was at least twice its purchase price. Depending on the project’s commitments, the property may also have to have been purchased from an unrelated party within five years of the AHP application deadline for the offering in which the project was approved to fulfill this commitment.

Independent of any points awarded to the project, the appraisal or PVA must show a value that equals or exceeds the price to the Sponsor or owner, or FHLP will reduce the AHP grant amount by the difference unless the AHP funds were reduced for this reason at the time of AHP award.

Projects that do not include acquisition costs on their cost certifications do not have to provide anything further for this item. Do not resubmit the documentation for this item if it was previously submitted with the approved AHP application.

**Item 8: Evidence of ALL permanent funding sources besides tax credits shown on the list provided for item #3b, including copies of all executed grant agreements, notes and mortgages (deeds of trust), etc.**

Document each of the project’s permanent funding sources as shown on the list of development funding sources for the project as well as any loan assumptions. Each type of funding source requires a specific type of documentation for FHLP purposes as outlined below. If the amount of the funding source as shown on this documentation does not match the amount of the corresponding funding source’s contribution as shown on the list of permanent development funding sources for the project, provide an explanation of the discrepancy with the disbursement request package.

- Provide a signed copy of the grant agreement for each grant funding source (e.g. CDBG, HOME) with all exhibits and/or attachments,
- Provide a signed letter from the developer indicating the amount of any developer fee that this organization is willing to defer,

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Effective 01/01/2019

- Provide signed copies of the note and mortgage (or deed of trust or trust indenture or other security instrument) for each loan to the project (whether new or assumed, even if the list of permanent development funding sources does not list the loan as a funding source to the project),
- Provide a signed copy of the assumption agreement for any assumed loan(s),
- Provide executed copies of the loan or financing agreement, tax regulatory agreement, and investment letter if the project’s permanent financing includes bonds,
- See item #13d below for information on how to document the Member’s cash contribution, and
- For cash contributions from an organization or organizations other than the Member, provide a copy of the cancelled check or a letter signed by each contributor indicating the amount of cash contributed from each funding source (including the Sponsor if this organization received a point for providing a cash contribution to the project).

If the approved AHP application received a point in the AHP scoring system for the Sponsor’s provision of a financial contribution to the project, the total Sponsor cash contribution listed as a permanent development funding source for item #3b above (which cannot take the form of a loan) must be at least $500 in order for the project to retain the point.

If the approved AHP application identifies a funding source besides AHP that will be providing funds to the project, FHLB expects to see an amount from that funding source on the project’s list of permanent development funding sources. If a funding source identified in the approved AHP application did not contribute funds to the project, submit an explanation indicating why the funding source did not fund the project. If the project did not receive an award from a funding source that it anticipated receiving at the time of AHP application, communicate that the Sponsor or project did not receive the award.

The debt service shown on the note for each source of hard debt must match the amount of debt service from that source shown on the project’s operating budget as submitted for item #3f above. Soft, forgivable debt should not appear as debt service on the operating budget.

**Item 9: If the project will receive project-based rental subsidies, provide a current, fully executed rental subsidy agreement.**

Submit a current, executed rental subsidy agreement if the project will receive project-based rental subsidies. If the amount of vouchers verified by the agreement does not match the amount of units that the approved AHP application indicates would be covered by vouchers, provide an explanation for how the tenants in the remaining units will afford rent.

**Item 10: If the project will receive operating subsidies aside from project-based vouchers, provide a current operating subsidy agreement signed by the entity providing the subsidy.**

Submit a current, executed operating subsidy agreement if the project will receive operating subsidies independent of project-based vouchers. If the amount of subsidy verified by the agreement does not match the amount of income from this source shown on the operating budget submitted with item #3f above, provide an explanation for the discrepancy.

**Item 11: If the project was approved with over 50% of the units targeted to homeless households or those with special needs and it is not receiving rental or operating subsidy, explain how the tenants will be able to pay their rent. If fundraising will be used to cover rents, submit the two previous years’ audited financial statements from the organization providing the subsidy and a resolution from the organization’s Board of Directors indicating the organization’s willingness to cover rent payments.**

Submit an explanation of how the tenants in the project will be able to afford to pay rent if the project is not receiving project-based rental or operating subsidy and more than 50 percent of the project will house “Homeless households” or those with “Special needs.” If the explanation is that an organization is covering the rents with fundraising, also submit the following:

Continued...
• The most recent two previous years’ worth of audited financial statements from the organization providing the subsidy to verify that the organization generates enough annual income to operate the project; and,
• A resolution adopted and signed by the organization’s Board of Directors acknowledging the amount of fundraising necessary to support the operations of the project (including the income inflation factor shown on the operating budget) and the organization’s willingness to provide this level of funding for the 15-year life of the project.

