



Maryland DHCD Resources for Purple Line Corridor Affordable Preservation

3 June, 2022

Presentation Agenda

- The Mission of the MD DHCD MF Lending Programs
- Overview of Project Processing
- The Preservation Toolbox
- Who's Who & Getting Started

MF Rental Lending Mission

- **Preserve and expand the supply of quality affordable housing for lower income Maryland households;**
- **Support the Revitalization challenged Maryland communities;**
- **Lower the carbon footprint of the Maryland MF Housing Stock;**
- **Increase the supply of affordable housing for disabled and homeless households to optimize independence;**
- **Generate employment and economic opportunity for Maryland workers and businesses, especially those from historically disadvantaged groups; and,**
- **Earn money for the State's Housing and Community Development Mission**

How?

The 3 Doors Project Financing Approach

- 1. The 9% LIHTC Door – Highly Competitive, Annual Rds, Less Preservation Friendly;**
- 2. The 4% LIHTC Door – Funds all threshold compliant projects, Requires TE Bonds, Preservation Oriented; and,**
- 3. The Shelter/Transitional Door – No LIHTC, Limited but growing resources.**

The 4% LIHTC Door

Keys to Success: “Every happy project is happy in the same way. Every unhappy project is unhappy in its own unique way.” L. Tolstoy.

1. Quality Development Team;
2. Thoughtful, Thorough, Site Appropriate Due Diligence;
3. The Right Design and Construction Budget;
4. Pass Threshold Review including minimum scoring; and,
5. Local Jurisdictional Support.

The Department’s Approach to Pipeline Management:

First Ready to Proceed.

- Pre-Application meetings are *recommended*;
Pre-application Meetings
- Provide an opportunity to receive feedback on proposed project specifics;
- Use the Pre-Application Meeting Request Form at <https://dhcd.maryland.gov/HousingDevelopment/Pages/MFLibrary.aspx> to submit a meeting request;
- The agenda & list of submittals at the end are just suggested.

Scoring: Based On 200 Points

Category	Points	
Capacity of Development Team	74	<ul style="list-style-type: none"> • Team Experience • Negative points for processing time, compliance and asset management issues • Financial Capacity • Nonprofit/PHA/MBE scoring
Community Context	16	<ul style="list-style-type: none"> • Community Impact or Communities of Opportunity • Defined Planning Areas and Opportunity Zones (Rural, Sustainable Communities, and others)
Transit Oriented Development (TOD)	8	<ul style="list-style-type: none"> • MDOT designated • Radius of a public transportation boarding and alighting location • Availability of Transportation Services • Walk Score
Public Purpose	46	<ul style="list-style-type: none"> • Income Targeting • Targeted Populations • Family units with 2, 3+ bedrooms • Tenant Services • Policy Incentives
Leveraging & Cost Effectiveness	25	<ul style="list-style-type: none"> • Direct Leveraging • Operating Subsidies • Construction or Rehabilitation Cost Incentives
Development Quality	31	<ul style="list-style-type: none"> • Green Features • Energy Efficiency • Project Durability and Enhancements

As of 5/26/2022

Disclaimer: The following information includes indicative rates, fees and costs as of 5/26/2022. Loan amounts are for illustration purposes only. Changes in loan amounts will entail changes in upfront costs and may increase or decrease the permanent mortgage rates. Actual rates, fees and costs may vary depending on various factors, including but not limited to market rates, the amounts and sources of financing, and structural modifications to the financing. The Community Development Administration reserves the right to modify the rates, fees, and financing structures shown below in its discretion and without prior notice. Indicative projects are new construction / substantial rehab with 20-24 month construction period

**Maryland Community Development Administration
Multifamily Program Financing Option Comparison - Tax-Exempt Bond and 4% Low Income Housing Tax Credits ¹**

Program by Credit Enhancement	FHA-CDA Risk Sharing (FHA Section 542 (c))	FHA-CDA Risk Sharing (FHA Section 542 (c))	GNMA MBS (FHA Sections 221(d)(4)) ²	Freddie Mac Tax Exempt Loan ("TEL")	Cash Collateral / (GNMA MBS (FHA Sections 221(d)(4)) ^{2, 3}	FNMA MBS Collateral for Tax Exempt Bonds ("MTEBS") ⁷
Status	Currently Available, Check with CDA Loan Underwriters					Pilot Status
Debt Structure	Tax Exempt Bonds	Tax Exempt Bonds	Tax Exempt Bonds	Tax Exempt Loans	Short-term Tax Exempt Note	Tax Exempt Bonds, Pass-through
Type of Debt Offering	Public Offering or Private Placement	Public Offering or Private Placement	Public Offering or Private Placement	Private Placement	Private Placement	Public Offering or Private Placement
Tax Exempt Bond / Loan Final Maturity (From End of Construction)	40-year	17-year	40-year	17-year	2-year Construction Period	17-year
Mortgage Amortization	40-year	40-year	40-year	35-year	40-year	35-year
Balloon Year	n.a.	17	n.a.	17	n.a.	17

FINANCING INFORMATION

Debt: Bond or Note Amount, \$	20,545,000	20,545,000	20,000,000	20,000,000	20,000,000	20,000,000
Mortgage Amount, \$	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Construction Period (mos.)	20	20	20	24	20	24
Permanent Amortization Period (mos.)	480	480	480	420	480	420
Base Rate / True Interest Cost (TIC), %	4.350	4.100	4.350	2.754	4.050	4.050

