

ALABAMA HOUSING FINANCE AUTHORITY MULTIFAMILY HOUSING REVENUE BOND POLICY

INTRODUCTION

Alabama Housing Finance Authority (“AHFA”) receives an allocation of tax-exempt bond volume cap (“Volume Cap”) each year from the State of Alabama.

AHFA also administers the State of Alabama’s programs for Low Income Housing Tax Credits (“Housing Credits”), HOME Partnership Investments Program funds, Housing Trust Funds, Emergency Rental Assistance funds, and other programs that provide funding for affordable multifamily housing (collectively, the “AHFA Funding Programs”).

AHFA dedicates a substantial portion of the AHFA Funding Programs to the development of safe, decent and affordable multifamily housing. Because of the availability of these substantial resources for multifamily housing, AHFA’s first priority in the use of its Volume Cap is for single family mortgage programs for persons with low to moderate income. To the extent that AHFA’s annual Volume Cap exceeds the needs of its single family mortgage program, AHFA’s policy is to make the excess Volume Cap available for development of safe, decent and affordable multifamily housing.

In order to enhance the feasibility and stability of multifamily projects constructed through the use of AHFA Funding Programs, AHFA’s priority in the issuance of multifamily revenue bonds, whether or not they are tax-exempt, will be (a) first, for the acquisition and renovation of existing affordable housing and (b) second, for new construction of projects where permitted by AHFA’s then applicable state qualified allocation plan for Housing Credits, all as described more particularly below under the heading “PROJECT REQUIREMENTS – *Location and Types of Projects*”.

This document sets forth AHFA’s policy concerning use of Volume Cap for the acquisition, renovation and new construction of affordable residential rental housing. This policy also applies to requests for AHFA to serve as a conduit issuer of bonds to be used for multifamily housing developments, whether or not the project to be financed expects to utilize Volume Cap or an AHFA Funding Program.

This policy was last revised on December 18, 2024, and is intended to coordinate with the requirements of AHFA’s Low-Income Housing Tax Credit Qualified Allocation Plan (the “Housing Credit QAP”), its HOME Action Plan (the “HOME Action Plan”), and its plans, policies and procedures for any other AHFA Funding Program (collectively with the Housing Credit QAP and HOME Action Plan, the “AHFA Plans”). Each of the AHFA Plans is amended periodically, which may affect AHFA’s administration of this policy. If an applicant expects to utilize any AHFA Funding Program, the applicant is strongly encouraged to review all applicable AHFA Plans prior to application submission to ensure that they have not been revised in ways not yet reflected in this policy.

WORKFORCE HOUSING TAX CREDITS

On May 9, 2024, the State of Alabama enacted Act. No. 2024-302 entitled “The Alabama Workforce Housing Tax Credit Act” (the “WHTC Act”), which established a new workforce housing tax credit (“Workforce Housing Credits”) program to promote new construction of affordable workforce housing in areas that the Alabama Department of Labor identified as important for economic development. For the avoidance of doubt, the Workforce Housing Credit program is considered an AHFA Funding Program for purposes of this policy.

The WHTC Act requires, among other things, that between 20-25% of the Workforce Housing Credits that are available each year be set aside for projects located in rural areas (the “WHTC Rural Set-Aside”).

The WHTC Act authorized and directed AHFA to administer the new program, and on September 18, 2024, AHFA adopted its “2025 Workforce Housing Tax Credit Policy” (the “WHTC Policy”) to establish procedures for administration of the Workforce Housing Credit program.

For so long as the WHTC Act remains in effect, notwithstanding any conflicting provision of this policy, AHFA will prioritize the Volume Cap available each year for multifamily projects, if any, first, to such projects as are necessary to comply with the requirements of the WHTC Act, including without limitation the Rural Set-Aside, and to fully utilize the amount of Workforce Housing Credits available in such year, and, second, to other eligible multifamily projects in accordance with the priority set forth in this policy.

Multifamily projects that wish to apply for Volume Cap combined with Workforce Housing Credits must submit applications in accordance with the WHTC Policy, which contains deadlines, requirements and other terms and conditions that differ from those contained in this policy.

