



2019 Affordable Housing Subdivision Program Guide



Our Mission:

To assist Maine people in obtaining and maintaining quality affordable housing and services suitable to their housing needs.

Our Vision of Success:

All Maine people have the opportunity to live in quality affordable housing.

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MaineHousing

Affordable Subdivision Program

Introduction

The Maine State Housing Authority (“MaineHousing”) is pleased to announce the Affordable Subdivision Program (“Subdivision Program”). In an effort to offer solutions to the affordable housing crisis, MaineHousing is making funds available to facilitate the development of subdivisions with affordable single-family homes.

The funds disbursed under the Subdivision Program are a small portion of the overall financing of a subdivision project. The Subdivision Program is intended to help lower the costs to developers constructing homes in a subdivision by providing zero percent forgivable loans to reimburse developers for land acquisition costs, site development soft costs including construction loan interest, and on-site infrastructure costs. Funds made available under the Subdivision Program are not intended to be used to pay pre-development costs. Developers receiving funding under the Subdivision Program will be required to set aside at least five homes in the subdivision as Affordable Homeownership Units.

A major goal of the Subdivision Program is to increase the supply of moderately-priced homes available to Maine’s low income citizens. To that end, MaineHousing will be working to create unique mortgage products for some of these homes suitable to those persons who may otherwise not be able to realize the dream of homeownership. It is our expectation that purchasers of some of these homes will take advantage of these products and that recipients of funding under the Subdivision Program will work with MaineHousing to accomplish this objective.

For purposes of the Subdivision Program, an **“Affordable Homeownership Unit”** is a lot with a new (never previously occupied), owner-occupied single-family home or condominium that is eligible for financing under MaineHousing’s First Home Loan Program or its successor (“First Home Loan Program”), except that mobile homes are not eligible as Affordable Homeownership Units under the Subdivision Program.

MaineHousing reserves the right to revise the provisions of the Subdivision Program and its funding at any time without notice.

Funding and Pledges

To be eligible for financing under the Subdivision Program, a minimum of five (5) single-family homes or condominiums in a subdivision must be designated as Affordable Homeownership Units.

The maximum forgivable loan amount is \$22,500 per Affordable Homeownership Unit within a High Opportunity Area and \$20,000 per Affordable Homeownership Unit outside of a High Opportunity Area. High Opportunity Areas are communities with above average access to health care, services, economic activity, and quality education and are listed on **Exhibit A**. The minimum forgivable loan amount is \$100,000 and the maximum forgivable loan amount is \$450,000 per affordable subdivision project. One home in the subdivision, whether a single-family home or a condominium, must be pledged as an Affordable Homeownership Unit for each \$22,000 or \$20,000 loan increment up to \$450,000.

Developers participating in the Subdivision Program will not be allowed to access additional subsidy from MaineHousing. Homebuyers may receive subsidy for down payment and closing costs.

Eligible Uses

Forgivable loans under the Subdivision Program will be made for the reimbursement of land acquisition costs, site development soft costs including construction loan interest, and on-site infrastructure as determined by

MaineHousing. On-site infrastructure costs may include, but are not limited to, the installation of roads, utilities such as water, electrical, and sewer, storm drainage, retaining walls, retention ponds, sidewalks, and landscaping.

Overhead, staffing, and other general operating costs are not eligible costs under the Subdivision Program.

Any applications submitted to MaineHousing under any other program are not eligible for financing under the Subdivision Program.

Timing of Applications

Applications are accepted on an on-going basis as long as resources are available and must be in the form prescribed by MaineHousing. MaineHousing will review applications on a first-come, first-served basis. MaineHousing reserves the exclusive right to determine whether an application meets the requirements of the Subdivision Program.

Location

MaineHousing may require a market analysis and/or an appraisal to determine market absorption and the overall feasibility of the proposed project. If required, the market analysis and/or appraisal will be prepared by a market analyst or appraiser approved by and in a format acceptable to MaineHousing.