The amount mentioned in the resolution must match any fundraising or cash contributions identified as income on the project’s operating budget. If such documentation was provided with the AHP application and the amount of fundraising needed to support the project has not changed significantly, no further documentation is necessary for this item.

Section 12: Blank copies of the following forms that meet the FHLB’s requirements that the project will use during regular operations:

Item 12a: Housing intake/tenant application form
Submit a blank copy of the housing intake/tenant application form that the project will use during regular operations. This form must contain all of the following to meet FHLB’s requirements:

- Tenant name (head of household) or other tenant identification,
- Household size (total number of household members),
- List of all household members’ names and ages,
- Annual household income by source for all household members,
- Signatures of the tenant(s) and the project owner representative/management company/property manager,
- Date of application,
- Fair housing logo or wording, and
- Unit transfer date, if applicable.

If the project does not capture all of the above information on one document, submit the housing intake/tenant application form PLUS whatever other documentation the project collects to verify the above items not captured on the intake/application form itself (tenant income certification, for example).

Item 12b: Lease or rental agreement
Submit a blank copy of the lease or rental agreement that the project will use during regular operations. This form must contain all of the following to meet FHLB’s requirements:

- Tenant name (head of household),
- Property address,
- Unit number,
- Unit size (efficiency, one-bed, two-bed, etc.),
- Lease date and term,
- Amount of rent to be paid by tenant,
- Total contract rent (tenant-paid rent plus any rental subsidy paid on behalf of the tenant),
- Signatures of the tenant(s) and the project owner representative/management company/property manager, and
- Fair housing logo or wording.

If the project does not capture all of the above information on one document, submit the lease or rental agreement PLUS whatever other documentation the project collects to verify the above items not captured on the lease or rental agreement itself.
Item 13a: Member’s permanent loan
If the project received points for the Member’s provision of first mortgage permanent financing for the project, the executed note submitted with item #8 above must show the Member as the lender, bondholder (for at least 20% of the bonds), or a holder of at least 51% of the consortium, loan pool, or loan participation. The debt must have a term of at least 15 years to be eligible for points in the AHP scoring system. If the project did not receive points for the Member’s provision of a permanent loan, nothing need be provided for this item.

Item 13b: Member’s bridge or construction loan
If the project received a point for the Member’s provision of a construction or bridge loan, submit signed copies of the note and mortgage (or deed of trust or other security instrument) associated with such a loan showing the Member as the lender on the loan. The principal amount of the loan must be at least 35% of the project’s construction/rehabilitation costs to be eligible for a point in the AHP scoring system. If the project did not receive a point for the Member’s provision of such a loan, nothing need be provided for this item.

Item 13c: Below-market rate on the permanent, construction, or bridge loan
If the project received a point(s) for the Member’s provision of a below-market rate on the permanent, construction, or bridge loan to the project, submit one of the following:

- A current, executed letter from the Member specifying the rate discount and which loan was discounted, or
- A copy of the Member’s standard rate sheet for loans of the same type, quality, and duration as the one that the Member made to the project that is dated within the time period the loan was made.

The Member must have made the loan at a rate that was at least 0.50% below its standard rates at the time the loan was made to the project. What is provided for this item should be consistent with items #13a, #13b, and/or #8 above, as applicable. Be sure to document that the discount was provided on the loan to which the Member pledged to make a discount (permanent, bridge, or construction loan) in the approved AHP application. If the project did not receive a point(s) for the Member’s provision of a discounted rate on a loan, nothing need be provided for this item.

Item 13d: Member’s cash contribution
Submit a copy of the Member’s cancelled check or a letter from the Member to verify that the Member made a cash contribution to the project of at least $500 if the project received a point in the AHP scoring system for the Member providing such a contribution. The full dollar amount of the contribution appearing on the check must be listed as a funding source for the project on the project’s listing of permanent development funding sources as provided for item #3b above. If a cancelled check is unavailable, submit evidence of the Member’s deposit into an account controlled by the Sponsor or project owner. If the project did not receive a point for the Member’s provision of such a contribution, nothing need be provided for this item.

