



OED 2017 Housing Financing Products Questions & Answers

What is the purpose of term sheets for OED Housing Financing Products?

A key goal of term sheets for OED's affordable housing investments is to increase predictability, consistency and transparency for developer partners. Any project of a given type will be able to access financing on the same terms. Products with the most favorable terms are available to projects that best meet OED's stated policy priorities (for example, in 2017, performance loans will be available to projects that provide a high proportion of lower income units). Standardized term sheets will also allow OED to build new processing and decision-making efficiencies with the goal of streamlining the loan process for developer partners.

How do I know which financing product to apply for?

OED has designed financing products to align with a variety of project financing structures, so that most projects will align with one product (for example, a product that has been awarded 9% tax credits will apply for OED's 9% tax credit financing product).

What types of entities are eligible to apply for these loan products?

Non-profit, for-profit, and housing authority developer partners may all apply for any OED financing product. Loans will be made directly into project entities. OED financing products are not available for pass-through loan structures.

Which OED funds (federal or local) will be invested through these financing products?

These financing products will be used to deploy all OED housing funds, both federal and local. The decision of which funds to allocate to which project will be made by OED staff. OED staff will evaluate whether federal or local funds are appropriate on a project by project basis with a consideration for the income level served, whether a project is already subject to HUD compliance through other financing sources and/or whether the project is led by developers with significant federal funds experience.

Will OED make any housing investments outside of these financing products?

OED also plans to release competitive RFPs throughout the year to spur affordable housing development on specific sites, to support affordable housing innovation, and potentially to meet other policy goals.

Are the terms flexible?

Changes to the adopted terms for a given financing product will be made on an exception basis only, and are subject to the approval of OED's Loan Review Committee. Term sheets will be evaluated annually to reflect any market changes or other product updates as appropriate.

Can I apply for multiple financing products for a single project?

Yes, projects can apply for multiple financing products for a single project (for example, both the acquisition/preservation product and the rehab product), as long as the total loan amount requested does not exceed the overall maximums of \$3,000,000 total loan size and \$50,000 per affordable unit.

Can I refinance one loan product with another loan product?

Yes, one loan product can be used to refinance another loan product (for example, an acquisition loan could be refinanced with a 4% tax credit loan), as long as the total outstanding loan amount does not exceed the overall maximums of \$3,000,000 total loan size and \$50,000 per affordable unit.

What's the difference between terms, criteria, and priorities?

OED will use *underwriting criteria* and *policy priorities* to evaluate whether to accept an application for financing. Once an application is accepted, any financing that may be offered will be shaped by the *terms* of a specific financing product as described on the term sheets.

- *Underwriting criteria* include project readiness, financial feasibility, and due diligence items, and are designed to help OED determine whether a project can successfully deploy financing to meet affordable housing production goals.
- *Policy priorities* include both location factors and project-specific factors and are designed to help OED align its investments with the affordable housing that Denver needs most – for example, affordable housing in neighborhoods vulnerable to displacement, or affordable housing that serves a special population.
- *Terms* include typical loan terms like interest rate, loan amount, and repayment terms.

How do I apply for an OED affordable housing financing product?

OED's current housing loan application is available on the OED Housing website. The application includes instructions for submission. Projects that are applying for competitive tax credits should submit a completed application at the same time as they submit a tax credit application. OED will use completed applications to submit a project ranking to CHFA based on how well the proposed projects meet OED's policy priorities. Projects that are not seeking competitive tax credits can submit an application at any time and OED will review these applications on a quarterly basis (for example, applications received throughout the first quarter will be reviewed at the end of the first quarter). Following quarterly application review, applications will either be accepted to move forward for full underwriting analysis or receive feedback and be invited to apply in future quarters.

How does the RAHLF fit in with these financing products?

As of the end of 2016, the initial capitalization of the RAHLF is nearly exhausted. Once RAHLF funds have been fully expended, projects that may have previously considered applying for RAHLF funds should apply for the financing product that is the best fit for their financing structure – in most cases, either the 4% product or the Non-LIHTC Rental product.

For cash flow loans, how does OED define cash flow?

OED defines cash flow as net revenue after operating expenses (excluding depreciation and amortization), required debt service, reserve requirements, and repayment of the deferred developer fee. Payments required by a tax credit partnership may also be deducted from cash flow prior to OED repayment on a case-by-case basis.

How does OED evaluate loan to value and debt service coverage?

OED underwriting includes all debt sources in calculating loan to value and debt service coverage. OED does *not* include sources of equity in these calculations, and regards deferred developer fee as a source of equity.