A subdivision must be located in a locally-designated growth area of a municipality, as identified in a comprehensive plan that is consistent with Maine’s growth management program requirements. In the absence of a consistent comprehensive plan, the subdivision must be located in an area that is served by a public sewer system with the existing capacity for the project, an area identified as a census-designated place in the latest Federal decennial census, or a compact area of an urban compact municipality. Census-designated places from the 2010 census are listed in **Exhibit B**. Urban compact municipalities are listed on the Maine Department of Transportation’s website at <https://www1.maine.gov/mdot/traffic/docs/accessmgmt/append.pdf>. Note that the project must be located in a compact area of an urban compact municipality, which generally is a built-up section of a state, county or local highway where structures are nearer than 200 feet apart for a distance of ¼ mile.

Targeting

A developer of a single-family subdivision may sell the Affordable Homeownership Units in the subdivision only as described under (1) or (2) below:

- (1) To homebuyers who have applied for and received permanent mortgage financing under the First Home Loan Program, except that the purchase price limit under the First Home Loan Program will be modified as follows:

County	Affordable Homeownership Unit Cap
Cumberland, Sagadahoc and York	\$260,000
Androscoggin, Hancock, Kennebec, Knox, Lincoln, and Waldo	\$220,000
Aroostook, Franklin, Oxford, Penobscot, Piscataquis, Somerset, and Washington	\$200,000

- (2) To other homebuyers, provided that (i) their income does not exceed the applicable percentage of area median income in effect under the First Home Loan Program at the time of purchase, (ii) financing is obtained at an equal or lower interest rate than the rate then in effect

under the First Home Loan Program, (iii) the initial sale of an Affordable Homeownership Unit does not exceed the applicable purchase price limit under the Subdivision Program described above, and (iv) each purchase of an Affordable Homeownership Unit is subject to a Declaration of Covenants and Restrictions in the form attached to this Program Guide as **Exhibit C**.

The Declaration of Covenants and Restrictions will require, among other things, that the initial sale of an Affordable Homeownership Unit does not exceed the applicable purchase price limit in effect under the Subdivision Program and that each subsequent sale of that Affordable Homeownership Unit for a period of 9 years from the initial sale thereof does not exceed the initial purchase price adjusted for inflation. The inflation factor used to determine any subsequent sale price during the 9 years will be the percentage increase in the purchase price limit for the First Home Loan Program in effect for that county at the time of the intended sale of the Affordable Homeownership Unit compared to the First Home Loan Program purchase price limit in effect at the time of the initial sale.

The Declaration must be recorded in the appropriate Registry of Deeds prior to the initial sale of each Affordable Homeownership Unit in the subdivision. MaineHousing may, in its discretion, permit a developer to use its own form of declaration of covenants and restrictions. Any such substitute declaration must be approved by MaineHousing in advance of the closing of the loan provided under the Subdivision Program and must, at a minimum, contain terms at least equal to those in Exhibit C.

Developers and homebuyers are encouraged to learn more about MaineHousing's First Home Loan Program. More information about MaineHousing's First Home Loan Program can be obtained at <http://www.mainehousing.org/programs-services/homebuyer/homebuyerdetail/firsthome> or by contacting MaineHousing's Homeownership Department at 1-800-452-4668.

Eligible Developers

Eligible developers and the members of the development team (contractors, engineers, architects) must be in good standing and either have successful prior experience with a MaineHousing development program or be able to demonstrate, to MaineHousing's satisfaction, sufficient experience in developing a subdivision.

Construction Standards

All Affordable Homeownership Units must be comparable in quality and design, other than size, to market rate units, and must be interspersed throughout the subdivision at an approximately consistent density.

The site development and home construction shall comply with the latest Maine Uniform Building and Energy Code (MUBEC) as adopted by the Technical Building Codes and Standards Board, as well as all applicable local and state codes and standards as evidenced by inspection reports and/or written approval from local code enforcement officials. This applies to all municipalities within the State of Maine regardless of population size. MaineHousing reserves the right to access and inspect all phases of the site and home construction to determine compliance with its standards.

Security

The developer of a subdivision will execute a forgivable promissory note and a mortgage and security agreement in favor of MaineHousing and other documents as may be required by MaineHousing to secure the developer's obligations under the note and the Subdivision Program.

