

AHP Disbursements for Tax Credit Projects- Documentation Details

Presented by:
Jamie Board



©2018 FHLB Cincinnati. All rights reserved. 1

Webinar Agenda

- Steps to Draw AHP Funds
- Disbursement Timeline
- Required Documents
- Common Issues Causing Subsidy Adjustments
- Common Mistakes

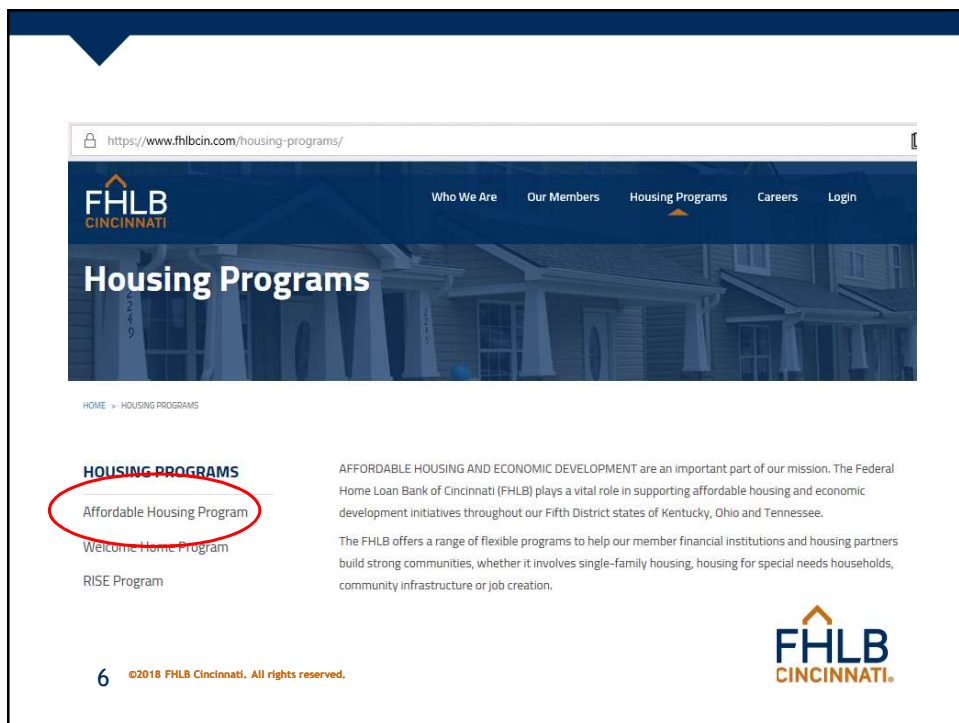
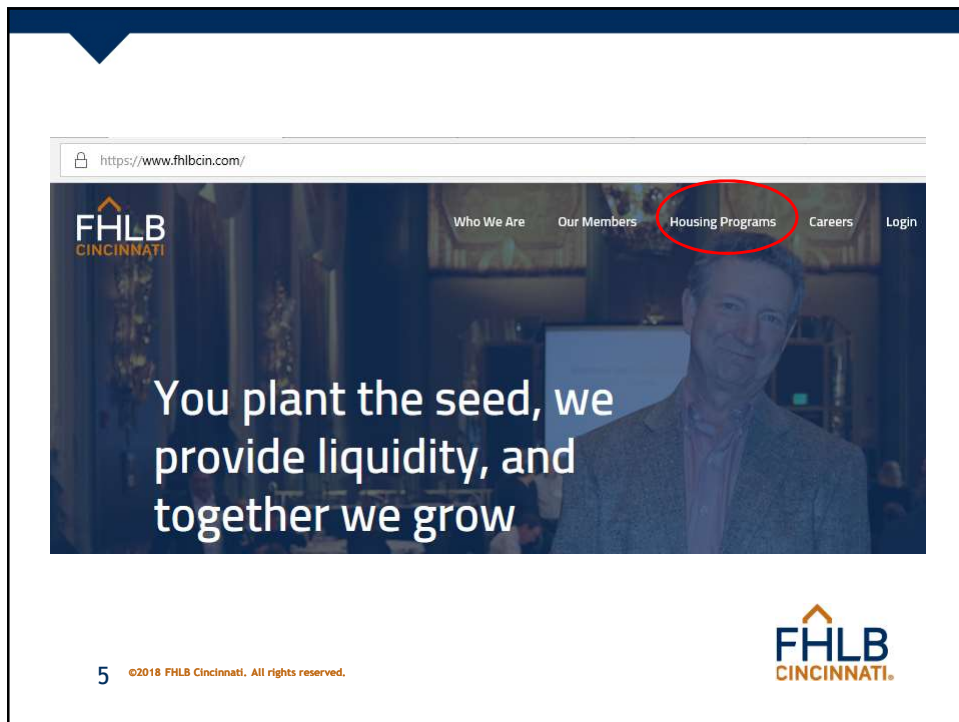
2


