

Office of Finance and Development

Capital Programs Manual

Projects financed without LIHTC or SLIHC: Annual operating reserve contribution equal to 3% of the project's gross rents is required. Annual contributions to the Operating Reserve are required in any year that the balance in the reserve is less than 50% of the gross rents.

Financing Plan - the financing plan for the project must meet the following requirements:

- (a) the total project cost must be financed by grants, loans, or equity, or a combination of the three;
- (b) all project financing must be contractually obligated at or before the project's Construction Loan Closing, or at or before the issuance of a LIHTC/SLIHC Binding Agreement/Carryover Allocation;
- (c) grants and/or equity financing cannot encumber the project in a manner which is inconsistent with the requirements of the applicable HCR program;
- (d) debt service for loans must be supportable by the project's annual operating budget;
- (e) loan terms must be provided at a fixed rate of interest for a minimum of a 30-year term;
- (f) the terms and conditions of construction and/or permanent financing must be economical and reasonable. The interest rates must be no more than the rates/level offered in the marketplace and the conditions (i.e., requirements on security, credit enhancement, and debt service coverage factors) must be typical and advantageous; and,
- (g) debt service coverage factors required by lenders should be documented by the applicant at the time of application submission and again prior to Construction Loan Closing.