

## COAL TRUST MULTIFAMILY HOMES (CTMH) PROGRAM

### DRAFT USED TO CREATE PROPOSED ADMINISTRATIVE RULES

#### PROGRAM HIGHLIGHTS

##### Type of Program

- The Montana Legislature passed HB819 during the 2023 session. The bill allows for the use of \$65 million of Coal Trust funds to be invested in loans to projects providing multifamily rental homes.

##### Closing Options (both options require principal and interest payments starting at closing)

- Option 1: (preferred)
  - Permanent financing that will close after 3 months of stabilized occupancy (preferred).
- Option 2
  - Financing will close at site acquisition but before construction or rehabilitation.
  - Narrative demonstrating additional public benefit being added compared to option 1 (in addition to Application narrative described below).
  - Funds not expended at closing will be held in escrow.
  - Independent Construction Monitoring Firm will be agreed to by Montana Housing, Equity Provider and/or Construction Lender.
  - This firm will manage escrow disbursements.
  - Additional security documents will be required.

##### Eligible Applicants

- Applicant can be a for-profit, non-profit, or governmental entity. The property must be held by a Single Asset Entity.

##### Types of Projects

- New construction, acquisition and/or rehabilitation of existing multifamily rental homes.
- Acquisition of land for multifamily rental homes including land trusts for rental, mobile or manufactured housing projects.
- Development or preservation of a mobile home park as defined in [70-33-103](#).

##### Application

- A Full Application with all required attachments is required.
  - <https://housing.mt.gov/Multifamily-Development/Housing-Credit/Housing-Credit-Application-and-Process>
- A narrative explaining how the loan will not replace existing or available funding for the project, including a detailed description of the public benefit obtained from program funding, including construction phase funding under Closing Option 2, above, if applicable, compared to funding from other existing and available funding sources with substantially similar terms and conditions.
- Project will need to show progress through required quarterly update reports.

##### Property Taxes

- Projects must be subject to property taxes, except those located on tribal lands. Payment in Lieu of Taxes is not allowed as a substitute.

##### Security

- First Lien Position Mortgage.

##### Loan-to-Development Cost

- 95% or less of Loan to Development Cost is the maximum loan that can be approved per Montana code.

##### Loan-to-Value: (LTV)

- Higher loan amounts compared to appraised replacement cost will be analyzed and may be required to obtain additional security.

8/1/2023

#### Loan Amounts

- Maximum loan based on loan-to-value as noted above. It is also limited by total funds available and the consideration factors of the board (i.e., geographical distribution, rural vs urban, etc.). Requests may be denied due to these factors.

#### Loan Term

- Maximum 40-year amortizing 30-year term fixed rate loan. Financial feasibility will be used to set amortization period. Shorter terms will generally be required i.e., 10-, 16- or 20-year term.

#### Escrow Requirements

- Escrows will be established for property taxes and hazard insurance, and reserve for replacements.

#### Loan Rate

- The Board of Investment (BOI) will post the current Average Coal Trust Investment Performance rate the first week of every month.
  - <https://investmentmt.com/Loan-Programs/Rates>
- The project loan shall bear interest at an annual rate equal to .0625% plus the Average Coal Trust Investment Performance rate posted by BOI and effective as of preliminary loan application submission.
- If the Average Coal Trust Investment Performance rate effective within 30 days before closing has decreased by at least 1/8 of a percent, the project loan rate will be set using the lower rate.
- Because interest rates for all CTMH loans will the Average Coal Trust Investment be based upon the Performance rate effective at application or closing, the program will meet the coal trust investment performance requirement in [90-6-137](#).

#### Targeting

- At least 75% of the units must be at or below 95% area median income.
- Maximum rent will be calculated according to income targeting consistent with Housing Credit program for multifamily projects.
- If the project is a mobile home park comparable lot rents will need to be provided and proposed lot rents will need to be considered affordable.
- Regulatory Agreement specifying targeting and rent requirements and related transfer, compliance and enforcement provisions, effective for the longer of 30 years or the duration of the loan obligation.

#### Underwriting and Fee Limitations

- Underwriting assumptions and fee limitations will follow the most current Qualified Allocation Plan for Housing Credits.

#### MH Fees

- A total of 1% of mortgage loan amount due at closing.

#### Compliance Fees

- Will match current compliance fees for Housing Credits. Fees will be charged once and not for each funding source if multiple. <https://housing.mt.gov/>