

Extremely Low-Income (ELI) Housing Subordinate Debt

Special Funding Round

Request for Applications

April 5, 2024



I. Introduction

WHEDA makes available subordinate financing for affordable multifamily housing development or preservation. WHEDA Subordinate Debt products are generally accessed by borrowers in conjunction with applications for other WHEDA-administered products such as Housing Tax Credits or WHEDA loan applications. In Spring 2024 WHEDA will open a Special Funding Round for subordinate financing that will be made available for a broader range of project types and financial structures. The financing is required to support very low-income households at or below 50% of Area Media Income and/or extremely low-income households at or below 30% of Area Median Income. Priority will also be given to project readiness based on the ability to close and start construction quickly.

The total amount of funds to be made available in this funding round is up to \$11 million. The loans will be funded through various combinations of at least two different financing sources based on availability of funds and WHEDA's evaluation of suitability of different sources for individual projects. The financing sources to be allocated during this funding round include National Housing Trust Fund and Capital Magnet Funds. WHEDA will make final determination of eligibility and suitability for the final awards.

This funding round is intended to open up access to flexible financing for new project types and financial structures that may not have previously been permitted in previous opportunities for Subordinate Debt. The criteria below offer stated priorities and structuring parameters but alternative possibilities might be considered. Applicants are encouraged to discuss deviations from this document ahead of application submission.

WHEDA expects to structure awards as low-interest (target rate of 1%-3%), subordinate debt with principal and interest payments to be made from available cash flow from operations with a maximum term of 35 years (to be coterminous with primary mortgage), up to 2 years for construction financing, and 35-year amortization. Interest-only payments may be requested if necessary for project feasibility subject to WHEDA approval. WHEDA will also consider applications where this financing serves as the first position loan either as low-interest hard debt or soft debt subject to WHEDA determination of need and alignment with strategic priorities.

II. Eligible Projects

To be eligible for this Subordinate Financing, all projects must include units designated to Very Low and Extremely Low-Income Households. Applicants must also demonstrate financial need. Projects must also be subject to income restriction and compliance verification from another existing affordable rental housing program independent of this Subordinate Financing.

Projects using competitive 9% or State of Wisconsin Housing Tax Credits

- Project has a valid Reservation of 9% or State Housing Tax Credits.
- Project has not closed on financing or started construction.
- Projects that receive an award of competitive 2024 9% or State Housing Tax Credits that were not eligible to apply for subordinate financing at the time of HTC Application may apply in this Funding Round. Projects that were eligible to apply for subordinate financing may increase the amount of financing requested from the limits in the HTC application round.

Projects using 4% noncompetitive Housing Tax Credits

- Project has submitted a complete application for 4% Federal Housing Tax Credits. Application may be submitted concurrently with the application for Subordinate Debt.
- Projects that applied for competitive 9% or State Housing Tax Credits in 2024 or previous cycles and did not receive an award may reapply for 4% HTCs paired with Subordinate Financing.
- Project has not closed on financing or started construction.

Preservation of Existing Affordable Housing Projects with Deferred Maintenance or at Risk of Loss

- Project has received an allocation of Housing Tax Credits and is facing imminent risk of closure and/or inability to continue to operate under the current established parameters.
- Project has an existing Project Based Rental Assistance contract including from HUD, USDA Rural Development Rental Assistance, or other similar sources and has deferred maintenance or other need of renovation.

Creation of New Affordable Housing Projects without Housing Tax Credits

- Project has received a commitment for a public financing targeting affordable housing rental development that will require ongoing monitoring of operational program requirements including rent restrictions and regular income verification procedures. Examples include but are not limited to: Federal Home Loan Bank Affordable Housing Program, HOME Investment Partnership Program, or municipal or county affordable housing financing products.

III. Loan sizing and structuring

Maximum Per-Unit Subsidy Requests

Units @ 30% AMI	Subsidy Limit
0 BR/Studio	\$159,756
1 BR	\$183,132
2 BR	\$222,693
3 BR	\$288,093
4 BR	\$316,236

Funding is available for projects that have units at or below 50% CMI, as well. WHEDA can provide an average of \$12,150 per 50% CMI or lower unit though this may be increased depending on applications received and awarded.

IV. Application Threshold Requirements

The following items are threshold requirements for all applications and are described in more detail within the Application Checklist Attachment.

- a) Applicant Eligibility
- b) Evidence of Financial Need
- c) Evidence of Timely Ability to Close on Financing

WHEDA will require evidence that the Subordinate Debt proceeds are required for the proposed property’s financial feasibility. The feasibility review will also include a review of the proposed income, operating expenses and structuring of capital sources. Applications that are determined to be financially infeasible will not receive an award.

Awarded deals must demonstrate an ability to close or enter into a binding commitment to receive the funds by August 31, 2024 and must draw all funds for use in the project by August 31, 2027.

III. Scoring Criteria

All applications must score a minimum of 50 points in the scoring categories described below as established in the Allocation Plans for the National Housing Trust Fund.

The following scoring criteria will be used to evaluate all applications passing the threshold requirements noted above. The scoring criteria are explained in more detail within the HTF Scoring Items attachment available on <https://www.wheda.com/developers-and-property-managers/developers/national-housing-trust-fund>.

