

2021 Affordable Housing Program Feasibility and Application Training



Agenda

- AHP Overview
- What's New for 2021?
- Sponsor Capacity & Readiness
- Demonstrating Feasibility & Need for Subsidy
- Member Analysis & Member Application Review Period
- AHP Online Application
- Wrapping Up
- Answering Your Questions

AHP Overview



AHP in 2021

- **\$12.75 million** subsidy available for 2021
- Regulated (12 CFR 1291), competitive, online
- **Members and sponsors – Partnership is Critical**
- **2021 AHP Implementation Plan**
- AHP funds capital development costs with **direct subsidy**

AHP in 2021

- **New AHP Regulation fully implemented in 2021**
- **Same flexible, capital gap funding**
- **Consistent standards remain:**
 - For program eligibility, sponsor capacity
 - Developmental and operational feasibility
 - Need for AHP Subsidy
- **The 2021 scoring framework incorporates feedback from the 2020 listening sessions.**

AHP – Flexible Capital Subsidy

Eligible uses:

- Acquisition, construction, rehabilitation, soft costs

Ineligible uses:

- Nonresidential space, capitalized or other reserves, supportive services, operating costs
- Nonresidential items, such as: furniture, social services, and bank fees
- Predevelopment

Refinancing of existing single- or multifamily mortgage loan:

- Permitted; must generate equity proceeds = AHP

AHP: What's New for 2021?



2021 Key Dates

| | |
|---|--|
| Application Opens | Monday, June 7 @ 9:00 a.m. EST |
| Online AHP Trainings | AHP Scoring, Feasibility & Application |
| Online Due Date for Sponsors | Thursday, July 29 @ 3:00 p.m. ET |
| Member Online Review Period | Thursday, August 5 @ 3:00 p.m. ET |
| Award Announcements | Friday, December 10 |

2021 Round and Member Limits

| | |
|--|--|
| <p>AHP Maximum Grant per application (direct subsidy)</p> | <p>\$650,000</p> |
| <p>AHP Maximum Grant per Homeownership Unit (direct subsidy)</p> | <p>\$40,000</p> |
| <p>Member Application Limit</p> | <p>None</p> |
| <p>Member Approval Limit</p> | <p>25% of subsidy available</p> |

2021 AHP Notice of Changes

Important to review full Notice of Changes on our website for more details

- Scoring changes
- Important dates
- Moving towards recovery
- Feasibility – operating proforma, market rates/fees
- Detailed explanation of scoring changes
- Streamlined monitoring and administration, including changes to modifications

2021 AHP Notice of Changes

Income Targeting – Occupied Projects

- Projects with an eligible relocation plan for current residents do not need to demonstrate income targeting commitments at application
- Eligible relocation plans include those approved by one of the federal, state, or local government funders or by FHLBank Boston based on detailed standards in the AHP IP and industry standards
- If you have an occupied project and an eligible relocation plan, income eligibility will be reviewed at initial occupancy following the completion of the purchase or rehabilitation

2021 AHP Notice of Changes

Market Interest Rates and Fees

- As part of the AHP Regulatory obligation we will review interest rate and fees charged by members on both construction and permanent financing
- Market rates will be based on a minimum of 400 basis points over our regular Classic Advance rates
- Market rates for origination fees: 1% of principal amount
- Members will explain any high interest rates and fees as part of the member funding and analysis sections during the member review period.

