



Rental Loan Program Financing for 2020 State Ceiling LIHTC Projects

MaineHousing is making taxable interest-bearing debt and 0% interest deferred debt available under the Rental Loan Program to finance affordable multi-family rental housing that is awarded federal low-income housing tax credits (LIHTC) from the State Ceiling of LIHTC allocated pursuant to the State's 2020 Qualified Allocation Plan (2020 State Ceiling).

The sources of funding for any 0% interest deferred debt awarded under this program will include one or more of the following resources, as determined by MaineHousing.

- Federal funds for housing pursuant to Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990, 42 USC § 12701 *et seq.*, and the HOME Investment Partnerships Program Rule, 24 CFR Part 92, all as amended, (FedHOME Funds)
- FedHOME Funds that are set aside for housing that is owned, sponsored or developed by a community housing development organization (CHDO)
- Other sources that may be available, such as funding from the Housing Opportunities for Maine Program (State HOME Funds)

Any 0% interest deferred debt awarded under this program will not exceed the lesser of (i) \$20,000 per LIHTC-eligible unit in York, Cumberland and Sagadahoc Counties, (ii) \$25,000 per LIHTC-eligible unit in Androscoggin, Hancock, Kennebec, Knox and Lincoln Counties and Bangor HMFA, (iii) \$30,000 per LIHTC-eligible unit in any other county, or (iv) a maximum of \$1,200,000 per Project.

Projects that are eligible for federal and state historic rehabilitation tax credits are not eligible for 0% interest deferred debt under this program because these tax credits generate sufficient capital to pay for a reasonably priced Project. However, should financial markets experience a significant change which decreases the total capital available to an historic Project, MaineHousing, in its sole discretion, may award 0% interest deferred debt to the Project up to an amount which fills the resulting funding gap, subject to the limits of this program.

MaineHousing will utilize the following guidelines in determining the amount of 0% interest deferred debt awarded to an eligible Project under this program, which may be different than the amount requested in the Application for the Project.

- The goal of this program is to produce the most new LIHTC units with available resources. With continuing uncertainty about LIHTC pricing, MaineHousing may adjust the

amount of the 2020 State Ceiling and 0% interest deferred payment debt awarded to a project from that requested by the Applicant (such as using more 0% interest deferred payment debt to reduce the amount of LIHTC) to achieve this goal while ensuring the financial feasibility of projects within the parameters of the program and the 2020 Qualified Allocation Plan.

- Any 0% interest deferred debt awarded to a Project will not exceed the amount that MaineHousing determines, in its sole discretion, is necessary for the feasibility and long-term viability of the Project taking into consideration the other resources available for the Project.
- MaineHousing expects the Applicant to maximize all other sources of funding available for the Project, including without limitation, capital generated from the LIHTC, other financing, and rental or operating assistance.
- MaineHousing will maximize the amount of interest-bearing debt awarded to a Project based on its review of the Project's operating budget.
- All rental revenue of the Project will be applied toward real estate operating costs, debt service and the funding of required reserves prior to the funding of service expenses.
- MaineHousing will use the maximum LIHTC rent for LIHTC-eligible units, except in LIHTC-eligible three-bedroom units in family Projects and except in Projects for which an independent market study acceptable to MaineHousing indicates that the comparable market rents for the Project are less than the applicable maximum LIHTC rents. MaineHousing will underwrite three or more bedroom LIHTC-eligible units in family Projects at the maximum tax credit rent for two-bedroom units plus \$50.
- Applicants that propose affordability targeting that is deeper than the minimum affordability required under this program must demonstrate other non-MaineHousing resources to support the deeper affordability and ensure feasibility.
- If a Project is underwritten at rents that are less than the maximum rent allowed, the Project will be obligated to maintain these lower rents during the term of the MaineHousing funding.

To be eligible for 0% interest deferred debt under this program, an Applicant must first acquire all interest-bearing debt that MaineHousing determines the Project can support from MaineHousing under this program, except to the extent the Project has financing under the Federal Home Loan Bank's Affordable Housing Program and Rural Development's Section 515 Program. In these instances, MaineHousing requires the lender providing the financing to enter into an intercreditor agreement that subordinates the lender's debt financing and lien position to MaineHousing's Extended Use Agreement and defines the relative rights of the lender and MaineHousing in the event of a default. If the lender's financing has priority over or shares a lien priority position with MaineHousing's funding, MaineHousing will require, at a minimum, written notice of and an opportunity to cure any default of the lender's financing. If the lender's financing is junior to MaineHousing's funding, MaineHousing will require the lender to subordinate its financing and security interest and to forbear from exercising its right to collect against the project and/or collateral.