PROGRAM OVERVIEW

AHFA issues multifamily housing revenue bonds for the acquisition, renovation, and new construction of affordable residential rental housing. To assure the successful completion and operation of the development, the development team should have substantial experience in multifamily rental housing designed for use by low-to-moderate-income tenants and should have sufficient capacity to undertake the development. AHFA reserves the right to reject applications for the issuance of multifamily housing revenue bonds from development teams that do not include the substantial experience or sufficient capacity to ensure the successful development, management and operation of affordable multifamily rental housing, including a history of compliance with affordability requirements.

All applications for the issuance of bonds to finance affordable multifamily rental housing must meet all threshold requirements in the Housing Credit QAP.

Applicants seeking Housing Credits for a bond-financed project must meet the requirements imposed by Section 42 of the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”).

In addition to qualified residential rental bonds under Section 142 of the Internal Revenue Code, AHFA may consider issuing tax-exempt bonds to qualified 501(c)(3) organizations for developments that meet the requirements of Section 145 of the Internal Revenue Code.

All costs incurred in the application or development process are the sole responsibility of the applicant.

AHFA reserves the right to modify, suspend or amend this Multifamily Housing Revenue Bond Policy in any respect at any time, with or without notice, and AHFA in its sole discretion may impose additional conditions, restrictions, and requirements.

APPLICATION CYCLE

AHFA accepts applications to issue bonds to finance safe, decent and affordable multifamily housing projects during an annual application cycle that begins with AHFA’s release of its online application and instructions at www.ahfa.com, which typically begins on or about March 1 of each year and typically ends on or about September 1 of each year. AHFA will post the dates of each application cycle and any other

notices affecting an application cycle at www.ahfa.com. AHFA reserves the right to accept applications outside the application cycle.

Submission of an application within an award cycle (or AHFA's discretionary acceptance of an application outside an award cycle) provides no assurance that bonds will be issued within the same calendar year.

The order in which applications are submitted does not affect the likelihood of receiving an allocation of Volume Cap or the priority in which an allocation might be awarded. AHFA will allocate available Volume Cap based on the priorities described in this policy.

APPLICATION PROCESS

Application

Complete Application. The initial step for any applicant seeking an allocation of Volume Cap from AHFA is to submit a written application. The form of application is available at www.ahfa.com. An application will not be deemed submitted until AHFA has deemed it complete. Each application must be accompanied by a non-refundable application fee in the amount required by the Housing Credit QAP.

Declaration of Official Intent

Conditions, Execution and Delivery. If AHFA determines that the application is complete and is otherwise satisfactory and has received payment in full of the application fee, AHFA will execute and deliver a written declaration of official intent for the proposed project and bond issue within a reasonable time after the application is deemed complete. The declaration of official intent shall be in form and substance satisfactory to AHFA and its counsel. The Executive Director of AHFA has the authority to execute and deliver a declaration of official intent.

Effect. AHFA's execution and delivery of a declaration of official intent will serve as AHFA's "official action" for purposes of Section 1.150-2 of the United States Treasury Regulations, or its successor. A declaration of official intent provides no assurance that Volume Cap is or will be available for the project and does not authorize or approve the issuance of bonds.

Expiration. Each declaration of official intent will expire one year from its date or, if sooner, the date required by Section 148-6(d)(5) of the Internal Revenue Code and related regulations.

Commitment Agreement

Commitment Agreement. Following the execution and delivery of a declaration of official intent, AHFA, applicant, lender, and credit provider (if any) must execute a commitment agreement in form and substance satisfactory to AHFA (the "Commitment Agreement"). The Commitment Agreement permits bond counsel and AHFA's counsel to commence legal work at the applicant's expense, regardless of whether the proposed bonds are ever actually issued.