2021 AHP Notice of Changes

Affordable Housing Program Monitoring and Administration

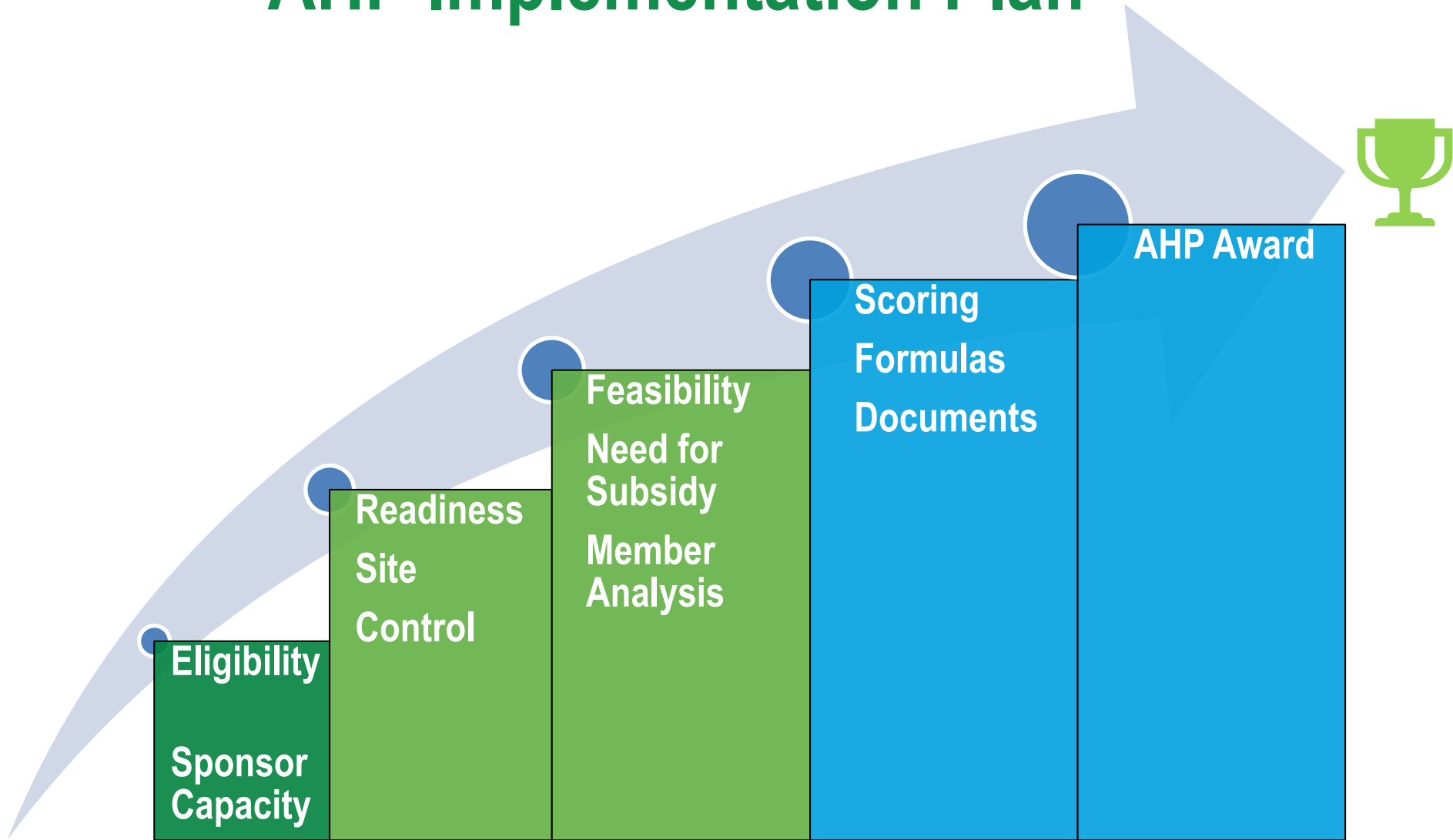
- **Modifications:** Consistent with the AHP Regulation, FHLBank Boston will require a reasonable cure before a modification may be considered.

- AHP Regulation stipulates three criteria to approve:
 - The project incorporating any such changes would meet the eligibility requirement;
 - The application continues to score high enough to have been approved in the funding round in which it was originally scored; and
 - There is good cause for the modification.

