



AHP Project Administration

For Rental Housing Projects

August 2018

Welcome

Congratulations on your AHP award and welcome to the FHLB Des Moines Affordable Housing Program. This document is intended to help explain the Affordable Housing Program and help navigate the administration of your AHP award.

We look forward to partnering with you as you use the program to develop affordable housing and serve your community.

If you have questions not covered in this document, please contact the Community Department Team at the contact information at the end of this document.

Thank you,
The FHLB Des Moines
Rental Housing Team

Table of Contents

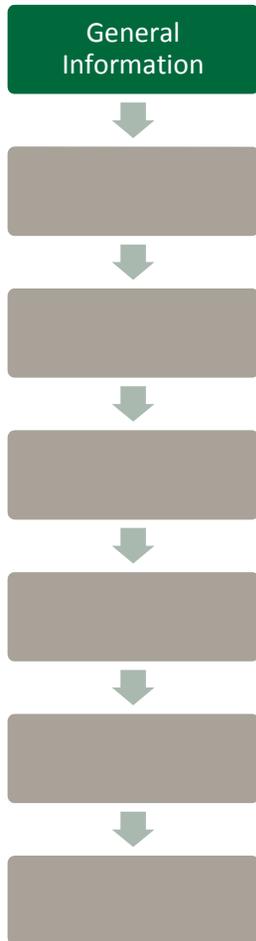
- **General Information**
 - FHLB Des Moines Website
 - AHP Implementation Plan
 - Program Timeline and Benchmarks
 - AHP Agreement
- **Construction or Rehabilitation Phase**
 - Semi-Annual Progress Report (SAPR)
 - Retention Document
 - Project Costs and Feasibility Guidelines
 - Modifications
 - Extensions
- **Disbursement of AHP Funds**
 - Disbursement Request
- **Post Project Completion**
 - Post Completion Report (PCR)
- **Long-term Monitoring**
 - Annual Compliance Certifications/Periodic Monitoring Reports
- **Noncompliance**
 - Actions in the Event of Noncompliance
 - De-obligation and Recapture of AHP Funds
- **Contact Information**
- **Index**



General Information

Rental Housing Projects

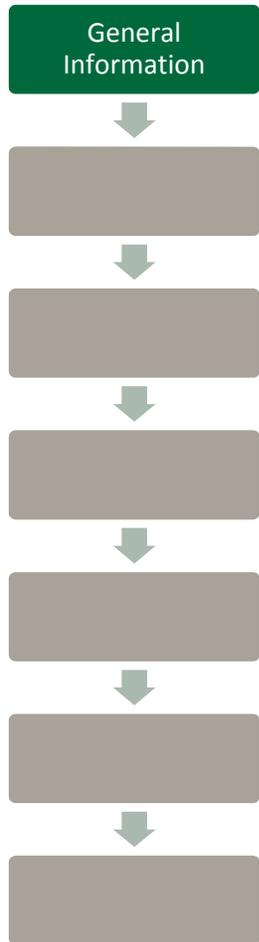
FHLB Des Moines Website



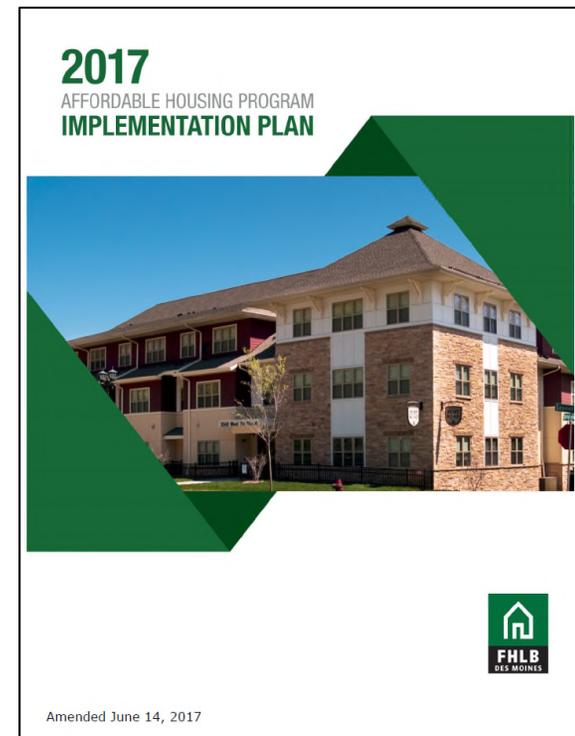
- FHLB Des Moines' website www.fhlbdm.com contains:
- AHP Implementation Plan
- Program Requirements
 - Income Limits
 - AHP Online Guides for Project Administration
- Required Forms
 - Rental Feasibility Workbook
 - Construction Cost Calculator
 - Certification Forms
 - Retention Agreements (Deed Restriction)



