

Experienced Sponsors Training Webinar

2017 Affordable Housing Competitive Program
Federal Home Loan Bank of Atlanta

October 25, 2016



GoToWebinar Instructions

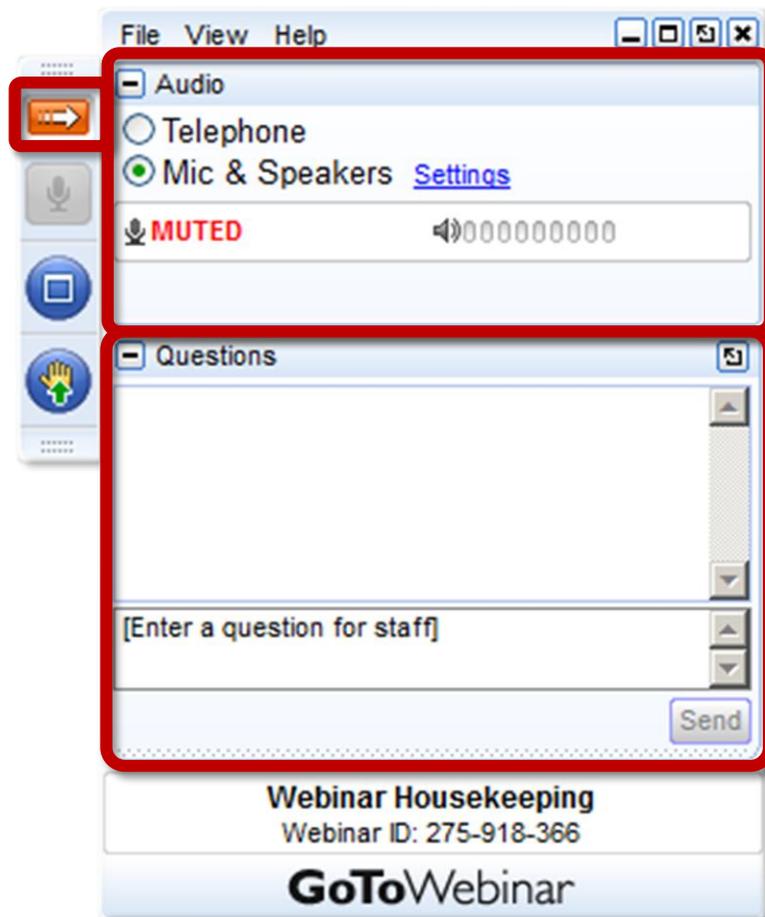
Your Participation

Control Panel

Use the **red** arrow to open and close the control panel

Join audio:

- Choose **Telephone** and dial using the information provided, or
- Choose **Mic & Speakers** to use VoIP
- Use the **Questions** panel to submit questions and comments at any time during the presentation
- Please **raise your hand** to be unmuted for verbal questions during the Q&A sessions



Objectives

- What is the AHP Competitive Program?
- Why Apply for AHP funds?
- How Does AHP Competitive Program Work?
- Application Criteria
- Online Application
- Risk Management
- Questions

What is the AHP Competitive Program?



What is the AHP Competitive Program?

Real Estate Equity for Rental or Ownership Development

- Each year we commit 10 percent of our annual net income to developing affordable housing
- Flexible source of funding designed to help FHLBank Atlanta member financial institutions and their community partners develop affordable owner-occupied and rental housing for very-low-income to moderate-income families and individuals
- Reduces rental project debt service which thereby permits a reduction in project rents to enable affordability
- Projects can be located anywhere in the US, but the bank must be a member of FHLBank Atlanta

FHLBank Atlanta AHP Scale and Impact



\$714.6 Million

competitive funds awarded to create over 113,158 rental and homeownership opportunities for moderate-, low- and very low-income households since 1990.

AHP Competitive Leverage Ratio – 1:14

\$171.8 Million

funded through AHP Set-aside products and supporting more than 25,500 units since 1997.

AHP Set-aside Purchase Leverage Ratio – 1:20

\$7.6 Billion

low-cost CICA advances supporting community economic initiatives and affordable housing development.

*As of 12/31/15

What is the AHP Competitive Program?

What makes AHP different than other sources of funds?

- Equity-like funding
 - Maximum direct subsidy of \$500,000 per project
- No interest accrues
- No expectation of repayment if the project remains in compliance
- Secured with a note and security instrument to ensure compliance through the affordability period
 - 5 years for ownership
 - 15 years for rental
- Maximum 80 percent of AMI for AHP units
- Subsidized advances are also available (discounted rate loan)

What is the AHP Competitive Program?