AHP Fraud Reporting

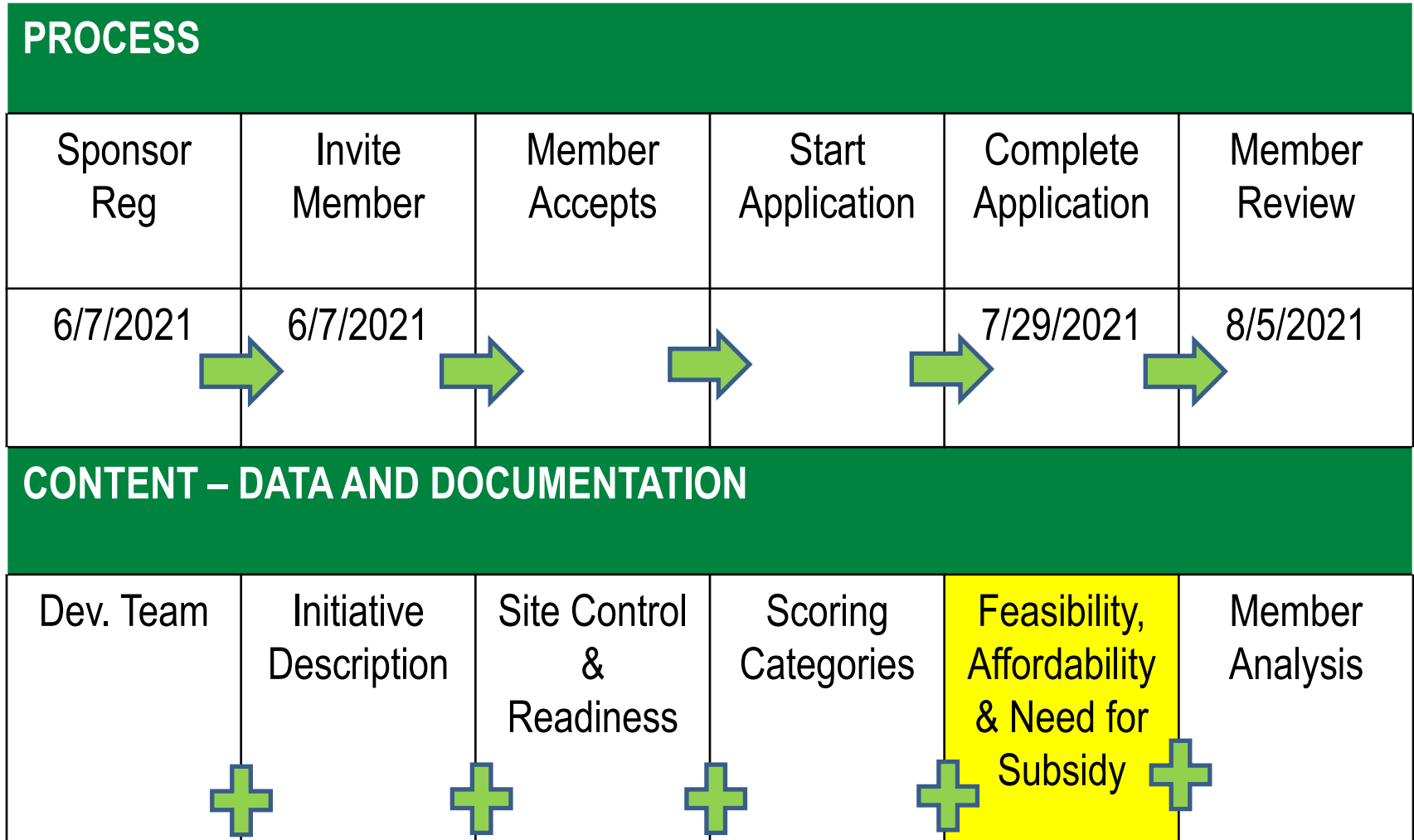
- All members and sponsors are responsible for reporting observations of fraud related to approved AHP applications and initiatives, as outlined in the obligations under the AHP Agreement
- May be intentional or unintentional
- Provide prompt written notice to the Bank
- Provide additional information as requested
- Examples of possible fraud:
 - Wording changes in AHP documents, fraudulent documents
 - Undisclosed conflicts of interest
 - Falsifying application information, fraudulent financial statements
 - Failure to notify the Bank of sale/refi/foreclosure

AHP Implementation Plan



Download: 2021 AHP Implementation Plan [here](#)

The Application – Process & Content



The Application – What’s Evaluated?

Sponsor Capacity, Site Control & Readiness

Feasibility & Need for Subsidy

Scoring

Sponsor Capacity

- Project must be an eligible Rental or Ownership project.
- Online sponsor registration (all sponsors and co-sponsors)
- Legal names matter
- Sponsors must be qualified and able to fulfill the commitments made in the application
- Describe your organization and track record
- Documentation – resumes, COGS, audited financials, statement of current obligations (signed by board chair)
- New developers must execute a MOU or Letter of Agreement with known, experienced developer & designate as co-sponsor; new MOU requirements

Project Readiness

- **Site Control** – Demonstrate site control of 100% of the location(s); documentation required
- **Zoning** - Demonstrate compliance within 12 months
- **Time Limits** – Leverage AHP and obtain funding commitments within 12 months, finish construction within 36 months
- Please review the AHP Implementation Plan

