

CHAPTER 3
MULTIFAMILY HOUSING

DIVISION I
MULTIFAMILY LOAN PROGRAM

265—3.1(16) Purpose. Through its multifamily loan program (program), the authority seeks to preserve the existing supply of affordable rental units at risk of being lost and to foster the production of new affordable rental units in the state.

265—3.2(16) Available funds. The authority anticipates that it will, from time to time, publicize the approximate amount of funds available under this program on the authority's Web site at www.iowafinanceauthority.gov.

265—3.3(16) Intent of the authority. It is the authority's intent to allow maximum discretion and flexibility to be used by those applying for assistance under this program, and to allow discretion and flexibility to be used by the authority in its analysis and awarding of loans and grants under this program. It is the position of the authority that such discretion and flexibility are essential to structuring transactions that will work to foster affordable housing in the state in a manner that best serves the citizens of the state.

265—3.4(16) Application procedure. Applications for assistance under this program must be made on forms and in the manner provided by the authority. Inquiries with respect to this program should be made to those persons identified on the authority's Web site as contacts for this program. Once contacted with an inquiry, the authority will send an application package to the potential applicant. The authority will take such applications from time to time and will analyze and award loans to applicants on an ongoing basis. It is the position of the authority that such flexibility in taking and reviewing applications and making awards will best serve to foster affordable housing in the state.

265—3.5(16) Program guidelines. For-profit and nonprofit sponsors are eligible to apply for assistance under this program. There are three categories of loans under this program: preservation of affordable housing, low-income housing tax credits, and substantial rehabilitation of nonrestricted projects.

3.5(1) Projects eligible for assistance must meet the following criteria, in addition to any specific requirements applicable to a particular category of loan as set forth in rule 265—3.6(16), 265—3.7(16), or 265—3.8(16), as applicable:

- a.* Both a demonstrated market need for the units must exist and the project must be in a good location, as determined by the authority in its sole discretion.
- b.* Assistance provided under this program must enable the project to maintain financial feasibility and affordability for at least the term of the assistance.
- c.* Maintenance and debt service reserve funds must be adequately funded, as determined by the authority in its sole discretion.
- d.* The maximum loan term is 24 months for construction financing and 40 years for permanent financing.
- e.* The required debt service is 1.25 to 1. Loan-to-value ratio will be considered. The authority may, in limited cases, change the required debt service ratio. Such decision will be made in the sole discretion of the authority.
- f.* Interest rates will be set by the authority, in its sole discretion.
- g.* Loans shall be secured by a first mortgage; provided, however, that in limited cases the authority may consider a subordinate mortgage when the first mortgage is held by another entity.
- h.* Construction financing may be awarded to projects under the program.
- i.* Borrowers must covenant to observe certain compliance measures, including a recorded agreement to ensure long-term affordability.

j. A title guaranty certificate from the authority's title guaranty division is required on all loans, unless specifically waived by the authority.

k. A local contributing effort in an amount of at least 1 percent of the proposed loan is required for loans made under division I of this chapter, and evidence of the local contributing effort shall be presented to the authority.

l. The authority may require a change of management or general partner and may refer applicants to other financing options, such as tax-exempt bonds or tax credits, when appropriate.

m. FHA-insured loans may be available through the Multifamily Accelerated Processing (MAP) of HUD, if the authority is an approved MAP lender at the time of the loan closing. The authority may require or suggest such a MAP loan for any and all projects applying for assistance. In addition, the authority may participate in the HUD Risk-Sharing Program and may suggest or require such a loan for any and all projects applying for assistance.

n. Grant funds may be available, in the sole discretion of the authority, if the authority determines that such funds are necessary for the continued financial viability of the project.

o. Recipients must execute such documents and instruments, and must provide such information, certificates and other items as determined necessary by the authority, in its sole discretion, in connection with any assistance.

3.5(2) Loan fees are as follows:

a. Commitment fee (construction period) - 1.0 percent of total development costs.

b. Commitment fee (permanent loan) - 2.0 percent of loan amount.

c. Inspection fee - 0.5 percent of loan amount.

d. Application fee - 0.3 percent of proposed loan amount.

The authority may, in limited cases, reduce such fees if necessary in connection with assistance provided under this program. Such decision will be made in the sole discretion of the authority.

265—3.6(16) Multifamily loan program for preservation of affordable housing. Projects eligible for loans under this category must satisfy the following conditions, in addition to (or instead of, if there is a conflict) the requirements of rule 265—3.5(16):

1. Projects must have been developed using at least one of the following: low-income housing tax credits (LIHTC); state or local HOME funding; tax-exempt bonds; a HUD or USDA Rural Development program (i.e., Section 515); authority HAF funds; or funds of the former Iowa housing corporation (IHC).

