

Centralized Process for Allocation of Private Activity Bond Cap

November 15, 2022

DHCD and DCHFA

Overview



The District is faced with a challenge: An increased pipeline of LIHTC transactions without a matching increase in availability of Bond cap.

This presentation will highlight this challenge and introduce a new, centralized process for how private activity bond cap resources will be allocated to:

- Ensure alignment with affordable housing policy priorities
- Make the most efficient use of limited bond cap

Increased Demand for Private Activity Bonds

- Annually, the District is granted \$335,115,000 in private activity bond cap.
- The historic investments in gap financing (i.e., HPTF) and project cost increases have put increased pressure on the need for bonds.
 - LIHTC affordable projects require approximately \$2 of bond cap for every \$1 of gap financing
 - The majority of HPTF projects use 4% LIHTC, making bonds a critical piece of the capital stack.
- As demand has exceeded our annual allocation, bonds are now inherently competitive and a new process is needed to ensure the District's affordable housing priorities are being met as efficiently as possible

The New Process for Bonds will begin January 2023



DMPED, DCHFA, and DHCD have created a new, centralized process that will go into effect in January 2023

Step 1: DHCD Threshold Review (Annually in January and July):

- Any project seeking bond cap must first apply to DHCD for threshold review and evaluation scoring
- Projects will be evaluated for threshold eligibility and assigned an Evaluation Score pursuant to the most recent QAP/Consolidated RFP.
- DHCD will open Threshold Review windows every January and July.
 - Note: A Threshold Review window may coincide with the release of a Consolidated RFP that allows applicants to apply for threshold review, scoring, and gap subsidy.

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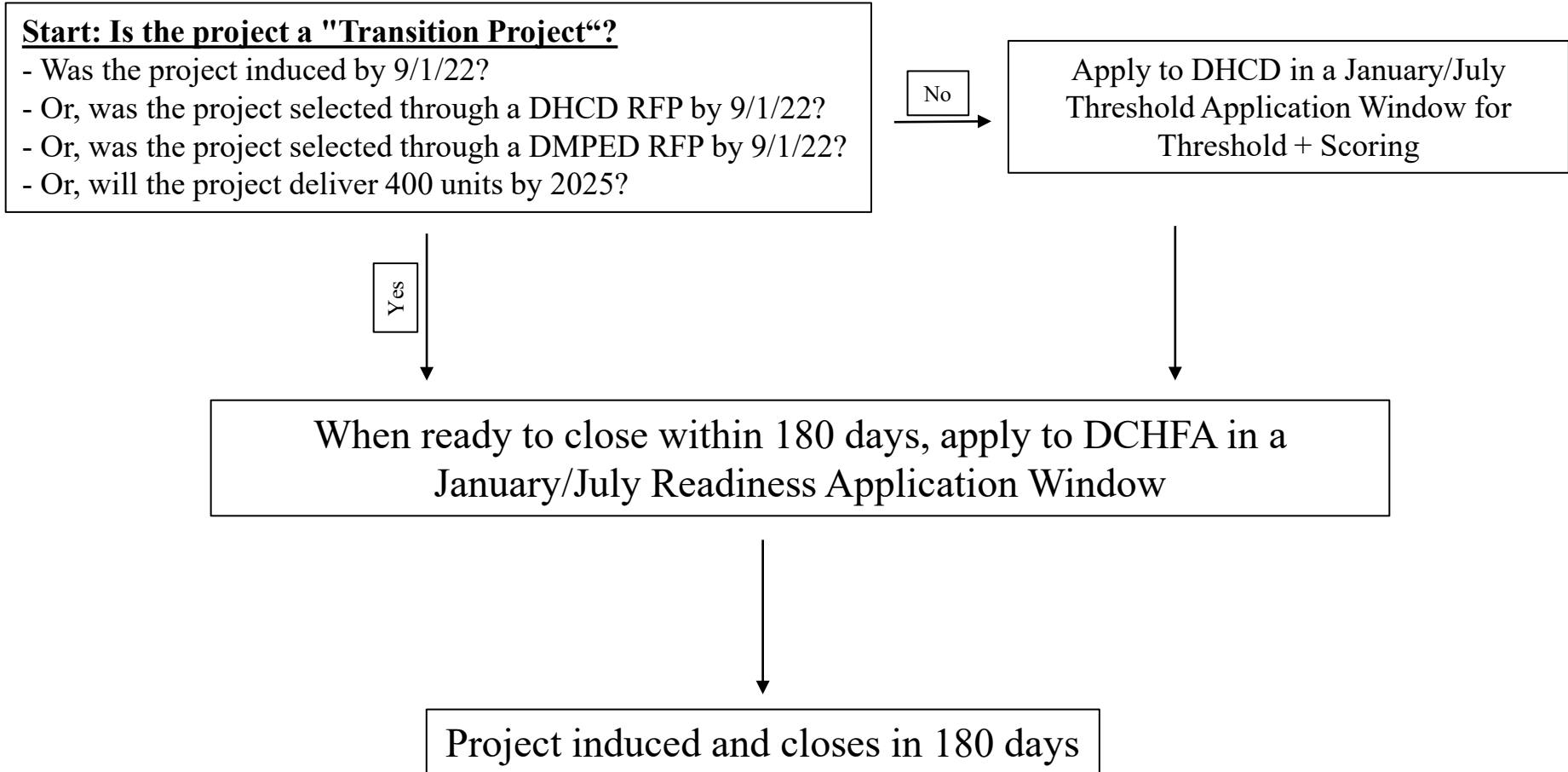
Step 2: DCHFA Bond Readiness Application (Deadline in January and July):

- Projects that pass DHCD's threshold review may apply to DCHFA in a Readiness Application Window when they are ready and able to close within 6 months of a bond allocation.
- DCHFA will review applications received by the published deadline in early January and early July, provide a cure period for deficiencies, and set the pipeline by January 31 and July 31 of each year for the following 6-month period.
- Accepted projects will then be ranked by their DHCD Evaluation Score and DCHFA will allocate bonds down the ranking.
- No project will be allocated more than 20% of the annual total bond allocation (i.e., \$67 million in 2023)
- Any allocated project that does not close within 180 days of DCHFA inducement will move to the next application window and be the lowest ranked on the list.

Note: Projects that meet the following criteria are considered "Transition Projects" and do not have to apply to DHCD and instead may apply straight to DCHFA:

- If the project has already been induced at DCHFA as of September 1, 2022
- If the project has been selected for underwriting through DHCD's Consolidated RFP as of September 1, 2022
- If the project has been selected for development through a DMPED RFP as of September 1, 2022; or
- If the project will deliver at least 400 total units by 2025

Basic Bond Allocation Process Flow



Bond Process Roll-Out



- Information regarding threshold review and scoring will be posted to the DHCD website at: <https://dhcd.dc.gov/service/development-and-finance>
- Additionally, information regarding the readiness application process will be posted to the DCHFA website at:
<https://www.dchfa.org/developers/available-programs/mmr/b/>
- Any additional questions can be submitted to DCHFA at: <https://www.dchfa.org/contact/>
- A recording of today's meeting will be available online at the DCHFA website at: www.dchfa.org

Questions?