

## 2010 AHP Application Issues

The purpose of this memo is to provide a description of some of the more common issues and problems exhibited in AHP application submissions

**1. *Application responses are commitments*** -- Applicants should understand that responses to the AHP application are commitments not goals or targets. Completed projects not meeting application commitments will face recapture of AHP funds. Responses in the application must be definitive and specific. Responses that are stated in terms that hedge or qualify commitments will not be credited. It is important to note that the information required to be credited for a commitment for purposes of the application may not be sufficient to show that the commitment was actually met when the project is monitored after completion. The documentation that a commitment has been met will be requested either during the disbursement process or after project completion.

**2. *Allow sufficient time for preparation of application*** -- The FHLBank Topeka member submitting the applications should be involved in the development of the application early in the process. Sponsors, owners and developers considering an AHP application should provide sufficient time for submission of the application. Application materials should be submitted to the member so that the member has sufficient time to review the application prior to the AHP deadline. Allow the member 1 to 2 weeks prior to the application deadline for the review. Many of the mistakes made in AHP applications are due to the last minute preparation of AHP applications. Some aspects of the application require some lead time to put together including housing needs assessments, market studies, feasibility information, support and commitment letters.

**3. *Exhibit 1 Feasibility must be submitted*** -- The rental or homeowner feasibility worksheets must be submitted for all projects. For rental projects, the "AHP Subsidy Gap" shown on the Gap Analysis worksheet must be equal to or greater than the amount of AHP subsidy requested. Call the FHLBank housing and community development department for assistance with feasibility worksheets.

**4. *Unsigned or improperly signed applications*** -- All applications must be signed by an authorized officer of the member bank submitting the application. Applications that have a nonprofit sponsor must also be signed by an authorized representative of the sponsor. All rental applications must also be signed by an authorized representative of the owner.

**5. *Unanswered questions and missing exhibits*** -- Each question and exhibit in the application is essential to our review of the proposal. Answers provide information that determines whether a project meets AHP "eligibility" requirements. Many answers affect the application's score in the competitive process. Answers should be recorded in the space provided on the application form or attached in a clearly identified exhibit. Failure to provide an answer or attach *all* required exhibits may disqualify an application. Applicants must provide a copy of the 501(c)3 approval letter for all private, nonprofit organizations involved as sponsors of AHP applications. Public agency sponsors should provide a copy of the public charter or resolution establishing the organization. Projects showing funding from sale of Low-Income Housing Tax Credits (LIHTC) must provide a copy of the LIHTC application with the AHP request.

**6. *Failure to describe the proposed use of AHP funds*** -- A concise description of how AHP funds will be used and when the funds will be drawn must be provided. Staff evaluates this information to ensure that the AHP funds will be used for eligible purposes, which include, but are not limited to, acquisition costs,

construction costs, permanent financing and down payment and closing cost assistance. AHP funds may not be used for any commercial space development.

**7. Basic arithmetic errors and inconsistencies** -- Member banks, sponsors and owners submitting applications should review AHP applications.

Housing and community development staff evaluate the financial feasibility of a project during the application review process, including the project's development and operating costs.

- a. Total development costs must equal total sources of funds reported.
- b. Inconsistency between the number of units and income levels targeted shown in the targeting section application and the number of units and income levels targeted shown on the feasibility worksheets, Ex. 1.
- c. Information in the AHP application should be consistent with the sources and uses, pro forma, targeting, etc. shown in LIHTC or applications from other funding sources.

Please double check addition to ensure that numbers are consistent throughout the application and be sure to explain any funding gaps. Applications which have numerous arithmetic errors and do not make financial sense raise questions about the sponsor's capacity to perform and the project's feasibility. These errors may result in the disqualification of the application.

**8. Inadequate Needs Assessment or Market Study information** -- Many applicants do not take the needs assessment and market study information submission requirements seriously even though these are the basis for evaluating the potential needs for the type of housing and suitability of proposed housing for the community in which it is located. Many problems that become apparent after completion of projects can be traced to insufficient evaluation of the market and housing needs in the community. Please note that, Owner-occupied, non-rehab, projects require only a Needs Assessment document while Rental Applications require only a Market Study.

