



2009 Tax-exempt Debt with Subsidy Financing

MaineHousing is making available under the Rental Loan Program the following financial resources: tax-exempt bond proceeds, 4% “automatic” Low Income Housing Tax Credit (LIHTC) and MaineHousing subsidy. These resources will be used to finance the following types of projects:

1. The construction of new affordable rental housing, either through new construction or through the adaptive reuse of structures that are currently not used for housing
2. The conversion of existing market rate units to affordable units via acquisition and rehabilitation
3. The preservation of projects with rental assistance contracts from the U.S. Department of Housing and Urban Development (HUD) or USDA Rural Development.

Funding for this program is available to eligible projects on a competitive basis. Projects that have a Notice to Proceed from another MaineHousing program are not eligible to apply.

Applicants must comply with all of the requirements of the Rental Loan Program not specifically addressed in this document. The Rental Loan Program Guide can be found at MaineHousing’s website www.mainehousing.org.

MaineHousing reserves the right to suspend or terminate this program at any time and to cease processing any applications prior to issuing a financing commitment. MaineHousing is under no obligation to finance any project until a financing commitment has been issued by MaineHousing and accepted by the applicant in accordance with its terms.

Tax-Exempt Debt and Tax Credits

The source of funding will be qualified tax-exempt facility bonds issued pursuant to Section 142(d) of the Internal Revenue Code of 1986, as amended (the “Code”).

MaineHousing may offer construction-period financing in the form of purchasing a participation interest in the construction loan in accordance with the Rental Loan Program Guide.

All projects must be eligible for and utilize the “4% automatic” federal Low Income Housing Tax Credit (“LIHTC”) as described in Section 42 of the Code. Projects must comply with MaineHousing’s Qualified Allocation Plan in effect at the time of application and Section 142 of the Code regarding the use of tax-exempt bonds.

MaineHousing Subsidy Resources

MaineHousing is making \$7,000,000 in subsidy available with this offering. The amount awarded to any development will be only the amount necessary to achieve feasibility or any per unit limitations outlined in this offering, whichever is less. The subsidy will be made available in the form of a 0% deferred payment loan with payment due at the earlier of (a) a sale, assignment, transfer or change in use of the project, (b) repayment of MaineHousing's fixed rate amortizing loan, (c) 30 years or (d) loan default.

Subsidy will be allocated to projects in the most efficient manner possible. To that end, MaineHousing staff will consider equity from the sale of Low Income Housing Tax Credits and interest-bearing debt structured in accordance with this program and underwritten in accordance with the Rental Loan Program in determining the need for subsidy in its approval process. MaineHousing reserves the right to adjust the financing structure of any proposal to achieve the most efficient use of subsidy.

In all cases, the maximum amount of subsidy a project can receive is (a) \$100,000 per low-income unit for projects that create new units or (b) the lesser of \$40,000 per low income unit or the rehabilitation cost per unit for acquisition/rehab projects. If Federal HOME is the source of subsidy, the subsidy will be allocated to the fewest number of units possible, while adhering to the above per unit maximum.

MaineHousing reserves the right to award all, a portion, or none of the available subsidy amount during this offering of subsidy, depending on the quality and merits of the applications received. MaineHousing further reserves the right to limit the number of proposals that are awarded subsidy in any given market area.

Threshold Criteria

To be eligible, projects must meet the following requirements.

1. Set aside 20% of the units to be rented to persons who earn no more than 50% of the area median income OR 40% of the units to be rented to persons who earn no more than 60% of the area median income. The balance of the units may be rented at market rates deemed reasonable by MaineHousing **or** to persons who earn no more than 60% of the area median income. The income-restricted units will be rent-restricted in accordance with Section 42 of the Code. These affordability restrictions will be in place for a period of ninety (90) years and will be included in a restrictive covenant executed by the owner of the project and recorded in the appropriate registry of deeds.
2. Be eligible for and utilize low-income housing tax credits and meet the criteria of the Qualified Allocation Plan in effect at the time of application.
3. Have monthly rents paid by tenants for affordable units, on average, be \$100.00 per unit below the determined market rent, as verified by a market study meeting the requirements of the Rental Loan Program, and meet the requirements of 50% or 60% tax credit rent rates.

4. If a project is creating new housing units, it must be located (i) within 5,000 feet of a downtown and (ii) within a safe walking distance of not more than 2,500 feet of at least one destination important to the course of daily activities **appropriate to the intended population**.

