



Revolving Loan Fund For Acquisitions

The mission of the Maine State Housing Authority is to assist Maine people to obtain and maintain decent, safe, affordable housing and services suitable to their unique housing needs.

In carrying out this mission, the Maine State Housing Authority will provide leadership, maximize resources, and promote partnerships to develop and implement sound housing policy.

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Introduction

Section 1: Overview and Purpose

The Maine State Housing Authority (MSHA) is pleased to announce the availability of \$2,100,000 which will be distributed to eligible applicants in the form of loans with principal and interest payments deferred. This \$2,100,000 fund comes from two sources: \$700,000 of the fund is a portion of the \$12,000,000 affordable housing bond approved by referendum on November 6, 2001, and the remaining \$1,400,000 is resources drawn from MSHA's bond funds. The \$700,000 source will carry an interest rate of 0%, and the \$1,400,000 source will carry an interest rate of 3%. Loans will mirror the prorata share of each funding source (i.e. one-third of the loan at 0%, and two-thirds of the loan at 3%). The purpose of this program is to address the competitiveness many of our housing partners encounter while competing to purchase real estate.

This financing can be used for either land acquisition or land and building acquisition, depending on the specific project type. Land containing structures that the developer intends to demolish to allow for new construction may also qualify as land acquisition at MSHA's discretion. **However, the cost of such demolition is not an eligible financing cost under this program.**

\$700,000 of the available \$2,100,000 will be set aside exclusively for the purchase of land. MSHA will evaluate the use of these funds and whether this set aside is responsive to market conditions. MSHA reserves the right to amend the set aside at any time in response to market conditions.

The types of projects eligible for financing under this program for land acquisition are:

- Projects qualifying for 9% low income housing tax credits under the Rental Loan Program/Low Income Housing Tax Credit (RLP/LIHTC) program and which are located in either a Very High or High Need Market Area. Please refer to a listing of Very High and High Need Market Areas included as an attachment to this program. The applicant must have applied, or have the intention of applying, for financing under the RLP/LIHTC program.
- Projects qualifying for 4% automatic low income housing tax credits under a specific Rental Loan Program Tax-Exempt Financing Request for Proposals. The applicant must have applied, or have the intention of applying, for financing under an existing Rental Loan Program Tax-Exempt Financing Request for Proposals.
- Projects creating supportive housing units for persons with special needs. Eligible supportive housing projects include, but are not limited to, housing for the homeless, persons with special needs including frail elderly, persons with mental illness, special needs children, individuals with physical disabilities, persons with AIDS, persons with mental disabilities and survivors of domestic violence.

The types of projects eligible for financing under this program for land and building acquisition are:

- Projects creating supportive housing units for persons with special needs. Eligible supportive housing projects include, but are not limited to, housing for the homeless, persons with special needs including frail elderly, persons with mental illness, special needs children, individuals with physical disabilities, persons with AIDS, persons with mental disabilities and survivors of domestic violence.

Applications will be accepted on a “walk-in” basis. Depending upon the availability of funds, applicants may be committed funding when all the information requested by MSHA has been submitted and MSHA has determined initial feasibility. **A financing commitment under this program carries no entitlement or assurance of a permanent financing commitment for the same project through other MSHA financing programs.**

Eligibility

Section 1: Eligible Applicants

To be eligible, an applicant must:

1. Be a non-profit corporation duly organized in the State of Maine under Title 13-B of the Maine Revised Statutes Annotated or authorized to do business in the State of Maine, validly existing and in good standing under Maine law;
2. Qualify for tax exemption under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, (Code)*;
3. Provide evidence of legal existence and authority to incur the liability of financing;
4. Demonstrate capacity to deliver or ensure the delivery of appropriate services for the proposed resident population (if applicable);
5. Demonstrate financial, organizational and development capacity to undertake the proposed initiative; and
6. Provide evidence of a qualified development team.

*An applicant may apply while in the process of applying for its 501(c)(3) exemption. The applicant must have applied for the exemption at the time the applicant submits this application. By loan closing, the applicant must provide a valid Internal Revenue Service (IRS) determination, which may be in the form of an advance ruling, that the applicant is exempt from taxation under Section 501(c)(3) of the Code and is not a private foundation under Section 509(a) of the Code.

