

# Hybrid 9%-4% Deal Parameters

**Combination developments seeking both 9% and 4% Credits must adhere to the following:**

- All units utilizing both 9% and 4% Credits must clearly be presented as two separately financed deals including separate equity pricing that would support each respective deal in the event the other were no longer present.
- While deals are required to be on the same or a contiguous site, they must be clearly identifiable as separate. This should include signage and marketing materials for both.
- While Virginia Housing prefers separate buildings, if co-located within the same building footprint the property must identify separate entrances, stairwells and elevators. Further, the ability to create a separate leasing space must exist.
- The units financed by tax-exempt bonds may not be interspersed throughout the combined development (no unit checkerboarding).
- The ability to generate an independent appraisal for each 9% and 4% development must exist.
- Both developments must submit complete Credit Applications within 12 months of each other.
- The stated mix of units cannot be changed or the deal risks losing its allocated Credits.
- Both developments must be closed by September of the year following the allocation year. A one-time six-month closing extension for the 4% bond development will be allowed with a \$10,000 extension fee.
- Decoupling is not permitted. Failure to close by the applicable deadlines not otherwise approved may result in the loss of the 9% Credits and the Did Not Build As Represented penalty points (-2x) will apply for three years for both developments, that is -40 or -60 points.

**During the preapplication meeting (for applicants that have not previously competed with a 9/4 Hybrid) the project team can expect to discuss the following topics :**

- Review requirements/timing for the 4% side and penalties if 4% doesn't come to fruition
- Who will be issuing bonds?
- Structure of both projects – separate legal parcels, separate condominiums, separate ground leases?

- Who is syndicator/investor and what role, if any, do they want in financing of deal?
- Are the attorneys and accountants versed in 9/4 combos and how to trace funds between developments?
- Construction Monitoring
- Amenities. What are the amenities and on which side are they located? Virginia Housing must approve cross-easements for use of amenities, charges for use of amenities and determination that amenities sufficient for both developments. If one side is an elderly development, does it have its own entrance and leasing office?
- T/E bond issues. (i) To be included in bond deal, must meet Virginia Housing deadlines on current bond schedule; (ii) must provide all documentation in Finance's list, e.g. bond questionnaire; and (iii) comply with Virginia Housing standard Special Conditions for T/E bond financing – including review and approval of plans and specs and construction contract early in the process.
- Tenant Relocation. If applicable, what is the plan for managing existing tenants and the renovation?
- Plans and Specifications. How far are these along for both sides of the hybrid?



**If seeking Virginia Housing financing, the following may be covered:**

- Locality financing issues
- Virginia Housing Loan in balance
- Retainage/Contingency
- General Contractor. Is the GC familiar with Virginia Housing Construction Contract provisions re: 10% completion assurance LOC, release of retainage at 90% completion, stored materials, etc.
- GAP loans. T/E short-term loan to meet the 50% test must be secured 100% by a letter of credit.
- MUMI. Virginia Housing statutory requirements must be met if MI or MI with MU.
- Ground Leases. Ground leases must be “subordinated” to Virginia Housing's Deed of Trust (landlord joins in D/T to subject its interest to the lien of D/T). Exception exists for lease from a locality, with a Virginia Housing Board resolution and a lease in a form approved by Virginia Housing.
- Condo issues. Virginia Housing must approve condominium documents. Borrower must have controlling voting interest in condominium association.
- Coordination of Closing. Typically need to close both loans at same time b/c purchasing the land simultaneously.