Maine State Housing Authority

2000

Supportive Housing Program Request for Proposals 2000

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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ATTACHMENTS

Maine State Housing Authority

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Chapter 1

Introduction

Section 1: Overview and Purpose

The Maine State Housing Authority (MSHA) is the housing finance agency for the State of Maine. MSHA annually offers a Supportive Housing Program to create housing units for persons with special needs. The 2000 Supportive Housing Program is divided into three components:

- Debt financing program with a 7% interest rate available at any time in 2000
- A Request For Proposals (RFP) offering subsidy or subsidy and 7% debt.
- Federal HOME Funds Request For Proposals (Fed HOME RFP).

This application addresses the second component of the program, the RFP. MSHA is soliciting proposals for subsidy or subsidy and debt for the development of supportive housing projects in the State of Maine. For 2000, there will be two rounds of competition to create approximately 200 units:

> Round 1: Up to $900,000 of subsidy is available. Application deadline: 5:00 p.m., Friday, March 31, 2000.
>
> Round 2: Up to $900,000 of subsidy is available. Application deadline: 5:00 p.m., Friday, May 25, 2000.

MSHA has set aside a total of $1,800,000 in subsidy and $4 million dollars in 501(c)(3) debt financing for the 2000 RFP. Applicants can apply for subsidy only or for debt and subsidy.

This guide provides the criteria and process to follow in submitting applications for this RFP.

All applicants who submit under Round 1 will automatically be considered in Round 2 if not successful in Round 1. No re-submission is necessary unless substantial changes are made to the application.

There will be a third round of subsidy awards specifically targeting the use of MSHA's Federal HOME funds in September.

Chapter 2

Program Priorities

Section 1: Persons In Need

In its 1997 Strategic Plan, MSHA identified five priority population groups to be served:

- First time homebuyers
- Renters needing assistance
- Owners of sub-standard homes
- People who are homeless
- People with special needs

In the 1998 Consolidated Plan, MSHA further identified the needs for each population group. This RFP focuses on people who are homeless and people with special needs, including frail elderly, persons with mental illness, special needs children, individuals with physical disabilities, persons with AIDS, persons with mental disabilities, victims of domestic violence, homeless individuals and families.

Section 2: Program Highlights

As part of its strategic planning process, MSHA surveyed the supportive housing network and conducted a supportive housing program review. This RFP responds to some of the concerns and suggestions identified in that process. Highlights include:

- elimination of the requirement for site control and license in hand at the time of application;
- encouragement of innovative financial arrangements;
- quick response from MSHA;
- targeting of the most needy population groups in Maine;

- reliance on the developer to identify and link persons who are the neediest with the most appropriate resources.

Chapter 3

Eligibility

Section 1: Eligible Applicants

To be eligible for assistance, an applicant must:

1. Be a non-profit corporation organized in the State of Maine under Title 13-B of the Maine statutes or registered to do business in the State of Maine and have determination of tax exemption under Section 501(c)(3) from the Internal Revenue Service;

2. Provide a corporate resolution demonstrating the authority to incur the liability of financing;

3. Demonstrate capacity to deliver or ensure the delivery of appropriate services for the proposed resident population;

4. Demonstrate financial and organizational capacity to undertake the proposed initiative;

5. Provide evidence of a qualified development team.

6. Provide a letter of support from the appropriate State Agency (i.e., Department of Human Services, Department of Mental Health, Mental Retardation, and Substance Abuse Services, Department of Corrections).

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

MSHA's policy on conflicts of interest prohibits current and past employees or commissioners from working on certain transactions with applicants with whom they have a financial or personal relationship. To help ensure the implementation of this policy, applicants for loans under MSHA's programs must disclose current or recent financial, business, professional or family relationships or associations with any MSHA employee or commissioner. These relationships will be reviewed by MSHA. Potential or actual conflicts of interest will be reviewed by MSHA's Board of Commissioners for action on a case by case basis.

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

Applicants may need to fulfill licensing requirements of applicable State agencies, depending on the proposed housing project. **A letter of support from the Department of Human Services, the Department of Mental Health, Mental Retardation and Substance Abuse Services, or the Department of Corrections which endorses the proposed housing, acknowledges the need in the geographic area, and approves the proposed service plan is required.**

Section 2: Eligible Program Activities

Funds allocated under this Supportive Housing RFP may be used for acquisition, acquisition and rehabilitation, substantial rehabilitation, and new construction.

Eligible activities include, but are not limited to, transitional housing, group homes, emergency shelters, single room occupancy (SRO) residences, supported or independent apartments, or other group living environments with residential programs.

Refinancing of existing debt is **not** an eligible activity. MSHA will examine the relationship of the buyer and seller of any property to ensure an "arm's length" transaction.

Projects that were financed by MSHA will not be eligible for RFP funding. MSHA has a new program that may assist MSHA financed projects. Sponsors are encouraged to contact their Management Division Program Officer to discuss this option.

The resources from this RFP cannot be combined with any other financial resources available through MSHA with one exception: successful applicants may request pre-development loans.

Section 3: Subsidy

Subsidy is provided through a 0% deferred, forgivable loan. The minimum amount of subsidy which can be requested is $25,000. The maximum amount which can be requested is $200,000. MSHA reserves the right to award less subsidy than is requested.