The mortgage will cover each Affordable Homeownership Unit. Affordable Homeownership Units will be released from the mortgage by MaineHousing as they are sold to eligible homebuyers. If a single-family home

or condominium in the development is sold as an Affordable Homeownership Unit, but was not originally identified as one on the site plan submitted to MaineHousing, MaineHousing may release its mortgage on an appropriate Affordable Homeownership Unit that was originally identified on the site plan. Promissory notes from the developer are not forgiven, cancelled or otherwise discharged until MaineHousing discharges in full from the mortgage or mortgages each and every Affordable Homeownership Unit in the development. The loan made by MaineHousing under the Subdivision Program, together with interest at a default rate to be specified by MaineHousing in the note, shall be payable in full three (3) years after the date of the loan if all Affordable Homeownership Units in the subdivision have not been sold to qualified homebuyers within that 3 year period. The loan may not be prepaid.

Application Requirements

For MaineHousing to accept and process an application under the Subdivision Program the following will be required:

- (1) Application Declaration – **Exhibit D**.
- (2) A narrative outlining:
 - a. the proposed development;
 - b. the number of Affordable Homeownership Units and projected income ranges of the purchasers of the Affordable Homeownership Units;
 - c. the purchase price of the Affordable Homeownership Units;
 - d. a marketing plan, specifically describing how the Affordable Homeownership Units will be marketed;
 - e. a description of the Affordable Homeownership Units and any market rate homes;
 - f. uses of Subdivision Program funds – see Eligible Uses;
 - g. the development timeline;
 - h. prior experience in developing a subdivision and prior lending experience with MaineHousing; and
 - i. qualifications of developer’s proposed project team including site planner and/or engineer and contractor.
- (3) Evidence of site ownership (deed).
- (4) Development Budget – **Exhibit E**.
- (5) Copies of commitment letters for all other financing sources required for the development.
- (6) A final subdivision site plan identifying the locations of the Affordable Homeownership Units.
- (7) Evidence that the project meets the Maine growth management program requirements.
- (8) Evidence of final planning board approval and any other required land use or zoning approvals.

MaineHousing Non-Discrimination Policy

Maine State Housing Authority does not discriminate on the basis of race, color, religion, sex, sexual orientation, gender identity or expression, marital status, national origin, ancestry, physical or mental disability, age, familial status or receipt of public assistance in the admission or access to or treatment in its programs and activities. In employment, MaineHousing does not discriminate on the basis of race, color, religion, sex, sexual orientation, gender identity or expression, national origin, ancestry, age, physical or mental disability or genetic information. MaineHousing will provide appropriate communication auxiliary aids and services upon sufficient notice. MaineHousing will also provide this document in alternative formats upon sufficient notice. MaineHousing has designated the following person responsible for coordinating compliance with applicable federal and state nondiscrimination requirements and addressing grievances: Louise Patenaude, Maine State Housing Authority, 353 Water Street, Augusta, Maine 04330-4633, Telephone Number 1-800-452-4668 (voice in state only), (207) 626-4600 (voice) or Maine Relay 711.

Exhibits to 2019 Affordable Subdivision Program Guide

Exhibit A High Opportunity Areas

Arundel	Fort Kent	Poland
Auburn	Freeport	Portland
Augusta	Fryeburg	Presque Isle
Bangor	Gardiner	Raymond
Bar Harbor	Glenburn	Rockland
Bath	Gorham	Rockport
Belfast	Gray	Sabattus
Benton	Greene	Saco
Bethel	Hallowell	Sanford
Biddeford	Hampden	Scarborough
Blue Hill	Harpswell	Searsport
Boothbay	Hermon	Sidney
Bowdoin	Holden	Skowhegan
Bowdoinham	Houlton	South Portland
Brewer	Kennebunk	South Thomaston
Bridgton	Kennebunkport	Standish
Bristol	Kittery	Thomaston
Brunswick	Lebanon	Topsham
Buxton	Lewiston	Turner
Camden	Limington	Union
Cape Elizabeth	Lisbon	Vassalboro
Caribou	Lyman	Waldoboro
Carmel	Madawaska	Waterville
Chelsea	Manchester	Wells
Cumberland	Minot	West Bath
Dover-Foxcroft	New Gloucester	West Gardiner
Durham	North Berwick	Westbrook
Eddington	Oakland	Windham
Eliot	Old Orchard Beach	Winslow
Ellsworth	Old Town	Wiscasset
Fairfield	Orono	Woolwich
Falmouth	Orrington	Yarmouth
Farmington	Phippsburg	York