Uses of AHP Funds

- Rental
 - Types
 - Low-income Housing Tax Credit (LIHTC)
 - Non-LIHTC multi-family
 - Mixed-use
 - Supportive housing (Non-income Producing Rental)
 - Use of Funds
 - Acquisition
 - New construction and/or rehabilitation
 - Development soft costs
- Ownership
 - Use of Funds
 - Down payment assistance
 - Owner-occupied rehabilitation



Accessible Space, Inc.
Anderson-Fischer Apartments
\$95,000 AHP Subsidy
20 Rental Units for Supportive Housing



Edgewood Terrace
Washington, DC
AHP: \$1,200,000 (subsidy and loan)
292 Supportive Housing Units

What is the AHP Competitive Program?

Getting Started



All applications include a member. Members are the financial institutions that are part of the FHLBank Atlanta. We can assist you in finding a member



Sponsors are housing developers, public entities, contractors, community builders, and other organizations engaged in housing construction, rehabilitation, and development of affordable rental or owner-occupied housing

Organizations or individuals that have received FHLBank Atlanta sponsorships or charitable contributions within the past 12 months are not eligible to receive AHP funds



Sponsors drive the application process and submit applications to the member through FHLBAccess. Members review and approve applications

Why Do Members Participate?

Business Value

- Enable members' extension of credit
- Enable members' lending on difficult to finance transaction
- Could enhance local positive branding of member
- Value proposition for members to attract new relationships with developers
- Offer to members as a direct value proposition to establish public unit relationships
 - Local governments
- Use to connect with nonprofit and for-profit developers doing business in members' markets

Why Do Members Participate?

Compliance Value

- Reduce member's loan risk in transaction
- Enable members' extension of credit
 - CRA-eligible Lending Opportunity
- Member sponsored the AHP Competitive application for the direct subsidy
 - CRA-eligible Service Opportunity
- Tenants in project are all at 80 percent or below of area median income

Why Would a Sponsor Want to Apply?



- Provides equity-like funding for affordable housing projects
- Compatible with public and private debt and equity
- Provides funds for difficult to develop or critical needs projects
- It stimulates real estate activity and economic development

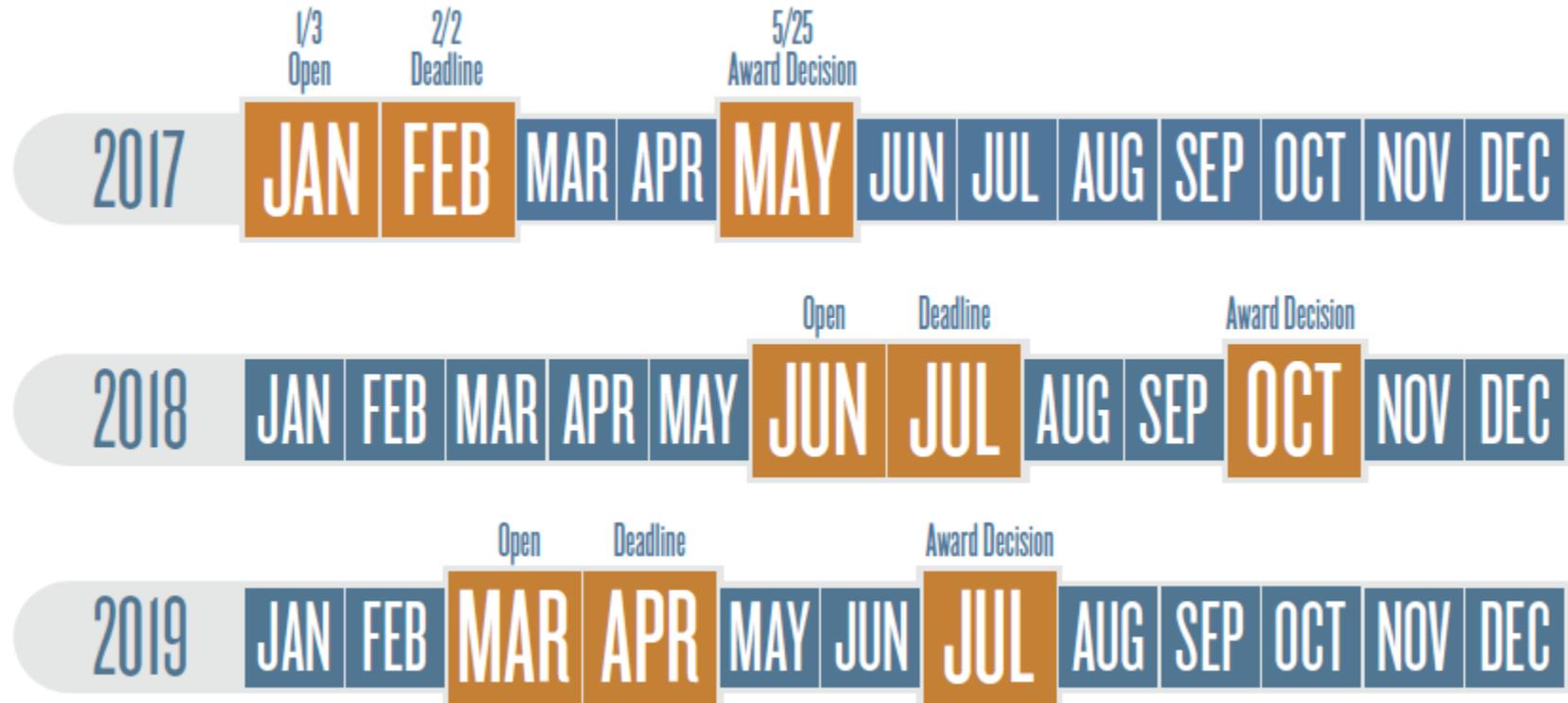
How Does AHP Work?