©2018 FHLB Cincinnati. All rights reserved.



- Review the AHP Tax Credit Disbursement Manual.
- Complete the AHP LIHTC/HTC Disbursement Request form.
- Gather Required Documents.
- Obtain Member and Sponsor signatures.
- Submit the AHP Disbursement Request form and all Required documents to FHLB
 - By Mail: Housing, FHLB Cincinnati, 221 E. 4th Street, PO BOX 398, Cincinnati, OH 45202







[Availability of Funds](#)[Who We Are](#)[Our Members](#)[Housing Programs](#)[Careers](#)[Login](#)

AHP funds are made available through a single competitive offering conducted annually. Interested members and sponsors have until the closing date for each offering to submit an application. Applications must be completed and submitted online to the FHLB by 5:00 p.m. EDT, July 31, 2020, for the FHLB's 2020 offering.


Information and Technical Assistance

The FHLB is a source of technical assistance in developing projects and can help connect sponsors to members, if requested. For more information or assistance, please contact Housing & Community Investment Department toll-free at [\(888\) 345-2246](tel:888-345-2246) or by email at AHPApplication@fhlbcin.com.

Affordable Housing Program resources

Affordable Housing Program Documents and Forms


- OASYS Registration Instructions [PDF]
- AHP Implementation Plan [PDF]
- AHP Retention Requirements [PDF]
- Summary of 2020 AHP IP Changes [PDF]



7 ©2018 FHLB Cincinnati. All rights reserved.

AHP Tax Credit Disbursement Manual

- The most important tool for successfully completing the AHP Tax Credit Disbursement process.
- The manual details FHLB's requirements for each item on the request form.
- Access the AHP Tax Credit Disbursement Manual at www.fhlbcin.com.



8 ©2018 FHLB Cincinnati. All rights reserved.

Disbursement Timeline

- FHLB announces AHP awards.
- AHP Sponsor and Member sign AHP Agreement and AHP Final Application Review and Acceptance form.
- AHP Sponsor and Member complete biannual Periodic Progress Reports until all funds are disbursed.
- Project's units reach completion within three years of AHP award.

9

©2018 FHLB Cincinnati. All rights reserved.



Disbursement Timeline (cont.)

- AHP Sponsor/owner and Member submit the disbursement request package to FHLB.
- FHLB reviews request package within 30 days.
- AHP Sponsor/owner submit additional information requested within 30 days of request.
- FHLB sends a Confirmation of AHP Funds Disbursement once verification of completion of all the project's commitments in the approved AHP application is completed.

10

©2018 FHLB Cincinnati. All rights reserved.



Disbursement Timeline (cont.)

- FHLB deposits the funds into the Member's Demand Deposit Account at FHLB.
- The Member must credit the funds to the AHP Sponsor.
- Project monitoring takes place nine months after disbursement of AHP funds.