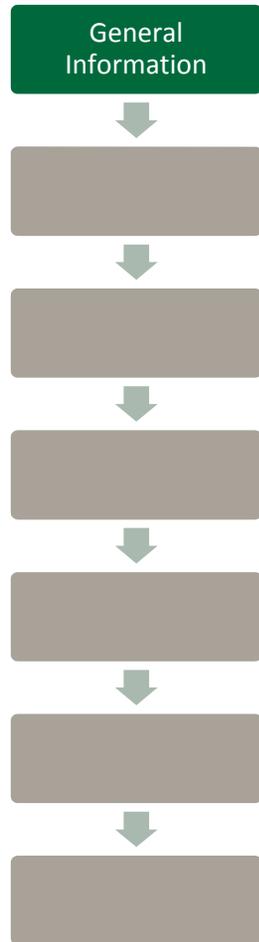
AHP Implementation Plan



- The AHP Implementation Plan includes the feasibility and scoring requirements for the AHP grants program. In addition, it includes information on the Bank's requirements for disbursement and project administration.
- The AHP Implementation Plan can be found on the FHLB Des Moines website www.fhlbdm.com.
- AHP Implementation Plans are published each year.
- Members and sponsors are encouraged to review program requirements outlined in the AHP Implementation Plan for the year in which the project was awarded.

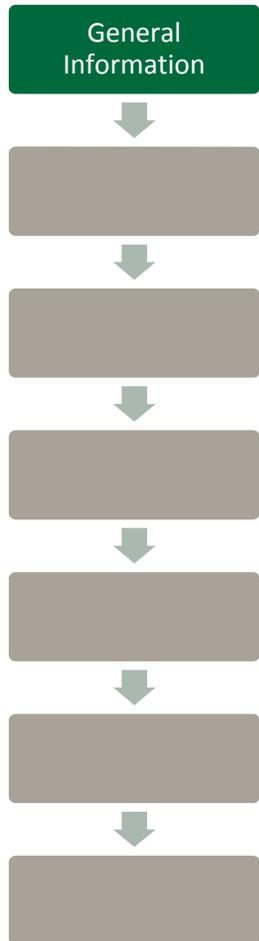


Program Timeline and Benchmarks



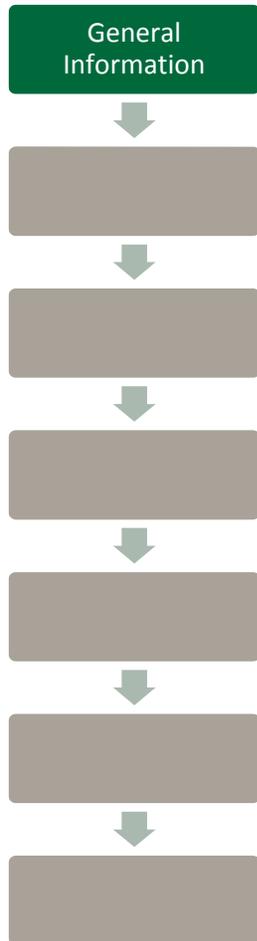
- AHP Agreement: The AHP Agreement is executed by the member, the project sponsor, the project owner, and FHLB Des Moines
- Semi-Annual Progress Report (SAPR): Semi-Annual Progress Reports are required of sponsors/owners during construction and rehabilitation.
- Timing of AHP Subsidy Use: Some or all of the AHP subsidy must likely be drawn down or used by the project to procure other financing commitments within 12 months of the date of approval of the application for AHP subsidy. FHLB Des Moines will review all projects at 12 months to determine if the AHP commitment should proceed.
- Disbursement: Projects will submit disbursement requests through AHP Online. The Project must be current on all SAPR's prior to disbursement of funds. *A request for disbursement of funds may not be made until the AHP Agreement has been executed.*

Program Timeline and Benchmarks (Continued)



- Project Completion: Rental Housing Projects have three years to be physically complete and have all AHP funds disbursed.
- Post Completion Reporting (PCR): Nine months after the project is completed, FHLB Des Moines will initiate the post completion reporting process and review the project's costs, feasibility, scoring, and operations.
- Annual Certification: Owner/Sponsor Certifications will be required annually for all projects.
- Long-Term Monitoring: Rental Monitoring Spreadsheets and supporting income documentation are required for projects receiving more than \$100,000 in AHP Subsidy and will be requested in two, four or six-year intervals based on the amount of AHP subsidy.