AFFORDABLE HOUSING

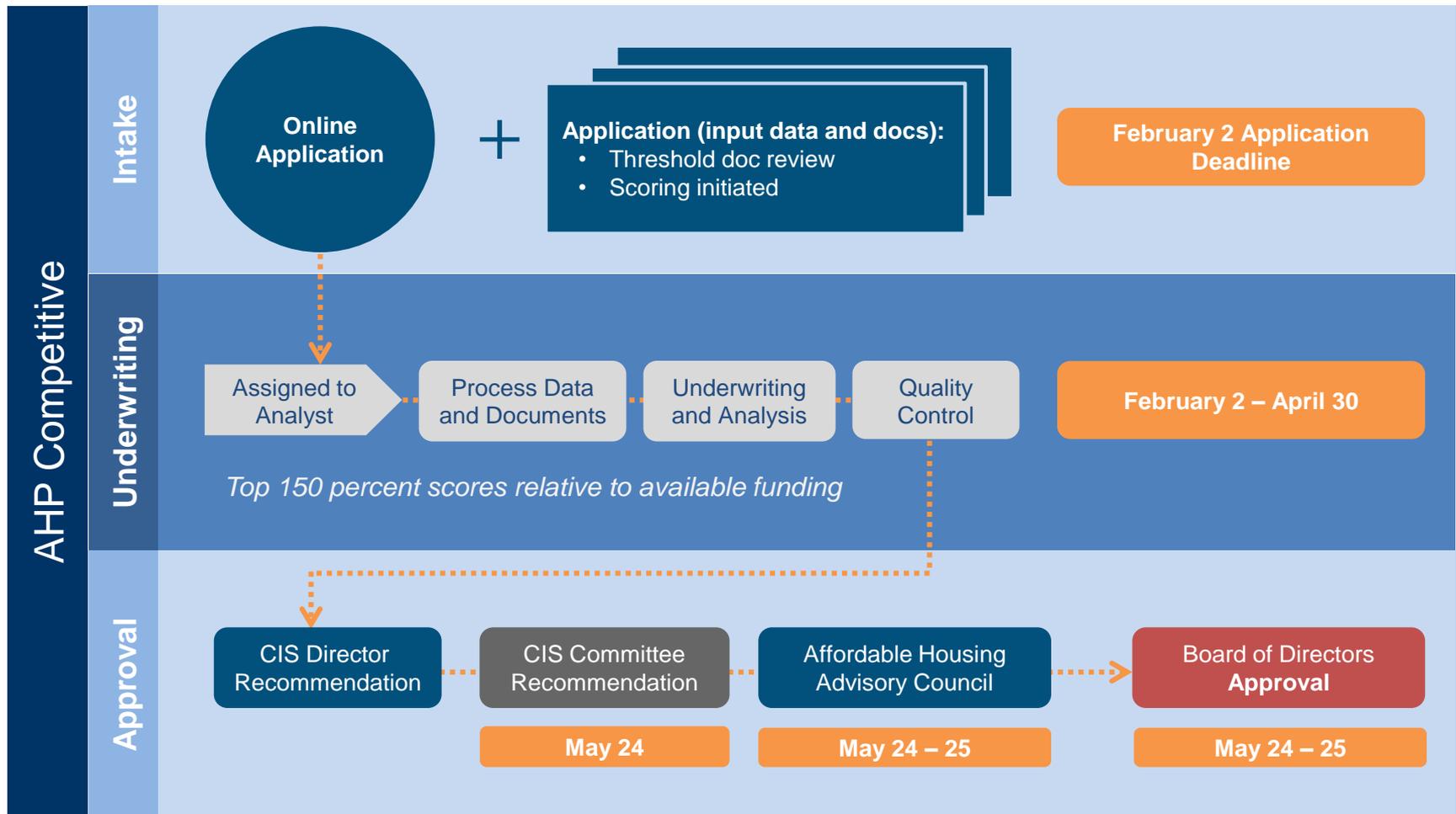


How Often Do We Offer the AHP Competitive Program?

FHLBank Atlanta AHP Competitive 3-year Application Schedule



2017 Intake, Processing, Underwriting, and Approval



Application Criteria Threshold



Application Certification

- Must be fully completed
- Requires two signatories of the sponsor (including chair of board, if applicable)
- Must be signed by member representatives with either AHP authority or all authorities on the member's signature card
- Requires information about the sponsors development team

Application Criteria Threshold



Site control

- Changes of location are generally not allowed
- Sponsor site control is not applicable to owner-occupied rehabilitation

Application Criteria Threshold



Construction and permanent sources and uses statement

- Submitted in the Bank's online application
- Rental projects also provide a 15 year pro forma

Application Criteria Threshold



20 percent of funding committed by an unrelated, third party funder

- May include: Perm or non-perm debt, equity, charitable contributions, letters of credit (LOC)
- May NOT include: AHP subsidies, deferred developer fee, sponsor-provided mortgages

Application Criteria Threshold



Project specific thresholds

- Ownership, down payment assistance: 20 percent qualified homebuyers
- Owner-occupied rehabilitation: 20 percent with scope/cost and qualified
- New construction: Conceptual plans/cost breakdown
- Rental rehabilitation: Scope/cost breakdown, inspection

Application Criteria Threshold



Project Sponsor

- Must be qualified and able
- No material party is on the AHP suspension list
- Must have an ownership interest
 - Rental: Throughout the 15-year compliance period
 - Ownership development: Must be in the chain of title
- Changes of sponsor are generally not allowed

Application Criteria Scoring