Required Documents

- The AHP LIHTC/HTC Disbursement Request form lists the Required Documents that will need to be submitted to draw AHP funds.
- Provide only the Required Documents that have not previously been submitted to FHLB and that apply to your project.
- The AHP Tax Credit Disbursement Manual gives specific guidance for each Required Document.

Evidence of Completion

- Submit one of the following for all addresses in the project:
 1. A certificate of occupancy;
 2. Certification by the project architect that the work is complete;
 3. Certification by the general contractor that the work is substantially complete
 4. Certification from a certified/licensed multi-family inspector and licensure.
- Must contain a completion date for each project address.
- The project address on the evidence of completion must match the project's address from approved AHP application.

13

©2018 FHLB Cincinnati. All rights reserved.



Cost Certification

- 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(s)
 - The date for which the report was prepared
 - Member and Sponsor contributions must be clearly identified
- Provide breakdown of any costs labelled "miscellaneous" or "other".

14

©2018 FHLB Cincinnati. All rights reserved.



Construction Contract

- 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.

15 ©2018 FHLB Cincinnati. All rights reserved.



Executed partnership/operating agreement

- Submit the final partnership or operating agreement with the signatures of all partners or the amended and restated version if the agreement has been modified.
- The agreement must contain the equity pay-in schedule.
- Capital contributions, developer fee, funding sources, capitalized reserves and costs, income targets, management fees, or replacement reserves identified in agreement must match cost cert and operating budget.

16 ©2018 FHLB Cincinnati. All rights reserved.



Final Tax Credit Pro forma

- Submit the most recent version of the tax credit pro forma prepared for the tax credit investor that includes the development budget, 15-year operating budget, and a schedule of rents.

17 ©2018 FHLB Cincinnati. All rights reserved.



Current, itemized 15-year Operating Budget

- Income must trend at a rate at least one percent lower than the expenses.
- List only expenses related to the housing component of the project. Do not include commercial or social service expenses.
- The project should show positive cash flow for the entire 15 years.
- If the cash flow goes negative in year 11 or earlier, the project is not eligible for AHP funds.

18 ©2018 FHLB Cincinnati. All rights reserved.



Evidence of Tax Credit Commitment

- Submit one of the following signed by the tax credit allocating agency based on the type of tax credits the project will receive:
 - Award letter or Carryover Allocation for 9% LIHTCs,
 - Letter of eligibility for 4% LIHTCs,
 - Signed copies of Parts I, II, and III for federal HTC's, and/or
 - State versions of the above for state LIHTCs or HTC's.

AHP Note

- The note cannot bear interest.
- The note must state that any payments made on the note will be paid forthwith to FHLB.
- The term of the note must coincide with FHLB's 15-year retention period.

Current Occupancy Report

- Submit a completed FHLB Occupancy Report form.
 - Information must be entered in every column shown on the form for all units in the project, vacant and occupied.
 - Only enter contract rent (tenant-paid rent + any subsidy).
- Contract rents must meet FHLB affordability guidelines.
- Occupancy targets (special needs/homeless) and households' income must meet commitments made in the approved AHP application.

21 ©2018 FHLB Cincinnati. All rights reserved.



Verification of Sponsor's Ownership Interest

- Sponsor must have 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, 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.

22 ©2018 FHLB Cincinnati. All rights reserved.



Sponsor Commitment Verification Form

- Submit form if the project received points for the Sponsor's provision of predevelopment or construction/rehabilitation activities. Describe the activities performed.
- Empowerment services should be marked on the verification form AND be stated in the Management Agreement.



Sponsor Commitment Verification Form

**Verification of AHP Approved
Sponsor Commitment(s)**

Project Number:

Project Name:

Sponsor Name:

The above named project was approved with one or more of the following Sponsor commitments. Check the commitment(s) that have been completed for this project by the above named Sponsor and describe the activities, if applicable.

☐ Provided marketing/outreach activities. Describe:

☐ Completed pre-development activities (Sponsor is the developer on the project). Describe:

☐ Completed construction/rehabilitation activities with employees or volunteers (Sponsor was the general contractor on the project).