Repayment of the subsidy will be deferred until the earlier of a sale, transfer, assignment or change in use of the project or a default under the permanent mortgage loan. At the end of 30 years from the time of the execution of the permanent mortgage documents, the subsidy will be forgiven in its entirety.

Section 4: Low Income Targeting

RFP subsidy and debt require that at least 20% of the units/beds be affordable to people whose income is 50% or less of the Area Median Income (AMI). The term of the low income benefit period is 30 years.

Section 5: Debt Financing

Any debt financing on the proposed project may be included with the application to MSHA or be secured from another lender. **Applications cannot be for debt only.** (Sponsors who are seeking debt only may apply through the Supportive Housing Debt Program.) Debt financing is subject to:

1. Debt will be provided at a 7% interest rate.

2. Payments in equal monthly installments amortized over 30 years is standard, but MSHA will consider alternatives.

3. A total of $4,000,000 in 501(c)(3) tax-exempt bond proceeds will be made available for the RFP Program in 2000.

4. Debt will not exceed the greater of 125% of the project's appraised after-rehab, out of service value or 100% of the after-rehab in-service value. Under no circumstances will debt and subsidy exceed the total development cost of the project.

5. Feasibility review of debt requests is based on the predictability and dependability of projected income flow, the expenses of the project, and the credit capacity of the applicant.

6. When the applicant secures debt financing from a source other than MSHA, covenants that will be senior to the first mortgage and run with the land will be required to ensure affordability restrictions. The covenants will survive prepayment of the MSHA funding. MSHA subsidy funding may be subordinate to other lenders. Requests for MSHA subordination will be reviewed on a case by case basis. MSHA may require an inter-creditor agreement to more clearly define each party's interest in the event of default.

Chapter 4

Scoring of Applications

The Director of MSHA convenes a panel (Scoring Committee) of knowledgeable and interested parties to review the RFP subsidy applications and decide on a priority list. This recommendation for subsidy award is then forwarded to the MSHA Director who makes the final decision for subsidy awards. This panel only reviews subsidy requests and does not consider any debt underwriting in its process.

The Scoring Committee will rank applications in accordance with the following scoring system. The points identified reflect the maximum that can be awarded for each criteria. MSHA reserves the right to award fewer points. Before being scored, the applications will be reviewed for completeness, accuracy and feasibility. Those projects that are deemed feasible will subsequently be scored.

Section 1: Need (30 points)

The Scoring Committee will consider the need of the target population group in relation to statewide and regional special needs populations, the unmet need of the target population group, the responsiveness of the application in meeting that unmet need, and the way in which the application serves those with the greatest financial need.

Section 2: Organizational Capacity (20 points)

In assessing organizational capacity, the scoring committee will rate general organizational capacity, experience in housing development, experience in project management, and experience in the provision of or linking to supportive services.

Section 3: Long-Term Viability and Service to Target Population (40 Points)

Commitment of scarce subsidy resources will be dependent upon a clear understanding of the project and its feasibility. The Scoring Committee will consider the description of the proposed project and will rate the project by reviewing the preliminary pro-forma demonstrating the long term viability of the project, a description of the development resources committed to the project, a description of the supportive services committed to the project, and overall budget reasonableness. The Scoring Committee will evaluate the efficiency of the use of subsidy as well as the public benefit provided. Examination and underwriting of the debt portion of any application will occur subsequent to the subsidy review. MSHA staff will perform all debt underwriting.

Section 4: Project Readiness (5 points)

The Scoring Committee will award points for the commitment of the organization to the proposed supportive housing project and the ability to complete it within a reasonable timeframe.

Section 5: Project Community Support (5 points)

The Scoring Committee will award points for strong community support, including the leveraging of dollars in addition to MSHA funding.

Chapter 5

Submission Requirements

Section 1: General

Applicants will be rated on how well they respond to the scoring criteria identified in the previous section. Applicants will follow the guide below when preparing the RFP application. Applications are restricted to a total of 15 pages, plus attachments, on 8.5" by 11" paper. Each section is restricted to a maximum number of pages, as indicated below.

Section 2: Application Requirements

Applications will consist of the following components:

1. *Executive Summary (1 page maximum).* Provide a one page summary describing the project. The summary must include the population group, how it is to be served, where it is to be served, the number of beds or units, and a brief description of the project completion schedule and development costs.

2. *Responding to the Scoring Criteria.*

   a) *Need (5 pages maximum).*

      i) Relate the targeted population group to state and regionally identified needs.

      ii) Describe in detail the nature of the targeted population group's unmet need.

      iii) Describe how this application will meet that need.

      iv) Describe the level of low income targeting the application will achieve.

      v) Describe the involvement and the role of DHS, DMHMRSAS, or Department of Corrections in the identification of need.

   b) *Organizational Capacity (3 pages maximum).* Provide a general description of the organization and its mission. Describe the applicant's capacity to develop the project for the target population group. Describe experience in short and long term management of similar properties. Describe how supportive services will be provided and list relevant experience in providing supportive services.

c) *Long-Term Viability and Service to Target Population (3 pages maximum).* Provide details of how this project is to be developed and then managed once the project is completed. In conjunction with a narrative describing the components of the project, develop a preliminary development sources and uses statement and a preliminary operating budget. (Use the forms which are attached as Proforma 1, 2 and 3.) Identify all internal and external financial resources, noting how each relates to project development and subsequent operations. Include in resource identification a description of the supportive services committed to this project. MSHA will not consider providing debt financing where revenues are derived from Section 8 Certificates or Vouchers unless the assistance is project-based.