Demonstrating Feasibility & Need for Subsidy



Feasibility - The Basics for All Applications

- **Please review the detailed project cost and feasibility guidelines in Attachment A of the Implementation Plan!**
- Detailed development sources and uses budgets demonstrating need for AHP subsidy
 - **Need separate construction budget to verify your hard costs and hard cost/sf and builder's overhead/profit/general requirements**
 - Break out builder's overhead, profit, and general requirements from the hard construction costs according to industry standard definition
- **Construction costs are evaluated using industry construction cost data such as RS Means, portfolio or application round data, with adjustment factor for affordable housing**
- If a capital needs study has been done, include the executive summary with the application

AHP & Member Funding Screen

- Enter AHP direct subsidy (Grant)
- Enter other member loan or grant
 - Enter term/amortization, rate, origination fee
- Enter other member financial participation
 - If member is purchasing LIHTC or other credits, enter here

Sources and Uses

SOURCES

- Enter your other residential and commercial sources
- LIHTC, AHP direct subsidy has already been entered
- Member debt for the non-AHP commercial space? Enter here.
- Only enter the permanent capital funding

USES

- Enter your residential and commercial uses
- Acquisition
- Break out builder's overhead, profit, general conditions
- Break out developer's fees, overhead, and dev. consultant
- Break out reserves

Project Cost and Feasibility Guidelines

| Development guidelines | Construction/Rehabilitation Costs | Range/Guideline as a % of TDC |
|---|-----------------------------------|-------------------------------|
| Developer's fee | | up to 12.5% |
| Soft construction costs | | 15-30% |
| Hard cost contingency (new) | | 5-10% |
| Hard cost contingency (rehab) | | 7.5-15% |
| Builder's overhead, profit and General Requirements | | up to 16% |

Fully explain any deviation from the guidelines

- **Explanations must be quantifiable in relation to the amount by which the guideline is not met**
- **Explanations must also be detailed, which provide logical and measurable reasons for the deviation**

Explain hard construction costs per s.f. above RS Means

Lack of a full explanation makes it difficult for us to proceed.

For example:

- Guideline provided in application indicates \$199 per square foot
- Calculated cost per square foot based on input is \$224/sq. ft.
- Verify that numbers tie back to development and construction budgets
- If the data is correct, below is an example of an explanation:
- Exceeds guideline by \$25/sq. ft due to:
 - \$12/sf as a result of Davis Bacon
 - \$8/sf attributed to historic preservation requirements
 - \$5/sf due to additional excavation cost resulting from ledge

Developmental Feasibility Issues

Sources and Uses - Rental:

Incorrect Data

- Sources and uses data doesn't track to the budgets
- Not enough detail in uses – what's the builder's overhead?
- Please include both a separate residential and commercial sources, uses and operating proformas and total budgets, if appropriate

Incorrect or Missing Documentation

- Wrong sources and uses budget or missing construction budget
- Commercial/nonresidential budget not submitted or does not match application
- Non-cash sources and uses included
- Explain any nonresidential space and the source and uses of

Homeownership Feasibility Guidelines

- Sales price and mortgage for each home:
 - **AHP subsidy must pass through to the buyer**
 - Reasonable mortgage term to ensure affordability (typically 15 years or greater)
 - **Sales price/mortgage amount cannot exceed TDC minus AHP grant and borrower's down payment.**
 - Below-market or zero-interest-rate first mortgages?
 - If yes, then Habitat-type initiatives must include discounted value of mortgage payments as a source

Habitat for Humanity/ Seller Financing

- Habitat for Humanity and others developing homeownership housing and providing below-market seller financing
- Separate out in-kind sources and uses from cash sources and uses
- Enter the total expected first mortgage debt on all of your homes – we'll use this to calculate the discounted present value of these loans
- **This screen will calculate the amount of AHP Direct Subsidy Funding you can apply for** (FYI: this comes before the AHP and Member Funding Screen)

Affordability Calculation: Ownership

| | House 1 split edit | House 2 split edit | Total |
|--------------------|--------------------------|--------------------------|-------|
| Number of houses | 1 | 1 | 2 |
| Number of beds | 3 | 3 | |
| Persons per unit | 4.5 | 4.5 | |
| Percent AMI target | 60% | 80% | |

Construction/development [Help Topic](#)

| | | | |
|--|-----------|-----------|-----------|
| Total development costs | \$350,000 | \$350,000 | \$700,000 |
| Less: total AHP direct subsidy used to reduce development costs | \$30,000 | \$30,000 | \$60,000 |
| Less: Total other grant (exclude any inkind) | \$219,500 | \$219,500 | \$439,000 |
| Equals: total sales price | \$100,500 | \$100,500 | \$201,000 |