The above named project was approved with commitments to provide one or more of the following empowerment services. Check the committed service(s) that are available to all homeowners/owners for or all tenants of this project.
Note: Execution of this form does not exempt Sponsors from defining empowerment activities in the Management Agreement for Rental projects.

☐ Credit counseling/budgeting

☐ Employment/skills training

☐ Daycare services

☐ Tenant on Sponsor's Board

☐ Education services

I certify that the information presented herein is true and accurate and further understand that providing false representations may constitute an act of fraud.

Sponsor Contact Printed Name & Title:

Sponsor Contact Signature: _____

Date:



AHP Application Scoring Sheet

FHLB
CINCINNATI
APPLICANT:
PROJECT:
DESCRIPTION:

2017 AHP APPLICATION SCORING SHEET

RANK
56

Grant Amount: \$300,000	Total Project Cost: \$1,090,434	Housing Dev. Cost: \$1,090,434	Cost per Unit: \$181,739	Leverage Ratio: 3.63	Project Number: 201701-0044
CRITERIA			SCORE		SCORE
First District Priority (30)					5.00
Member Financial Participation (5)					
First Mortgage Permanent Loan	0	3.00			
Construction Loan	1				
Cash Contribution	1				
Servicing of Borrower Loans	0				
Reduced Rate (on permanent loans)	0				
Reduced Rate (on construction loans)	1				
Use of a FHLB Advance	0				
First-Time Homebuyers (5)					0.00
Community Involvement (5)					2.00
Landscaping by Member/Community Group	1				
Donation of Goods/Services	1				
Fee Waivers from Local Government	0				
Project Sponsorship (25)					4.00
Primary Sponsor a Non-Profit 501(c)(3) or (c)(4)	2				
Financial Contribution	1				
Predevelopment Activities	1				
Construction Rehab by the Sponsor	0				
First Mortgage / Permanent Financing by Sponsor	0				
Marketing/outreach activities	0				
Management of Project	1				
Promotion of Empowerment (5)					4.00
Credit Counseling/Budgeting/Financial Literacy	1				
Mandatory Homebuyer Counseling	0				
Employment Training/ Skills Training/ Job Placement	1				
Education Services	1				
Daycare Services	1				
Tenant Positions on Sponsor's Board of Directors	0				

25 ©2018 FHLB Cincinnati. All rights reserved.

FHLB
CINCINNATI.

Verification of Property Donation

- Submit one of the following to verify property donation:
 - Purchase contract
 - Settlement Statement
 - Signed letter from the grantor
 - Property Value Assessment showing a nominal sales price in the transaction history for the property
 - Signed warranty deed or lease with price indicated

26 ©2018 FHLB Cincinnati. All rights reserved.

FHLB
CINCINNATI.

Verification of Acquisition Cost

- Submit one of the following to all acquisition costs on the cost cert:
 - Purchase contract
 - Settlement Statement
 - Signed letter from the grantor
 - Signed copy of the foreclosure/sheriff's sale document
 - Executed note and mortgage and evidence from the lender of the loan balance at the time of payoff
 - Signed warranty deed or lease with price indicated

27 ©2018 FHLB Cincinnati. All rights reserved.



Reasonableness of Acquisition Cost

- Submit a Property Value Assessment (PVA) or appraisal dated no more than six months prior to the property acquisition date.
- Related-party transactions require an appraisal.
- Acquisition costs cannot exceed market value.

28 ©2018 FHLB Cincinnati. All rights reserved.



Evidence of All Permanent Funding Sources

- Submit a list of all permanent funding sources. The sum of all amounts must match the total costs shown on cost certification.
- Not needed if provided within the cost certification.
- Amounts on listing must match back-up documents.
- Member, Sponsor, and AHP contributions must be shown.