For purposes of this Section the following terms have the following meanings

A “downtown” means (a) the central business district of a community that serves as the center for socioeconomic interaction in the community and is characterized by a cohesive core of commercial and mixed-use buildings, often interspersed with civic, religious and residential buildings and public spaces, typically arranged along a main street and intersecting side streets, walkable and served by public infrastructure; or (b) an area identified as a downtown in a comprehensive plan adopted pursuant to 30-A M.R.S.A § 4311 et seq.

“Mixed use” means the integration of two or more land uses such as residential, commercial and office, with a strong pedestrian orientation.

A “safe walking distance” means year-round pedestrian access by one or more of the following, as appropriate to the area: sidewalks adjacent to the project, paved wide shoulders suitable for walking, crosswalks and traffic signals at busy roads or intersections.

5. If restricted to elderly tenants, be designed to meet a higher level of accessibility. In addition to the minimum State and Federal accessibility requirements, each project designated elderly shall have at least 50% of the total units (including those necessary to meet State and Federal requirements) that, at a minimum, meet the requirements of “Voluntary Pledges” in MaineHousing’s Design & Construction Manual under the “Summary of Accessibility Regulations and Additional MaineHousing Requirements”. The applicant must submit a certification from a qualified architect that specifically identifies which units in the project meet the minimum State and Federal accessibility requirements and which units are designed to meet the “Voluntary Pledges” requirements.
6. If eligible for Federal and State Historic Tax Credits, apply for them unless good cause is demonstrated to MaineHousing for not pursuing the credit.
7. Must comply with with the *Contractor Standards for MaineHousing Financed Multifamily Housing* for the Rental Loan Program. In addition, at least 60% of the contractors, including general contractors, construction managers, subcontractors and material suppliers, involved in the construction of the project must provide an eligible group health insurance plan to their employees, based on the percentage of contractors or the percentage of the total construction costs paid to contractors who provide an eligible group health insurance plan. An “eligible group health insurance plan” is a plan that either (a) provides coverage for employees and the contractor pays at least 60% of the premium for employee coverage or, in the alternative, (b) provides family coverage for employees and the contractor pays at least 50% of the premium for employee coverage plus some portion of the premium for the family coverage. The eligible group health insurance plan must be in place at the time the contractors bid on the project and must be maintained during the construction of the project.

Underwriting Criteria

Interest Rate	Subsidy – 0%
	Debt – Anticipated to be 6.5%. MaineHousing reserves the right to adjust the interest rate subsequent to publication of this program. The interest rate for each project will be locked in at the time of commitment.
Net Developer Fee	The net developer fee recognized by MaineHousing to determine tax credit allocation and subsidy awards will be limited as follow: \$15,000 per unit for the first 10 units in the Project, \$10,000 per unit for next 20 units in the Project and \$5,000 per unit for next 30 units in the Project, Further, the total amount shall not exceed an amount equal to 15% of the Housing Development Costs plus 10% of the costs of acquisition of land, existing buildings and equipment, all determined without regard to the Developer Fee.

The following rules and guidelines apply: MaineHousing’s Rental Loan Program Guide (to the extent not in conflict with this Program), Chapter 16 of MaineHousing’s Rules, Allocation of State Ceiling for Low-Income Housing Tax Credit, and Chapter 29 of MaineHousing’s Rules, Multifamily Development and Supportive Housing Loans and Grants.

Selection Criteria

Projects will be scored according to the selection criteria outlined below. The highest scoring applications will be selected for further processing in order of score until all available funds have been encumbered. Once resources allocated are exhausted, a waiting list will be established for applicants who are not funded. In the event that additional subsidy becomes available MaineHousing may fund additional projects in the order in which they appear on the waiting list. MaineHousing reserves the right to reject any and all proposals, and to award subsidy in an amount that is less than requested.

- 1) Location Criteria:
 - a) Projects proposed in a Labor Market as identified in **Appendix A** will be awarded points as follows:

Very High Need	10 points
High Need	5 points
 - b) Projects proposed in a Service Center Community as identified in **Appendix B** will receive **10 points**.
 - c) Projects located in a Downtown TIF district approved by the Maine Department of Economic and Community Development or a MaineHousing-approved Affordable Housing TIF district **5 points**
 - d) **5 points** if the proposed project is located within 1,500 feet of a designated pick-up location for a year-round, regularly scheduled means of public transportation

Evidence must be submitted with the application to receive these points.