Mortgage programs (downpayment/closing-cost assistance, other) [Help Topic](#)

| | | | |
|---|-----------|-----------|-----------|
| Total sales price | \$100,500 | \$100,500 | \$201,000 |
| Less: total AHP direct subsidy used for mortgage assistance | \$0 | \$0 | \$0 |
| Less: total other grant | \$0 | \$0 | \$0 |
| Equals: net sales price | \$100,500 | \$100,500 | \$201,000 |
| Less: owner downpayment/equity | \$500 | \$500 | \$1,000 |

Total monthly housing expense [Help Topic](#)

| | | | |
|--|-----------|-----------|-----------|
| Mortgage loan amount | \$100,000 | \$100,000 | \$200,000 |
| Rate (APR) | 0.0 | 0.0 | |
| Term (months) | 360 | 360 | |
| Monthly mortgage payment (P&I) | \$277 | \$277 | |
| Estimated taxes, insurance, association fees | \$400 | \$500 | |
| Equals: total housing expense | \$677 | \$777 | |

Ownership subsidy calculation and affordability [Help Topic](#)

| | | | |
|---|----------|-----------|--|
| Maximum family income | \$77,700 | \$100,100 | |
| Total housing expense as a percent of targeted income | 10.47% | 9.32% | |

Affordability Calculation: Ownership

- This screen demonstrates the pass-through and benefit to the homebuyer
 - Total dev cost less AHP (and less any other subsidies) = sales price
 - Sales price less AHP used for down payment less buyer down payment = mortgage amount
 - Mortgage P&I demonstrates affordability
- Unclear data or TDC not match to source or uses - validation error
- Explain higher housing expenses as percentage of targeted income

Affordability Calculation: Rental

- **Edit** rents to enter in total rent and tenant-payments
- **Split** units if you need to break out units of the same income targeting/bedrooms with different rent structures

Enter the Proposed Monthly Rent and Tenant-Paid Rent into the Table Below:

| | Number of Units | Bedrooms/ Beds per Unit | Persons per Unit | % AMI Target | Max Family Income | | Proposed Monthly Rent (excluding utilities) | Estimated Tenant-Paid Rent | Proposed Monthly Rent as a % of Monthly Targeted Income |
|-------------------|-----------------|-------------------------|------------------|--------------|-------------------|-------------------|---|----------------------------|---|
| edit units | 10 | 1 | 1.5 | 50% | \$28,000 | edit rents | \$0 | \$0 | 0% |

How many units have Section 8 operating assistance:

How many units have other project-based funding operating assistance:

If there is rent subsidy, does the project have a firm commitment from the subsidizing agency:

Yes No

What is the total contract amount:

What is the duration of the contract:

(months)

This screen calculates :

- Affordability
- Total gross potential rental income
- Rental subsidy amounts

Operational Feasibility (Rental)

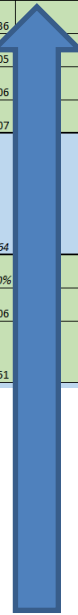
- **Data:** Summarize first full year in the application
- **FHLBank Template of proforma MUST be used**

| Rental - Operating Guidelines | |
|----------------------------------|----------------|
| Income trending | 1-3% |
| Expenses trending | 2-4% |
| Vacancy rate (with section 8) | up to 5% |
| Vacancy rate (without section 8) | up to 10% |
| Replacement reserves | \$250-650 |
| Debt service coverage ratio | 1:0:1 - 1:30:1 |
| Distribution of cash flow | up to 15% |

Rental Operating Data and Proforma

- Use our Proforma Template
- Enter data in the **yellow fields** only
- Follow the instructions in column D
- Reserve contributions to income?
- Funding into reserves?
- **Same data to all funders**