Evidence of All Permanent Funding Sources

<u>Type of Source</u>	<u>Documentation Required</u>
Grant	Signed grant agreement with all exhibits/attachments
Cash/fundraising/ Sponsor equity	Copy of cancelled check or letter from contributor
Deferred developer fee	Letter from developer acknowledging amount of fee
Loan	Signed note AND mortgage or deed of trust
Bonds	Loan/financing agreement, tax regulatory agreement, and investment letter

Evidence of Funding Source Paying for Non-residential Space

- “Non-residential space” is any area beyond what is necessary to allow residents to enjoy normal housing amenities with an allowance for one manager’s office and one community room.
- Provide a list of non-residential costs and funding source(s) covering these costs.
- Refer to manual for a list of ineligible costs.

31

©2018 FHLB Cincinnati. All rights reserved.



Rental/Operating Subsidy Agreements

- Submit a current, executed rental or operating subsidy agreement if the project will receive any subsidies.
- Rent amounts and/or annual amounts to be paid must match the income sources shown on the project’s operating budget.

32

©2018 FHLB Cincinnati. All rights reserved.



Payments for Special Populations

- Submit an explanation of how the tenants will be able to afford to pay rent if not receiving project-based subsidy.
- If fundraising is an income source for operations, submit the following:
 - Two previous years' audited financials statements from the organization doing the fundraising, and
 - A Board resolution verifying the dollar amount of the organization's annual commitment to the project.

33

©2018 FHLB Cincinnati. All rights reserved.



Housing Intake/ Tenant Application

- Submit a blank copy of the housing intake/tenant application form that the project will use during regular operations, which must include, at minimum:
 - Tenant name or other tenant identification
 - List of all household members' names and ages
 - Annual household income by source for all sources
 - Signatures of the tenant(s) and project owner or manager
 - Fair housing logo or language
 - Date of application

34

©2018 FHLB Cincinnati. All rights reserved.



Lease or Rental Agreement

- Submit a blank copy of the lease or rental agreement that the project will use during regular operations, which must contain all of the following:
 - Tenant name
 - Property address
 - Unit number
 - Unit size (# of bedrooms)
 - Lease date
 - Lease term
 - Tenant rent amount
 - Contract rent amount
 - Signatures
 - Fair housing logo

35

©2018 FHLB Cincinnati. All rights reserved.



Permanent, Bridge, and/or Construction Loan by the Member

- Submit signed copies of the note and mortgage/deed of trust for each loan the Member made to the project.
- Permanent loans must have a term of at least 15 years and be in first position.
- Construction/ bridge loan interest and fees must show on budget.

36

©2018 FHLB Cincinnati. All rights reserved.



Below-market Rate on Loan(s)

- Submit a signed letter from the Member verifying rate discount of at least 0.50% below standard rate or a standard rate sheet dated within the time period that the loan was made by the Member for loans of the same type, term, and quality.

37 ©2018 FHLB Cincinnati. All rights reserved.



Member Cash Contribution

- Submit a letter or copy of the Member's cancelled check evidencing a contribution of at least \$500.
- The full amount of the contribution must be listed as a funding source in the source listing.

38 ©2018 FHLB Cincinnati. All rights reserved.



Use of Non-subsidized FHLB Product

- Enter the loan/advance number assigned by FHLB for the non-subsidized.
- Loan must have a term of at least 12 months (for construction loans) or 15 years (for permanent loans).

Landscape Labor

- Submit an e-mail or current letter from a representative of a community organization verifying the landscape activities completed and total number of hours volunteered.

Donated Goods and Services

- Submit an e-mail, current letter, or invoice from a representative of a community organization verifying that the organization has donated a good or service to the project worth at least \$500.
- Must be directly related to development of the project (i.e. donated materials, donated professional services).
- Cash donations and gift cards do not qualify.

Local Government Fee Waiver

- Submit an e-mail or current letter from a representative of the local government entity verifying a waived fee for the project valued at \$500 or more.
- Do not submit the same documentation that was provided at application. Documentation must be current.