2) Tenant Related Criteria:

- a) Projects that provide an average rent benefit to their low income tenants that exceed the minimum threshold will receive points as follows:

\$100.00 - \$124.99 per unit	5 points
\$125.00 - \$199.99 per unit	10 points
\$200.00 - \$299.99 per unit	15 points
\$300.00 and up per unit	20 points

- b) A project that incorporates the amenities listed below will receive **2 points** for each amenity provided:

- a) A community room developed as part of the project.
- b) Area(s) for recreational or social activities either provided at the project free or charge to the residents, or public access to such areas is within 1/2 mile of the project and there is no fee or membership required to access or use such areas. Areas of activity include but are not limited to ball-fields, basketball courts, tennis courts, playgrounds with equipment, gardening plots, bike trails, walking trails and ice-skating rinks. Areas of activity do not include banking, shopping and dining.
- c) Establishment of a policy prohibiting smoking in all units and common areas of the project. The applicant must develop and maintain a written occupancy policy that prohibits smoking in the units and the common areas of the project, include a non-smoking clause in the lease for every household and make educational materials on tobacco treatment programs, including the phone number for the statewide Maine Tobacco HelpLine, available to all residents of the project through the resident service coordinator.. The applicant shall commit to satisfy these requirements in the application, and the detailed service plan required pursuant to Section 6.D.13. of the applicable Qualified Allocation Plan shall include making the tobacco treatment program educational materials available to residents.
- d) Have in the development and operating budgets that all units in the project are provided with the necessary infrastructure for cable, DSL or wireless internet service, with such service provided to the tenants free of charge.

3) Financial Criteria:

An Applicant that proposes to leverage funds for a project from a source other than MaineHousing will receive up to **32 points**. Resources made available either directly or indirectly by MaineHousing are not eligible for consideration under this criterion.

- a) Up to **16 points** will be awarded to a project that has below market funding from a source other than MaineHousing. Tax credit equity, service and operating funds, rental assistance, construction financing and donations or below market purchases of land and buildings are not eligible sources of below market funding under this category. MaineHousing will give consideration under this category to below market funding that has been committed and below market funding that has been applied for, but notification of a commitment has not yet been received by the applicant.

Funds that have not yet been committed will be evaluated at 10% of the amount applied for by the applicant. The applicant must submit evidence of the commitment of below market funding or evidence that the below market funding has been applied for with the application. The evidence must include the terms of the below market funding, including without limitation, the interest rate, the amortization period, the loan term and security required, if any. Capital funding made possible by an Affordable Housing TIF that directly benefits the project will be evaluated as if it were a grant.

Eligible below market funding will be evaluated based on a present value or net present value basis using the 10-year Treasury note rate as of the date of publication of this program plus 300 basis points to determine an amount of subsidy per low-income unit. Applicants will receive points based upon the amount of subsidy per low-income unit in the following manner:

\$1 to 2,499	2 points	\$10,000 to 14,999	10 points
\$2,500 to 4,999	4 points	\$15,000 to 19,999	12 points
\$5,000 to 7,499	6 points	\$20,000 to 24,999	14 points
\$7,500 to 9,999	8 points	\$25,000 Plus	16 points

In the event that a below market funding source that the applicant applied for and MaineHousing considered in this category is not awarded, the applicant has 90 days to find alternative financing with similar terms. If after 90 days the applicant cannot find a replacement source, or the replacement source has different terms, MaineHousing will re-score the application.

- b) A project that has a commitment of project-based rental assistance, excluding assistance available under the HUD Project-Based Voucher Program, will be awarded up to **6 points** based upon the percentage of units in the project covered by the rental assistance contract and the length of the rental assistance contract. The applicant must submit the commitment of project-based rental assistance, including the specific terms of the rental assistance, with the application.

	Length of Contract	
	5 Years	10 Years
≥ 75% of units covered:	4 points	6 points
≥ 25% of units covered:	2 point	4 points

- c) A Project will receive **10 points** if the project (a) includes the rehabilitation of a certified historic structure and (b) uses capital generated from both the Federal historic preservation tax credit equal to 20% of qualified rehabilitation expenditures under Section 47 of the Code and the State historic preservation tax credit equal to 30% of qualified rehabilitation expenditures for affordable housing under 36 M.R.S.A. § 5219-BB et seq. for the development of the Project. A certified historic structure is a structure that (i) is listed in the National Register of Historic Places or, (ii) the National Park Service and the Maine Historic Preservation Commission have determined is eligible for listing in the National Register of Historic Places, or (iii) the

National Park Service and the Maine Historic Preservation Commission have determined contributes to the historic significance of a historic district listed in the National Register of Historic Places or a State or local historic district certified by the United States Secretary of Interior. The applicant shall submit written evidence from the National Park Service and the Maine Historic Preservation Commission that the structure(s) to be rehabilitated as part of the project is a certified historic structure with its application. The applicant shall also include the projected capital to be generated by the Federal and State historic preservation tax credits as capital sources for the development of the project in the pro forma submitted with the application.