Exhibit B
Census-Designated Places In Maine (2010 Census)

Alfred	Fryeburg	North Windham
Anson	Gorham	Norway
Ashland	Gray	Oakland
Bar Harbor	Greenville	Old Orchard Beach
Berwick	Guilford	Orono
Bingham	Hampden	Oxford
Blaine	Hartland	Pittsfield
Blue Hill	Houlton	Randolph
Booth Bay Harbor	Howland	Richmond
Bowdoinham	Kennebunk	Rumford
Bridgton	Kennebunkport	Scarborough
Brunswick	Kittery	Searsport
Brunswick Station	Kittery Point	Skowhegan
Bucksport	Lake Arrowhead	South Eliot
Camden	Limestone	South Paris
Cape Neddick	Lincoln	Southwest Harbor
Casco	Lisbon Falls	South Windham
Castine	Little Falls	Standish
Chisholm	Littlejohn Island	Steep Falls
Clinton	Livermore Falls	Thomaston
Cousins Island	Lubec	Topsham
Cumberland Center	Machias	Unity
Damariscotta	Madawaska	Van Buren
Dexter	Madison	Waldoboro
Dixfield	Mapleton	Washburn
Dover-Foxcroft	Mars Hill	West Kennebunk
Eagle Lake	Mechanic Falls	Wilton
East Millinocket	Mexico	Winslow
Fairfield	Milford	Winter Harbor
Falmouth	Millinocket	Winterport
Falmouth Foreside	Milo	Winthrop
Farmingdale	Naples	Wiscasset
Farmington	Newcastle	Woodland
Fort Fairfield	Newport	Yarmouth
Fort Kent	Norridgewock	York Harbor
Freeport	North Berwick	

Exhibit C

Declaration of Covenants and Restrictions

This Declaration of Covenants and Restrictions (“Declaration”) is made and entered into by and between the ***NAME of DEVELOPER***, with a mailing address of

 (“Developer,” which term shall include Developer’s successors and assigns), and ***NAME OF PURCHASER***, with a mailing address of _____ (“Purchaser,” which term shall mean the initial owner of an Affordable Homeownership Unit as defined herein and any subsequent owner of that Affordable Homeownership Unit).

Whereas, Developer has developed the ***Subdivision Name and location*** (“Subdivision”); and

Whereas, the Maine State Housing Authority (“MaineHousing”) provided a forgivable loan to Developer under MaineHousing’s Affordable Subdivision Program (“Subdivision Program”) to assist Developer with the infrastructure and site development costs associated with the Subdivision and in consideration of said loan, Developer agreed to sell ***NUMBER OF HOMES*** homes in the Subdivision as Affordable Homeownership Units; and

Whereas, under the Subdivision Program, an “Affordable Homeownership Unit” is a lot with a new (never previously occupied), owner-occupied single-family home or condominium that is eligible for financing under MaineHousing’s First Home Loan Program or its successor (“First Home Loan Program”), **except that single and double wide mobile homes are not eligible as Affordable Homeownership Units under the Subdivision Program**; and

Whereas, Purchaser is purchasing an Affordable Homeownership Unit in the Subdivision; and

Whereas, in consideration of the benefit received by Purchaser from the purchase of an Affordable Homeownership Unit, Purchaser has agreed to abide by the covenants and restrictions set forth in this Declaration.