Energy-efficient New Construction

- Submit one of the following for each energy-efficient unit:
 - LEED certification signed by a LEED AP
 - Enterprise Green Communities certification
 - Evidence from a HERS rater that the housing received a HERS rating of 85 or less
 - Proof that the REScheck calculation exceeds the relevant Model Energy code by 15 percent or better
 - Passive House Certification or Energy Star (for projects approved in 2019 forward)

43 ©2018 FHLB Cincinnati. All rights reserved.



Tenant on 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.

44 ©2018 FHLB Cincinnati. All rights reserved.



Recorded Warranty Deed or Lease

- Submit signed and recorded copies of any deeds or memorandums of lease that transfer the rights to the property from a third party to the current project owner.
- Submit the lease as well, if applicable.
- Legal description should match all property documentation throughout the file.

45

©2018 FHLB Cincinnati. All rights reserved.



Retention Language

- Submit the recorded version of either the deed or restrictive covenant that references the deed containing the most current FHLB retention language.
- Most current language is available at www.fhlbcin.com.
- FHLB no longer requires note and mortgagee between Member and Sponsor/Owner for projects receiving \$750,000 or more.

46

©2018 FHLB Cincinnati. All rights reserved.



Retention Language

 Housing and Community Investment

AHP Retention Agreement for Rental Projects

The language below should be inserted into the Deed or as a Restrictive Covenant to the Deed. If it is attached to the Deed as an addendum or attachment, the Deed must reference the addendum or exhibit. If recorded as a Restrictive Covenant, the document must reference the Deed.

As a condition and in consideration of receipt of direct subsidy funds from the Federal Home Loan Bank of Cincinnati's (the FHLB Cincinnati) Affordable Housing Program (AHP), the Project Owner, for itself and all successors, agrees that:

- (i) The _____ ("Project's") rental units, or applicable portion thereof, must remain occupied by and affordable for households with incomes at or below _____ (insert levels committed to be served in the approved AHP Application) or as modified by FHLB for a period of fifteen (15) years ("Retention Period") from the date of the issuance of the certificate of occupancy or certification of project completion, _____ (insert date);
- (ii) The FHLB Cincinnati, whose mailing address is P.O. Box 598, Cincinnati, OH 45201-0598, is to be given notice of any sale, transfer, assignment of title or deed, refinancing, or foreclosure, or change in ownership of the Project by the Project Owner occurring during the Retention Period;

Management Agreement

- Submit a management agreement or plan that is signed by both the property manager and the project owner containing all of the following:
 - Fair housing policies
 - Tenant intake procedures
 - AHP income targeting
 - Rent affordability limit (30% of AMI)
 - # of units reserved homeless/special needs households
 - Management fee
 - Commitment to comply with FHLB monitoring requirements
 - Commitment to providing empowering services

Submission of Disbursement Package

Mail the AHP Rental Disbursement Request form and all Required Documents to:

Housing, Federal Home Loan Bank of Cincinnati
221 East 4th Street,
PO Box 598
Cincinnati, OH 45202

Common Issues Causing Subsidy Adjustments

- Funding source changes resulting in reduced need for AHP subsidy.
- Costs presented are not reasonable or ineligible expenses are included as development or operating costs.
- Project no longer meets the scoring criteria from approved AHP application.
- Project does not meet feasibility guidelines.

Common Issues Causing Disbursement Delays

- Failure to respond to requests for information.
- Noncompliance with regard to other AHP project.
- Older, incomplete AHP projects for which the Sponsor is not making adequate progress.

51

©2018 FHLB Cincinnati. All rights reserved.



Reminders

- Allow up to 30 days for FHLB staff to review any documentation submitted.
- AHP Sponsor/owner should submit additional information requested within 30 days of request.
- FHLB will review all documentation provided and send a Confirmation of AHP Funds Disbursement once verification of all required components of the project has taken place.
- Inform FHLB of any staff changes within your organization.

52

©2018 FHLB Cincinnati. All rights reserved.