4) Readiness:

Projects that demonstrate a higher degree of readiness to proceed to construction loan closing will receive up to **10 points** as follows:

- a) A project will receive **5 points** if plans and specifications that comply with *MaineHousing's Design & Construction Manual* and all applicable local, state and federal codes, regulations, statutes and ordinances and are completed to an industry standard level of 50% are submitted with the application.
- b) A project will receive **5 points** if the project has all municipal approvals required to proceed with the project and any timeframe to appeal such approval has expired with no appellate action being taken or all appeals have been resolved. The applicant must submit evidence thereof in the form of a letter from the appropriate municipal official or body with its application and the design of the project submitted to and approved by the municipality must be acceptable to MaineHousing. The applicant should meet with MaineHousing's Construction Services Manager concerning the design of the project before submitting the design to the municipality for approval. Notwithstanding MaineHousing's approval of the level of design of the project approved by the municipality, the final design of the project, including all plans, details and specifications, are subject to MaineHousing's approval.

Commitments made by the applicant in the application for which the application was awarded points under the above selection criteria, including project amenities and services, will be included in the restrictive covenants executed by the owner of the project. The applicant/owner of the project will be obligated to comply with these commitments during the tax credit compliance period. MaineHousing shall deem an application withdrawn if after the application is made there is any change in the commitments made in the application which results in a net reduction in the score that the application received pursuant to the above selection criteria.

Submission Requirements

All applications must be received by MaineHousing or hand-delivered to MaineHousing **by 5:00 PM on September 8, 2009**. MaineHousing's address is Attn: Development Division, Maine State Housing Authority, 353 Water Street, Augusta, Maine, 04330-4633. All applications shall be complete and shall include the Rental Loan Program/Low Income Housing Tax Credit Application

form (available www.mainehousing.org), the Applicant Conflict of Interest Disclosure Form and a Request for Inducement, which request shall include both tax-exempt debt and subsidy amounts.

MaineHousing will review all applications for completeness, eligibility and feasibility. Applications that MaineHousing determines are complete, feasible and appear to be eligible will be scored pursuant to the selection criteria in the prior section. Applications that are not complete or feasible or are not eligible will be returned to the applicant.

Please call Bill Glover, Manager of Lending in the Development Division, at (207) 626-4600 if you have any questions or need additional information.

Appendix A

Labor Markets:

Labor Market	Families Statewide Ranking	Seniors Statewide Ranking
Augusta	High	High
Bangor	High	High
Belfast	High	High
Boothbay Harbor		Very High
Bridgton-Paris	High	High
Calais	High	
Camden		High
Dover-Foxcroft		High
Ellsworth	Very High	Very High
Farmington	Very High	Very High
Houlton	Very High	
Lewiston-Auburn	High	High
Lincoln		Very High
Machias	High	
Pittsfield	High	High
Portland - S. Portland - Biddeford	Very High	High
Portsmouth, NH-ME	Very High	Very High
Presque Isle	High	High
Rochester-Dover, NH-ME	Very High	Very High
Rockland	Very High	High
Rumford	High	High
Sanford	High	Very High
Skowhegan	High	High
Waldoboro		Very High
Waterville	High	High
York	Very High	Very High

Appendix B

Service Center Communities for:

Family and Senior Housing			
Ashland	Auburn	Augusta	Bangor
Bar Harbor	Belfast	Bethel	Biddeford
Blue Hill	Brewer	Bridgton	Bucksport
Caribou	Ellsworth	Fairfield	Farmingdale
Farmington	Fort Kent	Freeport	Kittery
Jackman	Lewiston	Limestone	Newport
Norway	Orono	Oxford	Paris
Pittsfield	Portland	Presque Isle	Rangeley
Rockland	Rockport	Rumford	Saco
Sanford	Scarborough	Skowhegan	South Portland
Southwest Harbor	Thomaston	Van Buren	Waterville
Westbrook			
Family Housing Only			
Calais	Eastport	Houlton	
Lubec	Machias	Milbridge	
Senior Housing Only			
Boothbay Harbor	Camden	Damariscotta	Dexter
Dover-Foxcroft	Greenville	Guilford	Lincoln