

Conduit Revenue Bond Program

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OVERVIEW

This manual is a reference guide for the Conduit Revenue Bond Program (“Program”) offered by the Alaska Housing Finance Corporation (“AHFC”). This guide is to be used only as an informational resource regarding policies and standards of performance under this particular program. This guide is not inclusive of all considerations and regulations for eligibility and federal compliance nor does it address requirements of other federal or AHFC programs.

AHFC is authorized by statute to issue bonds and bond anticipation notes in order to provide funds to carry out and effectuate its purpose. Under this Program, sponsors of Eligible Projects that meet federal requirements for tax-exempt financing may use this alternate structure to increase economic flexibility and lower interest cost during the period of construction.

AHFC expects this Program to be used for the construction phase of the development and be paid off when the development is substantially complete using an AHFC multifamily mortgage loan or other type of permanent financing. Conduit revenue bonds (“Bonds”) must be privately placed with an Eligible Purchaser. The amount of the Bond should finance at least 50% of the total development cost in order to generate 4% low-income housing tax credits; however, qualification for the Program does not require the award of low-income housing tax credits. Generally, requests will be a minimum of \$5,000,000 but all Program requests will be reviewed on an individual basis. AHFC reserves the right to waive some requirements or to reject requests at its discretion.

Bonds issued under this Program are not direct obligations of AHFC or the State of Alaska. Neither AHFC nor the State of Alaska is obligated to repay the Eligible Purchaser or otherwise guarantee the Bonds if revenues from the Eligible Project are insufficient to pay debt service.

DEFINITIONS AND BOND TERMS

Eligible Borrower: An Eligible Borrower must be created as a single purpose entity, such as general or limited partnerships, trusts, corporations, or limited liability companies.

Eligible Project: Eligible Projects include multifamily residential rental housing properties which set aside at least 20% of their units for tenants earning less than 50% of area median income or 40% of their units for tenants earning less than 60% of area median income.

Eligible Purchaser: An Eligible Purchaser is a bank, national bank, trust company, savings bank, savings and loan association, insurance company, United States government sponsored enterprise, governmental agency of the United States, or, any wholly owned subsidiary or combination thereof. Furthermore, Eligible Purchasers (other than governmental agencies of the United States) must be “qualified institutional buyers” that manage at least \$100 million in securities, thereby providing assurance that the Eligible Purchaser has substantial institutional experience and financial assets. Original and any subsequent Eligible Purchasers of the Bonds must execute an Investor Letter.

Official Request: Prospective borrowers must submit an Official Request for conduit revenue bond financing to the AHFC Finance Department at least 100 days in advance of the desired Bond issuance date. The Official Request must include either an approval letter from the AHFC

Planning Department indicating eligibility for tax credit financing or an approval letter from the AHFC Mortgage Department indicating eligibility for tax-exempt financing. The Official Request should identify the Eligible Borrower, the Eligible Project, and the Eligible Purchaser.

Declaration of Intent: A Declaration of Intent establishes AHFC's intent to issue Bonds for the Eligible Borrower and qualifies the Eligible Borrower to begin incurring costs prior to the issuance of tax-exempt Bonds that will be retroactively reimbursable from Bond proceeds. An Eligible Borrower may request a Declaration of Intent through the AHFC Finance Department only after approval of the Eligible Borrower's Official Request.

Investor Letter: Each original and any subsequent transferee of AHFC's Bonds will be required to deliver to AHFC an Investor Letter certifying that the investor meets the criteria for being an Eligible Purchaser as described above. No Bonds may be conveyed, assigned or transferred to an entity that does not provide an Investor Letter.

Interest Rate Modes: Bonds may be issued in either fixed or variable rate modes. Variable rates must be based on a widely recognized index plus a fixed spread.

Bond Denominations: Bonds may only be sold in minimum denominations of \$100,000 or integral multiples thereof. It is expected that Bonds will not be registered with DTC.

Bond Maturities: Bond terms are limited to no more than thirty years and include redemption provisions built in to accommodate the conversion to permanent financing. AHFC reserves the right to review and approve the proposed amortization schedule of the accompanying loan.

