

Program Overview

The Affordable Housing Gap Financing program (AHGF) is a \$25,000,000 loan fund dedicated to the creation of new units for permanent supportive housing. The program will provide subordinate financing for affordable rental housing projects benefitting families at up to 30% of the Area Median Income (AMI). AHGF is intended to address the financing needs of projects that have a financing gap due to construction cost increases and/or supply chain disruptions.

Eligible Borrowers:

Nonprofit housing developers or mission aligned for-profit developers

Eligible Projects:

- Projects that dedicate affordable rental units serving households with incomes up to 30% AMI and referred through the Coordinated Entry process.
- Projects that have applied to the Tennessee Housing and Development Agency and have had low-income housing tax credits (LIHTCs) reserved under either the 4% or 9% programs. (Other affordable housing program awards may also be considered.)
- Projects that demonstrate an ability to begin construction within six months of AHGF application. (All financing for the project is committed and require only a commitment of AHGF funds to address a financing gap.)
- Rehabilitation and New Construction projects will be eligible.
- Projects that are located within Nashville - Davidson County.

Maximum Funding Per Unit Subsidy

The maximum amount of AHGF funds invested will not exceed the maximum per unit subsidy limits established by HUD for the Section 234-Condominium Housing (elevator-type) and basic mortgage limits for Nashville, Tennessee multiplied by the high-cost percentage of 375% to account for rapid price increases. The applicable limits are listed in the following table.

2022 Maximum Per Unit Subsidy Limits				
0 BR	1 BR	2 BR	3 BR	4+ BR
\$249,615	\$286,144	\$347,959	\$450,146	\$494,119

The number of AHGF units in a project will be in proportion to the amount of AHGF funds requested for the project.

Repayment Terms

Each project will be underwritten by MDHA. AHGF loans will have a mutually agreed upon interest rate that is fixed over the term of the loan. Repayment shall be in the amount of fifty percent (50%) of the project's available cash flow defined as remaining cash after the payment of operating expenses, required reserves (if applicable) and amortized mortgage debt service, subject to the requirements of superior lenders. If it is determined through underwriting that the project cannot support repayment, MDHA may consider providing a zero percent (0%) forgivable loan (no repayment required) forgiven over the affordability period.

MDHA will require the developer to submit annual financial statements to document the project's available cashflow. Upon maturity of the loan, the balance of any unpaid principal balance, together with all accrued interest thereon, shall become due and payable.

Affordability Requirements

All units will be required to meet certain rent and occupancy requirements for a period of up to 35 years ("affordability restrictions"). Affordability restrictions remain in force regardless of transfer of ownership or repayment of the AHFG loan. Affordability restrictions will be enforced with a deed restriction ("Declaration of Restrictive Covenants") which will be recorded with the Davidson County Register of Deeds.

Selection Criteria

Awards for the AHGF program will be based on a scored application submitted by the Developer and evaluated by an independent review committee. Applications will be available through MDHA's procurement process and will be considered on a rolling basis until all funding is allocated.

Loan Proceeds

MDHA will manage loan proceeds from the AHGF program. Loan proceeds will be used to address affordable housing and/or services for the homeless as outlined in Nashville's Consolidated Plan for Housing and Community Development. MDHA will report the AHGF program outcomes annually in the Consolidated Annual Performance Evaluation Report (CAPER).

Reuse of Loan Proceeds

Reuse of loan proceeds will be determined by homeless priorities outlined in Nashville's Consolidated Plan for Housing and Community Development. Below is a sample example of loan proceeds reallocated to provide affordable housing in conjunction with the HOME Investment Partnership Program:

Sample Loan Proceeds

AHGF Loan Awards	\$ 18,750,000
Interest Rate	.5%
Term	20 Years
Annual Loan Proceeds	\$ 985,356

Sample Reuse of AHGF Loan Proceeds via annual HOME RFA Process

HUD HOME Affordable Rental Funding	\$ 1,795,132
AHGF Loan Proceeds	\$ 985,356
Total Available Funding	\$ 2,780,488