AHP Agreement



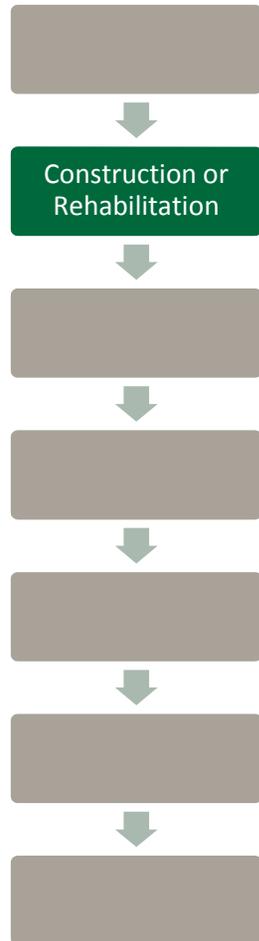
- The AHP Agreement sets forth the respective duties and obligations of FHLB Des Moines, the member, the project sponsor, and the project owner with regard to the approval and funding of the AHP Application.
- The AHP Agreement must be signed by the member, the project sponsor, the project owner, and FHLB Des Moines. ***An authorized AHP signatory of the member financial institution is required to sign the AHP Agreement.***
- The member, the project sponsor, and the project owner will be bound by the terms and conditions governing the approval and funding of the application, including all representations made in the application.
- The Agreement will also outline contingencies and conditions that must be satisfied prior to disbursement of funds and/or project completion reporting.
- It is important to review the AHP Agreement thoroughly to ensure their understanding of the document.
- Other than the identification of the member, the sponsor, and the owner, the terms and conditions of the AHP Agreement are non-negotiable.



Construction or Rehabilitation

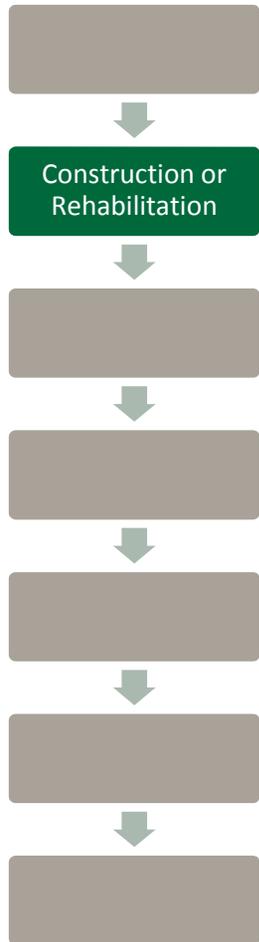
Rental Housing Projects

Semi-Annual Progress Reports



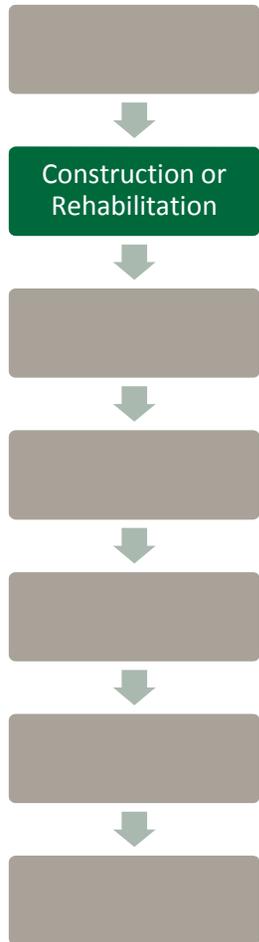
- From the time of application approval until the time of project completion, the project sponsor will submit Semi-Annual Progress Reports (SAPR) to the Bank about the project's progress toward completion.
- The SAPR will identify factors, if applicable, that may delay or jeopardize the project's development and/or continued ability to comply with the terms and conditions of the AHP award.
- Semi-Annual Progress Reporting occurs in March and September of each year.
- A reminder email will be sent to the Sponsor and Member indicating when it is time to submit the SAPR.
- The project sponsor will utilize the AHP Online system to submit the required Semi-Annual Progress Reports (SAPR).
- Instructions on submitting Semi-Annual Progress Reports can be found on the FHLB Des Moines website <http://www.fhlbdm.com/affordable-housing-products/competitive-affordable-housing-program/competitive-ahp-application--resources/>.

Semi-Annual Progress Reports (Continued)



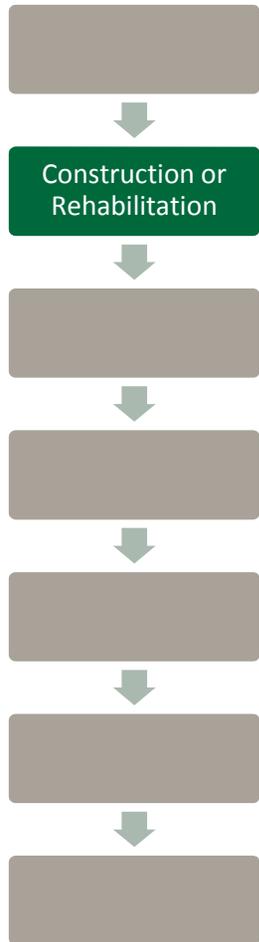
- SAPRs will include the following:
 - Current status indicating changes in the development time line, funding, construction status, and estimated completion date.
 - Changes affecting the approved scoring criteria that have occurred since the application was approved including number of units, targeting, special needs populations served, property locations, and services to be provided to eligible households.
- FHLB Des Moines will review progress reports to measure the progress of the project towards project completion and/or occupancy.
- Based on the findings of the progress report, FHLB Des Moines will determine whether to grant an extension, withdraw the project or recapture any previously disbursed AHP funds.
- SAPRs will be required until project completion.
- Project completion is defined as all of the project units are complete and all of the AHP funds have been