Application Criteria Scoring

Category	Points	Type
Donated Government-owned or Other Property	5	Variable
Nonprofit or Government Sponsor	5	Variable
Targeting	20	Variable
Housing for Homeless Households	5	Fixed
Empowerments	5	Variable
First District Priority		
• Member participation	15	Fixed
Second District Priority		
• Project readiness	10	Variable
• Veterans	10	Variable
• Leveraging	10	Fixed
AHP Subsidy Per Unit	10	Variable
Community Stability	5	Fixed
Total	100	

NEW!

Application Criteria Scoring

Donated Government Owned or Other Property

- Federal government property sold for a project, or
- Property donated by any other party at a nominal price
- At least 25 percent of the units, land, or land lots
- Donation must be contemporaneous with the AHP project

- Rental Projects
 - 5 points x percent of donated units or
 - 5 points x percent of total land donated

- Ownership Projects
 - 5 points x percent of donated lots

Application Criteria Scoring

Nonprofit or Government Sponsor

- Rental Projects
 - Nonprofit sponsor has an ownership interest = 1 point
 - Nonprofit sponsor has a controlling interest = 5 points
 - 5 points/variable
- Ownership Projects
 - Marketing and Outreach = 1 point
 - Property acquisition = 1 point
 - Pre-development = 1 point
 - Construction/rehabilitation = 1 point
 - Qualifying borrowers for home mortgages, including AHP = 1 point
 - Providing or arranging permanent mortgage financing = 1 point
 - 5 points/variable

Myth: You have to have a nonprofit sponsor to be successful with AHP

Reality: While having a nonprofit sponsor does increase an application's score, it is neither a threshold requirement nor a high impact scoring category. In 2014 for-profit developers had a 30 percent rate of success (AHP awards compared to applications submitted), which is comparable to the overall 38 percent rate of success for the entire pool of applications

