

# HOME Rental Housing Loan Program - 2012

## Purpose

The production of affordable multifamily rental housing through the allocation of federal HOME block grant funds in the form of loans to building owners. These funds are available only for developments in areas outside the political boundaries of participating jurisdictions receiving a direct allocation of federal HOME funds, and to which an allocation of federal low income housing tax credits (LIHTC) has been awarded through the Georgia's annual competitive round.

## Eligible Applicants

Private or nonprofit owners of newly constructed or rehabilitated rental housing for occupancy by low and very low income households as set forth in the State of Georgia's applicable annual Qualified Allocation Plan, the OAH Application Manual, the HOME Rental Housing Program Manual and the HOME Investment Partnerships Program Final Rule (24 CFR Part 92).

Furthermore, applicants must not be out of material compliance or disqualified from any program administered by the Department of Community Affairs or under debarment, proposed debarment, or suspension by a federal agency, and must meet all requirements outlined in the State of Georgia's applicable annual Qualified Allocation Plan, the OAH Application Manual, and the HOME Investment Partnerships Program Final Rule (24 CFR Part 92).

## Eligible Activities

Construction financing and permanent financing for the costs of constructing or rehabilitating rental housing as defined in the State of Georgia's applicable annual Qualified Allocation Plan. Rental dwelling units financed through the program must be affordable by low and very low income households in accordance with the State of Georgia's applicable annual Qualified Allocation Plan, the Office of Affordable Housing (OAH) Application Manual, the HOME Rental Housing Program Manual and the HOME Investment Partnerships Program Final Rule (24 CFR Part 92).

## Funding Terms

Construction loans will be made for the purpose of financing hard construction costs. **The maximum construction loan amount shall not exceed two million dollars (\$2,000,000). The minimum loan amount is eight hundred thousand dollars (\$800,000) for 2012.** There will be no interest charged on construction loans. Construction loan terms shall not exceed 24 months.

The permanent loan will be in the same amount as the construction loan. In general, the interest rate on the permanent loan will be no less than one percent (1%). Loan terms and repayment schedules will vary depending upon projected economics of the development, but the following should serve as basic guidelines:

- In general, permanent loans will be fully amortizing, with a maturity and amortization period ranging from fifteen (15) to thirty five (35) years. However, the OAH reserves the right, in its sole and absolute discretion, to adjust the term according to its own underwriting projections and all applicable policies and procedures.
- Non-amortizing loans may be made in certain areas of the State where local economic and market conditions may require it. These areas are outlined in the State of Georgia's applicable annual Qualified Allocation Plan. In such cases, the term will be set by the OAH, with monthly principal and interest payments determined by the OAH's underwriting projections, and the outstanding balloon payment will be due at maturity.
- In the case of a non-amortizing loan, the OAH will require a projection from the appraiser of the future market value of the property at the maturity of the HOME loan. This will be used by the OAH to determine the likelihood of retirement of the outstanding balance by refinance or resale of the property. The future market value of the property must be greater than the projected outstanding loan balance at maturity in order for the loan to be considered financially feasible.
- For all permanent non-fully amortizing loans, one-half of the after-debt service cash flow will be deposited into an interest-bearing account which will be used primarily for principal reduction at maturity.
- Other regulations will apply as outlined in the State of Georgia's applicable annual Qualified Allocation Plan, the OAH Application Manual, the HOME Rental Housing Program Manual and the HOME Investment Partnerships Program Final Rule (24 CFR Part 92)

## **Application**

Formal applications for HOME Consent must be submitted in the form prescribed by the OAH in the applicable annual Qualified Allocation Plan for the State of Georgia.

## **Deadline**

Applications for 2012 HOME Consents must be delivered to OAH on or before 4:00 p.m., **March 15, 2012**. HOME Consent is required in order for the borrower to include DCA HOME funds as a Source in the project Application Submission for LIHTC. DCA HOME Rental Housing Program funds are awarded only in conjunction with an award of tax credits.

## **Determination**

Applications for tax credits, including those with DCA HOME funds as a Source, will be evaluated in accordance with minimum threshold requirements, competitive selection criteria, and policies as described in the State of Georgia's applicable annual Qualified Allocation Plan, including but not limited to market and financial feasibility, income and rent restrictions, site and location characteristics, proposed development characteristics, and compliance history.

## **Special Conditions**

Rent and occupancy restrictions will apply, as described in the State of Georgia's applicable annual Qualified Allocation Plan, the OAH Application Manual, and the HOME Rental Housing Program. These restrictions will be secured by a Land Use Restriction Agreement that will have duration equal to the term of the loan or the compliance period, whichever is longer.

## **Disbursement**

All construction loan proceeds will be disbursed on a draw basis during the construction period. The construction loan documents will describe the policies and procedures for obtaining a construction loan draw.

## **Reporting**

All reporting requirements as outlined in the OAH Application Manual and in the HOME Rental Housing Program Manual must be met throughout the loan term.

## **Other Requirements**

Award recipients must meet and remain in compliance with all applicable local, state and federal rules and regulations.