Item 13e: FHLB loan/advance number for non-subsidized product
Enter the loan or advance number onto the AHP LIHTC/HTC Disbursement Request form that FHLB assigned to the non-subsidized loan product that the Member used to finance the construction, bridge, or permanent loan to the project. FHLB will compare the loan information for the loan number provided to the information in its internal system to ensure that the loan to the Member has a term of at least 12 months (for a construction loan the Member made to the project) or at least 15 years (for a permanent loan the Member made to the project). If the project did not receive a point for the Member’s use of a non-subsidized FHLB advance for this project, nothing need be provided for this item.
Item 14a: 8 hours of voluntary landscaping labor from an unrelated community organization
If the project received a point for provision of landscaping by the Member or a community organization, document completion of this item with one of the following:

- An e-mail that contains the contact’s name and organization and indicates that the organization which the contact represents provided at least eight hours of voluntary landscaping labor to the project and a description of the general nature of the work they completed (for example: planting shrubs, laying sod, etc.), or
- A current, executed letter from the representative of a community organization indicating that the organization provided at least eight hours of voluntary landscaping labor to the project and a description of the general nature of the work completed (for example: planting shrubs, laying sod, etc.).

The community organization submitting this verification cannot be the Sponsor, developer, contractor, or manager of the project or a party related to the Sponsor, developer, contractor, or manager of the project (see FHLB’s definition of “Related parties”). If the project did not receive a point for a commitment of voluntary landscaping labor, nothing need be provided for this item.

Item 14b: Donation of at least $500 in goods or services by an unrelated party
If the project received a point for the receipt of donated goods or services from an unrelated party, document completion of this item with one of the following:

- An e-mail that contains the contact’s name and organization and indicates that the organization that the contact represents donated a good or service to the project that is worth at least $500,
- A current, executed letter from the representative of a community organization indicating that the organization donated a good or service to the project that is worth at least $500, or
- An invoice or receipt from a community organization that explicitly states an amount of goods or services that was donated to the project and the value of the donation, which must be at least $500.

The donation must be for a cost that FHLB deems eligible for AHP reimbursement, which excludes the costs shown in items #3a and #5 above. The community organization submitting this verification cannot be the Sponsor, developer, contractor, or manager of the project or a party related to the Sponsor, developer, contractor, or manager (see FHLB’s definition of “Related parties”). If the project did not receive a point for a commitment of donated goods or services, nothing need be provided for this item.

Item 14c: Fee waiver from the local government of at least $500
If the project received a point for the local government’s waiver of a fee, submit one of the following to verify that the project earned the point in this scoring category:

- A current, executed letter from a representative of the local government indicating that the entity has waived a fee for the project and the value of the waiver, which must be at least $500, or
- An e-mail that contains the contact’s name and position in the local government that verifies the government has waived a fee for the project and the value of the waiver, which must be at least $500.

Please note that tax deferrals or abatements, government grants to pay for items or fees, or utility equipment donations do not constitute fee waivers and will not satisfy FHLB’s requirements for this item. Do not submit the same document as was submitted with the approved AHP application for this project, as FHLB requires an updated letter verifying that the fee was waived. If the project did not receive a point for a fee waiver from the local government, nothing need be provided for this item.

Item 14d: Energy-efficient new construction
Submit one of the following for all of the project’s addresses (or as many units as the project committed to construct to these energy-efficiency standards):

Continued...
- LEED or Enterprise Green Communities certification signed by an accredited professional,
- Evidence from a HERS rater that the housing received a HERS rating of 75 or less (for projects approved in 2015 or prior) or 85 or less (for projects approved in 2016 going forward), or
- Documentation signed by the project’s contractor or architect indicating that the REScheck calculation exceeds the relevant Model Energy code by 15 percent or better (2009 code for projects approved in 2017 or prior; 2012 code after that).

Item 14e: Tenant on the Sponsor's Board of Directors
If the project received a point for a commitment to add a tenant of the project to the Sponsor’s Board of Directors, submit a signed letter or other certification from a representative of the primary Sponsor's Board of Directors containing the following:
- Verification that a tenant of the project, selected by the tenants, has been given a position on the organization's Board of Directors (with all rights and responsibilities), and
- An outline of the procedures that describe the selection process for filling vacancies.

Do not submit the same documentation with the disbursement request package as was submitted with the approved AHP application for verification of fulfillment of this commitment; FHLB needs updated documentation.