Commitment Fee. Each Commitment Agreement must be accompanied by a cashier's or certified check in an amount equal to the then-applicable commitment fee. The amount of the commitment fee is determined as follows: (1) if the proposed project consists of a single multi-family residential project, an amount equal to the greater of \$100,000 or one percent (1.0%) of the amount of Volume Cap requested, and (2) if the Development to be financed with the proposed bonds consists of two or more multi-family residential projects, an amount equal to the greater of \$150,000 or one and

one-half percent (1.5%) of the amount of Volume Cap requested. AHFA will not pay interest on the commitment fee, and the commitment fee will be nonrefundable except as provided in the Commitment Agreement.

Termination Date. Unless bonds are issued, all Commitment Agreements will expire according to their terms on a date by which the applicant has represented to AHFA that the applicant reasonably expects to meet all conditions necessary for the issuance of the bonds (the “Termination Date”). The Termination Date must be satisfactory in all respects to AHFA, and in no event shall the Termination Date be later than one year after the date on which AHFA executed and delivered the declaration of official intent. If the bonds have not been issued on or before the Termination Date, the Commitment Agreement will expire automatically on the Termination Date without notice or any other action by AHFA or any other party.

One-Time Extension. An applicant may request one extension of the Termination Date by written request to AHFA. If request demonstrates good cause for the extension, AHFA may (but shall have no obligation to) extend the Termination Date for such period as it deems appropriate, but not beyond December 15 of the year in which the Termination Date occurs. Any extension will be conditioned upon (1) applicant’s payment of an extension fee equal to one-quarter of one percent (0.25%) of the maximum principal amount of bonds described in the Commitment Agreement, and (2) the applicant’s acceptance or satisfaction of additional terms and conditions determined by AHFA in its sole and absolute discretion.

Bond Resolution

Bond Resolution Request. To request that the Board of Directors adopt a resolution authorizing the issuance of bonds, the applicant must submit a duly executed request for bond resolution in the form provided at www.ahfa.com at the time of submission (the “Bond Resolution Request”). The form of the Bond Resolution Request is subject to change by AHFA. To be eligible to submit a Bond Resolution Request, the applicant must have delivered or obtained the following items:

1. A duly executed declaration of official intent for the project.
2. A fully executed Commitment Agreement for the project in a form satisfactory to AHFA.
3. Payment in full of the commitment fee required by the Commitment Agreement.
4. Evidence satisfactory to AHFA that the financing structure, all sources of funding and all financing documents are or will be acceptable in all respects to AHFA and its counsel.
5. Evidence satisfactory to AHFA that the sale of the proposed bonds will satisfy the “Requirements for Sale of Bonds” below.
6. Applicant is current on all applicable fees and expenses due to AHFA.

Submission Requirements. AHFA may establish and adjust deadlines for the submission of a Bond Resolution Request and all related items to ensure that AHFA and its counsel have sufficient time for review and approval before board packages are circulated to the Board of Directors in advance of the applicable AHFA board meeting. All such deadlines will be minimum requirements, and AHFA recommends strongly that the applicant coordinate with AHFA staff to submit its Bond

Resolution Request and related information as early as possible to ensure that AHFA and its counsel have sufficient time in advance of the board meeting to ensure that all required information is present and that AHFA has completed its underwriting and other approvals.

Presentation to Board of Directors. AHFA will present a bond resolution to its Board of Directors only if it determines based on all information provided by the applicant, including without limitation the any updates on the application portal, that it can reasonably rely upon the truth and accuracy of the representations in the Bond Resolution Request and can reasonably expect that the proposed bonds and all other sources of funding will be ready to close on or before the then effective Termination Date.

Effect. If the Board of Directors adopts a bond resolution, the resolution will authorize and direct AHFA, among other things, to take such actions as are necessary to issue bonds for the project or projects described in the bond resolution in a maximum principal amount not to exceed the amount specified in the Commitment Agreement. Adoption of a bond resolution will not constitute an allocation of Volume Cap. After adoption of a bond resolution, the applicant will be eligible for an allocation of Volume Cap only upon satisfaction of the applicable requirements contained in this policy.

Board Discretion. Satisfaction of AHFA's requirements for consideration of a bond resolution does not entitle any applicant to receive a bond resolution. Approval of each bond issue is subject in all respects to the discretion and judgment of the Board of Directors.