Now, therefore, Developer and Purchaser hereby agree as follows:

1. **Enforceability of Covenants.** The covenants and restrictions set forth in this Declaration are intended to be and shall be considered covenants that run with the real estate described in Annex A attached hereto and made a part hereof and shall bind all subsequent owners of the real estate described in said Annex A. The covenants of Purchaser set forth herein are enforceable by Developer as a contract beneficiary. The covenants and restrictions set forth herein shall survive a sale, transfer, or other disposition of the Affordable Homeownership Unit by Purchaser, except that such covenants and restrictions shall not survive a sale or transfer by foreclosure to a party other than Purchaser or any member of Purchaser’s household or a transfer by deed in lieu of foreclosure.

2. **Covenants and Restrictions.** Purchaser hereby covenants and agrees that for nine (9) years from the date of the recording of this Declaration in the appropriate registry of deeds, the following conditions and restrictions will be and remain in effect and Purchaser shall be bound thereby:

- a. A single-family home or condominium in the Subdivision initially purchased as an Affordable Homeownership Unit will be maintained as an Affordable Homeownership Unit as defined herein, such that if the Affordable Homeownership Unit is sold during the term of this Declaration, the purchase price of the Affordable Homeownership Unit may not exceed the initial purchase price adjusted for inflation. The inflation factor used to determine any subsequent sale price during the nine (9) year period that this Declaration shall remain in effect shall be the percentage increase in the purchase price limit for the First Home Loan Program in effect for that county at the time of the intended sale of the

Affordable Homeownership Unit compared to the First Home Loan Program purchase price limit in effect at the time of the initial sale.

- b. The Developer shall have an option of first refusal on an Affordable Homeownership Unit. If the Purchaser of an Affordable Homeownership Unit intends to sell it, the Purchaser shall first provide the Developer with written notice of the intent to sell.
- c. Developer shall have 30 days from the date of receipt of the Purchaser's notice to exercise its option to purchase the Affordable Homeownership Unit. Developer may exercise its option to purchase by giving the Purchaser written notice of exercise at any time during said 30-day period.
- d. In the event that Developer gives notice of its exercise of the option to purchase the Affordable Homeownership Unit, the closing shall occur within 45 days of the date of said notice. In such event, the purchase price of the Affordable Homeownership Unit shall not exceed the purchase price limit applicable to the Affordable Homeownership Unit, as provided herein. Closing costs incurred in connection with the sale, including without limitation brokers' commissions, transfer taxes, attorney fees and tax and other pro-rations, shall be paid in the customary manner by Purchaser and Developer.
- e. Transfers of an Affordable Homeownership Unit by operation of law or by foreclosure shall be exempt from Developer's right of first refusal. In the event of a transfer by operation of law, the Affordable Homeownership Unit shall remain subject in all respects to all of the covenants and restrictions set forth in this Declaration.
- f. In the event that Developer fails to exercise its option to purchase the Affordable Homeownership Unit, Purchaser may sell the Affordable Homeownership Unit only (i) to a homebuyer who has applied and qualified for financing under the First Home Loan Program or (ii) to another homebuyer whose income does not exceed the applicable percentage of area median income in effect under the First Home Loan Program at the time of the sale of the Affordable Homeownership Unit ("Eligible Purchaser") and only in accordance with the purchase price limit applicable to the Affordable Homeownership Unit as provided herein. Purchaser shall not sell, lease or otherwise transfer, or enter into any agreement or arrangement to sell, lease, or otherwise transfer, an Affordable Homeownership Unit except to an Eligible Purchaser and only at a price that does not exceed the applicable purchase price limit as provided herein and otherwise in accordance with the terms of this Declaration. An executed affidavit of the Developer recorded in the appropriate registry of deeds stating that the intended purchaser of an Affordable Homeownership Unit qualifies as an Eligible Purchaser and that the purchase price of the Affordable Homeownership Unit does not exceed the applicable purchase price limit as provided in this Declaration shall be sufficient evidence of the matters set forth therein. **Except with respect to transfers by operation of law or foreclosure as provided herein, no transfer, sale, assignment, lease, deed, contract to sell, installment sales contract, or bond for a deed with respect to which such executed affidavit has not been recorded in the appropriate registry of deeds shall be effective to transfer title to or create an interest in the Affordable Homeownership Unit that is the subject of such transfer, sale, assignment, lease, deed, contract to sell, installment sales contract, or bond for a deed, and such transfer, sale, assignment, lease, deed, contract to sell, installment sales contract, or bond for a deed shall be void.**

3. Developer's Remedies for Breach by Purchaser. Developer shall be entitled to all rights and remedies available at law and in equity, including injunctive relief and specific performance, to enforce the covenants and obligations of Purchaser and the restrictions set forth in this Declaration.