Item 15: Recorded warranty deed evidencing that the property is in the name of the Sponsor/owner or a copy of the project’s lease that transfers the rights to the property to the project’s Sponsor/owner
Submit a signed and recorded copy of the deed or memorandum of lease that transfers the rights to the property from a third party to the Sponsor or owner of the project if this item was not provided with the approved AHP application or for item #7a above. Additionally, provide the lease itself or the recorded deed between the AHP Sponsor and the single-purpose tax credit entity if the third party did not transfer the property directly to the current owner. This is needed for all project parcels and addresses. Please note that the term of any lease must be at least 15 years to satisfy FHLB requirements.

Make sure that the property’s legal description as shown in the deed or lease matches the property documented for item #7a above or the documentation submitted with the approved AHP application. If it does not, submit consolidation or lot split documentation such as surveys or plats to show how the project’s property as it currently appears came to be. All parcels of the project must be represented in both the property acquisition documentation and the documentation for this item.

Rent payments on a lease agreement must match the operating budget submitted for item #3f above.

Section 16, items a & b: Verification that the project is subject to the most current version of the FHLB retention language for a rental project:
Formatting for this item differs depending on the amount of AHP funds requested. Projects requesting less than or equal to $750,000 in AHP funds must insert the most current FHLB retention language available in the AHP Implementation Plan at www.fhlbcin.com into the deed provided for item #7a or #15 above or include the most current language in a separately-recorded instrument (a restrictive covenant) that references the current deed or recorded lease or memo of lease. For the deed to satisfy this item, it must either contain the most current retention language in the body of the deed or contain a reference to the retention language if the language is attached to the deed as an exhibit or addendum. The deed or restrictive covenant including FHLB’s language should be recorded as close to the time of project completion as is practicable.

If the retention languages specifies an ending date for the retention period, this date must correspond to 15 years after the “Completion” date of the project, not the closing date for the partnership or financing of the project (per FHLB’s definition of “Retention period” as shown in the AHP Implementation Plan).

Continued...
FHLB recommends against including an AHP grant amount in the deed or restrictive covenant. If an amount is included that differs from the final amount FHLB determines will be disbursed for the project, the deed or restrictive covenant may have to be revised and re-recorded to include an accurate amount.

Projects receiving an award of more than $750,000 in AHP funds must use a note and security instrument between the project’s Member as mortgagee and Sponsor or owner (the single-purpose entity) as mortgagor to attach the most current version of FHLB’s retention language to the project. Please see the AHP Implementation Plan available at www.fhlbcin.com for instructions and details on the format that this note and security agreement should take. See item #3i above for requirements related to loaned AHP funds. Please contact FHLB for a redacted example of an acceptable note and security instrument if needed.

Please note: the retention language changes periodically, and only the most current language will be accepted. You should only rely on the retention language found in the AHP Implementation Plan for the most current retention language. Please remember to choose the retention language that is specific to rental projects, as including the language specific to ownership projects is not acceptable.

Make sure that the property’s legal description as shown in the retention document matches the property documented for item #15 above. All parcels of the project must be subject to the deed restriction, although FHLB does not care if the restriction is attached to more property than what actually constitutes the project (if the project only represents one floor of a three-floor building, for example).

Item 17: Executed management agreement that commits the project to at least the following:
Submit a management agreement or plan that is signed by both the property manager and the project owner, even if the AHP Sponsor is the manager of the project (see below for a sample agreement). The agreement or plan must contain all of the following, at minimum, to satisfy FHLB’s requirements:

**Item 17a: Fair housing policies**
The agreement or plan must indicate that the project will abide by all fair housing policies that are required by law. Cite specific federal and local legislation with which the project will comply as well as what practices the property manager will use to ensure that the project abides by this legislation.

**Item 17b: Tenant intake procedures**
The agreement or plan must outline the procedures that the property manager will follow when conducting tenant intake at the property. At minimum, the procedures must include collection of a housing intake/tenant application form, third-party income documentation for all household income sources, and documentation verifying that the household meets FHLB’s definitions of “Special needs” and/or “Homeless household,” as applicable to the project.

**Item 17c**
Rents charged for income-targeted units will not exceed 30 percent of the targeted monthly area median income (AMI)
The agreement or plan must indicate that the rents charged for income-targeted units will not exceed 30 percent of the monthly area median income (AMI) for the household, as adjusted for household size.