Developers must not be presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in federal housing programs.

No application will be accepted, processed, or approved by MSHA if the applicant or any entity controlled by the applicant or its affiliate (i) in the last six months has been declared in default or has been 60 days or more delinquent on any loan with MSHA unless an approved payment or workout plan is in place and in good standing or (ii) has ever been the owner of a MSHA-financed project upon which MSHA has foreclosed. MSHA, in its discretion, may waive this policy for public purpose reasons. The waiver must be in writing, state the justification for the waiver, and be signed by the Director of MSHA.

State and federal law and MSHA's policy on conflicts of interest prohibit current employees or commissioners from working on certain transactions with applicants with whom they have a financial or personal relationship, prohibit past MSHA employees from working on certain

transactions, and prohibit persons who exercised responsibilities in connection with certain federal funds from benefiting from those funds. Accordingly, applicants for funding under MSHA's programs must complete a conflict of interest disclosure form and comply with the law and policy and any requests by MSHA to ameliorate potential or perceived conflicts of interest.

Section 2: Eligible Activities

9% Low Income Housing Tax Credit Projects:

- Must be located in either a Very High or High Need Market Area. Please refer to a listing of Very High and High Need Market Areas included as an attachment to this program.
- Must be for the acquisition of land where the applicant has applied or intends to apply for 9% tax credits through the RLP/LIHTC program. Land containing structures that the developer intends to demolish to allow for new construction may also qualify as land acquisition at MSHA's discretion. **However, the cost of such demolition is not an eligible financing cost under this program.**

4% Automatic Low Income Housing Tax Credit Projects:

- Must be for the acquisition of land where the applicant has applied, or intends to apply, for financing under an existing Rental Loan Program Tax-Exempt Financing Request for Proposals. Land containing structures that the developer intends to demolish to allow for new construction may also qualify as land acquisition at MSHA's discretion. **However, the cost of such demolition is not an eligible financing cost under this program.**

Supportive Housing Projects:

- Must be for the acquisition of land or land and buildings where the applicant intends to create supportive housing units for persons with special needs. Eligible supportive housing projects include, but are not limited to, housing for the homeless, persons with special needs including frail elderly, persons with mental illness, special needs children, individuals with physical disabilities, persons with AIDS, persons with mental disabilities and survivors of domestic violence.

Refinancing and/or rehabilitation of existing MSHA projects is prohibited.

Eligible financing costs include acquisition costs only, and do not include related costs such as land preparation, demolition, survey, legal, appraisal, or other related costs. Some of these related costs could be covered by MSHA's Pre-Development Loan. Please refer to the Pre-Development Loan Program for further details.

Section 3: Affordability and Use Requirements

Low Income Housing Tax Credit Projects (includes both 9% projects and 4% automatic tax credit projects):

The applicant will enter into an agreement with MSHA that obligates the applicant to comply with the affordability requirement and to maintain the proposed use for the project as designated in the RLP/LIHTC program or Rental Loan Program Tax-Exempt Financing Request for Proposals program, as applicable.

The agreement will contain restrictive covenants that run with the land and bind all subsequent owners. The agreement will be recorded in the applicable registry of deeds upon the closing of this loan. The agreement will be discharged once the applicant has received permanent financing through the RLP/LIHTC or Rental Loan Program Tax-Exempt Financing Request for Proposals program, as applicable.

Supportive Housing Projects:

The applicant will enter into an agreement with MSHA that obligates the applicant to comply with the affordability requirement and to maintain the proposed use for the project. At a minimum, the applicant must make twenty (20%) of the beds/units available for individuals or families that are earning low income as determined by MSHA. Individuals that are under the guardianship of the State of Maine will be determined to be earning low income.

The agreement will contain restrictive covenants that run with the land. The agreement will be recorded in the applicable registry of deeds upon the closing of this loan. The term of this agreement will be 40 years regardless of the source of permanent financing.