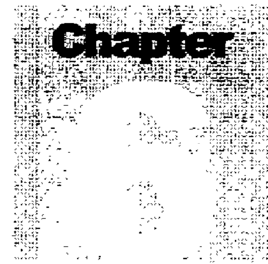
d) *Project Readiness (2 pages maximum).* In narrative form, describe the organization's readiness to complete the project. Describe the work already done that would lead to quick completion of the project once funds are awarded.

e) *Project Community Support (1 page maximum).* Projects will receive more points when there is a clear demonstration of community support for this project. Describe how the local community has responded to this proposed project, and how it has demonstrated support (or opposition). Include in that description any additional funds that would be leveraged through this application, and the sources of those funds.

3. *Attachments.* Please enclose the following with your application:

- a letter of support from the appropriate State agency (i.e., DHS, DMHMRSAS, Department of Corrections) See Page 5 for further description,
- a current Certificate of Good Standing from the Secretary of State's office,
- a copy of the IRS 501(c)(3) determination letter,
- a corporate resolution describing the authority to respond to this RFP,
- community support letters (optional),
- a preliminary development budget,
- a development sources of funds statement,
- a preliminary operating budget.

Forms for the completion of budgets are attached as Proformas 1, 2, & 3. **If applying for debt, complete a Request for Inducement, attached as Schedule A.**



Submission Procedure

Section 1: General

All proposals must be received as follows:

Round 1 Applications: no later than 5:00 p.m., local time, on Friday, March 31, 2000.

Round 2 Applications: no later than 5:00 p.m., local time, on Friday, May 25, 2000.

They should be mailed to the Maine State Housing Authority, 353 Water Street, Augusta, Maine 04330-4633 or hand delivered to MSHA, Attention: Kim Leupold. All inquiries and requests for further information may be directed to either John Egan or Bill Olsen. They may be reached by telephone at (207) 626-4600, by fax at (207) 626-4678, (800) 452-4668, (800) 452-4603 (TDD) or by e-mail at jegan@mainehousing.org or bolsen@mainehousing.org.

In any dispute or controversy involving timely submission, applicants have the burden to establish the date and time of MSHA's receipt.

Recipients of awards 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. Recipients will be required to execute a grant agreement and other 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. Failure to meet reasonable timelines and milestones may lead to recapture of subsidy award. MSHA will review all circumstances prior to such action but reserves the right to recapture the subsidy award. A further explanation of requirements is in Appendix 1.

MSHA reserves the right to withdraw the RFP and elect to pursue the objectives set forth above through any other lawful means prior to the issuance of an award.

Section 2: Time Frame and Procedure

MSHA intends to report on awards for supportive housing projects under this RFP promptly. The review process is outlined below:

1. Applications will be reviewed for completeness, accuracy and feasibility. Applications will be rejected prior to scoring if they do not respond to the submission requirements or are inconsistent with program eligibility requirements.

2. Feasible applications will be scored in accordance with the criteria in Chapter 4.

3. If selected, the applicant will receive an Invitation to Proceed letter and an assignment of a Program Officer. The Program Officer will work with the applicant to complete the requirements necessary to obtain a MSHA financing commitment. The requirements which apply will depend on the type of project and whether there will be any debt. Program guidelines that may apply are found in Appendix 1. The commitment letter will establish deadlines for securing site control and for the closing, as well as for other project-specific requirements.

4. Closing and Project Development. MSHA will schedule a closing once all conditions are met.

Chapter 7

Non-Discrimination Policy

Section 1: Non-Discrimination and Compliance with Federal Laws

The Maine State Housing Authority does not discriminate on the basis of disability status in the admission or access to, or treatment or employment in, its federally assisted 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 the nondiscrimination requirements contained in the Department of Housing and Urban Development's (HUD) regulations implementing Section 504 of the Rehabilitation Act of 1973 (24 C.F.R. Part 8., June 2, 1988):

Jodie Sullivan
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 (TDD)

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 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.

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

Attachments Follow:

Proforma #1:	**Estimated Development Costs**
Proforma #2:	**Sources of Funds**
Proforma #3:	**Estimated Year 1 Annual Operating Income and Expenses**
Schedule A:	**Request for Inducement**
Appendix 1:	**Requirements for Selected Recipients**
Appendix 2:	**Summary of Policy on Displacement/Relocation**

PROFORMA #1 – Estimated Development Costs

(1) Acquisition - Land	Use appraised value of land and existing site improvements e.g. utilities, roads, walkways, etc.
(4) Site Improvements	Site preparation such as fill, grading, on-site utilities, drives, sidewalks,
(6) Overhead & Profit	General Contractor's or construction manager's overhead costs (includes such items as office rent, fuel, lights, supplies, insurance, office salaries, etc.)
(7) General Requirements	Allowances for items required for the construction of a specific project - such as site phone, temporary sheds, toilets, building permits, temporary power, equipment rental, insurance for the job, etc.
(11) Architectural	For design and supervision of construction, this should represent the typical fees paid for projects of similar design and services rendered. Include quotation of services and rates or attach copy of Standard AIA Form Owner/Architect
(12) Engineering	Fees for engineering (soil, environmental, hydrological, etc.) that is not part of the architect's fee. Please include contract or proposal quotation.
(13) Legal and Recording	Those legal expenses incurred including services in connection with: A) organizing the ownership entity; B) preliminary title and land use opinions; and C) initial and final closing.
(15) Appraisal	See Program Guide.
(16) Survey	See Program Guide.
(17) Taxes and Permits	Taxes which accrue during the construction period estimated on a pro-rata basis for the period.
(18) Insurance	Insurance includes cost of Builder's All Risk. It does not include worker's compensation which is a Contractor's cost included in Line 7.
(22) Construction Loan Interest	The interest estimated to accrue during construction consists of: ESTIMATED MORTGAGE multiplied by 50%, then multiplied by the CONSTRUCTION LENDER'S INTEREST RATE divided by 12, multiplied by # of months to be under construction plus 2 months. ($ X 50% X ___% / 12 X ___ # months) + 2 months