| | | | | First Full | | | |
|--|---|------------------------------------|----------|--------------------|----------|----------|----|
| | | | | Year of Operations | | | |
| Calendar Year: | To be Entered into Online Application | Values and Data Entry Instructions | Year 1 | Year 2 | Year 3 | Year 4 | |
| INCOME: | | | | | | | |
| Income Annual Inflation Factor | | enter as percentage e.g. 2.00% | | 1.00% | 2.00% | 2.00% | |
| Low-Income, Below 30% | | enter dollar amount | \$ 1,000 | \$1,010 | \$1,030 | \$1,051 | |
| Low-Income, Below 31 - 50% | | enter dollar amount | \$ 333 | \$336 | \$343 | \$350 | |
| Low-Income, Below 51 - 60% | | enter dollar amount | \$ 500 | \$505 | \$515 | \$525 | |
| Low-Income, Below 61-80% | | enter dollar amount | \$ 600 | \$606 | \$618 | \$630 | |
| Market Rate | | enter dollar amount | \$ 700 | \$707 | \$721 | \$736 | |
| Subtotal: Gross Potential Residential Income | Enter as Gross Rent Override if applicable. Online Application calculates Gross Rents automatically based on Affordability Calculation page | Automatic subtotal do not edit | \$ 3,133 | \$ 3,164 | \$ 3,228 | \$ 3,292 | \$ |
| Residential Vacancy Rate | | enter as percentage e.g. 2.00% | 5.00% | 5.00% | 5.00% | 5.00% | |
| Residential Income net Residential Vacancy | Net Rent After Vacancy | Automatic calculation do not edit | \$ 2,976 | \$ 3,006 | \$ 3,066 | \$ 3,128 | \$ |
| Other Residential Income: | Other Residential Income (e.g. laundry; not commercial income) | enter dollar amount | \$ 50 | \$51 | \$52 | \$53 | |



Rental Operating Data & Proforma: Expenses

| | | | | | |
|---|----------------------|---|---|----------|---------|
| Expenses Help Topic | First year | EXPENSES: | | | |
| Management fee: | <input type="text"/> | Expenses Annual Inflation Factor | enter as percentage e.g. 2.00% | | 3.00% |
| All other operating expenses: | <input type="text"/> | Management Fee | Enter Management Fee enter dollar amount | \$ 1,000 | \$1,030 |
| Contribution to operating reserve: | <input type="text"/> | Housing Operating: Administrative | enter dollar amount | \$ 1 | \$1 |
| Contribution to replacement reserves: | <input type="text"/> | Housing Operating: Maintenance including supportive services | enter dollar amount | \$ 2 | \$2 |
| Total expenses: | \$0 | Housing Operating: Resident Services | enter dollar amount | \$ 3 | \$3 |
| Net operating income: | \$0 | Housing Operating: Security | enter dollar amount | \$ 4 | \$4 |
| Debt service payments: | <input type="text"/> | Housing Operating: Electrical | enter dollar amount | \$ 5 | \$5 |
| Debt service payment override: Help Topic | <input type="text"/> | Housing Operating: Natural Gas or Oil (heat) | enter dollar amount | \$ 6 | \$6 |
| Cash flow (uses overrides): | <input type="text"/> | Housing Operating: Water & Sewer | enter dollar amount | \$ 7 | \$7 |
| | | Housing Operating: Real Estate Taxes | enter dollar amount | \$ 8 | \$8 |
| | | Housing Operating: Other Taxes | enter dollar amount | \$ 9 | \$9 |
| | | Housing Operating: Insurance | enter dollar amount | \$ 10 | \$10 |
| | | Housing Operating: MIP | enter dollar amount | \$ 11 | \$11 |
| | | Housing Operating: Other: | enter dollar amount | \$ 12 | \$12 |
| | | <i>Subtotal: All Other Operating Expenses, excluding Management</i> | Enter Housing Operating Expenses <i>Automatic subtotal do not edit</i> | \$ 78 | \$0 |
| | | Contribution to Operating Reserve | Enter Operating Reserve Contribution for each year. Include annual inflation if | \$ 100 | \$ 100 |
| | | Replacement Reserve | Enter Replacement Reserve Contribution for each year. Include annual inflation if <i>This should match to Total Automatic</i> | \$ 200 | \$ 200 |

- Keep management fee separate from your other housing/residential operating expenses
- All other operating expenses is a subtotal excluding management fee, operating reserves, replacement reserves

Rental Operating Data and Proforma

1.

| | | | | | | |
|---------------------------------------|--|--|----------|----------|----------|----------|
| NET OPERATING INCOME | This should match to Net Operating Income in Online Application | <i>Automatic calculation do not edit</i> | \$ 1,553 | \$ 1,578 | \$ 1,603 | \$ 1,627 |
| Debt Service | This should match to Debt Service Override in Online Application | enter dollar amount | \$ 700 | \$ 700 | \$ 700 | \$ 700 |
| <i>Debt Coverage Ratio</i> | This should match to DSCR calculation in Online Application | <i>Automatic calculation do not edit</i> | 2.22 | 2.25 | 2.29 | 2.32 |
| Contributions from Operating Reserves | This should correspond to the value in the Online Application | enter dollar amount | \$ - | \$ - | \$ - | \$ - |
| Project Cash Flow | This should match to the Cash Flow in the Online Application | <i>Automatic calculation do not edit</i> | \$ 853 | \$ 878 | \$ 903 | \$ 927 |