Retention Agreements



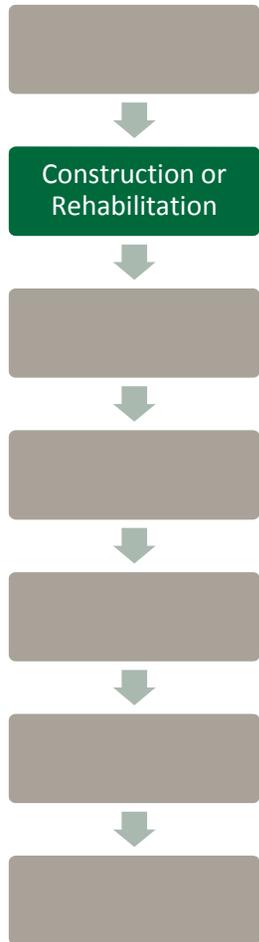
- All AHP Projects are required to have a recorded deed restriction or other legally enforceable retention agreement to secure the obligations contained in the AHP Agreement including, but not limited to, its affordability provisions.
- Members shall ensure that the retention agreement is executed and recorded.
- For rental housing projects, the required retention period is 15 years starting at the project completion date.
- FHLB Des Moines provides standard Agreement for Covenants & Restrictions documents on its website for fee simple land and tribal trust land
- Project may use an alternate form of retention agreement; approval of the proposed document is required by FHLB Des Moines prior to disbursement.
- In cases where the AHP funds are structured as a loan from the member or any other party to the Sponsor, any repayment of the AHP funds made during the 15- year retention period including principal and/or interest payments, must be returned to the Bank.

Project Cost and Feasibility Guidelines



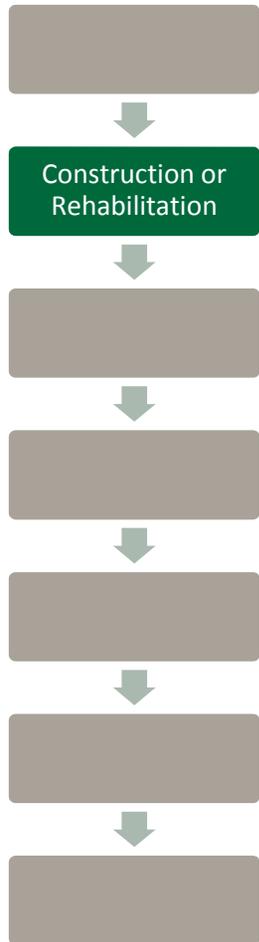
- FHLB Des Moines has established guidelines for the review of a project's costs, financial feasibility, and need for AHP subsidy.
- Project costs and operating figures will be analyzed against FHLB Des Moines guidelines at the time of application, disbursement, requested project modifications, and post completion reporting (PCR).
- FHLB Des Moines' feasibility guidelines are published in the AHP Implementation Plan for the year of the award.
- The AHP subsidy shall be used to pay for eligible housing development costs.
- AHP funds **may not** be used for non-housing or supportive services.

Modifications



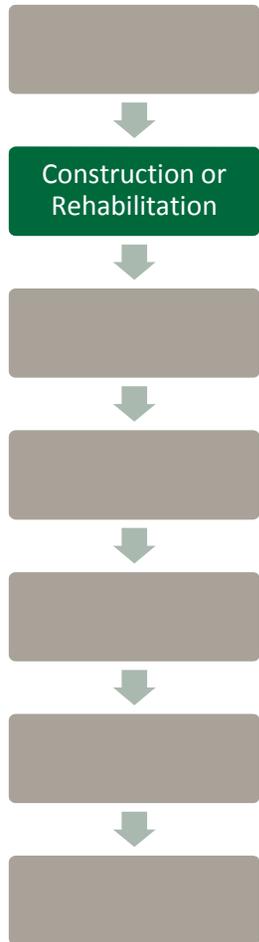
- If changes to the rental housing project occur during the course of project development, a modification of the project and the AHP Agreement may be required.
- The AHP regulation requires that if there are changes that affect the individual scoring criteria of an application, a modification must be completed. FHLB Des Moines, in its sole discretion, may approve a written modification to the terms of an approved application, if:
 1. The project would continue to meet the eligibility requirements of the AHP regulations;
 2. The application continues to score high enough to have been approved in the funding period in which it was originally scored and approved by FHLB Des Moines; and
 3. There is good cause for the modification. FHLB Des Moines will document the analysis and justification for the modification in writing.
- The project sponsor should contact the Community Investment Department to discuss project changes and the modification process.