4. Amendment. This Declaration may not be amended without the written consent of MaineHousing, which, if given, shall be evidenced on the face of such amendment.

NAME of DEVELOPER

By: _____

Printed Name: _____

Its: _____

PURCHASER

Signature: _____

Print Name: _____

State of Maine
County of _____

Date: _____

Personally appeared the above-named _____, as _____ of the ***NAME of DEVELOPER***, and gave oath to the foregoing and acknowledged before me the foregoing to be his/her free act and deed in his/her said capacity and the free act and deed of the ***NAME of DEVELOPER***.

Before me,

Notary Public/Attorney-at-Law
Printed Name: _____
Commission expires: _____

State of Maine
County of _____

Date: _____

Personally appeared the above-named ***NAME OF PURCHASER*** _____, and gave oath to the foregoing and acknowledged before me the foregoing to be his/her free act and deed.

Before me,

Notary Public/Attorney-at-Law
Printed Name: _____
Commission expires: _____

**ANNEX A
TO
DECLARATION OF COVENANTS AND RESTRICTIONS**

DESCRIPTION OF PROPERTY

Exhibit D Application Declaration

I am aware that this Application must be signed and complete, including required exhibits and attachments as noted.

To the best of my knowledge, all information contained in this application and its supporting exhibits and attachments is true and correct. I also hereby authorize the Maine State Housing Authority (“MaineHousing”) to evaluate the application in such manner as MaineHousing deems necessary, including discussing this application with any lender, municipal official, vendor, or other party with an interest in this property or project.

I hereby authorize MaineHousing to verify any bank or other fund balance indicated on any personal or organizational financial exhibit, to investigate credit, employment or business standing of that or any related party, to disclose any aspect of the financial information to any person but only for the purpose of determining the accuracy of the information or otherwise investigate and evaluate the application in such manner as MaineHousing deems necessary.

I certify that neither the owner/applicant, its principals or partners is presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation in any HUD programs.

Neither the applicant, nor any principal or affiliate of the applicant, nor anyone who will be paid for work on the program has business ties, familial relationships, or other close personal relationships with a current MaineHousing employee or commissioner or anyone who was a MaineHousing employee or commissioner within the past year except as follows:

Applications must be signed by all principals (Individual, Partner, General Partner or Corporate representative authorized to bind the company) in the applicant entity.

NAME of DEVELOPER [if applicable]

By: _____

Printed Name: _____

Its: _____

No application for financing will be accepted or approved by MaineHousing if the applicant, or any entity controlled by the applicant, is more than 60 days delinquent on any loan with MaineHousing, or has been declared in default of such loan, unless either an approved payment or workout plan is in place and in good standing.

UNSIGNED APPLICATIONS WILL NOT BE ACCEPTED

Exhibit E Development Budget

Sources of Funds:

Construction Sources:			
Lender	Amount (\$)	Rate (%)	Term (mos.)
1.			
2.			
3.			
4.			
Construction Sources Total	\$		

Permanent Sources:			
Lender	Amount (\$)	Rate (%)	Term (mos.)
1.			
2.			
3.			
4.			
Permanent Sources Total	\$		

Uses of Funds:

Description:	Costs (\$)
Land Acquisition	
Site Infrastructure (clearing, roads, sidewalks, utilities, landscaping)	
Professional Services relating to subdivision development (appraisal, engineering, survey, environmental, consulting, legal)	
Financing Fees (including construction loan interest)	
Permits (specify)	
Total Subdivision Development Costs	\$