- a) Geographic Diversity
- b) Affordability
- c) Timely Ability to Proceed
- d) Priority housing needs
- e) Makes use of non-federal funding sources
- f) Per-Unit Subsidy Request

Tie Breakers:

If two or more proposals have an equal number of points, the following will be used to determine selection:

1. First tie breaker: Priority will be given to projects with the quickest closing timeline. Failure to adhere to this timeline may result in loss of funding.
2. Second tie breaker: Priority will be given to projects that fall within Rural Areas that are also Economically Distressed and/or High Needs according to the CDFI Fund’s CMF Map for FY 2021 found here: <https://cimsprodprep.cdfifund.gov/CIMS4/apps/pn-cmf/index.aspx?center=-98.212,38.724&level=4&tool=layers>
3. Third tie breaker: Priority will be given to the project with the greater number of units set aside at 30% county median income (CMI) and then greatest amount of 50% CMI; if a tie still remains.

IV. Recipient Application Requirements

WHEDA will require that all applications include a description of the eligible activities to be conducted with the HTF funds as required in 24 CFR 93.200, and a certification that the housing assisted with HTF funds will comply with all HTF requirements.

WHEDA will complete a background check on any individual with ownership of 20% or more of any entity within the managing member/general partner. Individuals with active files on the Wisconsin Department of Revenue’s List of Delinquent Taxpayers, or unexpired liens on the Wisconsin Child Support Lien Docket will not be eligible for an award.

VI. Compliance Requirements

All awarded projects will be subject to a minimum 30-year Land Use Restriction Agreement (LURA) on the 30% units for National Housing Trust Funds or the latter of the loan being repaid and a minimum 10-year LURA on all units at or below 50% that will be counted as CMF units or the later of the loan being repaid. Additional restrictions and requirements for individual funding sources apply as follows:

National Housing Trust Funds

Support Unit Rent Limits

- Units assisted with the National Housing Trust Fund program must be restricted to Extremely Low-Income Households at or below 30% of Area Median Income. 2024 income limits can be

found at this link: https://www.huduser.gov/portal/datasets/home-datasets/files/HTF_RentLimits_State_WI_2023.pdf

Supported Unit Income Limits

- Units assisted with the National Housing Trust Fund program must adhere to rent limits as designated by HUD. 2024 rent limits can be found at this link: https://www.huduser.gov/portal/datasets/home-datasets/files/HTF_IncomeLmts_State_WI_2023.pdf

Please refer to the HTF Application Certification document available at:

<https://www.wheda.com/developers-and-property-managers/developers/national-housing-trust-fund>

There are several compliance certifications that must be completed, including:

- Application Certification
- Compliance Certification
- Certificate of Eligible Activities
- Property Standards Certification – New Construction or Rehabilitation
 - A Capital Needs Assessment must be submitted in accordance with all requirements outlined in the certification.
 - Include a certification signed by both the applicant and the development’s architect confirming that the items above will be included in the development.

It is very important applicants review these certifications thoroughly – all conditions outlined thereof must be adhered to. Under certain circumstances, the certifications will outline additional documentation that must be submitted with a Housing Trust Fund application.

IX. Eligible Uses of Debt Proceeds

Eligible uses of HTF proceeds include:

1. Real property acquisition
2. Site improvements and development hard costs
3. Related soft costs
4. Demolition
5. Financing costs
6. Relocation assistance

WHEDA will require a certification signed by the applicant confirming the eligible activities to be conducted with the funds.

XI. Closing and construction process

1. Applications tentatively selected for funding will be presented to WHEDA’s Internal Loan Committee, and possibly WHEDA’s Members Loan Committee for final approval.

2. If approved, WHEDA will distribute a closing checklist to the applicant prior to closing.
3. If the financing source includes National Housing Trust Funds, WHEDA will coordinate a third-party HTF-compliant Environmental Review prior to closing. If HTF resources are being combined with other HUD funds, the property cannot be acquired until the third-party environmental review is completed.
4. Applicants will be required to enter into a binding agreement committing the funds to the project prior to August 31, 2024.
5. A Land Use Restriction Agreement (LURA) will be recorded for the number of rent and income-restricted units.
6. WHEDA will process requests for loan proceeds as a construction draw – requiring items such as approval by an architect and lien waivers from contractors. All funds must be drawn and used for eligible project costs by August 31, 2027.
 - a. If the financing source includes HTF proceeds used during construction, 20% of the total loan will be withheld until construction completion.

XII. Requirement of Guarantees

Projects using National Housing Trust Funds will be required to provide a Guarantee as follows: The Borrower shall guaranty repayment of Housing Trust Funds upon Borrower’s noncompliance with Housing Trust Fund requirements, or upon HUD’s demand for repayment of Housing Trust Funds monies lent to the Project, due to the Project or Borrower’s non-compliance. In the event that an HTF-funded property does not maintain compliance with HTF program guidelines, including but not limited to providing the required number of units for households at/below 30% CMI, WHEDA will make efforts to recapture all HTF proceeds provided to that property.

XIII. Application Submission Process and Timeline

Prospective applicants must complete a [Procorem Workcenter Access Form](#) and submit to HTC.FAQ@WHEDA.com for each application submission. All application materials must be complete application is to be submitted to WHEDA using the electronic file transfer system Procorem.

Applications will be reviewed in rounds until all funds have been committed according to the timeline below:

Round 1	
Application Deadline	April 19, 2024
Approximate Award Announcement	May 3, 2024
Round 2*	
Application Deadline	May 10, 2024
Approximate Award Announcement	May 31, 2024
Round 3*	
Application Deadline	June 7, 2024
Approximate Award Announcement	June 28, 2024

*Round 2 and Round 3 will be subject to availability of funding remaining after awards from previous cycle(s).