Extensions



- Each project is given a performance date by which the project must be completed.
- Rental housing projects should be complete within 36 months of the AHP Award.
- Extensions may be approved provided reasonable progress is being made in obtaining funding or toward completion of the project.
- FHLB Des Moines will, in its sole discretion, determine whether to extend the time for project completion and disbursement of AHP funds.
- Extensions will be limited to the period necessary to address the specific issue(s).

Extensions (Continued)



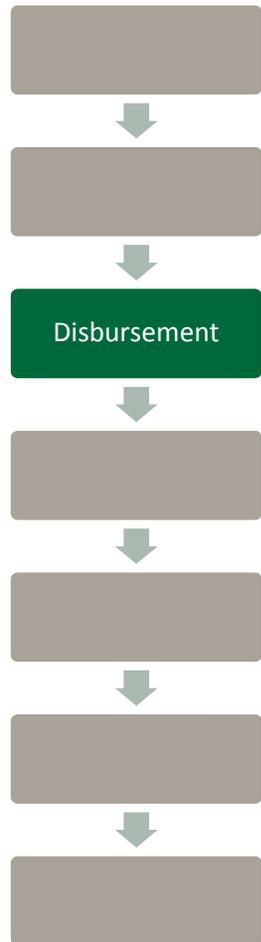
- FHLB Des Moines will consider issues including, but not limited to, when reviewing an extension request:
 1. The percentage of the project completed to date
 2. The timing of applications and requirements of other funding sources involved in the project
 3. Weather-related construction problems
 4. Natural disasters or local conditions that cause delay
 5. Legal requirements
 6. Community challenges
- The project sponsor will utilize the AHP Online system to submit an Extension Request.
- Instructions on for submitting Extension Requests can be found on the FHLB Des Moines website https://www.fhlbdm.com/webres/File/products-services/CID_AHP_Online_Sponsor_Extension_Guide.pdf



Disbursement

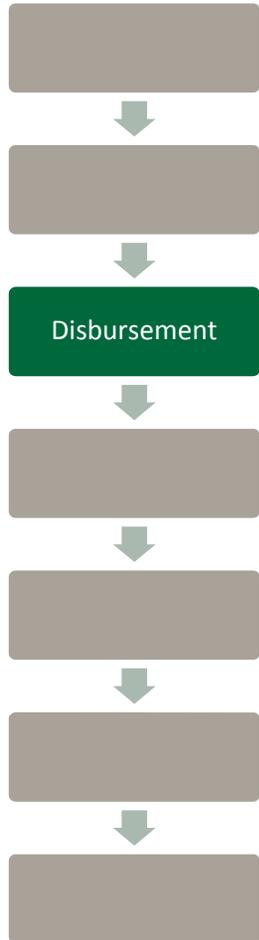
Rental Housing Projects

Disbursement of AHP Funds



- The project sponsor will initiate disbursement requests in AHP Online.
- Disbursement requests require approval by the member prior to submission. Member approval is conducted in AHP Online.
- Instructions for submitting and managing disbursements in AHP Online can be found on the FHLB Des Moines website https://www.fhlbdm.com/webres/File/products-services/CID_AHP_Online_Rental_Sponsor_Disbursement_Guide.pdf
 - AHP Online-Rental: Sponsor Disbursement Guide
 - AHP Online: Member Disbursement Guide
- The project sponsor should initiate the disbursement request allowing sufficient time for review and approval of the request.
- Each project is unique and the time to process a disbursement request is dependent on the complexity of the project and the responsiveness to questions by the project sponsor.
- FHLB Des Moines will review requests and send initial questions within ten (10) business days of member approval in AHP Online.

Disbursement of AHP Funds (Continued)



- Prior to the disbursement of AHP funds, FHLB Des Moines will verify that the project:
 - Meets eligibility and feasibility requirements
 - Continues to display a need for the AHP subsidy
 - Is able to meet the commitments made at application
- Additional disbursement requirements include, but are not limited to:
 - The AHP Regulatory Agreement must be executed and received by FHLB Des Moines
 - The project has cleared or resolved any conditions and contingencies identified in the AHP Agreement Regulatory Agreement must be executed
 - All sources of funds are committed as evidenced by commitment letters or funding agreements.
 - An acceptable for of retention agreement has been executed and recorded