PERMANENT LOAN RATES ⁴

Estimated Mortgage Rate, %	4.895	4.645	4.920	5.27 - 5.41	4.300	5.620
Mortgage Insurance Premium, %	0.250	0.250	0.250	0.000	0.250	0.000
Estimated All-In Rate, %	5.145	4.895	5.170	5.27 - 5.41	4.550	5.620

UPFRONT FEES ^{5, 6}

Net Estimated All-In Upfront Costs, \$	1,278,000	1,247,000	1,435,000	1,210,000	1,383,000	1,593,000
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- All financings are subject to requirements of the Qualified Allocation Plan ("QAP") for Low Income Housing Tax Credits ("LIHTC") and the Multifamily Rental Financing Program Guide ("Guide")
- Rates for FHA Section 223 (f) are estimated to be lower, please consult with CDA loan underwriters
- CDA issues cash collateralized short term tax exempt notes. GNMA MBS is sold by GNMA seller-servicer into a taxable market.
- Base Rate Plus Trustee, Rebate Analyst Fee, Servicing / Guarantee Fee, Reserve Negative Arbitrage, CDA Bond Administration Fee.
- Assumes 25% drawn at closing & remaining drawn equally over 19 months.
Refer to QAP Fee Schedule: <https://dhcd.maryland.gov/HousingDevelopment/Pages/Fees.aspx>
- Include Cost of Issuance, CDA Financing Fee, Lender / Guarantor Fees and Costs, Interest Paid Net of Interest Earned on Undrawn Bond Proceeds during Construction.
Refer to QAP Fee Schedule: <https://dhcd.maryland.gov/HousingDevelopment/Pages/Fees.aspx>
- Indicative rate represents a forward delivery of the permanent loan; an immediate delivery would be 0.20% less.

General Budget Notes

- >100 projects in Pipeline
 - Increasing IRs & Construction Costs stalled projects & grew gaps
- Pandemic Repair Mode
- \$200MM from legislature for FY '23
- New Normal? - TBD

MD DHCD Gap-filling Preservation Sources

- Rental Housing Works (RHW)
 - Starting 7/1/22
 - Up to \$3.5MM (base \$2.5MM, incrementing \$50M for each unit over 50) or “Gap” whichever is less;
 - MF Capital Fund – Generally \$6MM or so high Public Purpose Projects, scoring 132, can go to \$10MM;
- Partnership Rental Housing Funds (PRHP)
 - \$12MM for FY '23 – 2 Doors – Public Participation, 50% State MI, LJ Financial OR IDSN Dus @ 30% AMI - ~ \$150M/DU
- Weinberg ~200M/DU – PWDs, ~13%AMI
- MEEHA/Empower: ~ \$3M/DU for specified ECMs
- Emerging Developer’s Fund
 - \$3MM: Summer '22 RFP; roughly \$500M/award; 0% Interest, non-recourse; targeting newer community-aligned developers working in strategic communities.
- HOME – Budget Authority FY '23 - \$11MM: Priority non-PJs
- NHT - Budget Authority FY '23 - \$11MM:

Pre-application Meetings

- Use the Pre-Application Meeting Request Form at <https://dhcd.maryland.gov/HousingDevelopment/Pages/MFLibrary.aspx> to submit a meeting request;
- The following agenda & list of submittals are just suggested.

Pre-App Mtg Agenda Template

1. Introductions and Welcome
2. Project Overview
 - a. Development Team
 - b. Design and Construction
 - i. Site Conditions
 - ii. Scope
 1. Green
 2. Accessibility
 3. Other
 - iii. Zoning and Approvals
 - iv. Issues Concerns
 - c. Economics
 - i. M&I/E/S/U/PF
 - ii. Other Lenders & Investors
 - iii. State Resources
 - d. Occupancy
3. Self-Score Form
4. Schedule Milestones/Readiness/Processing Trac
5. Overall Risks and Mitigants
6. Other Issues/Questions
7. Next Steps

Pre-App Mtg Suggested Submittals

- The following, to the extent practicable, should be submitted before scheduling the Concept Meeting:

1. Completed 202 - Clearly indicating bond execution.
2. Self-Score Form
3. Project Narrative
 - a. Site Characteristics(In Summary)
 - i. Environmental
 - ii. Physical Condition
 - iii. Geotechnical and Buildability
 1. Soils/Drainage/Stormwater Management
 2. Utilities
 - iv. Unusual Site Conditions (retaining walls; road/highway access)
 - b. Anticipated Scope of Work
 - i. Overall Program
 - ii. Green Features/Carbon-footprint Reduction Strategies
 - iii. Accessibility
 - c. Current Occupancy
 - i. Physical
 - ii. Economic
 - iii. Special Needs
 - d. Acquisition
 - i. Appraisal
 - ii. Market
 - iii. Existing Debt
 - iv. Related Parties/Cash Out
 - e. Schedule Milestones
 - f. Status and approval of other lender funding.
 - g. Overall Risks and Mitigants

1. Site Photos
2. Location Map
3. Anticipated Waivers
4. Other Issues/Questions

Who's Who?

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