**Item 17d**
Management fee if the project is NOT managed by the Sponsor
The agreement or plan must disclose the management fee that the project will pay to the property manager if the AHP Sponsor will not manage the property for the project. This fee must match the fee shown on the current operating budget as submitted for item #3f above and is subject to FHLB’s feasibility guidelines.
Item 17e: Income targeting matching what’s included in the approved AHP application according to the number of units and the percentage of area median income targeted

The agreement or plan must indicate the property manager’s commitment to rent the units in the property to households at or below the income limits (as a percentage of area median income) set forth in the approved AHP application or approved project modification for the full number of units in the project. If the project will have to adhere to a system(s) of income limits that is(are) more restrictive than those in the approved AHP application (or approved project modification), list both the AHP income limits and those of the other system(s) and the most restrictive that the project will have to follow. Units must be affordable for and occupied by tenants whose gross annual incomes are less than or equal to these limits.

The gross incomes shown in item #3j above should not exceed the income limits mentioned in this item.

Item 17f: Housing the number of “Homeless households” shown in the approved AHP application, if applicable

The agreement or plan must indicate the property manager’s commitment to rent the number of units in the project to households that the approved AHP application sets aside for households meeting FHLB’s definition of a “Homeless household” at the time of move-in to the project. The units that qualify under this criterion must meet the following FHLB definition:

“Homeless household” means a household made up of one or more individuals, who:

1) Resides in overcrowded housing; “overcrowded housing” means a housing unit occupied by more than one household or any housing unit with an average of more than two persons per sleeping area (including a living room as a sleeping area);
2) Is facing imminent loss of their home due to condemnation or eviction;
3) Lacks a fixed, regular, and adequate nighttime residence;
4) Individuals aging out of foster care;
5) Individuals fleeing or attempting to flee domestic violence or other dangerous or life threatening situation; or,
6) Has a primary nighttime residence that is:
   a. A supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill);
   b. An institution that provides a temporary residence for individuals intended to be institutionalized;
   c. A public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings; or,
   d. A “mobile home” that does not meet the requirements of the National Manufactured Housing Construction and Safety Standards Act, Title VI, Public Law 93-383; 42 USC 5401, appearing at 24 CFR 3280, et seq., generally referred to as “pre-1976 mobile homes.”

Item 17g: Housing the number of households who meet FHLB’s definition of “Special needs” or “Elderly” as shown in the approved AHP application, if applicable

The agreement or plan must indicate the property manager’s commitment to rent the number of units in the project to households that the approved AHP application sets aside for households meeting FHLB’s definition of “Special needs” at the time of move-in to the project. This definition is as follows:

“Special needs” means any person or household meeting one of the following definitions:

1. “Physically disabled” means any person: a) with a physical impairment that results in substantial functional limitations and who is receiving disability benefits from federal or state government; or b) who is deemed physically disabled by a licensed physician who attests that, by reason of this impairment, the person is unable to perform life roles in at least one of the major domains of living, working, learning, or socializing.

Continued...
2. “Mentally disabled” means any person: a) who is diagnosed with a psychiatric disorder and is receiving disability benefits from federal or state government; or b) who is deemed to have a comparable long-term mentally disabling condition by a qualified professional, such as a licensed psychiatrist, psychologist, or clinical social worker, who attests that, by reason of this impairment, the person is unable to perform life roles in at least one of the major domains of living, working, learning, or socializing.

3. “Developmentally disabled” means any person: a) with a severe, chronic developmental disability who has been diagnosed with mental retardation and is receiving disability benefits from federal or state government; or b) who is deemed developmentally disabled by a licensed physician who attests that, by reason of this impairment, the person is unable to perform life roles in at least one of the major domains of living, working, learning, or socializing.

4. “Co-occurring disabled” means any person: a) diagnosed as having both a psychiatric disorder as well as a substance abuse/dependency (co-occurring issues) who is receiving disability benefits from federal or state government; or b) who is deemed to have a comparable long-term co-occurring condition by a licensed psychiatrist, psychologist, or clinical social worker, who attests that, by reason of this impairment, the person is unable to perform life roles in at least one of the major domains of living, working, learning, or socializing.

5. “Physically or emotionally abused” means any person who is or will be residing in a place protecting such person from such physical or emotional abuse.

6. “Chemically dependent” means any person with a history of substance abuse/dependency who is diagnosed as chemically dependent or receiving treatment for the abuse/dependency from a licensed physician, psychiatrist, psychologist, or clinical social worker, or is receiving treatment in a recognized therapeutic program.

7. “Persons with AIDS” means any person with a medical diagnosis of Acquired Immune Deficiency Syndrome or any person who is medically diagnosed as HIV positive who is receiving medical care for the condition diagnosed.

8. “Elderly” means any person aged 60 or older, or any person defined as "elderly" by the applicable tax credit Qualified Allocation Plan.