Project Completion Monitoring

Rental Housing Projects

Project Completion Reporting



- The purpose of the Post Completion Reporting (PCR) process is to ensure that the project was developed and is operating in accordance with AHP regulations and the AHP Agreement.
- Nine months after FHLB Des Moines is notified that a rental project is complete, the PCR process will begin.
- During the PCR process, FHLB Des Moines will verify that the project:
 - Meets eligibility and feasibility requirements
 - Continues to display a need for the AHP subsidy
 - Has met the scoring commitments made at application
- The PCR process is required to be completed within 15 months of the project completion date.
- If compliance cannot be verified within 15 months of the completion date, the project will be placed on a Compliance Plan and FHLB Des Moines may seek repayment of the AHP funds.
- Parties responsible for project development and property management (sponsor or owner's staff, development consultant, and/or the property management company) are strongly encouraged to participate in the PCR process.

Project Completion Reporting (Continued)



- It is the project sponsor and project owner's responsibility to maintain all documentation necessary for compliance review.
- The sponsor will be required to complete the following during the PCR process:
 - Certify that the AHP funds were used for eligible purposes according to the commitments made in the application.
 - Provide a list of tenant rents and incomes and certify that the rents and incomes are accurate and in compliance with the approved targeting commitments.
 - Retain all income and, as applicable, homeless documentation from move-in for all tenants residing in the units to demonstrate the project is in compliance with approved targeting.
 - Demonstrate that the final costs were reasonable in accordance with FHLB Des Moines' guidelines and the AHP subsidies were necessary for the completion of the project.
 - Provide a copy of the recorded AHP Retention Document.
 - Certify that services and activities committed to in the approved AHP application have been provided in connection with the project.

Project Completion Reporting (Continued)



The following information will be collected at during the PCR process:

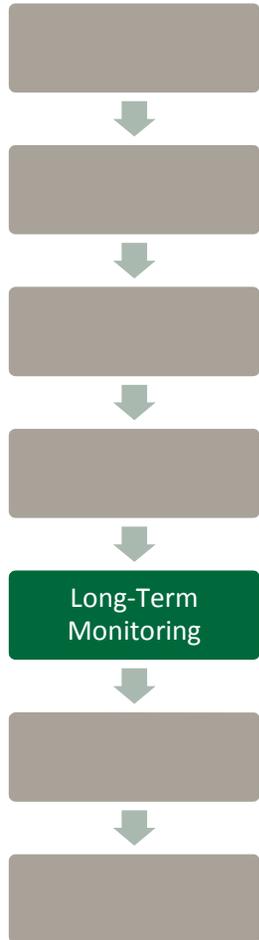
- Certification of Use of Affordable Housing Program Funds
- Rental Monitoring Spreadsheet (RMS)
- Copy of the recorded AHP Retention Document
- Copy of the Certificate of Occupancy
- Final Feasibility Workbook
- Rental Project Cost Certification Form
- First Year Operating Statement
- Final Cost Certification (submission is required if a certification has been completed for other funding programs, such as the Low-Income Housing Tax Credit Program or HUD)
- Copy of IRS Form 8609 (for projects financed with Low-Income Housing Tax Credits)
- AHP Project/Tenant Services Certification Form
- Pictures of the completed project
- Various other items that are tied to the project's scoring criteria



Long-term Monitoring

Rental Housing Projects

Long-Term Monitoring

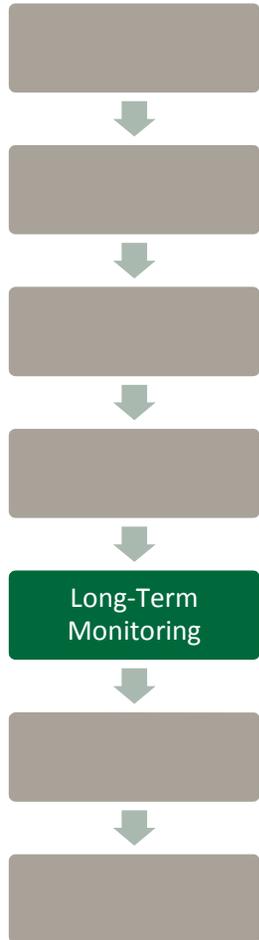


Project sponsors and owners are required to ensure that the long-term monitoring and reporting obligations are understood and fulfilled in a timely manner. FHLB Des Moines strongly encourages that the parties responsible for property management (sponsor or owner’s staff and/or the property management company) participate in the monitoring process.

In the second year after completion and annually until the end of the retention period, the project owner must complete an Owner/Sponsor Certification, certifying that:

- Tenant incomes and rents are accurate and in compliance with the restrictions and income targeting commitments made in the AHP application.
- The housing is habitable .
- Documentation regarding tenants’ rents and incomes and the project’s habitability is available for review by FHLB Des Moines to support such certifications.
- There has been no sale, refinancing, or transfer of the project since the last certification was signed.