Requirements for Sale of Bonds

Public Sale or Private Placement. AHFA will not authorize the issuance or sale of multifamily housing revenue bonds unless the bonds meet one of the following requirements:

1. Minimum Rating for Public Sales. Any multifamily bond issued by AHFA and offered for sale to the public must have a long-term credit rating of rating of A or higher from Moody's Investors Service, Inc.; S&P Global Ratings, a division of Standard & Poor's Financial Services, LLC; or Fitch Ratings, Inc.
2. Traveling Investment Letter for Private Placements. Any multifamily bond that does not have a long-term credit rating of A or higher, as described above, will be issued by AHFA only if the bond is sold to a single "accredited investor" (as such term is defined in Reg. D of the SEC) or "qualified institutional buyer" that signs an investment letter in AHFA's required form and is otherwise acceptable to AHFA in its sole discretion. The investment letter will be a so-called "traveling" investment letter, and the form of the proposed bonds shall provide that the bonds may be transferred only in accordance with the terms and conditions of the traveling investment letter. Prospective applicants may obtain a copy of AHFA's required form of investment letter upon request.

Pre-Closing and Closing Dates

AHFA will not schedule dates for pre-closing and closing of the bonds for a particular project or group of projects financed by the same bonds until all of the following conditions have been satisfied:

1. The applicant has (a) received a bond resolution adopted by the Board of Directors, (b) satisfied all pre-closing requirements for all sources of funding described in the application,

including sources provided by AHFA, (c) confirmed that AHFA has reviewed the reasonableness of development costs, the market study, the financial and market feasibility, and if applicable, a Capital Needs Assessment and the minimum rehabilitation costs for the project, (d) satisfied all other requirements set forth in the Commitment Agreement, Housing Credit QAP or other applicable policies and procedures of AHFA relating to the bonds, the project and its funding sources, (e) satisfied all conditions necessary for the issuance of bonds under the terms and conditions of the financing documents that can be satisfied prior to the pre-closing date, (f) satisfied AHFA that all other conditions for the issuance of the bonds are reasonably certain to be satisfied on or before the proposed closing date; and (g) satisfied AHFA that applicant will cause the bonds to be issued on or before the Termination Date; and

2. AHFA has confirmed or is satisfied that (a) all parties to the bond closing have no remaining comments to the financing documents, except final changes dependent on bond pricing, (b) satisfactory arrangements for execution by all other parties to the financing documents, and (c) the availability of its officers on or before the pre-closing date to execute and deliver the financing documents to which AHFA is a party.

Projects that have satisfied all of these conditions and have received pre-closing and closing dates from AHFA will be considered “Prepared to Close”.

VOLUME CAP

In general, AHFA provides Volume Cap to projects in the order in which they are Prepared to Close. AHFA generally confirms that Volume Cap is available for a project when it is Prepared to Close and does not reserve Volume Cap for any project that is not Prepared to Close. Notwithstanding the foregoing, AHFA reserves the right to award Volume Cap to projects in a manner satisfactory to AHFA in its sole and absolute discretion.

ISSUANCE OF BONDS

After the bonds for a project are Prepared to Close and the pre-closing and closing dates have been established, the pre-closing for the bond issue shall take place in a manner satisfactory to AHFA, which may include one or more parties being required to execute documents in person at AHFA’s offices in Montgomery, Alabama. Actual delivery of bonds shall take place on the agreed closing date and may be accomplished via the book-entry only procedures established by The Depository Trust Company or, in the case of a private placement, by physical delivery to the bondholder in accordance with its instructions.

ADMINISTRATIVE FEE

AHFA’s agreement to issue bonds for any project is contingent upon the applicant’s payment of an Administrative Fee equal to (a) one eighth of one percent (0.125%) of the issue price of the bonds, due and payable on the closing date (b) one eighth of one percent (0.125%) of the outstanding principal amount of the bonds on the first day of October of each year for so long as any amount of the bonds is outstanding, and (c) a prepayment penalty to be calculated in a manner satisfactory to AHFA if the bonds are defeased or retired early. Satisfactory arrangement for ongoing payment of the Administrative Fee is a condition for closing any AHFA financing.

