



September 12, 2017

Proposed Revision of SHRA's Multifamily Lending and Mortgage Revenue Bond Policies

SHRA is undertaking a revision to our Multifamily Lending and Mortgage Revenue Bond Policies (Policies). To date, there have been two stakeholder meetings. The first meeting in January focused on SHRA's funding and housing type priorities; the second in February on the funding allocation process. After considering feedback from these meetings, we completed a redline edit of the existing Policies. Below is a summary of both major and technical revisions to the Policies based on stakeholder input.

A complete redline version of the Policies is available upon request from Terren Wing. Written comments should be sent to twing@shra.org no later than Friday, September 29th. Oral comments will also be accepted at our public meeting scheduled for September 28th at 9:30am at 801 12th Street, 2nd Floor Commission Room.

Major Policy Changes

- **Affordable Housing Priorities** (Section 1.1)
Based on stakeholder feedback, reordered priorities as follows:
 - 1) Preservation
 - 2) New Construction
 - Permanent Supportive Housing, including Extremely Low Income and Homeless
 - Workforce
 - Veterans
 - 3) Recapitalization
 - 4) Rehabilitation, including conversion of market to affordable
- **Location Policy** (Section 1.2)
Added prioritization of new construction projects located in the Promise Zone and Transit Oriented Developments.
- **Application Process** (Section 1.6)
Amended to two application cycles per year to align with 9% California Tax Credit Allocation Committee (TCAC) dates; SHRA reserves the right to hold a third application round as funding is available.
- **Application and Annual Loan Fees** (Section 2.15)
Amended Annual Administration Fee to 0.125% of the loan amount (previously 0.15%); SHRA will also receive a Fee equal to \$100 per each SHRA-regulated, non-bond unit per year.

- Affordability (Section 4.1)
At least 20% of total units must be affordable to and occupied by households at 50% Area Median Income (AMI). At least 5% of total units must be at 30% AMI, based on financial feasibility.
- Property Management Experience (Section 4.19)
Required to have managed at least five projects over 40 units (previously 10 units); require experience managing at least one project within the Sacramento Area Council of Governments region; require experience managing properties with layered financing.
- Smoke Free (Section 4.21)
Require projects to be 100% smoke free (previously 50%); provide designated smoking areas.
- Landscape Plan (Section 5.10)
Require a landscape plan prepared by licensed, third party professional.
- Relocation (Section 5.11)
Require a qualified third party to complete Relocation Plan; no holding units vacant for on-site relocation; implementation of Plans to be overseen by professional relocation specialist.
- Bond Issuance Fees (Section 9.1.10)
Amended Annual Administration Fee to 0.125% of the loan amount (previously 0.15%); SHRA will also receive a Fee equal to \$100 per each SHRA-regulated, non-bond unit per year. Clarified the Annual Administration Fee is payable for the term of the regulatory period, or 55 years after the date on which at least fifty percent of the units in the project are first occupied.
- Other Issuers (Section 9.4.8)
Added language regarding restriction on holding Tax Equity and Fiscal Responsibility Act (TEFRA) hearings for any bond-financed projects for which SHRA is not the issuer. SHRA will only provide gap financing on bond-financed projects where SHRA is the issuer.
- Application (Section 10.3)
Included language that upon submission of full application, SHRA is main point of contact and applicant may not confer with elected officials – will be deemed conflict of interest.

Technical Policy Changes

- Community Housing Development Organizations (CHDOs) (Section 1.3.3)
SHRA strongly recommends that non-profit organizations complete the necessary steps to become certified by SHRA as a CHDO. A portion of SHRA's federal HOME funds may only be committed to CHDOs.
- Disbursement (Section 2.10)
Revised to match Loan Agreement terms; SHRA shall pay each disbursement request within 20 business days.

- Cost Certification (Section 2.14)
Added cost certification requirement and cost savings language from Loan Commitment letter.
- Loan Commitment (Section 2.16)
Added conditional loan commitment terms – standard of 12 months with option to extend to 18 months under limited circumstances.
- Operating Expenses (Section 3.3)
Operating expenses revised to include property management, and shall be subject to SHRA review and approval.
- TCAC Credit Calculation (Section 3.4.2)
Require applicant to provide.
- Commercial Income (Section 3.9)
May be included in underwriting as a means of paying off deferred developer fee.
- Parking Fees (Section 3.10)
Cannot be required of tenants in affordable units.
- Pet Fees (Section 3.12)
Ongoing fees not allowable; one-time deposit allowable.
- Subsidy Layering Review (Section 3.14)
SHRA's underwriting policies and procedures will at all times conform with 24 CFR 92.250 regarding maximum per-unit subsidy amount, underwriting, and subsidy layering.
- Owner Experience (Section 4.6)
Applicants required to submit evidence of successfully participating in at least two projects over 40 units (previously 10 units); defined development experience as having applied for and received affordable housing resources, including Mortgage Revenue Bonds and Low Income Housing Tax Credits. Subsequent ownership transfers subject to Owner qualifications and experience requirements in 4.6.1 and 4.6.2. Property management and resident service requirements in Section 4.19 and 4.22 apply.
- Per Unit Hard Costs (Section 4.10)
Rehabilitation projects of existing units must provide substantial rehab per minimum TCAC requirements, which are the higher of \$40,000 in hard costs per unit or 20% of adjusted basis (previously \$15,000 per unit).
- Resident Services and Community Space (Section 4.14)
Require a minimum of 1,200 s.f. regardless of number of units in project (previously 12 s.f. per unit for <100 units). Common kitchens are required, including refrigerator, stove, garbage disposal, and dishwasher.
- Playground Equipment (Section 4.15)
Require one school-age appropriate structure for 50 or more units; require school-age and toddler-appropriate structure for 100 or more units.