Application Criteria Scoring

Household Income Targeting

- Rental compared to rental, ownership compared to ownership
 - Income categories:
 - Moderate: >65-80 percent of AMI
 - Low: >50-65 percent of AMI
 - Very Low: 50 percent or less of AMI
- Refer to Section 2.1 of the Implementation Plan
- 20 points/variable
- Rental projects that reserve at least 60 percent of units for households with 50 percent or less of AMI receive the maximum 20 points



At least 20 percent of the units in a rental project must be for very low income residents (50 percent of AMI)

Application Criteria Scoring

Expanding Your Eligible Customer Base

FHLBank Atlanta AHP Income Limit Methodology and Calculator

Enter Calculation Criteria	
Application Year [?]	2015 - Present ▾
HUD Year [?]	2015 ▾
State	AL ▾
County	Clarke County ▾
MSA	Clarke County, AL ▾
Household Size	Please Select ▾
Household Income	<input type="text"/> <input type="button" value="Calculate AMI%"/>
Maximum 80% Income	
Household AMI%	

Selects the greatest of four calculation methodologies

Point-and-click calculator automatically provides the highest income limit

548 of 599 counties in the Bank's district (91 percent) now have a higher income limit!

FHLBank Atlanta Income Calculator Tool
<https://cis.fhlbatl.com/ahp/utilities.portal>

Myth: *Projects from rural markets are at a disadvantage in the AHP Competitive application*

Reality: *Rural projects have been awarded AHP Competitive funds at a rate equivalent to the rate of rural applications submitted. For example, over the past five years:*

- 31 percent (264 of 845) of all applications submitted were for rural projects
- 31 percent (93 of 301) of applications awarded were for rural projects

Application Criteria Scoring

Housing for Homeless Households

- 20 percent of the units are reserved for minimum of six month occupancy
- HUD definition of “homeless households”
- 5 points/fixed



Moore Place
Charlotte, NC
\$1,000,000 AHP Subsidy
85 Supportive Housing Units

Application Criteria Scoring

Empowerment Activities

Empowerment Activities	Ownership Development / Downpayment Assistance	Owner-occupied Rehabilitation	Rental
Homeownership Education Program • Pre-closing counseling	5 Points		
Employment Readiness Program			2.5 Points
Onsite Daycare (Child or Adult)			2.5 Points
Training and Education Program		2.5 Points	2.5 Points
Owner/Resident Involvement Program		2.5 Points	2.5 Points
Counseling Program (Homeowners and Tenants)		2.5 Points	2.5 Points

5 points/variable

Application Criteria Scoring

Member Financial Participation

- Minimum five percent of total development costs
- Permanent or construction financing
- Letters of Credit
- Debt or equity
- Members financing must clearly flow through to the project to demonstrate the members direct participation in the project
- Credit must be extended and closed simultaneously with or prior to the projects other real estate financing (including AHP)
- 15 points/fixed

Application Criteria Scoring

Project Readiness – Rental

- Rental (non-LIHTC or four percent LIHTC with Bonds)
 - 100 percent of non-AHP permanent sources committed
- Rental (nine percent LIHTC)
 - Tax credits awarded by state allocating agency and accepted by the project sponsor or project owner
 - 10 points/fixed
- Rental (four percent LIHTC with Bonds)
 - Tax credits awarded by state allocating agency, bond inducement resolution or equivalent
- Rental (nine percent LIHTC)
 - Tax credit application that meets the threshold requirements has been submitted to the state allocating agency and the application is pending decision
 - 5 points/fixed

Application Criteria Scoring

Project Readiness – Ownership

- Ownership (New Construction/Rehabilitation)
 - 75 percent of the units presold (contract executed with funds in escrow, mortgage qualified, and homebuyer income qualified for AHP)
- Owner-occupied Rehabilitation
 - 75 percent of the units have been identified, and rehab specifications and cost breakdowns have been determined for identified units and homeowners who are income eligible for AHP
- Ownership Purchase
 - 100 percent of the homebuyers identified and qualified (homebuyer contribution in escrow (IDA acceptable) and homebuyer income qualified for AHP)
 - 10 points/fixed

Application Criteria Scoring

Scoring Criteria for Veterans Housing

- Projects reserving at least 10 percent of the total project units for veteran households will receive five points
- Projects reserving at least 25 percent of the total project units for veteran households will receive 10 points
- Veterans certification form required at application, confirmed at takedown (owner units), or prior to reporting complete (rental units)
 - 10 points/variable



