



DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

INFILL INFRASTRUCTURE GRANT PROGRAM

Application Instructions Part D Instructions

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FY 2014 – 2015 NOFA

State of California
Department of Housing and Community Development
Division of Financial Assistance

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Part D

Complete the forms and spreadsheets in this part to detail information related to your development schedule, housing unit mix, 1st year operating budget, and 15-year pro-forma. Please only use the forms provided. *Note: When you open grant application Part D, if you see a dialog box asking you to update, click either “don’t update” or “no”.*

1. Milestones

Complete the estimated timetables for the development and completion of the project.

For all applicants:

- Fill in the milestone dates for the Capital Improvement Project (CIP). This is the total planned infrastructure project, not limited to the portion the IIG Program is funding.
- Fill in the milestones for the Qualifying Infill Project (QIP). If there are multiple housing development components per Section 303(c), show those additional phase milestones.

2. Unit Mix

County and Area Median Income:

- Fill in the county name where the project is located.
- Fill in the Area Median Income for the county. Income limits can be found at <http://www.hcd.ca.gov/hpd/hrc/rep/state/inc2k14.pdf>

Rental Unit Mix (for rental project applicants only):

- Fill in the number of income-restricted and unrestricted-income units for each bedroom size. Make sure that the Unit Mix in Tab 37 matches the information presented in Tab 9 (GAD spreadsheet).
- Fill in the anticipated rents in the QIP.
- If the On-Site Employee Free Rent is included as an expense, include the free rent amount.
- Fill in the monthly utility allowance from the local public housing authority where the project is located or the allowance by using the methodology from the California Energy Commission. The methodology is located at <http://www.energy.ca.gov/2010publications/CEC-300-2010-002/CEC-300-2010-002-REV2.PDF>.
- Attach a copy of the utility allowance schedule from the local housing authority to substantiate the utility allowances indicated on the Unit Mix table.

- Attach a copy of the Rent Limit schedule, the Utility Allowance schedule (or Utility Allowance calculation), and the HUD Management Fee schedule immediately following the Part D forms.
- Fill in the percentage of the county area median income (AMI) for the identified rent.
- Fill in the number of manager units, senior units, special needs units and supportive housing units for the each bedroom size.

Rent Subsidy (for rental projects only):

If the project is receiving rent subsidies, please explain:

- the number of units receiving assistance
- the subsidy source
- the annual subsidy amount
- the term and expiration of the subsidy

Homeowner Unit Mix (for ownership project applicants):

- Fill in the number of income-restricted and unrestricted-income homes for each ownership unit size.
- Fill in the percentage of the county area median income (AMI) for the buyer of the household unit.
- Fill in the number of senior units for the each home size. Each household equals one unit.

Commercial Space:

- Fill in the # spaces, size information, income information, and the type of the commercial business.

3. Annual Income and Expenses (for rental project applicants only)

Complete the estimated 1st year operating budget for the QIP. This budget represents when the project is placed in service at stabilized rents. Specific instructions to note:

- Under the “On-Site Employee Information” section, identify the number of units and rent of employees living on-site. Also, identify the Income Limit as a percentage of area median income (AMI) of the On-site manager in the cell provided under “Employee Units”.
- Explain the type of on-site social services identified in Acct. 6391.
- Fill in the amount of real estate taxes, including any assessments in Acct. 6710. Explain in the comment box if the property taxes are waived for this project.
- Fill in the amount of annual project reserves in Accts. 7210-7240. Do not include any amount of funds capitalized upfront in a reserve.
- Attach the calculation of the required annual debt service identified in Accounts 6820-6840.

4. Cash Flow Analysis (for rental project applicants only)

This form represents the 15-year pro forma for the QIP. The amounts auto-populate from the Annual Income and Expenses form. The form reflects inflation trending assumptions according to the State Uniform Multifamily Regulations located at <http://www.hcd.ca.gov/fa/multifamilyregs.html>. Fully explain any trending assumptions alternatively used in your pro forma.

5. Financial Feasibility Checklist

Per Guidelines Section 305(e), the applicant must demonstrate that the QIP is financially feasible as evidenced by documentation. HCD urges applicants to demonstrate this feasibility by evaluating the Exhibit D information according to the industry standards and to be prepared for scrutiny by the Loan and Grant Committee uses when directing the expenditures of public money.

Evaluate your project with financial feasibility criteria such as:

Income

- Are Rents and Utility Allowances compliant with appropriate schedules and are included in the application?
- If “Other Income” sources are identified, and project will still cash flow with or without them?
- Were the appropriate vacancy rates used (i.e., 5% for residential and 50% for commercial)?

Operating Expenses

- Are the minimum operating expenses compliant with TCAC? Are the minimum operating expenses consistent with the area? Refer to the 2013 and 2014 minimums in the following link:
<http://www.treasurer.ca.gov/ctcac/2013/minimums.asp>
- Are Property Management fees compliant with HUD Management Fee schedule?
- Are the real estate property taxes waived and/or appropriately budgeted?
- Are expenses, including assessments, clear and customary, with explanations provided for any unusual costs?
- Is the replacement reserve cost per unit within a reasonable range for developments of similar size and type? Will they be funded annually?

Cash Flow

- Are the trending rates applied appropriately (2.5% gross income, 3.5% operating expenses, and 2% for property taxes)?
- Are the total of the partnership, asset management, or similar fees less than or equal to \$12,000 per year?
- Do the uses of cash flow follow the priority order of 1) Operating expenses, 2) Replacement reserve, 3) Mandatory debt service, 4) Deferred developer fee, 5) Asset management, partnership and similar fees?
- Is the debt coverage ratio between 1.10 – 1.20?
- Is there positive cash flow projected for 15 years?

CIP and Total Development Budget

- Is there a sufficiency of funds to pay development costs or funding gap?
- Are the liens reflected in the Preliminary Title Report accounted for in budget?
- What strategy is presented for filling funding gaps (if they exist)?
- Are land costs reflected as the lesser of the actual purchase price or cost validated by a qualified, independent appraiser within one year of application deadline?
- Are the hard contingency costs at least 5% of the total construction cost?
- Is the Operating Reserve capitalized at 3 or 4 months of operating expenses (including property taxes and assessments but excluding on-site support service, replacement reserve deposits and required debt service), for tax credit vs. non-tax credit projects, respectively?
- Is the deferred developer fee at or below \$1.2 million for tax credit projects?
- Are there any ineligible costs in the CIP budget (e.g., site acquisition if CIP is podium parking, surface parking spaces exceeding 1:1 space per housing unit and \$40K/space, soft costs related to ineligible CIP costs, in-lieu fees for local inclusionary programs, and/or ineligible impact fees)?
- Are relocation and/or environmental remediation costs accounted for, if they are necessary?

Permanent Financing

- Are proposed “committed” sources and amounts supported by commitment letters within the application?
- Do commitment letters contain any terms that may threaten the project’s fiscal integrity (e.g., variable interest rates, interest rate adjustments within 15 years without a cap, and/or letters that do not signify an enforceable commitment)?
- Are the loan terms on permanent commitment letters for at least 30 years? Are they bridge loans? Do they have balloon payments?