**9. Empowerment and District Priority #2 activities that are not substantive or do not directly benefit AHP project occupants** -- Empowerment and district priority #2 activities described in the AHP application must directly benefit occupants of the units funded with AHP subsidies, normally on the project site, and be organized specifically for the targeted AHP-assisted households. It is not acceptable for the project sponsor to "try to" organize an activity or refer occupants to social service agencies that serve residents or recipients of AHP funds. To qualify for empowerment or support services points, the activity must be substantive and be supported by attaching supporting documentation as to how the service will be carried out and delivered to project residents. If the requested documentation is not submitted credit cannot be awarded. It has become more common for owners and sponsors of completed projects to claim upon project completion and occupancy that a commitment cannot be met because of lack of tenant interest or participation. Applicants are voluntarily committing to application commitments and AHP regulations require application commitments to be met. If an owner or sponsor is not absolutely sure of their ability to fulfill application commitments then no commitment should be made in the application submission. Applications are awarded funds and many applications are not awarded funds based on the commitments made in the application. As a result, in order to maintain the integrity of the application funding process it is important that applicants approved funding meet the commitment that served as the basis for the approval of the funds for their project. Unsuccessful applicants expect that successful applicants will adhere to the terms of the application commitments.

**10. Inadequate documentation of community involvement, member participation and district priority #2** -- Applicants receive points for community involvement and member participation only for contributions that are substantive and specifically committed in writing by the entity that is making the contribution. Letters committing financing or services to the project must be submitted. Letters of general or political endorsement need not be submitted.

**11. Inadequate description of owner's role in project monitoring** -- Owners submitting AHP applications are responsible for monitoring and reporting on the project's compliance with AHP standards throughout the affordability retention period. Often, the description of the owner's role in project monitoring is omitted. A complete description of how the member and project sponsor/owner will work together to fulfill project monitoring requirements is needed. The monitoring requirements of additional project funding sources should also be described. Members should also describe the process for disbursing AHP funds including the documentation to be obtained to show that AHP funds are being used for eligible purposes.

**12. Inadequate explanation of noncompliance to AHP guidelines** -- Housing and community development staff review applications to verify that the amount of AHP subsidy requested is necessary to ensure project feasibility and affordability. To help us determine whether the project is over- subsidized, the project feasibility errors identified on the Feasibility Analysis Worksheet (Exhibit 1) must be fully explained in appropriate column in order for the application to pass initial feasibility review and to be scored in the competition.

**13. Inadequate commitment of homeless, rural and first-time homebuyer units** -- Applications will be credited as addressing the homeless, rural or first-time homebuyer criteria only if a specific number of units are shown in the application as committed for occupancy by homeless, rural or first-time homebuyer households. These are commitments, not estimates, that will be confirmed upon project completion.

**14. Insufficient description of Affirmative Fair Housing Marketing efforts** -- Applicants must fill out Exhibit 6 or provide a HUD Affirmative Fair Housing Marketing Plan to document compliance with this threshold requirement. References to the applicant's and sponsor's/owner's compliance with all Fair Housing and Equal Opportunity laws is not sufficient.

**15. Incomplete project information** -- Each item for the applicant, sponsor, owner and project information on pages 1 and 2 must be completed including the most complete project address available, project name, census tract or block numbering area and U.S. Congressional District. A complete project description must also be provided.

**16. Conflicting compliance requirements with other funding sources** -- Applicants and sponsors must comply with AHP requirements regardless of potential conflicts with the requirements of other programs. LIHTC, HOME, USDA-RHS, etc. requirements do not take precedence over AHP requirements. AHP projects must be developed in compliance with the requirements of all programs.

**17. AHP requirements and regulations** -- Read and understand the AHP program requirements, AHP application instructions and the AHP regulations.