Leveraging AHP Funds with Other Sources

- Projects in which AHP funds are less than or equal to 10 percent of total permanent sources
 - 10 points/fixed

Application Criteria Scoring

AHP Subsidy Per Unit

- Weighted average

AHP Subsidy
Per Unit



Points

- Cannot be self-scored
- Zero points if \$30,000 or more per unit
 - 10 points/variable

Promoting Community Stability

- Points awarded for any of the following:
 - Rehabilitation of vacant or abandoned buildings
 - Projects located in a neighborhood targeted for stabilization
 - Projects that do not displace existing low- to moderate-income households
 - 5 points/fixed

The Role Underwriting Plays



Application Criteria Underwriting



Project Communications

- FHLBank Atlanta only discusses projects with the primary project sponsor and/or member
- FHLBank Atlanta will not discuss projects with consultant(s) without member and/or project sponsor present

Application Criteria Underwriting



Budget Guideline Examples

- Sponsors acquisition cost or donated value supported by appraisal, if available
- Reasonable hard cost per square foot based on industry construction cost data
- Rehabilitation projects include analysis of remaining useful life/replacement reserves
- Maximum 16 percent builder's general requirements, overhead, and profit
- Capitalized Reserves maximum nine months operating expenses plus nine months of hard debt service
- Items in the development budget typically paid as an operating expense are included in the reserves calculation

Application Criteria Underwriting



Budget Guideline Examples

- Total soft cost maximum percentage:
 - Rental projects
 - 35 percent for four percent LIHTC with bonds
 - 28 percent for nine percent LIHTC projects
 - 22 percent for non-LIHTC
 - Ownership
 - 25 percent for development projects
 - 20 percent for owner-occupied rehabilitation

Application Criteria Underwriting



Developer Fee Guidelines

- **Fifteen percent maximum** of total development costs, net of developer fee, capitalized reserves, and acquisition costs for development projects with transfer of ownership
 - Developer fee is not allowed for rehabilitation and/or new construction projects with **no transfer of ownership**
 - Developer fee includes **fees paid to consultants** for services normally provided by a developer
 - FHLBank Atlanta may defer to **state HFA** guidelines if using state-administered funding

Application Criteria Underwriting



Developer Fee Guidelines

- There is a **five percent consultant fee maximum** of total development costs, net of consultant fee, capitalized reserves, and acquisition costs for rental projects with **no transfer in ownership** where the project is **100 percent owned by the nonprofit sponsor**
- Developer fee cannot increase **if construction financing has closed** and there is not a proportional increase in hard cost

Application Criteria Underwriting



Deferred Developer Fee Guidelines

- If financing has closed with deferred developer fee as a source of funding:
 - Then up to 50 percent of the AHP award can be used to reduce deferred developer fee; and
 - At least 25 percent of the total developer fee remains deferred
- If new or additional sources are added to the project after financing has closed without a corresponding increase in costs:
 - Then the new sources may be applied on a pro-rata basis to reduce the deferred developer fee (or other subordinate funding source, e.g., owner equity) and reduce the AHP award

Application Criteria Underwriting



Deferred Developer Fee Guideline Examples

- Project closed with \$400k developer fee (\$100k upfront and \$300k deferred). Since closing, development costs have increased \$200k, creating a funding gap. AHP application is for \$400k
 - \$200k of award (50 percent) could be used to reduce deferred developer fee to \$100k (25 percent remains deferred)
- AHP award was \$400k. Project closed with deferred developer fee of \$300k. After closing, additional funding of \$300k was obtained
 - 50 percent of new funding used to reduce deferred developer fee – \$150k and the AHP award – \$150k. New AHP award amount \$250k

Application Criteria Underwriting



Pro Forma Guideline Examples

- Debt coverage ratio: 1.15 - 1.45
- Alternate need for subsidy test may be used for projects with no hard debt or outside these parameters
- Net cash flow: Max.15 percent
- Management Fees: five-to-nine percent of gross rent
- Replacement Reserves: Up to \$450 per unit per year
- Annual Operating Expense: 40 – 80 percent of EGI in year one (not applicable for projects with 100 percent of the units reserved for special needs households)



Market Feasibility Guideline Example

- Defer to market feasibility approved by the state if using state-administered funding