Item 17h: The property manager’s requirement to comply with FHLB requests for reports and audits
The agreement or plan must state the property manager’s willingness to provide all reports and audit documents that are mentioned in the Initial Monitoring and Tenant File Information section above to FHLB within the required timeframes.

Item 17i: Management’s making empowerment services available as committed in the approved AHP application, such as employment training, credit counseling/budgeting, education services, skills training, daycare services, etc., if applicable
If the project received points in the approved AHP application for making empowerment services available to the tenants, the agreement or plan must indicate that property management will make the required services available. These services may include credit counseling/budgeting, education services, employment training, skills training, or daycare services, depending on what commitments appear in the approved AHP application. If the project did not receive points for any of these services, they need not be mentioned in the agreement or plan.
SAMPLE MANAGEMENT AGREEMENT

Property Management Agreement
SAMPLE

ARTICLE I: PARTIES AND TERMS

ABC, Inc., (“Owner”) and ABC Management (Management Company) enter into this Property Management Agreement for the Project described below, effective November 4, 2018, which sets forth the respective duties and obligations of the Owner and Management Company with regard to Hope Apartment Homes located at 1234 Hope St. This agreement will have a term of fifteen (15) years, beginning on November 4, 2018. This agreement will be binding upon the above parties and any successors in interest to the parties. ABC Management will be entitled to 8% of the Project’s net rents for its performance of the obligations described herein.

ARTICLE II: PROJECT

Hope Apartment Homes is made up of 50 apartment units with wraparound case management and mental health services for homeless individuals with mental, physical, or co-occurring disabilities. Credit counseling/budgeting services will also be offered to the tenants.

ARTICLE III: FAIR HOUSING

ABC Management agrees to comply with fair housing laws, which prohibit discrimination in housing because of race, color, national origin, religion, familial status, gender, or disability. ABC Management agrees to develop and follow a plan for vacancies, to train staff on compliance with this plan, and to follow the intake procedures described herein.

ARTICLE IV: DETERMINATION AND TENANT SELECTION

Eligibility for this property will be based on income, homeless status, and special needs status.

Homeless status: Applicants applying for the 50 units will need to have their homeless status and history verified, and verification of homelessness will be retained in the tenant file.

Special needs status: Applicants will have their special needs status verified as part of the enrollment process, and that verification will be retained in the tenant file.

Tenant Selection: Tenants will be selected by ABC Management. Selections of tenants for Hope Apartment Homes will not rely solely on traditional property management standards, but standards that reflect a commitment to housing very low-income and homeless persons.

ARTICLE V: TENANT INTAKE

Intake will be conducted by ABC Management and will include verification of income, homelessness, and special needs status. Completed Application Forms and verifications will be retained by ABC Management on-site in locked storage and available for Federal Home Loan Bank review.

ARTICLE VI: TENANT RENTS
The rents charged for these units will not exceed 30% of the area median income targeted.

**ARTICLE VII: INCOME TARGETING**

The project will provide all 50 units in the project to households earning 50% or less of the area median income. A total of 43 units will be rented to tenants meeting FHLB’s special needs definition, and 50 units will be rented to tenants meeting FHLB’s homeless definition.

**ARTICLE VII: REPORTING**

ABC Management will maintain records, including rent rolls, Application Forms, income verification, evidence of household size, and leases. All documents will be available to FHLB for review by request.

Each party acknowledges that this Agreement represents the complete and exclusive agreement between the Owner and Management Company. This Property Management Agreement may be amended only in writing as authorized by the designated representative of ABC, Inc. If amended, a copy of the revised agreement will be forwarded to FHLB Cincinnati.

The parties accept the terms and conditions of the agreement.

___________________________       ________________
ABC, Inc. (Owner)                        Date

___________________________       ________________
ABC Management                        Date
AHP LIHTC/HTC Disbursement Request
Effective January 1, 2019

<table>
<thead>
<tr>
<th>Project Name:</th>
<th></th>
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<tbody>
<tr>
<td>Project Address(es):</td>
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</tr>
<tr>
<td>Member Name:</td>
<td></td>
</tr>
<tr>
<td>Sponsor Name:</td>
<td></td>
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<tr>
<td>Project Number:</td>
<td></td>
</tr>
<tr>
<td>Total Initially Awarded:</td>
<td>$_____</td>
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<tr>
<td>Final Amount Requested:</td>
<td>$_____</td>
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Refer to the AHP Tax Credit Rental Disbursement Manual for acceptable forms of required documentation. Documents that do not meet FHLMC’s requirements as listed in the manual will be required to be amended or replaced prior to disbursement of AHP funds.