Proforma #1

ESTIMATED DEVELOPMENT COSTS - ALL PROJECTS

Developer: ____________________ Project Name & Location ______________________________

(1) Acquisition: Land	________	
(2) Acquisition: Buildings	________	
(3) **SUBTOTAL: ACQUISITION**		________
(4) Site Improvements	________	
(5) Structures	________	
(6) Overhead & Profit	________	
(7) General Requirements	________	
(8) Construction Contingency	________	
(9) Other______________________	________	
(10) **SUBTOTAL: IMPROVEMENTS**		________
(11) Architectural	________	
(12) Engineering	________	
(13) Legal & Recording	________	
(14) Marketing	________	
(15) Appraisal	________	
(16) Survey	________	
(17) Taxes & Permits	________	
(18) Insurance	________	
(19) Other: (Specify) ________	________	
(20) **SUBTOTAL: SOFT COSTS**		
(21) Construction Loan Fees	________	
(22) Construction Period Loan Interest	________	
(23) **SUBTOTAL: FINANCING FEES**		________
(24) Operating Escrow	________	
(25) Replacement Reserve	________	
(26) Consultant's Fee	________	
(27) Sponsor's Overhead	________	
(28) Other: (Specify) ________	________	
(29) **SUBTOTAL**		________

(30) **TOTAL ESTIMATED DEVELOPMENT COST**	

PROFORMA #2 – Sources of Funds

General	Attach commitment or interest letters from all sources. Applicants should also attach copies of financing applications that are pending and indicate when decisions are expected from other sources. List all debt sources in the order of their lien position.
Monthly Payment Column	Provide figures in this column only in Debt Sources Section; do not fill in shaded areas.
Special Terms/Conditions Column	Insert explanation of special terms and conditions of each source (e.g., deferral, balloon, roll-over from construction to permanent source, adjustable rate or non-conventional amortization, etc.).
Equity Sources	Include all sources of equity such as grants, borrower equity, etc.
Debt Sources	Include all loans and non-equity permanent sources of funds.
Total Annual Debt Service	Calculate by multiplying monthly payment subtotal x 12.

PROFORMA #2

LENDER	AMOUNT	RATE	TERM	MONTHLY PAYMENT	SPECIAL TERMS/CONDITIONS (deferrals, balloons, adjustable rate, etc.)
PREDEVELOPMENT SOURCES OF FUNDS					
1) MSHA Pre-Development Loan					
2)					
3)					
PREDEV. SUBTOTAL					
CONSTRUCTION SOURCES OF FUNDS					
(1)					
(2)					
(3)					
CONSTR. SUBTOTAL					
PERMANENT SOURCES OF FUNDS					
SUBSIDY OR EQUITY SOURCES (1)					
(2)					
(3)					
DEBT SOURCES (in order of lien position) (1)					
(2)					
(3)					
PERMANENT SUBTOBAL					
Multiply by 12 months				X 12	
TOTAL ANNUAL DEBT SERVICE					

PROFORMA #3 – Estimated Year 1 Annual Operating Income and Expenses

(A) PROJECT	This column should include income and expenses related to the operation of the re estate only.
(B) PROGRAM	This column should include income and expenses related to the provision of reside services only.
(C) TOTAL	This column is the sum of the amounts entered in Columns A and B.
(1) Gross Rental Income	Income from tenant rent.
(2) Vacancy Loss	Insert appropriate percentage for the project. Multiply vacancy percentage times line 1 and insert.
(3) & (4) Project Income	Operating subsidy to cover real estate-related expenses. Specify source(s)of subs
(5) & (6) Program Income	Operating subsidy for costs related to the delivery of resident services. Specify source(s) of subsidy.
(8) Management Fee	Cost of a project manager (part or full time), office salaries, telephone, travel, office supplies, site office costs, postage, printing, etc.
(9) Legal	Project-related legal expenses
(10) Accounting	Accounting fees for preparation of financial reports.
(11) Marketing	Estimate amounts paid for marketing of units.
(12) thru (18) Utilities	Owner-paid utilities, including heating and hot water, electricity for lighting, househc appliances, etc. Costs should be separated between common areas and units. units.
(19) Water and Sewer	Include rate information from local utility company, and consumption estimates from engineering or design professional.
(20) Garbage Removal	Include written proposals/estimate of municipal or contract charges.
(22) Contract Building Systems	Include contractual services relating to elevator, plumbing, electrical, heating, ventilation, air conditioning, etc.; maintenance labor cost, and overhead (direct or on a contract basis) for groundskeeping, shoveling walks, performing minor repairs to building exterior, common areas, and within rental units; labor and materials costs relating to interior and exterior redecoration, taking into account annual unit turnover rate, type of exterior finish, etc.
(23) Real Estate Taxes	Include estimate of taxes completed by Municipal assessor (see Schedule A).
(24) Property and Liability Insurance	Estimated cost of owner's property and liability insurance, loss of rents coverage, and flood insurance, if applicable. First year premiums must be paid prior to closing and are not reimbursable from operating income.
(25) Replacement Reserve	See Program Guide.
(40) Total Annual Operating Expense	Sum of lines 8 through 28 for Column A; sum of lines 29 through 39 for Column B.