Payment of Bonds: All payments under the Eligible Borrower's promissory note or loan agreement, whether regularly scheduled or resulting from exercise of a remedy, will instantly and automatically be credited in like amount against payment of principal, interest and penalties under the Bonds. Payment in full of the note or loan constitutes payment in full of the Bonds.

Continuing Disclosure: Eligible Borrowers must covenant to comply with all continuing disclosure requirements relating to conduit revenue bond issuance, including (if applicable) those of Securities and Exchange Commission Rule 15c2-12. Such requirements typically include ongoing disclosure of annual financial information, certain operating data and material events.

Default Avoidance: At the time of issuance of the Bonds, AHFC will assign to the Eligible Purchaser all of its interest in any deed of trust or other lien granted as part of the financing. In the event of payment default by the Eligible Borrower, the Eligible Purchaser will only have remedies against the Eligible Borrower under the deed of trust or other lien as provided in the applicable documents. Conduit revenue bonds are not general obligations of AHFC. In no event will the Eligible Purchaser have any right to payment from AHFC or any claim against AHFC assets or revenues except as expressly stated in the Bonds.

Annual Compliance Monitoring: Depending on the scope and structure of an Eligible Project, AHFC may require annual compliance monitoring and reporting to be facilitated by an unaffiliated third party. The entity and level of reporting will be evaluated by AHFC counsel to ensure that the bonds and project maintain eligibility for tax-exempt status for the life of the qualified project period. Any fees associated with this monitoring are the responsibility of the borrower.

Failed Issuances: In the event that a transaction does not progress toward issuance as planned, or is terminated prior to issuance, the Eligible Borrower will be responsible for all AHFC costs incurred to date and will be expected to remit payment upon receipt of invoice. Should the entity dissolve prior to receipt of payment, the burden of payment will revert to the principle parties that comprised the now defunct entity.

ISSUANCE PROCESS

Generally, the issuance process will follow these steps:

1. Submit an Official Request to the AHFC Finance Department at least 100 days prior to the desired Bond closing date.
2. A Declaration of Intent may be requested after the Official Request is approved; however, the timing and execution of this document will depend on AHFC's assessment of the progress of the Bond issuance process.
3. Eligible Borrower assembles the working group, hosts conference calls, and creates a timeline for the issuance.
4. Respective counsels prepare documents and send to the working group for review.
5. AHFC obtains Private Activity Bond (PAB) volume cap from the State of Alaska.
6. AHFC holds a public TEFRA hearing.
7. AHFC seeks Board of Directors approval to issue the Bonds. Documents must be submitted in substantially final form at least 10 business days prior to the scheduled Board meeting date for inclusion in the Board packet.
8. After Board approval and once all documents are in final form, the Eligible Borrower coordinates Bond closing in conjunction with AHFC and other working group members.
9. AHFC and/or the Eligible Borrower conducts post-closing administration and monitoring.

FEES

Issuance Fee: Based on total bond issuance amount and paid at closing. This fee will be paid to AHFC at closing.

For conduit issuances receiving tax credits:

<u>Bond Amount</u>	<u>Fee*</u>
Up to \$5,000,000	\$50,000
Greater than \$5,000,000	\$50,000 + 0.50% of the issuance amount over \$5,000,000

For conduit issuances not receiving tax credits:

<u>Bond Amount</u>	<u>Fee*</u>
Up to \$5,000,000	\$50,000
Greater than \$5,000,000	\$50,000 + 0.75% of the issuance amount over \$5,000,000

*For issuances that are particularly complex, AHFC may elect to negotiate a higher fee.

Administrative Fee: Based on highest amount of Bonds outstanding during the period and paid annually in arrears on the anniversary date of issuance. A final invoice will be sent once the Bonds are paid off. This fee may be waived if AHFC long-term mortgage financing is used to pay off the Bonds.

For issuances receiving tax credits, the greater of **\$5,000** or **0.10%** of the highest Bond amount outstanding during the fee period.

For issuances not receiving tax credits, the greater of **\$12,500** or **0.25%** of the highest Bond amount outstanding during the fee period.

Other Expenses: Unless previously agreed upon, bond counsel and any other atypical fees that arise related to the Bonds will be the responsibility of the borrower, payable at or invoiced after closing.

For questions regarding the Conduit Revenue Bond Program, please contact the AHFC Finance Department at (907) 330-8322 or finance@ahfc.us.