2. Units must at a minimum be affordable to tenants with incomes at or below 80 percent of area median income (AMI), and, in most cases, must be affordable to tenants with incomes at or below 50 percent AMI. Mixed income projects will be considered.

3. Projects must have at least five units.

265—3.7(16) Multifamily loan program for low-income housing tax credits. Projects allocated either 4 percent or 9 percent tax credits that have not yet started construction or have not obtained permanent financing are eligible for loans under this category.

265—3.8(16) Multifamily loan program for substantial rehabilitation of nonrestricted projects. Projects eligible for loans under this category must satisfy the following conditions, in addition to (or instead of, if there is a conflict) the requirements of rule 265—3.5(16):

1. Projects that currently have no affordability restrictions (e.g., Section 8 project based, USDA 515, LIHTC) are eligible for assistance.

2. Projects must need and sponsors must agree to complete rehabilitation of at least \$6,000 per unit in hard construction costs.

3. Sponsors must agree that at least 40 percent of the units shall have rents at or below the applicable area FMR (fair market rents as determined by HUD).

4. Projects must have at least five units.

265—3.9(16) Authority analysis of applications. Authority staff will analyze and underwrite each potential project, and will make recommendations for funding assistance to the board of the authority. Authority staff will use such procedures and processes in its underwriting and analysis as it deems necessary and appropriate in connection with furthering the purposes of this program. In addition, the authority anticipates that because of the complex nature of each transaction, and the particular sets of circumstances attributable to each particular application/transaction, that the terms and conditions of loans will vary from project to project. The authority will make available its general operating procedures and guidelines for this program, as such may be revised from time to time.

265—3.10(16) Discretion of authority board. The authority board of directors has the sole and final discretion to award or not award assistance and to approve final loan terms.

265—3.11(16) Closing/advance of funds. If all requirements of the authority are not met in accordance with any time frames set by the authority and to the complete satisfaction of the authority, all in the sole discretion of the authority, the authority may determine to cease work on an approved project and to, accordingly, not advance any funds for such project.

265—3.12 to 3.19 Reserved.

DIVISION II
PREDEVELOPMENT LOAN FUND

265—3.20(16) Purpose. Through its predevelopment loan fund (fund), the authority seeks to expand the ability of organizations to utilize the authority's multifamily loan program (program) by offering low-cost predevelopment loans for which reasonable financing through traditional lenders or other government financing is not readily available.

265—3.21(16) Available funds. The authority will publicize the approximate amount of funds available under this fund on the authority's Web site at www.iowafinanceauthority.gov.

265—3.22(16) Intent of the authority. It is the authority's intent to allow maximum discretion and flexibility to be used by those applying for assistance under this fund, and to allow discretion and flexibility to be used by the authority in its analysis and awarding of loans under this fund.

265—3.23(16) Application procedure. Applications for assistance under this fund must be made on forms and in the manner provided by the authority. Inquiries with respect to this fund should be made to those persons identified on the authority's Web site as contacts for the program and the fund. Once contacted with an inquiry, the authority will send an application package to the potential applicant. The authority will take such applications from time to time and will analyze and award loans to applicants on an ongoing basis. It is the position of the authority that such flexibility in taking and reviewing applications and making awards will best serve to foster affordable housing in the state.

265—3.24(16) Fund guidelines. Any sponsor is eligible to apply for assistance from the fund relating to a specific project provided that the sponsor applies for a multifamily loan under the program for the same project.

3.24(1) Loans may be made to sponsors only with respect to projects that meet the criteria detailed in subrule 3.5(1).

3.24(2) The following types of activities and costs, to the extent approved by the authority, are eligible for assistance: architect services, engineering services, attorney's fees, accounting fees, environmental consultants and reports, finance and development consultants, tax credit consultants, market studies, survey fees, appraisal costs, and such other similar activities as may be determined by the authority from time to time to fall within the guidelines and purposes established for loans under the fund.

3.24(3) Assistance will be provided upon the following terms and conditions:

- a. Generally, the minimum loan amount is \$2,500, and the maximum loan amount is \$25,000.
- b. The loan will be due on the earlier of (1) 12 months from the date it is issued or (2) the closing of the authority's first mortgage loan for the project under the program. The authority may extend the loan term as it deems necessary.
- c. Principal and interest payments will be due at loan maturity and may be paid from the proceeds of a loan under the program.
- d. Interest rates will be set by the authority, in its sole discretion.
- e. Recipients must execute such documents and instruments, and must provide such information, certificates and other items, as determined necessary by the authority, in its sole discretion, in connection with any assistance.

