

RESOLUTION NO. 0847-05-13

RESOLUTION ADOPTING A POLICY FOR CITY PARTICIPATION IN  
PROJECTS SEEKING FUNDING THROUGH THE LOW INCOME HOUSING  
TAX CREDIT (LIHTC) PROGRAM

WHEREAS, the City of Cedar Rapids is desirous of providing a range of affordable housing options throughout the city; and

WHEREAS, the Iowa Finance Authority administers a Low Income Housing Tax Credit (LIHTC) Program that provides a funding mechanism for affordable housing development across the State of Iowa; and

WHEREAS, the Iowa Finance Authority criteria often provides competitive scoring to projects receiving local assistance and support; and

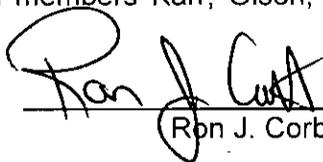
WHEREAS, the City of Cedar Rapids deems it to be in the public interest to provide a transparent process for the evaluation and consideration of requests City financial participation in LIHTC projects; and

WHEREAS, the City of Cedar Rapids desires to support the projects that provide the greatest impact and long term benefit to the community;

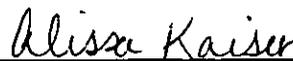
NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Cedar Rapids, Iowa adopts the attached policy for the consideration of city participation in projects seeking funding through the Low Income Housing Tax Credit (LIHTC) Program, and directs staff to bring forward requests that meet the minimum criteria for further consideration by the City Council.

Passed this 28<sup>th</sup> day of May, 2013.

Voting: Council member Swore moved the adoption of the resolution; seconded by Council member Vernon. Adopted, Ayes, Council members Karr, Olson, Poe, Shey, Shields, Swore, Vernon and Mayor Corbett.

  
\_\_\_\_\_, Mayor  
Ron J. Corbett

Attest:

  
\_\_\_\_\_, Deputy City Clerk  
Alissa Kaiser

## LOW INCOME HOUSING TAX CREDIT (LIHTC) CITY PARTICIPATION PROCESS AND CRITERIA

The City of Cedar Rapids values high-quality development that provides investment in the community and a public benefit. The City recognizes that workforce housing is key to meeting the needs of current and future residents. The City works closely with developers and the Iowa Finance Authority (IFA) to provide exhibits that are necessary for the applications to the Low Income Housing Tax Credit (LIHTC) Program. Cedar Rapids does require that the City Council act to support or not support a LIHTC project before releasing any IFA-required exhibits. This must occur at a formal meeting of the Cedar Rapids City Council after proposals are reviewed by the Development Committee. In order to prepare for the meetings, staff must receive the submittals on the checklist below **at least 60 days prior** to the deadline established by IFA for submittal of LIHTC projects.

If City financial participation is needed, there may be a longer timeline in order to satisfy State or Federal requirements of the funding source. Therefore, developers considering a LIHTC project are encouraged to contact the City as early as possible, at the conceptual stage, to provide the greatest lead time for success.

### SUBMITTAL REQUIREMENTS

- Pre-application meeting scheduled.
- Detailed description of the project, including address and legal description.
- Type of project as defined by IFA, including any set-aside category or targeted population.
- Number of units in the project and number of affordable units.
- Income groups served, proposed rent structure, and bedroom sizes of units to be developed.
- Length of time project will be committed to affordable housing.
- Site plan, building elevations, floor plans, and description of exterior materials.
- Detailed construction budget showing all sources and uses.
- Minimum 15-year operating pro forma using accepted industry standards and good faith estimates of income and expenses. The City will evaluate financials, so financial assumptions should be fact-based and conform to the underwriting criteria in IFA's annual Qualified Allocation Plan (QAP).
- Firm financial commitment letters (on agency letterhead) from all other funding sources, including construction financing and permanent financing, outlining the terms.
- Description of any City financial assistance needed to make the project financially feasible (must demonstrate and quantify the gap).
- Information regarding reserve funds and annual dollar commitment to maintenance.
- Identification of the members of the development team, including listing of past projects, experience with projects of similar size and scope, and references.
- Identification of Management Company, including ownership and management of other projects.
- Detailed management plan, including tenant selection criteria, policy for addressing nuisance complaints, and identification of any special services to be provided to tenants.
- Construction schedule.
- Information regarding any LEED, HERS, Iowa GreenStreets, or other green building/energy efficiency techniques that will be used in the Building/Site.

- Letter from Neighborhood Association (if applicable) impacted by proposed project. The City's policy requires that the developer meet with the Neighborhood Association if the project is within the boundaries of a recognized neighborhood. The City strongly encourages the developer to meet with adjacent property owners. The developer should request a letter of support for the project. The letter, if provided, can be received after all other information is received to meet the City submittal deadline, but should be received prior to the City Council meeting. City staff will provide neighborhood leadership contact information upon request.

#### TYPES OF CITY PARTICIPATION AVAILABLE

- Excess City-owned property.
- City HOME funds (conditional commitment only).
- Enterprise Zone credits.
- Below-market interest rate loans.

The type of assistance available is dependent upon the project location. The City Council will make the final decision as to financial assistance. Early communication with City staff will facilitate the greatest opportunity for successful outcomes.

#### UNDERWRITING STANDARDS FOR CITY PARTICIPATION

The City of Cedar Rapids adopts financial underwriting standards to ensure that public participation in a project meets a reasonableness test; in other words, the City's financial participation is limited to the amount necessary to make a project feasible. Developers are asked to demonstrate that they have made reasonable and good faith efforts to leverage other sources of funding. The City of Cedar Rapids will apply the following underwriting standards and financial assumptions, with the caveat that if the City's standards are in conflict with the standards IFA has outlined in the QAP, the City will defer to IFA's standards for LIHTC projects.

- Projects must reflect a debt coverage ratio of between 1.20 and 1.50 throughout the first 15 years.
- Projects will be underwritten with income escalating at a minimum of two percent (2%) and a maximum of three percent (3%), with a minimum spread of one percent (1%) required between the income and expense escalators.
- Projects shall assume a vacancy rate of no less than five percent (5%) and no more than ten percent (10%).
- Projects shall reflect operating reserves equal to: 1) \$1,500 per unit or, 2) six months of debt service, operating expenses, and real estate taxes, whichever is greater.
- Project pro forma shall reflect reserves for replacement of no less than \$300 and no more than \$400 per unit per year.
- Developer fees shall not exceed the amount established by IFA for the type of project in the annual QAP. A portion of the developer's fee may be deferred to fund construction funding gaps.
- Builder and general contractor fees shall not exceed twelve percent (12%).
- Construction contingency funding shall not exceed five percent (5%) of hard costs of construction for new construction projects, no more than twelve percent (12%) for rehabilitation projects, and no more than fourteen percent (14%) for adaptive reuse and historic preservation projects.
- The City will request a copy of IFA's subsidy layering analysis for review as applicable prior to releasing funds.