Proforma #3

ESTIMATED YEAR 1 ANNUAL OPERATING INCOME AND EXPENSE SCHEDULE

			(A) Project	(B) Program	(C) Total
	ESTIMATED INCOME:				
(1)	Gross Rental Income				
(2)	Less: Vacancy Loss @ ____ %				
(3)	Project Income:				
(4)	Project Income:				
(5)	Program Income:				
(6)	Program Income:				
(7)	**Total Income**				
	ESTIMATED EXPENSES:				
	Property Expenses				
(8)	Management Fee				
(9)	Legal				
(10)	Accounting				
(11)	Marketing				
(12)	Common Area	Electric/Lights			
(13)	Common Area	Heat			
(14)	Common Area	Hot Water			
(15)	Unit (Paid by Owner)	Electric/Lights			
(17)	Unit (Paid by Owner)	Heat			
(18)	Unit (Paid by Owner)	Hot Water			
(19)	Water & Sewer				
(20)	Garbage Removal				
(21)	Maintenance & Grounds				
(22)	Contract Building Systems				
(23)	Real Estate Taxes				
(24)	Property & Liability Insurance				
(25)	Replacement Reserve				
(26)	Other Reserve				
(27)	Other (Specify)____				
(28)	Other (Specify)____				
	Program Expenses				
(29)	Personnel & Benefits				
(30)	Equipment				
(31)	Supplies				
(32)	Travel				
(33)	Sub-Contracts				
(34)	Food				
(35)	Staff Development				
(36)	Bonding				
(37)	Professional Liability Insurance				
(38)	Other (Specify)____				
(39)	Other (Specify)____				
(40)	**Total Annual Operating Expense**				
(41)	Net Operating Income				
(42)	**Total Debt Service**	(See Proforma #2)			
(43)	Annual Cash Flow (Deficit)				
(44)	Debt Service Coverage (net Oper. Inc./Debt Service)				

SCHEDULE A

REQUEST FOR INDUCEMENT

Applicant Entity ______________________________ _____ Existing
_____ To be Formed

Contact Person ______________________________

Mailing Address ______________________________

____

Phone ______________________________

Property Name (if existing) ______________________________

Location (Street or Tax Map/ Lot Numbers) ______________________________

Number of Units/Beds: __________

Estimated Total MSHA Financing Request $__________________

We hereby request MSHA's "Official Action" with regard to our intent to participate in MSHA's Supportive Housing Program. To the best of our knowledge at this time, all the information contained in this request is true and correct.

Applicant ______________________________

Date __________ By ______________________________

NOTIFY MSHA IMMEDIATELY
IF ANY OF THIS INFORMATION CHANGES AFTER SUBMISSION

APPENDIX 1: Requirements for Selected Recipients

Introduction

In order to receive funds from MSNAH, there are requirements that smut be met. The requirements vary depending upon the type of dollars used to fund the supportive housing project. At the time an applicant receives approval, the commitment letter will identify the requirements and time frames. The following identifies some of those requirements.

Underwriting Terms

Section 1. Lien Position

Debt must be secured by a first lien on the land and improvements, a general assignment of the project's leases, rents, contracts, and a security interest in all fixtures and personal property of the project. In certain circumstances, MSHA may consider a shared first lien position; however, the total debt secured by first mortgages will not exceed the LTV limits cited in Chapter 3, Section 5. No other liens or security instruments may encumber the project without MSHA's express connect.

MSHA may require that the parent corporation guarantee the MSHA loan, if the applicant is a subsidiary corporation controlled by another corporation.

Subsidy awards will be secured by either a first or second lien on the property.

Section 2. Secondary Debt

MSHA must approve any additional secondary debt secured by the property. Unless MSHA has agreed to a shared first lien position, any secondary debt that is approved must be subordinated to MSHA's amortizing loan through the execution of a subordination agreement by the secondary lender. The applicant must adequately demonstrate the project's ability to support the additional debt.

Section 3. Debt Service Coverage

Debt Service Coverage (DSC) must be a minimum of 100%. DSC must be met by revenues that can be dedicated to mortgage loan payments and are not dedicated to the provision of services. Therefore, the DSC will be calculated by using the gross rental income minus vacancy and costs related to the operation of the real estate (management fee, administrative expenses, utilities, maintenance, taxes, insurance, reserves). The resulting net income is then divided by the debt service which must equal a minimum of 110%.

Section 4. Appraisals

MSHA will commission appraisals for projects requesting debt financing from a list of MSHA-selected appraisers. The instructions to these appraisers will be to determine a project's after-rehab in-service and after-rehab out-of-service market value.