<table>
<thead>
<tr>
<th>Required Documents:</th>
<th>Already on file</th>
<th>Enclosed</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Dates of disbursement training completion:</td>
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<tr>
<td>Documentation Details Webinar/Live Training:</td>
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<tr>
<td>Attachments/Financials Webinar/Live Training:</td>
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<tr>
<td>2. Evidence of completion (Certificate of Occupancy et al.)</td>
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<td>3. Financial documentation:</td>
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<tr>
<td>a. Cost certification executed by an independent auditor that documents all expended project costs</td>
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<tr>
<td>b. List of all permanent development funding sources with Sponsor and Member contributions that matches the sum of project costs</td>
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<tr>
<td>c. Construction contract with all change orders, signed by all parties</td>
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<tr>
<td>d. Executed partnership operating agreement with all attachments</td>
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<tr>
<td>e. Final tax credit pro forma as prepared for the tax credit investor</td>
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<tr>
<td>f. Current, itemized 15-year operating budget for the project</td>
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<td>g. Evidence of tax credit commitment from the tax credit allocating agency (e.g. Carryover Allocation for LIHTC projects)</td>
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<tr>
<td>h. Do the total replacement reserve, management fee, capital contribution(s), “Capitalized costs,” and “Developer fee” amounts in the partnership/operating agreement match any such amounts identified on the cost certification, source list, and operating budget? Corresponding amounts must match.</td>
<td>Yes</td>
<td>No</td>
<td></td>
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<tr>
<td>i. AHP note to project, which must contain the required language</td>
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<tr>
<td>j. Current occupancy report for the project in FHLMC’s format</td>
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<tr>
<td>k. Formation documents or other verification of the Sponsor’s ownership interest in the single-purpose tax credit entity</td>
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<tr>
<td>4. Do the project’s financials meet the FHLMC feasibility guidelines that were in place at the time the project was approved/modified?</td>
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<tr>
<td>Yes</td>
<td>No</td>
<td>If “No,” provide justification.</td>
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</tbody>
</table>
Frequently Asked Questions and Common Mistakes

Below is a list of frequently asked questions and common mistakes that often occur when requesting a disbursement of funds. They are being provided in an attempt to assist Members and Sponsors in expediting the disbursement process.

Frequently Asked Questions

Q. Why does the FHLB require documentation before releasing funds?
A. FHLB cannot disburse AHP funds until it can determine through the documentation provided that the funds are necessary, that the project is financially and economically feasible, and that it is in compliance with the terms of the approved AHP application. By withholding funds until assessments from all of these perspectives have taken place, FHLB reduces the potential for recapture of funds. Documentation is necessary to ensure compliance with the federal regulations that govern the Affordable Housing Program.

Q. Is it possible to obtain funds prior to completion of the project?
A. See the AHP Early Disbursement Manual and AHP Early Disbursement Request form available on FHLB’s website at www.fhlbcin.com. This is only available to rental projects approved for an AHP grant that have not drawn any funds and have a committed government funding source or an executed construction contract in place. The Sponsor and project must qualify for the early disbursement based on a risk assessment.

Q. Does the FHLB have a standard retention document?
A. Yes. The retention language is a part of the Affordable Housing Program Implementation Plan, which is available at https://www.fhlbcin.com/community-investment/program-documents-and-forms/. The retention requirement is different for rental and ownership projects and for projects requesting more or less than $750,000 in AHP subsidy, so be sure to pull the correct version from the website.

Q. One of my proposed funding sources was not approved. Will my AHP award be cancelled?
A. If other financing or additional fundraising/cash contributions can be secured within a reasonable timeframe, the AHP award will not be cancelled. The project must have at least one other funding commitment in place within 12 months of AHP award and receive all other funding commitments within 18 months of AHP award. If a change in the project’s funding sources significantly changes the financing structure of the project (especially as it pertains to the hard debt and/or lender), be sure to request a modification to the project via the AHP Modification Request Form, which is available at https://www.fhlbcin.com/community-investment/program-documents-and-forms/.

Q. How will I know if a submitted request is approved?
A. A Confirmation of AHP Funds Disbursement will be e-mailed or faxed to the Member and Sponsor contacts to confirm deposit of the AHP funds into the Member’s Demand Deposit Account at FHLB.

Q. How long does it take to receive funding once FHLB has received a completed AHP LIHTC/HTC Disbursement Request and all supporting documentation?
A. Typically, FHLB will require up to 30 days for review of the disbursement request and provision of the funds. If information besides what is included in the submitted disbursement request package is required, it will take longer.