2.

| | | | | | | |
|---|---|--|--------|--------|--------|--------|
| Cash Flow as Percentage of Effective Gross Income | FYI: this is a calculated field for FHLBank Boston review purposes; no corresponding value in Online Application | <i>Automatic calculation do not edit</i> | 27.95% | 28.19% | 28.42% | 28.63% |
| Cash Flow as Percentage of Net Operating Income | FYI: this is a calculated field for FHLBank Boston review purposes; no corresponding value in Online Application | <i>Automatic calculation do not edit</i> | 54.94% | 55.64% | 56.32% | 56.98% |

3.

| | | | | | | |
|---|---|--|---------|--------|--------|--------|
| Capitalized Operating Reserve Balances, Contributions and Draws | These fields below are for FHLBank Boston review purposes only | | | | | |
| Starting Year Balance: Operating Reserve | | enter dollar amount | \$ 150 | \$ 200 | \$ 301 | \$ 403 |
| Annual Operating Reserve Contributions | From Expenses above | <i>Automatic calculation do not edit</i> | \$ 100 | \$ 100 | \$ 100 | \$ 100 |
| Interest earned | Enter interest earned on Operating Reserve balance annually, if applicable. | enter dollar amount | \$ - | \$ 1 | \$ 2 | \$ 3 |
| Operating Reserve draws/contributions to Income | From Income Above | <i>Automatic calculation do not edit</i> | \$ - | \$ - | \$ - | \$ - |
| Other Operating Reserve Draws | enter as negative number | enter negative dollar amount | \$ (50) | \$ - | \$ - | \$ - |
| Year Ending Balance: Operating Reserves | REPORT THE 15-YEAR ENDING BALANCE IN THE ONLINE APPLICATION | <i>Automatic calculation do not edit</i> | \$ 200 | \$ 301 | \$ 403 | \$ 506 |

Operational Feasibility Issues

Data:

- Operating Summary Statement doesn't match to proforma
- Affordable rents?

Documentation:

- Operating proforma goes negative in some later year with no way to cover the shortfall
- Trending factors not the same for all 15 years or unexplained