Application Criteria Underwriting



Development Timing

- May 2017: Award Approvals
- Six months (Nov 2017): Zoning
- 12 months (May 2018): All funding sources must be committed
- 18 months (Nov 2018): Start construction and AHP funded
- 3 years (May 2020): Report complete

Sponsors have 36 months to take down AHP funds for ownership projects that are funded at homebuyer closing

Requirements to Report Complete

- Member must draw down all AHP Competitive funds
- Construction must be complete
- All requested documents must be received and approved by the Bank
- Ownership: All owner-occupied units must be sold and occupied by eligible households
- Rental: Projects must have a certificate of occupancy and be at least 75 percent occupied

Application Criteria Underwriting



Post-development Compliance

- Affordability/Retention Period
 - Five year retention – Ownership
 - 15 year retention – Rental
- Initial Monitoring Review (IMR)
 - Within two years of reporting complete
- Long Term Monitoring (LTM)
 - Rental (excluding LIHTC) only
 - Reviews every two-to-six years
 - Annual certifications

Myth: *FHLBank Atlanta has a required lien position*

Reality: *The Bank does not have a required lien position, although the member financial institution may have a lien position requirement for the AHP funds*

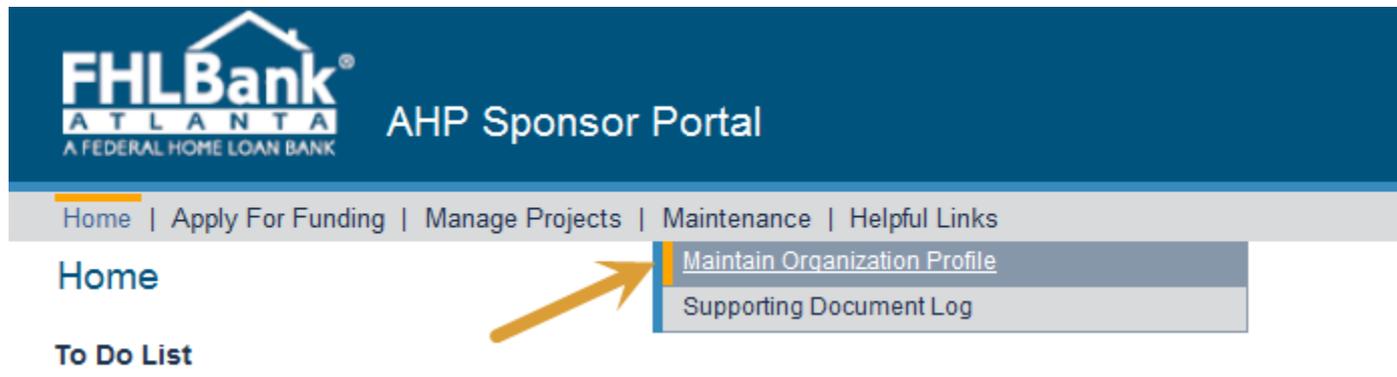
Online Application



Online Application Registration Process

Existing Project Sponsors

- Review and update your company's information
- From the "Maintenance" menu, go to "Maintain Organization Profile"
- Update contact information, such as name, address, phone, and email
- If your organization's name, role, or nonprofit status has changed, please complete the "Organization Profile Change Form" linked on the web page



Online Application Components

Building Construction

Collects Residence Building Information

- Includes any residential buildings (new construction and rehabilitation)
- Also includes any non-residence buildings
- Click on Building Information Instructions for detailed instructions

Building Construction

Please click on the following button to complete the building information for this project. [Building Information](#)

[Building Information Instructions](#)

Multi-Family

				----- Floor Area (Square Feet) -----		
Residence Building Type	Building Name	Number of Units per Building		Finis hed Above Grade	Finis hed Bas ement	Unfinis hed Bas ement or Crawl Space
<input type="radio"/> Other Building	CommunityBuilding	0		1,500	0	0
<input type="radio"/> Apartments, Multiples	Building 1	10		10,000	0	0

Application Submittal

Review and Finalize

Supporting cover page and documentation must be submitted electronically on a CD or thumb drive

- Supplemental documents form in Helpful Links
- Submissions via FTP or email will not be accepted
- Documents must be submitted in .PDF format

Application and all supporting documentation must be received by **February 2, 2017 (11:59 PM EST)**

Community Investment Services Department
Federal Home Loan Bank of Atlanta
Attn: AHP Supporting Documentation
1475 Peachtree Street, NE
Atlanta, GA 30309