Q. How will the Member institution receive the AHP funds after a request for funds has been approved?
A. FHLB will credit the Member’s Demand Deposit Account at FHLB for the amount approved.
Q. My project involves the renovation of an occupied building. Do the residents have to comply with the income restrictions outlined in my approved AHP application, or are the income restrictions only applicable to new tenants?
A. The AHP regulations require that all tenants meet the income qualifications at the time the application for AHP funds is submitted. Tenants who occupy the facility at the time the renovations are complete must meet the targeting levels outlined in the project’s approved AHP application or approved project modification. The initial Owner’s/Member’s Certificate of Program Compliance sent out nine months after disbursement of AHP funds will request an occupancy report so that FHLB can verify that the project is in compliance with the targeting levels outlined in its approved AHP application or approved project modification.

Q. We have had significant turnover within the organization since our application for AHP funds was approved. Are there any resources to improve our familiarity with the program and the approval process?
A. See the two Disbursements for Tax Credit Projects webinars at https://www.fhlbcin.com/community-investment/webinars-and-presentations/ and review this manual. You may also contact a member of FHLB staff for questions by sending a message to AHPDisbursement@fhlbcin.com. Also, be sure to notify FHLB of staffing changes so that we may update our records.

Q. Will HOME or tax credit retention documents be accepted as evidence of long-term FHLB retention?
A. No. See item #16 above for further instructions on how to properly convey this restriction.

Q. If I received approval for an AHP grant, why do I need to send updated financial information when I request a disbursement of AHP funds?
A. The award of AHP funds for your project is a commitment to fill the financial gap that you have identified. FHLB is required to analyze a project’s final financial structure prior to disbursing AHP funds in order to determine that AHP subsidy is still needed and the level of that need. FHLB also needs to ensure that costs are reasonable. In most cases, our analysis process should not be cause for undue concern, since the great majority of projects continue to demonstrate the need for the full amount of the AHP award.

Q. Can AHP funds be loaned to the project?
A. Yes, but FHLB has certain provisions for the promissory note to the project. See item #3i above.

Common Mistakes

In order to assist our Members and Sponsors with receiving funds in a timely manner, we have included a list of common mistakes that often delay the processing of AHP LIHTC/HTC Disbursement Requests.

1. The AHP LIHTC/HTC Disbursement Request is incomplete or unsigned by one or both parties. All questions should be answered. If a question is not applicable to your project’s type or the project was not awarded points for a particular scoring criterion, check the “N/A” box in the space provided. If an N/A box is not available for that particular item, submit an explanation indicating why you believe the item doesn’t pertain to your project.

2. The person(s) assembling the Required Documents for the disbursement request package is not familiar with FHLB’s requirements or the commitments the project made in its approved AHP application. See this manual or the two Disbursements for Tax Credit Projects webinars to familiarize yourself with FHLB’s requirements. Contact FHLB at AHPDisbursement@fhlbcin.com for a copy of the project’s AHP Application Scoring Sheet and/or the approved AHP application if you do not have one for the project.
3. The disbursement package contains documentation that contradicts other documentation included in the disbursement request package or documentation submitted with the approved AHP application or approved project modification.

4. There are significant differences between the project’s financials as submitted with the approved AHP application and those submitted in the disbursement request documents that create conflicts with FHLB’s underwriting parameters. FHLB requires an explanatory narrative to justify any material change to the project’s financing, which it will only accept at FHLB’s discretion.

5. Required documentation does not contain the required signatures.

6. The AHP Sponsor or Member is delinquent with regard to additional information submission or reporting/monitoring requirements of FHLB for the project being submitted or others.

7. All of the funding sources included on the listing of permanent development funding sources were not documented with executed grant agreements, notes and mortgages or deeds of trust, or equity letters. See item Request Form items #3g and #7 above for assistance with collecting the required documentation.

8. The management agreement or plan does not contain all of the information required or does not match the approved AHP application or approved project modification with regard to the project’s requirements. Contact FHLB at AHPDisbursement@fhlbcin.com for a copy of the project’s AHP Application Scoring Sheet and/or the approved AHP application if you do not have one for the project.

9. Documentation that was submitted with the approved AHP application was submitted again to verify that the project has met its scoring criteria. FHLB accepts documentation that was submitted with the AHP application for some items; see the “Already on file” column of the AHP LIHTC-HTC Disbursement Request form for examples of these items. For all other items, FHLB requires updated documentation.