- Security Equipment (Section 4.17)
Specify required camera locations, require security gates and fences.
- Sustainability Standards (Section 4.18)
Removed reference to Agency's Green Development Guidelines, revised to CalGreen code and Title 24; added language encouraging energy-efficiency measures and expectation of applicants to identify opportunities through Sacramento Municipal Utility District (SMUD) and Pacific Gas and Electric Company (PG&E).
- Security Patrols (Section 4.20)
Required for projects over 100 units (previously 150); detail experience level required for security patrol.
- Resident Services and Budget (Section 4.22)
Revise resident services table for clarity; no change in requirements. Require that the executed funding agreement between the resident services provider and applicant be submitted.
- Affirmative Marketing (Section 4.23.3)
Project owners must follow affirmative marketing practices.
- Appraisal (Section 5.1.1)
SHRA may use TCAC's regulations regarding third party debt rather than the appraised value for rehabilitation projects.
- Market Study (Section 5.2)
Removed specificity in requirements for market studies; require that market studies be consistent with California Debt Limit Allocation Committee (CDLAC) and TCAC requirements.
- Environmental Review (Section 5.4)
Added specifics regarding National Environmental Policy Act (NEPA) review. Additional environmental reports may be required pursuant to SHRA's review. Clarified differences for NEPA review for HUD-funded projects differ from NEPA review for other agencies. Specified that projects adjacent to areas with historic or biological resources or occur in an area which may present hazardous or nuisance conditions require 90 days or more to prepare environmental documents. If necessary, a No Further Action Letter or remediation plan may be required. If necessary, a remediation plan for lead-based paint or asbestos may be required.
- Prevailing Wages (Section 6.1)
If a project is subject to prevailing wages, the developer, contractor and all subcontractors shall pay the higher of the state prevailing wage or Davis Bacon for each construction trade.
- Utility Allowance (Section 7.4.2)
Allow an alternative utility allowance based on energy usage.
- Calculation of Restricted Units (Section 8)
Include reference to HOME Cost Allocation.

- Term of Rental and Affordability Restrictions (Section 9.3.1)
Project must remain as rental housing and meet underwriting requirements for operating reserves, operating expenses and developer fees for the longer of 55 year from later of the date of fifty percent occupancy of the units or the date of the original issuance.
- Bond Underwriter/Remarketing Agent (Section 9.4.10)
The bond underwriter has a duty to deal fairly with the project sponsor, the Authority, SHRA and the City/County, but does not have a fiduciary duty to any of the above.
- 9% TCAC Program Prioritization (previously Exhibit 1)
Deleted exhibit prioritizing 9% TCAC applications.
- Rental Property Minimum Construction Standards (Exhibit 2)
 - Separation of Rehab vs New Construction requirements
 - Landscape design – added specific requirements
 - Fencing – no chain-link; access control required
 - Site accessories – in good condition
 - Building envelope – evidence of water intrusion addressed
 - Chimneys – meet applicable standards, require inspection
 - Doors – matching hardware finishes, doors beyond useful life must be replaced
 - Casework – solid wood required; countertops of solid surface or granite
 - Flooring – LVP required in kitchens; bathrooms must have LVP, sheet vinyl, ceramic; living areas may have carpeting or LVP; minimum wear layer of 12 mils, in common areas 20 mils
 - Ceilings – popcorn ceilings must be removed and refinished
 - Equipment – shelving for microwaves required if no over-the-range microwaves, garbage disposals required
 - Pool – developer responsible for ensuring pool, surroundings meet codes
 - Heating/Cooling – HVAC units must be protected from vandalism
 - Tubs – surrounds must be of solid surfaces
- Management and Resident Services Checklist (Exhibit 3)
Initial lease-up must include a lottery or similarly-equitable process for all income-restricted units and to build to initial waiting list.
- Relocation Guidelines (Exhibit 6)
Updated according to Federal and State requirements.
- Full Application Requirements (Exhibit 9)
SHRA shall review applications for completeness and allow the applicant 10 days to provide missing items. If all required items are not provided within this time period, the application shall be considered incomplete and will be returned to the applicant. SHRA will not continue to process the application and the applicant will be encouraged to reapply for the following funding round.