



Rural Development Preservation Demonstration Set-Aside Meeting Minutes 2-13-2012

Attendance – In Person

Iowa Finance Authority: Carla Pope,
Dave Vaske, Tim Morlan Derek Folden,
and Stacy Cunningham

Midwest Housing Equity Group
(MHEG): Dan Garrett and Tom
Stratman

USDA-Rural Development: Shannon
Chase and Tony Putz

Burns & Burns Representative: Jason
Cannon, McGladrey

Newbury Management Company: Frank
Levy, Debbie Fisher, Angela Powers,
and Robert Rafferty (Consultant)

Via Telephone
Maco Development: Dan Sanders

Community Housing Initiatives (CHI):
Doug LaBounty and Sam Erickson

Logan 24: Scott Nysten and Cindy
Cohen

Carla Pope – Introduction/Welcome, Overview of Initial Invitees from the Request for Proposal (RFP), Provided brief overviews of RD Demonstration Set-Aside, PRLF & HOME funding

- IFA would like all awards made by the first week in December 2012.
- Would like all projects per unit costs to be between \$110,000 to \$115,000/unit.
- HOME loan must be repaid by the 30th year.
- HOME funds must be used to meet the DSCR 1.20 -1.50.
- Requested invitees to be considerate of Tony Putz', USDA-Rural Development, workload. At IFA, there are three (3) staff members working with the applicants and only Tony at the USDA-Rural Development office.
- May be beneficial for some invitees to not take the acquisition credits and not go through the transfer process due to timing and it would also help reduce costs. If an applicant/invitee doesn't go through the transfer process, they are still eligible for the Demonstration Preservation Set-Aside.
- Rural Development links to documents will be added to the RD Demonstration Preservation On-Line Application Training Guide and to IFA's website.
- Anticipates three (3) more in-person/over the phone meetings in the next several months. Additional one-on-one meetings can be held with invitees as needed.
- IFA will assign an underwriter to each invitee/project.
- IFA and RD staff will work with each project. IFA assistance will be similar to that of the 1602/TCAP rounds in which IFA worked with applicants to correct deficiencies.

Jason Cannon – Inquired with meeting participants if he could record the meeting for Jesse Burns who could not attend the meeting. No participants objected to the recording of the meeting.

Dave Vaske – Reminded all invitees who submitted a 9% competitive application to IFA in 2012 that no contact regarding that application can be made with any IFA staff member regarding that application until after the May 2012 awards. They may discuss the non-competitive application and the RD Preservation Demonstration project only.

Stacy Cunningham – Provided overview of the on-line application process and highlighted some of the specific changes for those that were already familiar with the on-line system. Any invitee not familiar with the on-line system can request a training session with Stacy Cunningham. The training guide will be available on IFA's website and also in the on-line RD Demonstration Set-Aside application.

- Technical issues are to be directed to Stacy at Stacy.Cunningham@Iowa.gov.
- Other questions can be directed to Carla.Pope@Iowa.gov or Dave.Vaske@Iowa.gov
- Two underwriters from IFA: Derek.Folden@Iowa.gov and Tim.Morlan@Iowa.gov.
- IFA Construction Analyst: John.Kerss@Iowa.gov.
- Tony Putz is the contact for Rural Development: Tony.Putz@ia.usda.gov.
- If new user id is needed, go to the IFA website for the on-line application link to request a user id.
<http://www.iowafinanceauthority.gov/index.cfm?nodeID=37788&audienceID=1>.
- If the 160 minimum score proposal submitted in the RFP submissions need changed, work with the IFA-assigned underwriter.
- The following are helpful Rural Development Links. These are on IFA's website as well as in the on-line application guide for this set-aside:

Multifamily Housing Preservation and Revitalization:

<http://www.rurdev.usda.gov/rhs/mfh/MPR/MPRHome.htm>.

Guidance on the CNA Process:

[http://www.rurdev.usda.gov/rhs/mfh/MPR/Guidance%20on%20the%20CNA%20Process%20-%202010%20Unnumbered%20Letter%20\(UL\).pdf%20-%20Adobe%20Acrobat.pdf](http://www.rurdev.usda.gov/rhs/mfh/MPR/Guidance%20on%20the%20CNA%20Process%20-%202010%20Unnumbered%20Letter%20(UL).pdf%20-%20Adobe%20Acrobat.pdf).