Section 4: Debt Financing and Loan Terms

Interest Rate	MSHA may issue two promissory notes, one note at 0% (one-third of the total financing) and the other note at 3% (two-thirds of the total financing).			
Loan Amount	Minimum	\$15,000	Maximum	\$300,000
Term	Repayment of principal and interest (simple interest calculated based upon the number of days the loan is outstanding over 365 days per year) is deferred until the earlier of the end of the loan term or the initial project loan closing (construction loan closing or permanent loan closing as determined by MSHA). Loan term is 24 months.			
Loan Limitations	Each applicant will be limited to a maximum of two loans outstanding or \$500,000 in total loans outstanding, whichever is less.			
Security	MSHA will generally require a first lien mortgage and security interest on the land or land and building. However, MSHA may consider sharing a first lien mortgage and security interest or subordinating its lien position.			
Loan to Value	Projects may receive up to 100% of the purchase price.			

Verification of Value	MSHA shall review the Purchase and Sales Agreement or an Option to Purchase Agreement. MSHA may require an appraisal. An appraisal will be completed on behalf of MSHA and will be paid by the developer.
Verification of Use	MSHA may require wetland delineation and a soil investigation. Additionally, MSHA may require an environmental site assessment conducted by a qualified professional. Decisions on whether such reviews are necessary will be made on a case by case basis depending on the project.
Fee	MSHA reserves the right to assess up to a 10% fee on the loan amount if, at the end of the 24 month loan term, an eligible project as defined in Chapter 2, Section 2 of this Program Guide is not generated.
Assumption	The loans are not freely assumable and shall prohibit transfers of title to the real property, changes in the intended ownership of the real property, and changes in the intended use of the real property without the prior written consent of MSHA. Any transfer of title or change in the intended ownership entity shall comply with MSHA's Ownership Transfer Rule.
Non-Recourse	Debt is non-recourse to the applicant.
Review	MSHA will review applications for feasibility of the proposed project and may reject any applications to finance projects which MSHA deems in its sole discretion are infeasible.

Recipients will be required to provide title insurance, a letter from the municipality's code enforcement officer concerning land use, evidence of authority to borrow from MSHA, and to satisfy all relevant requirements contained in Chapter 29 of MSHA's Rules, Multifamily Development and Supportive Housing Loans and Grants.

Applicants who intend to seek financing from MSHA from the U.S. Department of Housing and Urban Development, HOME Investment Partnerships Program authorized under Title II of the Cranston-Gonzales National Affordable Housing Act ("FedHOME") shall comply with FedHOME environmental requirements prior to receiving a revolving loan for acquisition.

Submission Requirements

Section 1: Application Requirements

Please enclose the following with your loan application:

- a current Certificate of Good Standing from the Secretary of State's office
- a copy of the IRS 501(c)(3) determination letter
- evidence of site control acceptable to MSHA
- preliminary and/or final project financing commitments, if available
- preliminary and/or final acquisition financing commitments, if available (only applicable if other lenders/funders are involved in funding the acquisition)
- current photos of the site
- Executive Summary describing the project, location and site, development team, services and amenities, sources of funds, and other pertinent information
- most recent financial statements of the organization
- a letter from the municipality's code enforcement officer concerning land use
- completed Applicant Conflict of Interest Disclosure Form (included as an attachment to this Program Guide)

Submission and Review Procedure

Section 1: General

Mail applications to the Maine State Housing Authority, 353 Water Street, Augusta, Maine 04330-4633 or hand deliver to MSHA, Attention: Development Division. Direct inquiries and requests for further information to any Multifamily or Supportive Housing Loan Officer by telephone at 1-800-452-4668.

Recipients of funds must execute and return a commitment to MSHA. The commitment will be subject to several conditions relating to the recipient's use of funds for the ownership, development, or sponsorship of the intended project, including continued feasibility. Recipients will be required to execute loan documents, such as a note, a mortgage, and use restrictions running with the land, as may be required by MSHA to secure the recipient's performance of its proposed activities.

MSHA RESERVES THE RIGHT TO REJECT OR CEASE PROCESSING ANY OR ALL SUBMISSIONS OR APPLICATIONS PRIOR TO ISSUANCE OF A COMMITMENT. MSHA ACCEPTS NO OBLIGATION TO FINANCE ANY PROPOSAL UNTIL A COMMITMENT HAS BEEN ISSUED AND ACCEPTED BY THE DEVELOPER IN ACCORDANCE WITH ITS TERMS.

Section 2: Application Review Procedure

MSHA will review applications on a “walk-in” basis for completeness, accuracy and feasibility. Applications will be rejected prior to processing if they do not respond to the submission requirements or are inconsistent with program eligibility requirements.