Long-Term Monitoring (Continued)

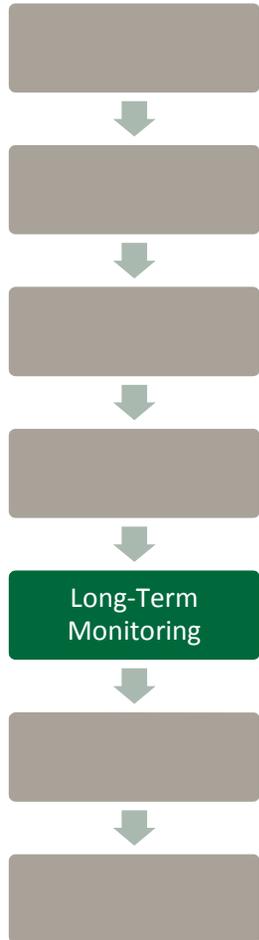


FHLB Des Moines will review documentation maintained by the project sponsor and owner regarding tenant rents and incomes and project habitability to verify compliance with the rent and income targeting commitments in the AHP application according to the following schedule*:

- \$100,000 and under – FHLB Des Moines will review annual certifications by the project owner
- \$100,001 to \$250,000 – FHLB Des Moines will review project documentation for a sample of the project’s units at least once every six years
- \$250,001 to \$500,000 – FHLB Des Moines will review project documentation for a sample of the project’s units at least once every four years
- Over \$500,000 – FHLB Des Moines will review project documentation for a sample of the project’s units at least once every two years

**Projects utilizing Low-Income Housing Tax Credits are not subject to the Long-Term Monitoring project documentation and sampling schedule. Monitoring requirements for these projects are on the next page.*

Long-Term Monitoring (Continued)



Project Owners with Low Income Housing Tax Credit projects will utilize the following requirements. In the second year after completion of a rental project and annually thereafter until the end of the project's retention period, the project owner must certify annually to FHLB Des Moines that:

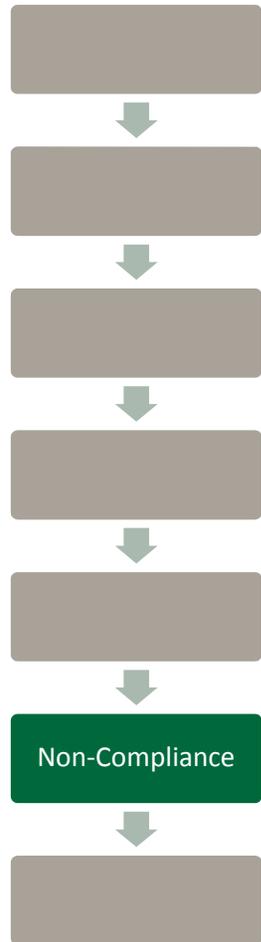
- The tenant rents and incomes are in compliance with the rent and income targeting commitments made in the AHP application
- The project maintains documentation regarding tenant rents and incomes that is available for review by FHLB Des Moines to support such certifications.
- The project has not been notified of a compliance issue by the Low Income Housing Tax Credit Administrator.
- The project has not been sold or refinanced.