Rural Development Contact List:

<http://www.rurdev.usda.gov/rhs/mfh/MPR/2009%20MPR%20UW%20and%20CNA%20Reviewers%20Contact%20List.pdf>.

Transfer and MPR Underwriting Template:

<http://www.rurdev.usda.gov/rhs/mfh/MPR/MPRHome.htm>.

Transfer preliminary transfer tool: <http://www.rurdev.usda.gov/rhs/mfh/MPR/MPRHome.htm>.

MPR Analysis Tool: <http://www.rurdev.usda.gov/rhs/mfh/MPR/MPRHome.htm>.

Appraisal Requirements – 2 CFR 3560, Subpart P:

http://edocket.access.gpo.gov/cfr_2011/janqtr/7cfr3560.752.htm.

Tim Morlan – Provided overview of the Preservation Revolving Loan Fund, IFA’s multifamily housing loan program, and HOME loan.

- PRLF can be used for construction items if used only with IFA’s multi-family construction loan as IFA wants to be in first position; otherwise, the PRLF would be a permanent loan source.
- PRLF debt service coverage ratio must be 1.25.
- \$2 million in PRLF available from Rural Development.
- HOME debt must mature at same time or after the Rural Development Debt.
- If Home and PRLF are requested, the HOME loan must be between 10% and 25% of the Total Project Costs.

Tony Putz – Provided Overview of Rural Development Processes

- Submit as much information to RD as soon as possible. Don’t wait until the last minute as it will take some time to get all requirements met.
- Transfer requires a change of ownership and tax identification number. New borrower, new credit quality checks. Refer to Chapter 7 of RD Handbook 3. There are a number of exhibits and checklist of documents.
- Appraisals are required as are Capital Needs Assessments (CNA). Both must meet RD requirements. Information is available from RD on the requirements.
- Appraisals can’t be older than one year and must contain an “As-is” and “As Complete” value as well as take into consideration the project is rent-restricted. An RD appraisal will review all submitted appraisals to ensure all RD requirements have been met. See 7 CFR 3560, Subpart F.
- Appraisals must be prepared by a state certified general appraiser.
- Contact Tony before contracting with an Appraiser or CNA provider. RD must approve contract and addendum prior to hiring of CNA contractors. Refer to RD Unnumbered Letter for CNA Guidance.
- All debt must be secured.
- CNA must have “As is” and “As Complete” to help RD staff determine reserve levels to keep the project viable for at least twenty (20) years. RD will review to ensure all requirements and guidance has been followed.
- A transfer inspection will be made by RD and will have the CNA for comparison. The property will be inspected as to the accuracy of the CNA.
- All accessibility requirements must be met with participation. This includes units, common space, parking, signage, etc...
- RD will still evaluate non-transfers which are subsequent transactions to current borrower. Will look at subordination and cash flow. Easier than the transfer process and would eliminate some issues.
- Provide the RD engagement letter for Appraisal.
- Transfers require approval of Washington D.C. Underwriting, CNA, cash flow, equity, appraisal, future ownership, etc. are first evaluated locally and then by National Loan Committee.

Questions & Answers

Q. Applicants will be incurring pre-development costs. Does this put any at risk due to the use of HOME funds?

A. Carla stated IFA HOME program can reimburse after the fact for pre-development costs. They just received clarification on this matter. The HOME contract would require language about reimbursement of any pre-development costs. IFA also has a 3% pre-development loan program from the MacArthur Foundation; however, it is a loan and would have to be paid back, but could help if cash flow was a problem initially.

Q. Will IFA provide a list of IFA and Rural Development Contacts?

A. Yes. The list is provided in the on-line application guide and Stacy Cunningham will also email this information to all initial invitees. An underwriter will be assigned to each invitee as well.

Underwriter Assignments:

Boyer View, Grinnell Estates, Fairfield/Oskaloosa: Tim Morlan (Tim.Morlan@Iowa.gov).

Columbus Junction Park, Community Plaza Apartments, Prairie Village of La Porte City, and Prairie Ridge: Derek Folden (Derek.Folden@Iowa.gov).

Q. What should an applicant do if they have a building that has only a 6-month old roof with 20-25 year shingles and not 30-year shingles? Would IFA require a new roof on that building to meet the minimum development characteristics stated in the QAP?

A. Send specific information to Dave Vaske and a meeting can be held with Dave, applicant, and IFA Construction Analyst, John Keress.