265—3.25(16) Authority analysis of applications. Authority staff will analyze each potential loan and will make recommendations for funding assistance to the board of directors of the authority. Authority staff will use such procedures and processes in its underwriting and analysis as it deems necessary and appropriate in connection with furthering the purposes of this fund.

265—3.26(16) Discretion of authority board. The authority's board of directors has the sole and final discretion to award or not award assistance and to approve final loan terms.

265—3.27(16) Closing/advance of funds. If all requirements of the authority are not met in accordance with any time frames set by the authority and to the complete satisfaction of the authority, all in the sole discretion of the authority, the authority may determine to cease work on an approved project and to, accordingly, not advance any funds for such project.

265—3.28 to 3.30 Reserved.

DIVISION III
GAP FINANCING FUND

265—3.31(16) Purpose. Through its gap financing fund (gap fund), the authority seeks to expand the ability of organizations to utilize the authority's multifamily loan program (program) by offering low-cost gap loans for which reasonable financing through traditional lenders or other government financing is not readily available.

265—3.32(16) Intent of the authority. It is the authority's intent to allow maximum discretion and flexibility to be used by those applying for assistance under this gap fund, and to allow discretion and flexibility to be used by the authority in its analysis and awarding of loans under this gap fund.

265—3.33(16) Application procedure. Applications for assistance under this gap fund must be made on forms and in the manner provided by the authority. The authority will take such applications from time to time and will analyze and award loans to applicants on an ongoing basis. It is the position of the authority that such flexibility in taking and reviewing applications and making awards will best serve affordable housing in the state.

265—3.34(16) Fund guidelines. Any sponsor is eligible to apply for assistance from the gap fund relating to a specific project provided that the sponsor applies for a multifamily loan under the program for the same project.

3.34(1) Loans may be made to sponsors only with respect to projects that meet the criteria detailed in subrule 3.5(1).

3.34(2) The following types of activities and costs, to the extent approved by the authority, are eligible for assistance: acquisition costs, operating and replacement reserves, insurance, closing costs,

and such other similar activities as may be determined by the authority to fall within the guidelines and purposes established for loans under the gap fund.

3.34(3) Assistance will be provided upon the following terms and conditions:

- a.* The maximum loan amount cannot exceed 50 percent of the authority's first mortgage loan and second mortgage loan, if any, under the program.
- b.* The loan term shall not exceed 40 years.
- c.* Principal and interest payments shall be due monthly.
- d.* Interest rates will be set by the authority, in its sole discretion, as close to market as the financial capacity of the project will allow.
- e.* Loans shall be secured by a subordinate mortgage.
- f.* Recipients must execute such documents and instruments, and must provide such information, certificates and other items as determined necessary by the authority, in its sole discretion, in connection with any assistance.

3.34(4) Loan fees are as follows:

- a.* Commitment fee - 1.0 percent of loan amount.
- b.* Origination fee - 2.0 percent of loan amount.
- c.* Inspection fee - 0.5 percent of loan amount.
- d.* Application fee - 0.3 percent of proposed loan amount.

The authority may, in limited cases, reduce such fees if necessary in connection with assistance provided under this program. Such decision will be made in the sole discretion of the authority.

265—3.35(16) Authority analysis of applications. Authority staff will analyze each potential loan and will make recommendations for funding assistance to the board of directors of the authority. Authority staff will use such procedures and processes in its underwriting and analysis as it deems necessary and appropriate in connection with furthering the purposes of this gap fund.

265—3.36(16) Discretion of authority board. The authority board of directors has the sole and final discretion to award or not award assistance and to approve final loan terms.

265—3.37(16) Closing/advance of funds. If all requirements of the authority are not met in accordance with any time frames set by the authority and to the complete satisfaction of the authority, all in the sole discretion of the authority, the authority may determine to cease work on an approved project and accordingly, not advance any funds for such project.

265—3.38 to 3.40 Reserved.

These rules are intended to implement Iowa Code sections 16.5(17), 16.18(1) and 16.18(2).

[Filed 10/11/02, Notice 8/7/02—published 10/30/02, effective 12/4/02]

[Filed 5/9/03, Notice 4/2/03—published 5/28/03, effective 7/2/03]

[Filed 10/8/04, Notice 9/1/04—published 10/27/04, effective 12/1/04]

[Filed 8/12/05, Notice 5/25/05—published 8/31/05, effective 10/5/05]

[Filed 11/4/05, Notice 9/28/05—published 11/23/05, effective 12/28/05]