HOME-ARP Capitalized Operating Cost Assistance

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Texas Department of Housing and Community Affairs (TDHCA)

HOME-ARP Rental Overview

- ✓ $53.1 MILLION AWARDED IN 2023/2024
- ✓ 331 UNITS
- ✓ 12 RENTAL AWARDS
- ✓ 1 COCA AWARD

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HOME-ARP Rental Characteristics

- 10 of the 12 layered with other TDHCA sources
  - 2 layered with National Housing Trust Fund (one of these layered projects used COCA)
  - 5 layered with 9% HTC
  - 3 layered with 4% HTC
- 7 with project-based vouchers/5 without-project based vouchers
- 1 Housing Opportunity for Persons with AIDS (HOPWA) Operating Subsidy

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CAPITALIZED OPERATING COST ASSISTANCE (COCA)

Applies to:

- Units restricted for Qualified Population (QPs)
- Units that also received HOME-ARP construction costs
- Units without an existing reserve/operating subsidy

Does not apply to:

- Units not developed with HOME-ARP financing
- HOME-ARP units that are restricted to low-income households that are not QPs

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Calculating COCA

Based on projected operating deficits remaining after payments of rent by QP's throughout the Federal Affordability Period.

COCA is not meant to replace rent, and is not rental assistance.

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COCA Max/Min Amounts

- Minimum amount: $250,000.
- Max amount for Projects with 80 or fewer Units:
  - COCA request may be reduced so that the net cash flow in year one will be no more than $250,000.
- Max amount for Projects with 81 or more Units/Supportive Housing:
  - COCA request reduced so net cash flow would be no more than $500,000.

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HOME-ARP COCA Application

HOME-ARP COCA Application – Eligible QP units

- HOME-ARP Units for COCA
  - Only include QP units (not HOME-ARP High HOME units)
  - Exclude QP units with project-based rental assistance
  - Excluded units with operating assistance other than COCA

HOME-ARP COCA Operating Expenses

- Eligible operating expenses for HOME-ARP may include:

1. Employees assigned to the property, proportional:
   a) Payroll costs including gross salaries and wages
   b) Employee education, training, travel
2. Property-Level General Administrative Costs, proportional:
   a) Advertising
   b) Goods/services required for administration
   (e.g., rental or equipment purchase, supplies, legal charges, bank charges, utilities, telephone/internet services, insurance)

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HOME-ARP COCA Operating Expenses (con't)

3. A proportional amount of property management fees.
4. A proportional amount of maintenance of a HOME-ARP QP unit.
5. Prorated staffing costs of a project-based Resident Services Coordinator*
6. Scheduled payments to a replacement reserve*

*Often covered by another source or required to be capitalized by another source so ineligible for COCA.

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HOME-ARP COCA Application – Square Footage

- Determine the percentage of ineligible square footage

Square footage calculation	
Total square footage (Tab 22)	-
Ineligible sq. ft. - detached leasing office	
Ineligible sq. ft. - detached garages	-
Ineligible sq. ft. - commercial spaces	-
Ineligible sq. ft. - spaces not intended for tenants and their guests	-
Total ineligible sq. ft.	-
Percentage of ineligible sq. ft.	#DIV/0!

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HOME-ARP COCA Ineligible Expenses

- Subtract Ineligible Operating Expenses:

Step 3: Ineligible Costs		
Ineligible Square Footage applied to annual expenses	$	#DIV/0!
Pool	$	-
Cable TV	$	-
Supportive Services (Staffing/Contracted Services)	$	-
TDHCA Compliance fees ($40/HTC unit)	$	-
TDHCA Direct Loan Compliance Fees ($34/MDL unit)	$	-
TDHCA Bond Compliance Fees (TDHCA as Bond Issuer Only - $25/MRB unit)	$	-
Bond Trustee Fees (ALL Tax-Exempt Bond Developments; entry or explanation required)	$	-
Issuer Ongoing Compliance Fees (entry or explanation required)	$	-
Other ineligible costs: (optional)	$	
Subtotal of annual expenses for proportion of QP COCA	$	#DIV/0!

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HOME-ARP COCA Application Ineligible Expenses (con't)

- "Other" ineligible costs may include:
  - Supportive services (other than the staffing costs of a Resident Services Coordinator)
  - Tenant based rental assistance
  - Acquisition of a property
  - Debt service

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HOME-ARP COCA Request

- COCA Request:
  - Multiply the % of QP Units by the annual operating costs (minus the disallowed square footage cost)
  - Calculate the total amount over 15 years, with inflation of 3% per year.

Step 4	COCA Eligibility
COCA Calculations	COCA Eligibility
Year 1: Eligible COCA for QP units for year one (Total eligible annual costs * % QP units eligible)	#DIV/0!
Total 15 Year COCA eligible (adjusted 3% annually for inflation)	#DIV/0!
Year 1: COCA requested	
Total COCA requested for 15 years	$ -

  - Applicants still need to indicate the amount of COCA requested.

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COCA Management

COCA Financing Structure

- COCA is a separate note from the construction/construction-to-permanent loan.
- Second loan would close upon project completion
  - Has to be a loan (not grant) for recapture if needed.
  - Deferred forgivable
  - Only due if the project misuses funding

COCA Financing Structure (con't)

- COCA funds placed in a separate account
  - Interest on that account will be returned to the Department annually.
  - The second note will be payable in full or forgiven upon end of federal compliance period.
- In IDIS, the construction loan and COCA loan is one project.
  - Seeking on HUD guidance on when to close the project.

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COCA Management Guidelines

- Disbursements
  - backup documentation
  - At least once quarterly but no more than once monthly
- Vacant Units
  - Operating costs and vacancy rates should be appropriate for the area, size, population served, and project.
- Not necessarily prorated evenly by total units
  - costs allocated proportionally among HOME-ARP eligible units and eligible operating costs

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COCA Management Guidelines (con't)

- Unexpended operating cost assistance:
  (a) Retained if the project will continue to operate in accordance with HOME-ARP requirements and serve QPs beyond the federal affordability period and must be reflected in the written agreement; or
  (b) returned to TDHCA.
- In an Ownership Transfer, the COCA must remain with the property.

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THANK YOU

Questions?

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