The appraisal will be commissioned after MSHA determines that a proposal represents a viable project. Viability includes, but is not limited by, a demonstration that a project is financially, legally and physically feasible. There will not be a fee charged at that time. The cost of the appraisal will be paid with loan closing proceeds, assuming that the project is financed. Developers will not be required to repay the cost of the appraisal in the even the project is not financed. The cost of the appraisal is a mortgageable expense and should be included in the development budget.

MSHA may waive the appraisal requirement in certain circumstances where the debt request is obviously much less than the value of the property.

Section 5. Replacement Reserve

The initial funding to the Replacement Reserve Account will be set at 1% of the *cost of structures*. With acquisition/rehabilitation projects, the *cost of structures* will be defined as a percentage of the acquisition attributable to the cost of the building plus the cost of the rehabilitation (including contractor's overhead, profit, general requirements, and contingency). The percentage of the acquisition attributable to the building can be determined either by appraisal or by applying the ratio in the tax assessment between land and building to the overall acquisi5tion cost. With new construction and substantial rehabilitation projects, the *cost of structures* will be defined as the total construction contract.

The Replacement Reserve Account will be established at the loan closing, when the money will be deposited into the account. This funding is a mortgageable cost. The account will be established as an either/or signatory account, i.e. both the developer and MSHA will be able to authorize transactions. MSHA will review on-going funding requirements through an annual review process. MSHA reserves the right to require sole signatory control based on the annual reviews.

Funding to the Replacement Reserve Account will be made in equal monthly installments, starting at loan closing. Funding for the first year will be equal to 1% of the *cost of structures*. Each year thereafter, funding to the Replacement Reserve Account will be increased by 2% of the previous year's funding to account for inflation.

Section 6. Real Estate Taxes and Insurance

Properties will be underwritten reflecting full tax liability. The tax amount will be based on certification by the local municipal tax assessor of after-rehabilitation valuation and mil rate, unless the project is able to secure tax relief from the community either through abatement or an agreement for a payment in lieu of taxes (PILOT). If the project will be receiving an abatement or a PILOT, the developer should attempt to secure a written agreement from the municipality at the time of the loan application. The developer will need documentation of such an agreement prior to the loan closing. MSHA neither encourages nor discourages non-profit corporations from seeking exemptions from local taxes. It will not take any position in negotiations between developers and municipalities regarding property tax liability.

The first year's property insurance must be purchased prior to loan closing. Proof of acceptable insurance is needed for MSHA's review prior to the loan closing.

MSHA reserves the right to require a tax and insurance escrow account. If required, the escrow account will be maintained in a bank account that the Developer establishes prior to the loan closing. The account will be est6ablished as an either/or signatory account, i.e. both the developer and MSHA will be able to authorize transactions. The signatory card for the account must be delivered at the loan closing. At the time of the loan closing, the pre-funding requirement for the property taxes will be deposited into the account. The pre-funding requirement for property taxes shall be the amount which, when combined with the monthly funding to the tax and insurance escrow account, will pay the next scheduled tax bill. In situations where a payment in lieu of taxes exists, the pre-funding combined with the monthly funding must be sufficient to cover the PILOT payment. Projects that will be receiving an exemption must prepay an amount that will adequately cover the tax obligation from the time of the closing to the commencement of the tax exemption.

Because taxes and insurance are operating expenses, not capital items, neither the cost of the first year's insurance nor the pre-funding requirement for property taxes will be mortgageable expenses. The developer must make arrangements for the payment of these two items from other sources of capital or equity.

Section 7. Title Insurance

All projects will be required to provide title insurance acceptable to MSHA prior to the loan closing. All of the standard exceptions inserted n a title insurance policy, including mechanics lien and survey exceptions, will need to be deleted prior to MSHA's acceptance of the policy.

Section 8. Construction Financing.

For projects involving minor modifications or rehabilitation, MSHA will administer a rehabilitation escrow account for the construction activities. For new construction and substantial rehabilitation, borrowers may be required to secure construction period financing from a construction lender. MSHA will determine whether a construction lender will be required.

For projects with a MSHA administered rehabilitation escrow account, the funding for the account will occur at the loan closing. The account will be administered per the terms of a Rehabilitation Escrow Agreement that will be executed at the loan closing. The funds will be drawn down following inspection and acceptance by MSHA. The procedures for requesting disbursements will be discussed at or following the loan closing. Payment from the escrow account will be in the form of two-party checks requiring both the developer and the contractor to endorse the check as payment received.

Because MSHA does not charge a fee for administering the rehabilitation escrow, the rehabilitation escrow account will not pay any interest earnings to the developer.

The developer will not be required to pay principal and interest on the amortizing debt during the rehabilitation period. However, interest on the amortizing debt will continue to accrue during the rehabilitation period. The developer will pay the accrued interest in a lump sum at the conclusion of the rehabilitation. The regular principal and interest payments will then be due on the beginning of the month following completion of the rehabilitation. The development budget should reflect the total accrued interest anticipated during the rehabilitation period. **Example:**

> A project closes its loan on January 1st. The project has a 2-month rehabilitation period. The developer would not pay any principal and interest during January and February. At the beginning of March, the developer would pay two months of accrued interest. At the beginning of April, the developer would pay the normal principal and interest payment reflected in the amortization schedule of the loan. The development budget should include funding sufficient to pay the two months of accrued interest.