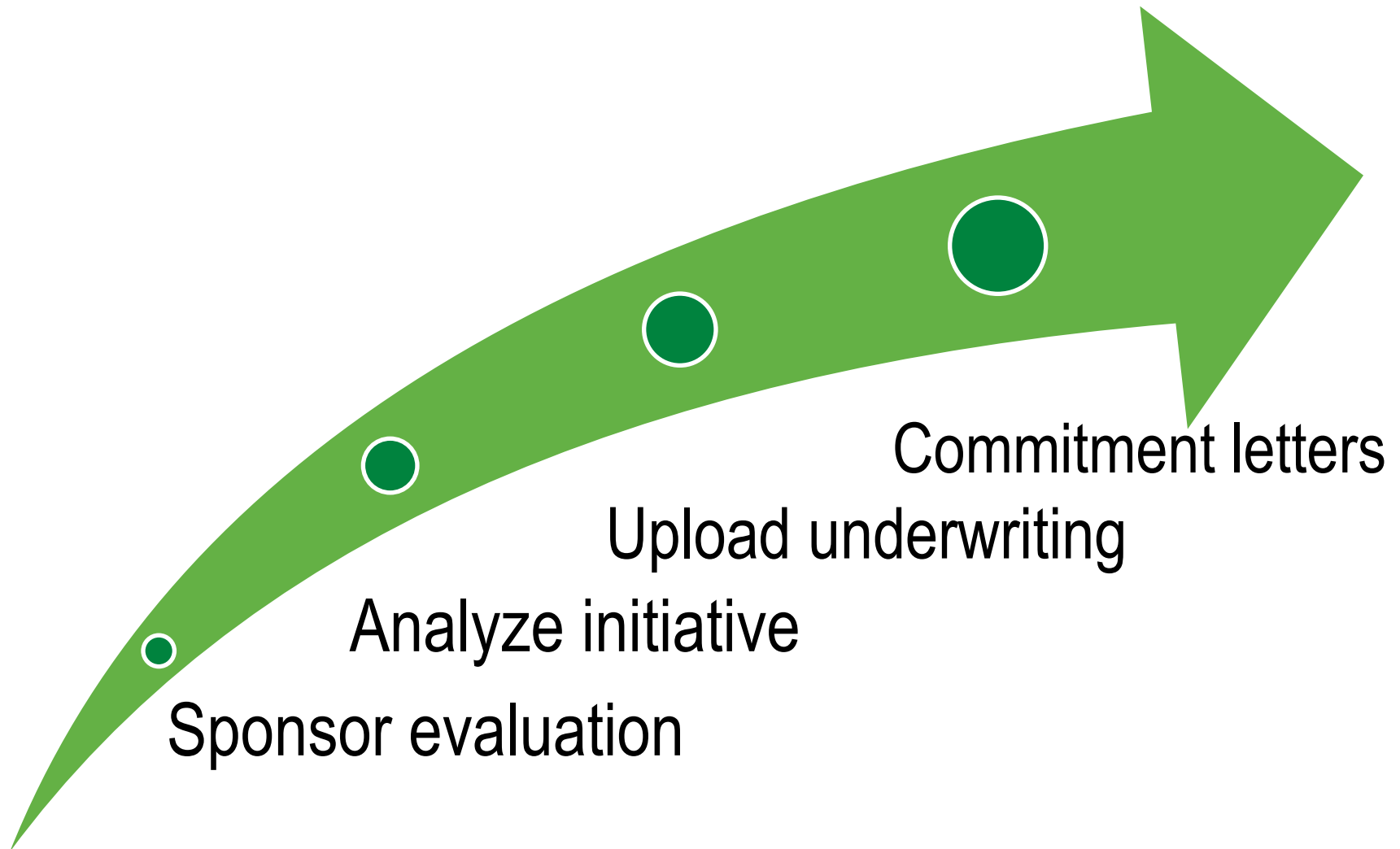
Feasibility Issues

- Feasibility threshold issues not explained with actual cost/numbers associated with unusual feature in the development, or explanation is not deemed acceptable
- Budgets are not the same as submitted to other funders
- Tax credit project acquisition not adequately documented in terms of what is included in the sale price
- Turnkey/acquisition only projects: acquisition cost not adequately substantiated by appropriate documentation

Member Analysis & Application Review Period



Member Underwriting Analysis



Member Application Review Period

- Separate period from July 29 to August 5
- Members will complete their portions of the AHP Application including:
 - Member funding
 - Member analysis
- **Validations on market interest rates and fees**
 - Sponsors entered the data in the AHP & Member Funding Screens
 - Members will explain fees greater than 1% of loan principal
 - Members will explain interest rates exceeding FHLBank Boston AHP benchmarks

AHP Online Application

- Lead sponsor must complete the sponsor registration before starting a new application.
- The member must accept the invitation before sponsor can start
- Work sequentially, the AHP application builds on itself.
- Location(s) impact donated, rural, economic diversity, number of units, and income targeting, affects feasibility
- Data and documentation matter. **Use 2021 AHP Implementation Plan.**
- Save often 😊
- **Print a copy for your records!**

Scoring Summary and Validation

- The application summarizes the data collected for the scoring categories
- Does not calculate the points but will indicate predicted score based on data entered, subject to Bank review and verification
- Fact-checking for AHP eligibility, readiness, and feasibility
- Prompts for missing data or explanation of variances outside the feasibility guidelines
- Proof your work and double check your uploads

Submitting the Application

- Proof and double check your uploads.
- Sponsors sign, then member
 - New for 2021: authorized representatives cannot sign for sponsor
 - Don't wait until the last minute to finish your application
- Applications and all supporting documentation due from sponsor, Thursday, July 29 at 3:00 p.m. EST
- Member review period ends, Thursday, August 5, 2021 at 3:00 p.m. EST
- Make sure your member is available to sign when the application is ready to be submitted. Communicate and submit early!
- **Print a copy for your records!**

Wrapping Up



Application and Key Resources

- Online Application: <https://housing.fhlbboston.com> or click [here](#)
- To access the 2021 Implementation plan, click [here](#)
- AHP Regulation 12 CFR 1291
- To access the AHP Application information, click [here](#)
 - Round Announcement & Notice of Changes
 - Self-scoring sheet
 - Sponsor letter of current obligations
 - Empowerment – Sponsor- and Agency- and Resident Service Coordinators Letter of Commitment templates
 - Occupied Units Spreadsheet
 - **15-year operating proforma template – Required for Rental Applications**

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Your Questions?



Thank You

If you need any assistance, please contact us!

