



Subsidy Layering Review Guidance and Checklist

Virginia Housing, in its capacity as the Housing Credit Agency for the Commonwealth of Virginia, has been granted authority by HUD to conduct Subsidy Layering Reviews (SLR) for Low Income Housing Tax Credit (LIHTC) new construction and rehab properties receiving Project Based Voucher (PBV) awards from a Virginia Public Housing Authority (PHA).

A Virginia Housing SLR is conducted pursuant to the HUD SLR Guidelines (FR Notice, Vol. 85, No. 40, February 28, 2020). Virginia housing will only complete the SLR for properties receiving a LIHTC award. For PBV awards in properties that will not receive LIHTC, PHA's must submit the request for SLR directly to the HUD field office in Richmond.

Submission Guidelines

All request for a Virginia Housing SLR must be made by the PHA providing the PBV award and executing the Housing Assistance Payments (HAP) contract. To request an SLR the PHA must submit to Virginia Housing a cover letter on PHA letterhead to SLR@VirginiaHousing.com. The request must include the following information:

1. PHA Number
2. PHA Contact Person and Email
3. Owner Contact Person and Email
4. Project Name
5. Project Address

Once Virginia housing receives a request for the SLR the PHA will be provided with access to a Procorem folder to submit the required documentation.

Upon completion of the SLR, a one-time fee of \$15,000 will be invoiced and must be paid prior to the issuance of the SLR Certification Letter. This certification is only applicable to the necessary SLR, and the development still must comply with any other HUD and/or local requirements prior to execution of their HAP contract.

To ensure timely completion of your SLR, the initial request must be made at least six weeks prior to expected completion, and all documentation must be received at least four weeks prior to expected completion.

Required Documents for Subsidy Layering Review

Property Name: _____

The PHA is responsible for collecting and submitting all documents listed below. All documents are required by HUD SLR Guidelines and must be submitted before the SLR can be completed.

☐ Narrative Description of the Project

- Narrative must identify project ownership, type of activity (supportive housing, elderly, etc.), the project location, total units in the project by bedroom size, and total number of PBVs awarded to the project
- If greater than 25% of units in the project are receiving PBVs, the narrative must specify the exception to the 25% per building cap that is being met under 24 CFR 983.56

☐ Description of Funding Sources

- Short narrative describing the details for each funding source. Narrative should include the following information for each funding source: principal; interest rate; amortization; term; any accrual, deferral, balloon, or forgiveness provisions; reserve or escrow requirements for any debt; and any requirement to pay a portion of debt service as cashflow. Construction and interim financing should be included in 'Description of Funding Sources.'
- Sources must match both the statement of sources and uses and commitment letters

☐ Statement of Sources and Uses of Funds (HUD Form 50156)

- Indicate type of each source (loan or grant) and terms. Only include permanent financing.
- Identify detailed uses.
- Sources must match both the description of funding sources and commitment letters

☐ Operating Pro Forma (HUD Form 50156)

- Must reflect each year of the HAP contract initial term, or 20 years, whichever is longer
- All assumptions for income, expenses, and debt coverage must be clearly identified

- ☐ Commitments for all Funding Sources
 - Commitment letter, grant agreements, or loan agreements for each funding source
 - Commitment documentation should include all significant terms of the funding and should match the terms identified in previous checklist items
 - Letters of Intent do not meet these requirements
 - Commitments must not have conditions for approval, closing conditions are acceptable
 - Commitments must match both the statement of sources and uses and funding sources description
- ☐ HOME Commitment Letter (When applicable)
 - Signed document identifying requirements of the HOME units and intended rent
- ☐ Supportive Service Commitment
 - A signed Memorandum of Understanding that describes the type of services to be provided, frequency, terms of service and resident eligibility
- ☐ Appraisal
 - Appraisal establishing the “as is” value of the property before construction and without implications of tax credits
- ☐ Low-Income Housing Tax Credit Allocation Letter
 - 42(m) Letter or Reservation Agreement
- ☐ Historic Tax Credit Letter (When applicable)
 - Submit award letter identifying the tax credit award amount
- ☐ Equity Investor Contribution Commitment and Schedule
- ☐ Bridge Loan
 - If the property includes a bridge loan submit financing details. Details should mirror the requirements in “Description of Funding Sources” above
- ☐ Form HUD-2880, completed by owner

☐ PBV Award Letter

- Letter must be on PHA letter head and include the number of units and bedroom sizes

☐ PHA Rent Certification Letter

- Letter must be on PHA letter head and include the following: proposed initial contract rents; utility allowances; gross rental amounts for assisted units; rent reasonableness documentation or comparability analysis as evidence of rent determination

☐ Environmental Clearance

- Evidence that a Part 58 review is submitted to the responsible entity or a Part 50 review is submitted to the Field Office

☐ Checklist and Safe Harbor Standards Analysis

- Refer to HUD Form 50156 or the below form

Safe Harbor Standards Analysis

Prior to certifying the completion of the Subsidy Layering Review, the below chart must be complete and demonstrate that the development is in compliance with Federal Subsidy Layering Review Safe Harbor Standards. In the event that any listed metric falls outside of thresholds set by HUD, justification must be provided in a separate narrative document. All figures below must match data from the submitted Sources and Uses or Property Pro Forma. For any additional clarification please first refer to the HUD Guidelines (FR Notice, Vol. 85, No. 40, February 28, 2020).

<u>Line Item</u>	<u>Dev Figure</u>	<u>Threshold</u>	<u>Outside of Safe Harbor?</u>
Development Standards			
Total Hard Costs			
General Requirement Fees			
GR Fees as a % of Hard Costs		≤ 6%	<input type="checkbox"/>
Contractor Overhead			
Contractor Overhead as a % of Hard Costs		≤ 2%	<input type="checkbox"/>
Builders Profit			
Builders Profit as a % of Hard Costs		≤ 6%	<input type="checkbox"/>
Total Costs			
Developer Fee			
Developer Fee as a % of Total Costs (Eligible Basis)		≤ 15%	<input type="checkbox"/>
Operating Standards			
Operating Expenses Trend Rate Years 1-5		1%-3%	<input type="checkbox"/>
Operating Expenses Trend Rate years 6-15		3%	<input type="checkbox"/>
Rent Increase Trend Rate Years 1-15		2%-3%	<input type="checkbox"/>
Vacancy Rate		≤ 7%	<input type="checkbox"/>
DCR Low – Years 1-15 (include year)		≥ 1.10	<input type="checkbox"/>
DCR High – Years 1-15 (include year)		≤ 1.45	<input type="checkbox"/>
Cash Flow High as a % of Operating Expenses (include year)		≤ 10%	<input type="checkbox"/>