Site and Construction Standards

Section 1. Site Standards

Developers must secure all required land use approvals and any and all federal, state and local permits and approvals required to proceed with acquisition, construction and/or rehab, and operating of the supportive housing project. A site will not be approved when the surroundings will detract excessively form the quality of the development, or when the development has/will have an adverse effect on it surroundings. Existing neighborhood conditions must be free of physical deterioration severe enough to compromise the viability of a development, free of conditions which present visual blight, free of nuisances from water pollution, noise and/or odor, and free of hazards from physical features which would detract from the development.

MSHA may require a Phase I Environmental Survey prepared by a qualified professional to evaluate potential hazards. The survey would be paid by the developer and is a mortgageable cost.

Section 2. Survey

A certified mortgage inspection plan will be required for all projects. MSHA reserves the right to require a standard boundary survey. Where there will be a substantial change in the footprint of the building or in the case of new construction, an as-built mortgage inspection plan may be required. The plan or survey will need to be certified to the title insurer and MSHA in a manner acceptable to the title insurer. The plan or survey will need to be acceptable to the title insurer to enable the deletion of the standard exception for survey in the title insurance policy.

Section 3. General Building Standards

MSHA has adopted standards of design and construction to develop safe housing that will serve the needs of its inhabitants with as much quality as the marketplace demands and resources permit.

All work undertaken must minimally comply with the Building Officials and Code Administrators Standards (BOCA Codes) and National Fire Protection Association Codes (NFPA). The BOCA Codes are a series of standards to be applied according to building type, number of units, and type of improvements. The standardized Codes include, among others:

- BOCA National Building Code
- BOCA National Plumbing Code
- BOCA National Mechanical Code
- NFPA 13 Sprinkler Systems
- NFPA 70 The National Electrical Code
- NFPA 101 The Life Safety Code
- American Society for Testing of Materials (ASTM) Building Code Standards
- American National Standards Institute (ANSI) CARBO/ANSI A117.1-98 which addresses Accessible and Useable Buildings and Facilities
- The Americans with Disabilities Act (ADA)

In addition, alterations to housing facilities that are to be made accessible pursuant to Section 504 of the Rehabilitation Act of 1973 must be done according to the Uniform Federal Accessibility Standards (UFAS). The Maine Human Rights Act applies to renovated buildings with rehabilitation costs over $100,000. Pursuant to Maine law and applicable federal law, MSHA shall require that the proposal meet all accessibility and adaptability requirements and be reviewed for such compliance by the State Fire Marshal's Office.

MSHA will require that **all** projects provide a certification by a Maine licensed architect or attorney stating that the completed project is in compliance with any federal or state law concerning accessibility that may be applicable to that project.

For existing structures, MSHA will conduct an initial site visit to compare the proposed scope of work to current site/unit conditions. A successful applicant must undertake all necessary maintenance, capital improvements and code compliance work required by MSAH. When the scope of building rehabilitation or construction is complex, or where State law requires it, a licensed architect will develop the plans and specifications for the project. MSHA will review and concur to all plans and specifications.

The State Department of Health Engineering water quality text requirement must be satisfied by all existing or proposed units with a private water supply. Evidence of satisfaction of this test must be included with the submission of the Developer's documentation.

The State of Maine has Energy Efficiency Building Standards which are applicable to all buildings that are financed through this program. The Department of Economic and Community 'Development, Energy and Conservation Division, has implemented rules to restrict the installation of electric resistance hating units in new, conditioned space. Details are available by calling 287-8457. MSHA will not accept any application to acquire or improve existing electrically heated units (electric resistance hat) unless the application includes a plan for conversion to an alternatively fueled heating system.

The State of Maine Conservation Rule must be incorporated into project design. Specific water flow restrictions and water conserving equipment must be installed pursuant to this new rule.

MSHA will serve as the final authority when interpreting codes and standards for MSHA funded properties. Depending on the proposed scope of rehabilitation, MSHA may require the developer to consult with a design professional. After a site is selected, MSAH will conduct a complete on-site inspection and will evaluate the developer's proposed scope of work in relation to applicable codes and standards of quality. MSHA will notify the developer of any conditions that do not comply with codes or standards. The developer will be responsible for addressing outstanding items identified in the inspection process.

Section 4. Habitability Standards

Projects must meet all State and Federal environmental, labor, civic rights, relocation and other requirements. In particular, MSHA will notify all owners and occupants of housing built before 1978 of the hazards of lead poisoning. MSHA will require that, where they exist, potential lead-based paint and asbestos hazards be addressed according to Federal or State requirements. MSHA will require that for the purpose of protecting MSHA's security interest in the project, MSHA may impose additional requirements relative to the abatement or removal of lead based paint surfaces and asbestos.

Section 5. Contractor Selection

Developers are responsible for securing a price from and engaging competent contractors to perform the work. MSAH will review all contractor(s) proposal(s) for cost reasonableness and completeness prior to issuing a funding commitment. MSHA reserves the right to require a competitive bidding process for a general contractor and/or sub-contractors.

MSHA will review the relationship 9of the developer and the suppliers of goods and/or services to confirm that there is no identity of interest. This means that no amount financed by MSHA should represent the cost of goods acquired from a party related to the developer, either by a family, partnership or corporate relationship.

MSHA strongly encourages the participation of minority and women's business enterprises.