OTHER FEES

As a condition to AHFA’s review of an application, AHFA will charge additional fees for re-underwriting a project and for any other additional work necessitated by material changes to the project information after the date of the initial application. AHFA will communicate the amounts of these fees at www.ahfa.com and, if applicable, in AHFA’s application instructions and communications relating to an application. All fees and completion times are subject to change by AHFA. Applicants are solely responsible for paying all fees on a timely basis to avoid delay or termination of AHFA’s consideration of the application and to avoid missing applicable deadlines.

REQUIREMENTS FOR ADDITIONAL AHFA FUNDING

Any applicant requesting or receiving funding under an AHFA Funding Program for a bond-financed project must comply with the requirements of the applicable AHFA Plans and pay all applicable fees and costs. Certain fees and costs are outlined in the AHFA Approved and Funded Transaction Fee Requirements found at www.ahfa.com. All fees and costs are subject to change by AHFA.

PROJECT REQUIREMENTS

Location and Types of Projects

AHFA will accept applications for the issuance of bonds to finance affordable multifamily residential rental projects throughout the State of Alabama that are (a) new construction projects, which are defined to include both new construction and rehabilitation of projects that are less than 50% occupied at the time of application (“New Construction Projects”), or (b) rehabilitation projects, which are defined to include projects that are at least 50% or more occupied at the time of application (“Rehabilitation Projects”).

AHFA will accept applications for New Construction Projects in a city or county in which AHFA has previously provided funding for any type of project (whether in form of a multifamily bonds, funding under an AHFA Funding Program, or any combination thereof) only if the project funded previously in that city or county has been placed in service and is not less than ninety percent (90%) occupied at the time of application; provided, however, that AHFA may consider an exception to this limitation for a proposed New Construction Project that meets the radius test with respect to projects previously funded by AHFA that is described in the threshold requirements of the Housing Credit QAP.

The applicant must provide a market study, in form acceptable to AHFA, demonstrating an adequate market for the proposed units to be financed with any proposed bond issue. If AHFA does not agree with applicant’s market study or feels that the proposed project would adversely impact existing projects or create excessive concentration, AHFA reserves the right to obtain, at the applicant’s expense after prior notice, a market study or other information from an independent consultant for AHFA’s consideration in resolving the matter.

Occupancy Requirements for All Projects

A “qualified residential rental project” as defined by Section 142 of the Internal Revenue Code must remain in compliance with the applicable set aside test throughout the “qualified project period” as defined by Section 142 of the Internal Revenue Code. A failure to do so can result in the retroactive taxability of the project bonds back to their issue date, as well as the loss or recapture of the project’s Housing Credits.

At all times during the qualified project period, the project must meet one of the following set-aside tests:

- (a) 20/50 percent test – Twenty (20) percent or more of the residential units in the project must be occupied by and rent restricted to individuals whose income is 50 percent or less of the area median income adjusted for size of household; or
- (b) 40/60 percent test – Forty (40) percent or more of the residential units in the project must be occupied by and rent restricted to individuals whose income is 60 percent or less of the area median gross income, adjusted for size of household.

Physical Requirements for All Projects

A residential rental project must consist of units containing complete living facilities and which are available to the general public. Complete facilities provide separate space for living, sleeping, eating, cooking, and sanitation.

Residential rental projects must be on a single site or contiguous sites. Sites may be considered contiguous if separated only by one neighborhood street. Intermediate care facilities, group homes, and congregate care facilities are not allowed.

Special Minimum Requirements for Rehabilitation Projects

All hard construction costs for Rehabilitation Projects must be certified by a capital needs assessment satisfactory to AHFA, which must be submitted with the initial application (a “Capital Needs Assessment”). AHFA reserves the right to engage a third-party construction consultant at the applicant’s expense to verify the scope of work and costs and/or to inspect the development periodically to verify the rehabilitation is as proposed and is proceeding in a timely manner. All work in a Rehabilitation Project must meet applicable building code requirements and AHFA Design Quality Standards.