Program Requirements

- Eligible Project:
- All Projects applying for the 2020 State Ceiling are eligible to apply for funding under this program; however, only Projects that are awarded LIHTC under the 2020 State Ceiling will be eligible to receive funding under this program.
- Required Affordability:
- 40% of the LIHTC-eligible units at 50% AMI; balance at 60% AMI and/or market.
 - All LIHTC-eligible units will be rent-restricted in accordance with Section 42 of the Code
 - Term of affordability is 45 years.
- Interest-bearing Debt Terms:
- 6% interest rate per annum, subject to change based on market conditions at the time of financing approval.
 - Interest only payments for 30 years with a final balloon payment of all amounts owed due at the end of 30 years, or at the Applicant's option, beginning in year 16 converting to an amortizing loan with a final balloon payment of all amounts owed due at the end of 30 years.
 - For projects with existing MaineHousing debt, if the existing debt is subject to a pre-payment blackout, then the maturity date of the note will be extended, but the interest rate and terms will remain the same, unless the existing rate is below the rate noted above. If it is below the above rate, the rate will be increased to the above rate. If the existing note is not subject to a blackout, and is not pre-paid, the interest rate and terms will be the rate and terms noted above.
 - Secured by a first-lien mortgage and security interest in the Project and related personal property.
 - Prepayment prohibited during the term of the financing.
- 0% Interest Deferred Debt Terms:
- No interest deferred payment financing with payment due on the earliest of (a) 30 years, (b) a sale, transfer, or assignment of the Project, (c) the discontinuation of the intended public purpose, or (d) a default of any MaineHousing financing on the Project.

- Secured by a mortgage and security interest in the Project and related personal property, the priority of which will be determined on a project-by-project basis depending on the funding source. Bond-related resources must be secured by a first lien mortgage and security interest in the Project and related personal property.
- Prepayment prohibited during the term of the financing.
- For projects with market rate units and/or commercial space, if more 0% interest deferred payment debt is needed for the LIHTC units to support the development costs of the market rate units and/or commercial space, as determined by MaineHousing, then the 0% interest deferred payment debt will be structured as a surplus cash note under which any available surplus cash (after replenishing any deficit in the Project's operating deficit escrow as required under the Rental Loan Program) will be split as follows: \$500 per unit plus 75% of the remaining amount of surplus cash will be distributed to the owner, and the balance will be used to repay the 0% interest deferred payment debt to MaineHousing.
- 50% of the 0% interest deferred debt will be available during construction and an amount up to the balance, as determined by MaineHousing in its sole discretion based on the final cost of the Project, will be disbursed after completion of construction or rehabilitation of the Project.

Total Development Costs:

- The Threshold Requirements of the 2020 Qualified Allocation Plan related to TDC using the TDC Index apply to this offering.

Construction Cost Increases:

- If the construction costs of a Project increase after the date of the Application due to market conditions or other reasons beyond the control of the Applicant, as determined by MaineHousing, and the Project has been awarded the maximum LIHTC from the 2020 State Ceiling, MaineHousing *may* award additional resources to the Project, provided that any additional 0% interest deferred financing (a) when combined with the capital generated by any additional LIHTC awarded from the 2020 State Ceiling, will not exceed an amount equal to 5% of the Total Construction Cost for the Project estimated at the time construction bids on the Project are requested, and (b) does not exceed the 0% interest deferred financing limits set forth above.

Applicants must comply with all restrictions of the funding sources awarded to the Applicants and all of the requirements of the following guidelines and rules not specifically addressed in this program: MaineHousing's current Rental Loan Program Guide; Chapter 16 of MaineHousing's Rules, *Low-Income Housing Tax Credit*, (2020 Qualified Allocation Plan); Chapter 27 of MaineHousing's Rules, *Transfers of Ownership Interests*; and Chapter 29 of MaineHousing's Rules, *Multifamily Development and Supportive Housing Loans and Grants*. These guidelines and rules can be found on MaineHousing's website www.mainehousing.org. All capitalized terms not otherwise defined herein have the same meaning as set forth in the 2020 Qualified Allocation Plan.

MaineHousing reserves the right to award all, a portion, or none of the available funding under this program depending on the quality and merits of the Applications received and the availability of funding.

Submission Requirements

There is a single application process for financing under this program and for LIHTC under the 2020 State Ceiling. The Application must be in the form prescribed by MaineHousing for this program. The Application must be completed and submitted, together with all supporting documentation, electronically to MaineHousing's ShareFile **no later than 5:00 PM on Thursday September 20, 2018**.

MaineHousing will review all Applications for completeness, eligibility and feasibility. Applications that MaineHousing determines are not complete, eligible or feasible will be rejected, and the Applicant will be notified of the deficiencies.

Please call Bill Glover, Manager of Lending of the Development Division, at (207) 626-4634 if you need information on how to access MaineHousing's ShareFile, have any questions, or need additional information.

MaineHousing's Nondiscrimination Policy

MaineHousing does not discriminate on the basis of race, color, religion, sex, sexual orientation, gender identity or expression, marital status, national origin, ancestry, disability, age, familial status or receipt of public assistance in the admission or access to or treatment in its programs and activities. In employment, MaineHousing does not discriminate on the basis of race, color, religion, sex, sexual orientation, gender identity or expression, marital status, national origin, ancestry, age, disability or genetic information. MaineHousing will provide appropriate communication auxiliary aids and services upon sufficient notice. MaineHousing will also provide this document in alternative formats upon sufficient notice. MaineHousing has designated the following person responsible for coordinating compliance with applicable federal and state nondiscrimination requirements and addressing grievances: Louise Patenaude, Maine State Housing Authority, 353 Water Street, Augusta, Maine 04330-4633, Telephone Number 1-800-452-4668 (voice in state only), (207) 626-4600 (voice) or Maine Relay 711.