All applicants must submit a completed application. Applicants are asked to be as thorough as possible in filling out the application. **A financing commitment under this program carries no entitlement or assurance of a permanent financing commitment for the same project through other MSHA financing programs.**

Non-Discrimination Policy

Section 1: Fair Housing and Accessibility

The Maine State Housing Authority does not discriminate on the basis of race, color, religion, sex, national origin, ancestry, age, physical or mental disability, or familial status in the admission or access to, or treatment or employment in, its programs and activities. MSHA will provide special communication assistance to persons with vision or hearing impairments. MSHA has designated the following person responsible for coordinating compliance with applicable federal and state nondiscrimination requirements:

Jodie Stevens
Maine State Housing Authority
353 Water Street
Augusta, Maine 04330
Telephone Number (207) 626-4600 or 1-800-452-4668 (voice)
or 1-800-452-4603 (TTY)

Applicants are cautioned to be aware of the potential applicability of provisions of the Americans with Disabilities Act, the Maine Human Rights Act, federal Fair Housing legislation and Section 504 of the Rehabilitation Act of 1973 to any housing proposed for funding. Procedures for selection of residents, conditions of residency, and rules regarding termination may fall within the scope of this legislation. Providers must make reasonable accommodations of rules, policies, and procedures and may be required to allow reasonable structural modifications of buildings to be made, if necessary, to allow an individual with disabilities equal access to housing.

Attachments:

Very High and High Need Market Areas

Applicant Conflict of Interest Disclosure Form

Loan Application

Proforma #1: Estimated Development Costs

Proforma #2: Sources of Funds Schedule

Proforma #3: Estimated Operating Income and Expense Schedule

Proforma #4: Year One Rental Income

Very High and High Need Market Areas

Labor Markets

Seniors Ranking

Augusta	high
Bangor	very high
Bath-Brunswick	very high
Belfast	high
Biddeford	very high
Ellsworth-Bar Harbor	high
Kittery-York	very high
Lewiston-Auburn	very high
Portland	very high
Rockland	high
Sanford	very high
Sebago Lakes	high
Waterville	high

Labor Markets

Family Ranking

Augusta	high
Bangor	very high
Bath-Brunswick	high
Belfast	very high
Biddeford	very high
Ellsworth-Bar Harbor	very high
Farmington	high
Kittery-York	very high
Lewiston-Auburn	high
Portland	very high
Rockland	very high
Sebago Lakes	high
Waterville	high

Labor Markets

SRO Ranking

Augusta	high
Bangor	very high
Bath-Brunswick	high
Biddeford	high
Kittery-York	high
Lewiston-Auburn	high
Portland	very high
Sanford	high

Applicant Conflict of Interest Disclosure Form

State and federal law and MSHA’s policy on conflicts of interest (I) prohibit current employees or commissioners from working on certain transactions with applicants with whom they have a financial or personal relationship, (ii) prohibit past MSHA employees from working on certain transactions, and (iii) prohibit parties who administer HOME Investment Partnership Program funds from benefiting from them for a year. Applicants must comply with the law and policy and any requests by MSHA to ameliorate potential conflicts of interest.

To the best of your knowledge:

1. Will any MSHA employee or commissioner have a direct or indirect interest in any business or association which may be financially interested in the project?

(please circle) YES NO

2. Does the applicant, its affiliates, or any parties who will work on the project have familial or other close relations with a MSHA employee or commissioner?

(please circle) YES NO

3. Will any party who is a MSHA commissioner or employee or was one within the last two years work on or have a financial interest in the project?

(please circle) YES NO

4. Has the applicant or any party who will work on the project exercised any functions or responsibilities under HUD’s HOME Investment Partnerships Program (“HOME”) on behalf of MSHA, another participating jurisdiction, or a sub-recipient of HOME funds within the last year?

(please circle) YES NO

5. Does the applicant, its affiliates, or any party who will work on the project have any other relationship with MSHA, a MSHA employee, or a MSHA commissioner that may be construed as a conflict of interest?

(please circle) YES NO

If you answered yes to any of the above questions, please describe below (or on back). If you have questions regarding this form, consult Kim Weed, MSHA’s Internal Auditor.

Signed: _____
Printed Name: _____
Title: _____

Date: _____