For rehabilitation of projects not previously funded by AHFA, the application must meet all threshold requirements set forth in the Housing Credit QAP, except for the minimum rehabilitation expenditure of \$20,000 of hard construction costs per qualified low-income unit. For this type of project, AHFA may allow a lower minimum rehabilitation expenditure per unit, but only if supported by a Capital Needs Assessment satisfactory to AHFA.

For rehabilitation of projects previously funded by AHFA, the application must meet all threshold requirements set forth in the Housing Credit QAP, except that for this type of project, AHFA will require a minimum rehabilitation expenditure of \$12,500 of hard construction costs per qualified low-income unit.

In no event may the minimum rehabilitation expenditure be less than the greater of (a) the amount required by Section 42 of the Internal Revenue Code or other applicable law, and (b) \$12,500 per qualified low-income unit.

FEASIBILITY AND COST REQUIREMENTS

AHFA reserves the right to review and approve in its discretion the economic feasibility, market feasibility and costs for each project proposed to be financed with bonds. AHFA may review this information, including any changes thereto, at any time from receipt of initial application through issuance of bonds.

Financial and Market Requirements

All developments will be subject to an underwriting review for financial and market feasibility by AHFA in accordance with its Housing Credit QAP.

Development Cost Review

Each development will be evaluated for comparability and reasonableness of development costs. Costs will be reviewed as to their validity and necessity against previous years' developments, regional data, third party documentation, and other factors and data.

The applicant must be as accurate as possible in providing development cost information. Underestimating could result in insufficient funds being available to successfully complete the development. Overestimating could result in a development being considered not feasible based on the debt level needed to complete the development. Additional documentation from the applicant may be requested.

The Internal Revenue Code limits the amount of bond issuance cost that may be financed with tax-exempt bond proceeds to 2% of the principal amount of the tax-exempt issue.

MISCELLANEOUS

All Terms and Documents Must be Satisfactory to AHFA. Without limiting anything else in this policy, but in addition thereto, AHFA reserves the right to approve in its sole discretion any proposed transaction structure for the issuance of multifamily housing revenue bonds, all sources of funding, and the forms of all financing documents, including without limitation financing documents to which AHFA is not a party.

Changes in Project Information. If AHFA determines that changes in project information require AHFA to re-underwrite the project, AHFA will impose additional fees and require minimum times for completion. All such fees must be paid prior to AHFA commencing its work. AHFA will communicate the amounts of these fees and the minimum completion times at www.ahfa.com and, if applicable, in AHFA's application instructions and communications relating to an application. All fees and completion times are subject to change by AHFA. If AHFA receives changes in project information that are substantial, AHFA may require the applicant to submit a new application.

Applicant Responsibilities. Applicant is solely responsible for paying all applicable fees and providing all required information sufficiently in advance of any consent, approval, delivery or other action requested from AHFA, including consideration of a bond resolution, to allow AHFA enough time to complete its review of all relevant information in a reasonable manner. AHFA will bear no responsibility for missed deadlines, including without limitation the Termination Date, that result from applicant's failure to pay required fees or to provide updated and accurate information early enough for AHFA to complete its work. Applicants are strongly urged to coordinate closely with

AHFA to ensure that any changes in project information are addressed and evaluated on a timely basis and in advance of applicable deadlines.

LEGAL REQUIREMENTS AND AHFA PLAN UPDATES

It is AHFA's policy and intent to issue multifamily housing revenue bonds only in compliance with applicable law and with AHFA's then effective policies and procedures.

Future changes in applicable law shall be deemed to amend accordingly any provision of this policy that is inconsistent in operation or intent with such changes, and to the extent that any term of condition of this policy conflicts with applicable law, applicable law shall govern.

If AHFA modifies an AHFA Plan in manner that is inconsistent in operation or intent with any provision of this policy, AHFA reserves the right to interpret this policy or deem it amended as necessary to comply with such modification.

If a new program is created that AHFA approves for use as an AHFA Funding Program, AHFA reserves the right to interpret this policy or deem it amended as necessary to utilize such new program.

[End of Policy]