Non-Compliance

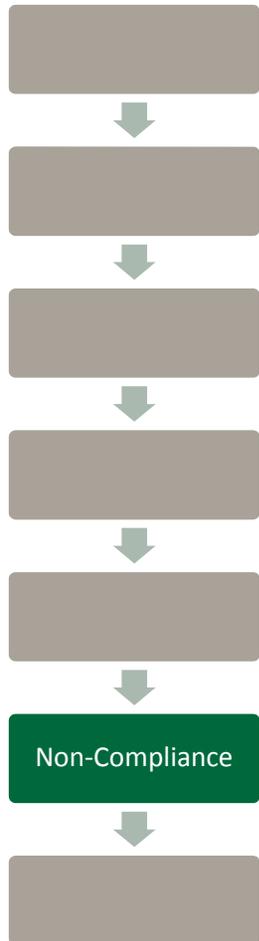
Rental Housing Projects

Remedial Actions for Non-Compliance



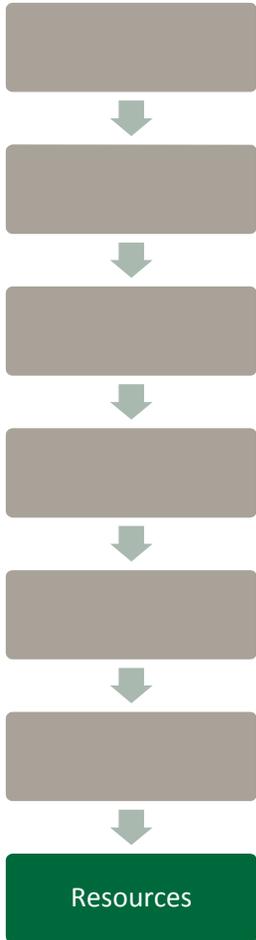
- A project may be placed under FHLB Des Moines' Compliance Plan or Watch List for failure to comply with AHP Regulations and/or the department's policies and procedures. Such status may lead to the disqualification for future AHP funding.
- Pursuant to the AHP regulation, a member or sponsor/owner shall repay to FHLB Des Moines the amount of any subsidized funds (plus interest, as appropriate) that, as a result of the member's, sponsor's or owner's respective actions or omissions, is not used in compliance with the terms of the approved application for the subsidy, unless the noncompliance is cured within a reasonable period of time.
- The member shall not be liable to FHLB Des Moines for the return of amounts that cannot be recovered from the project sponsor or owner through reasonable collection efforts by the member.
- Please refer to your executed AHP Agreement and the AHP regulation for more information on this topic.

Deobligation and Recapture of Funds



- Deobligation occurs when committed AHP funds that were never disbursed to a member or were never disbursed by a member to an AHP project sponsor/owner are returned to FHLB Des Moines.
- Recapture may occur when committed AHP funds were disbursed to a member and:
 - AHP funds were not spent in a manner consistent with the AHP Application and Agreement.
 - AHP funding was used for non-housing purposes
 - The project no longer meets program guidelines The project no longer displays a need for AHP subsidy.
 - The property is sold and the affordability restrictions were not maintained.
 - The property is sold without prior FHLB Des Moines approval.
 - The project does not maintain the original application score.
 - Various other factors determined by department in its sole discretion.

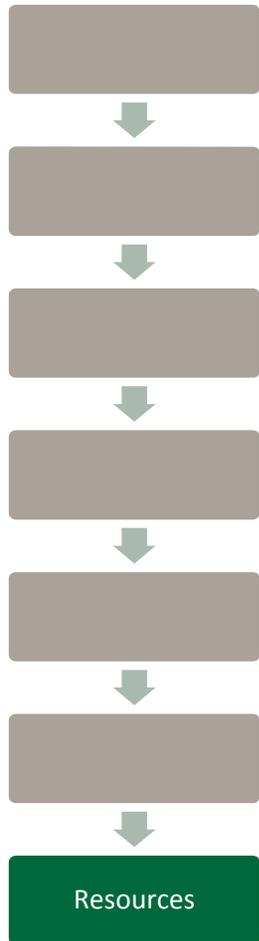
Contact Information



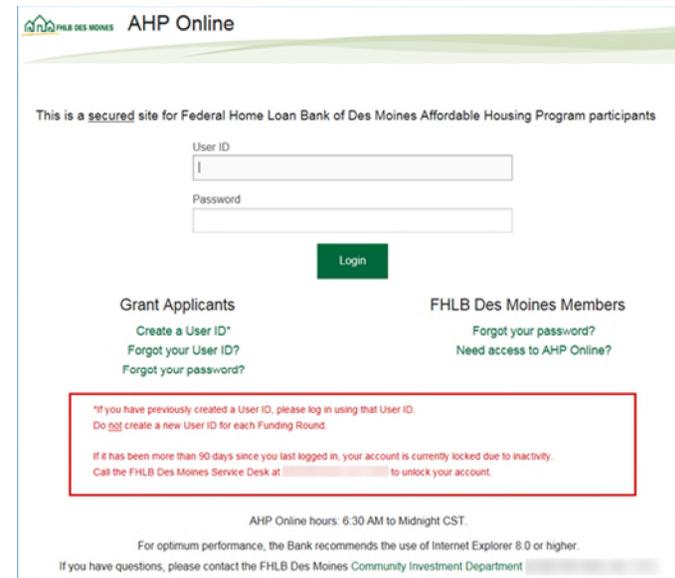
- Competitive AHP relies on the successful partnership and communication between member institutions, project sponsors, project owners, and FHLB Des Moines.
- We are available to answer any questions, provide additional information on the AHP program, or address specific issues that affect your project and the AHP award.

Community Investments – Rental Team		
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Sam Sincox	Rental Housing Analyst	ssincox@fhlbdm.com
Community Investment Department		800.544.3452, ext. 2400

AHP Online



- AHP Online can be accessed by a link on the FHLB Des Moines website or at <https://ahp.fhlbdm.com/>
- Your UserID will be the same for the life of the project (from application through the retention period)
- If it has been 90 days since you last logged into AHP Online, your account will be locked due to inactivity.
- Call the FHLB des Moines Service Desk at 1-800-544-3452 ext. 2555 to unlock your account.



THANKS

**Community Investment Department
Rental Housing Team**

800.544.3452, ext. 2400

or

communityinvestment@fhlbdm.com

www.fhlbdm.com