Application

- Application Home
- ✓ General Information
- ✓ Development Team
- ✓ Members and Subsidies
- ✓ Project Targeting
- ✓ Project Readiness
- ✓ Fair Housing
- ✓ Market Feasibility
- ✓ Financial Feasibility
- ✓ Miscellaneous Information
- ✓ Scoring Criteria Page 1
- ✓ Scoring Criteria Page 2
- ✓ Scoring Criteria Page 3
- ✓ Scoring Criteria Page 4
- ✓ Additional Information

Review and Finalize

Print Application

- ✓ Step Complete
- ✗ Step Error

Risk Management



Risk Management

Project Completion

Sponsors will need to maintain and provide:

- Fully executed and recorded AHP retention agreement for your project
- Resident income and rents will be reviewed to confirm targeting commitments throughout the compliance period
- Refer to Section 3.5 of the Bank's Implementation Plan for a list of documentation requirements, post-award

Promptly notify the Bank after discovery or notice of any material change, either positive or negative

Risk Management

Any person who knowingly makes a false statement or misrepresentation to FHLBank Atlanta is subject to penalties that may include fines, imprisonment, or both, under the provision of Title 18, United States Code, Sec. 1014, including, but not limited to:

- Shareholders
- Sponsors
- Intermediaries
- Contractors
- Inspectors
- Consultants
- Property Managers



Civil / Criminal
Court System



Professional
Licensing



Enforcement
of Contract

Department of Justice

U. S. Attorney's Office

District of South Carolina

FOR IMMEDIATE RELEASE

Tuesday, September 6, 2016

Kentucky Man Pleads Guilty to Defrauding Federal and State Housing Programs

Contact Person: Bill Watkins (864) 282-2100

Columbia, South Carolina — Acting United States Attorney Beth Drake stated today that Erick Bradshaw, Sr., age 41, of Kentucky, pled guilty Thursday, September 1, 2016, in federal court in Greenville, to conspiracy to defraud federal and state housing programs, a violation of Title 18, United States Code, Section 371. United States District Judge Bruce Howe Hendricks, of Charleston accepted the plea and will impose sentence after she has reviewed the presentence report which will be prepared by the U.S. Probation Office.

Evidence presented at the change of plea hearing established that Fresh Start Community Development Corporation (FSCDC) was created by Bradshaw as a non-profit organization that worked on repairing homes through grants from the South Carolina State Housing Finance Development Authority ("SC Housing") and the Federal Home Loan Bank of Atlanta ("FHLBank Atlanta"). Bradshaw was the executive director of FSCDC.

Bradshaw sought grant monies from FHLBank Atlanta and SC Housing for the rehabilitation of low-income homes. He forged the signature of contractors on FHLBank Atlanta Funding Certifications and SC Housing Certifications of Payment. He also submitted certifications to FHLBank Atlanta and Draw Request for Payments to SC Housing that had inflated costs compared to the invoices of the contractors who actually performed the work. Often some work described as completed on the certifications such as handicap ramps on front porches were never completed though it was represented in documentation that the work was complete.

Agents interviewed Bradshaw and he admitted that FSCDC did not do what it was supposed to do. Contrary to program rules, Bradshaw negotiated with the contractors who were working on the houses for lower prices than were reported to the agencies. For example if SC Housing funded a roof repair for \$5,000 based on documents submitted by FSCDC, and Bradshaw was

Helpful Resources

- FHLBank Atlanta Website
<http://corp.fhlbatl.com/>
- Affordable Housing Program Implementation Plan
<http://corp.fhlbatl.com/files/documents/ahp-implementation-plan.pdf>
- Project Sponsor Registration Instructions
<http://corp.fhlbatl.com/files/documents/ahp-sponsor-registration.pdf>
- Affordable Housing Program Retention Agreement Rider and Instructions
<http://corp.fhlbatl.com/files/documents/ahp-retention.pdf>
- AHP Products Income Documentation Requirements
<http://corp.fhlbatl.com/files/documents/ahp-income-documentation-requirement.pdf>
- AHP Household Income Limits and Rent Calculator
<https://cis.fhlbatl.com/ahp/utilities.portal>

Helpful Resources

Online Application: Helpful Links

Home | [Apply For Funding](#) | [Manage Projects](#) | [Maintenance](#) | [Helpful Links](#)

Helpful Links

Helpful Links

Questions?

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(800) 536-9650, Option 3, Option 1, Option 0

Thank You