HCI resources

- Access resources on www.fhlbcin.com by clicking through the following links:
 - “Housing Programs” (in the header or middle of the screen), then
 - “Affordable Housing Program” (on the left)
- Once there, you can find additional resources such as the AHP Implementation Plan and the Income Eligibility Guide that will cover some of these topics in more detail than was covered in this webinar.
- Contact the FHLB staff if you have specific questions that are not answered in the materials available on the website.

53 ©2018 FHLB Cincinnati. All rights reserved.



Housing & Community Investment staff

<u>Name</u>	<u>Phone</u>	<u>E-mail Address</u>
Damon v. Allen Senior Vice President & CIO	(513) 852-7518	allendv@fhlbcin.com
Dawn E. Grace Vice President	(513) 852-7612	gracede@fhlbcin.com
Brenda A. Pierre Quality Assurance Officer	(513) 852-7505	pierreba@fhlbcin.com
Jill A. Cravens HCI Manager	(513) 852-7550	cravensja@fhlbcin.com
Cassandra L. Larcarte Compliance & Outreach Assistant Manager	(513) 852-7619	larcartecl@fhlbcin.com
Laura K. Overton Systems & Reporting Assistant Manager	(513) 852-7603	overtonlk@fhlbcin.com

54 ©2018 FHLB Cincinnati. All rights reserved.



Housing & Community Investment staff

<u>Name</u>	<u>Phone</u>	<u>E-mail Address</u>
Mary J. Batchelor Administrative Assistant	(513) 852-7680	batchelormj@fhlbcin.com
Jamie M. Board* Housing Financial Analyst	(513) 852-7629	boardjm@fhlbcin.com
Connor B. Creaghead Housing Financial Analyst	(513) 852-5554	creagheadcb@fhlbcin.com
Jasmine P. Grant* Housing Financial Analyst	(513) 852-7617	grantjp@fhlbcin.com
Kristina L. Jordan* Housing Financial Analyst	(513) 852-7609	jordankl@fhlbcin.com

Housing & Community Investment staff

<u>Name</u>	<u>Phone</u>	<u>E-mail Address</u>
Jodi M. Pendleton* Housing Financial Analyst II	(513) 852-7602	pendletonjm@fhlbcin.com
David M. Samples Housing Financial Analyst	(513) 852-7612	samplesdm@fhlbcin.com
Anaya R. Thomas Housing Financial Analyst	(513) 852-7615	thomasa@fhlbcin.com
Samantha M. Walker* Housing Financial Analyst	(513) 852-7621	walkersm@fhlbcin.com
Crystal L. Woolard* Housing Financial Analyst	(513) 852-7604	woolardcl@fhlbcin.com

Contact us

Federal Home Loan Bank of Cincinnati

221 East Fourth Street, Suite 600

P.O. Box 598

Cincinnati, OH 45201-0598

Toll free: (888) 345-2246

Fax: (513) 852-7647

E-mail: AHPDisbursement@fhlbcin.com

Website: www.fhlbcin.com

57 ©2018 FHLB Cincinnati. All rights reserved.



Connect with us!

Get the latest news, events, and updates at FHLB Cincinnati by connecting with us on social media.



@FHLBCin
www.twitter.com/fhlbcin



www.facebook.com/fhlbcincinnati



www.linkedin.com/company/federal-home-loan-bank-of-Cincinnati



@FHLBCin
www.intsagram.com/fhlbcin

58 ©2018 FHLB Cincinnati. All rights reserved.



Let's celebrate together!

We encourage all FHLB Members and housing sponsors to notify us of plans to celebrate or recognize any FHLB-funded housing or community investment project. FHLB is often available to participate and to offer public relations assistance for community events such as ribbon cuttings, groundbreakings, and dedications.

**Please contact Marketing/Public Affairs,
toll-free, at (877) 925-FHLB(3452).**



59 ©2018 FHLB Cincinnati. All rights reserved.



Thank You



©2018 FHLB Cincinnati. All rights reserved. 60