The developer's responsibilities to promote the use of women-owned and minority-owned business include:

1. Placing qualified women-owned and minority-owned business enterprises on solicitation lists.

2. Assuring that women-owned and minority-owned business enterprises are solicited whenever they are potential sources.

3. Dividing total requirements, when economically feasible, into small tasks or quantities to permit maximum participation by women-owned and minority-owned business enterprises.

4. Maintaining records of advertising, telephone contacts, and other efforts used to encourage the use of and contracting with women-owned and minority-owned business enterprises.

Project Management & Reporting Requirements

Section 1. Ongoing Reporting Requirements

The financial, physical and administrative management of projects financed through the RFP program will be regularly reviewed by MSAH for the duration of the financing and required low-income benefit period. MSHA's procedures, as well as the financing commitment and mortgage loan documents, permit MSHA to monitor and preserve the financial viability of the project for the purpose of protecting its security interest and ensuring continued public benefit. Owners must provide initial and annual owner certifications of eligibility for the tenants in the targeted units.

All marketing activities must be conducted in accordance with Federal and State laws on human rights, equal opportunity, and fair housing.

The project must continue to meet BOCA standards throughout the period in which MSHA's debt is outstanding. MSHA will periodically inspect all units, annually r4eview project financial reports (MSHA reserves the right to require audited financial statements), and review the activities of the borrower to assess compliance with applicable regulations and mortgage requirements.

MSHA cautions applicants to be aware of the potential applicability of provisions of the Maine Human Rights and Federal Fair Housing legislation and Section 504 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 to buildings, if necessary to allow an individual with disabilities equal access to housing.

Displacement/Relocation Policy

Section 1. Tenant Relocation Policy

MSHA strongly discourages the development of projects that will require displacement of tenants. All projects financed with MSHA funds must comply with MSHA's Displacement Relocation Policy. A summary of this policy is attached as Appendix 2. Developers should be aware that displacement costs can be very significant and can result in projects being financially infeasible.

APPENDIX 2: Summary of Policy on Displacement/Relocation

Part I (**General Policy**) states the fundamental principles of the policy: that applicants for financing take all reasonable steps to minimize displacement; but that in certain cases it cannot be avoided. Where it cannot, we impose financial obligations upon the developer to assist those displaced. These obligations are project costs eligible for MSHA financing.

Part II (**Temporary Tenant Relocation**) covers tenants not required to move permanently but who must relocate temporarily because of rehabilitation to a MSHA-assisted project. The policy simply requires keeping such tenants informed, and paying their out-of-pocket moving costs.

Part III (**Benefits and Procedures for Persons** (permanently) **Displaced From Projects Receiving Federal Funds**) clearly lays out who federal law defines as a displaced person, with examples, and what that law requires a developer to do for them. In summary, they are:

Notice	90 days.
Advisory Services	1) explanation of relocation assistance available; 2) location of up to three comparable units for the tenant to choose from; and 3) offer of transportation to inspect the comparable units.
Moving Expenses	Either a) actual and reasonable out-of-pocket moving and related expenses; or b) if the tenant chooses, a moving expense allowance, based on a schedule reflecting the number of rooms to be moved.
Replacement Housing Assistance	In most cases, 42 months' rental assistance, i.e. 42 times the difference, if any, between: the cost of a comparable unit and <u>either</u> the cost of the original unit <u>or</u> 30% of the person's gross monthly income, whichever is less.

The one part of this section which goes beyond simply presenting and explaining federal requirements concerns "**economic displacement**": tenants forced to move after a project is complete because of rents rising to recoup the past costs of a project. HUD defines this as displacement--triggering all the benefits to the displaced renter--yet gives no guidance as to when rent increases may be justified. Trying to balance tenants' interest not to be displaced as a direct result of rising rents caused by MSHA-financed projects, with developers' need for guidance as to what will (and will not) expose them to liability, we arrive at the following formulation:

Time Frame	**Rent Increase Allowed**
Closing to completion of rehab	Any, as long as below Section 8 tenant payment (low-income persons) or 30% of income (non-low income)
1st year after rehab completion	No rent increases
Next 2 and 1/2 years	Rent increases only in proportion to documentable increases in operating costs
After 3 and 1/2 years	Rebuttable presumption that rent increases not a result of the acquisition/rehab financed by MSHA

Of course, "targeted" units are further restricted by the terms of MSHA's Financial Assistance Agreement with the developer.

Part IV (**Benefits and Procedures for Persons** (permanently) **Displaced From Projects Not Receiving Federal Funds**) is crafted by MSHA to strike a balance between the protection of the tenants and the lack of funds to pay for the level of protection provided by federal funding. These protections are:

Notice	Supportive housing projects: **60 days**. Projects involving density reduction: **60 days**. Projects requiring displacement to meet MSHA tenant income targets: **90 days**.
Advisory Services	For persons below 80% of median income, same as what's required for all income levels in federally assisted projects, i.e.: a) explanation of relocation assistance available; b) location of up to 3 comparable units for the tenant to choose from; and c) offer of transportation to inspect the comparable units.
Moving Expenses	For persons below 80% of median income, either a) actual and reasonable out-of-pocket moving and related expenses; or b) if the tenant chooses, a one-time $300 payment in lieu of moving and related expenses.
Replacement Housing Assistance	For persons below 60% of median income, 12 months' rental assistance (i.e. the difference, if any, between the cost of the unit from which they were displaced and **either** the unit to which they moved or a comparable unit, whichever is cheaper).

Any relocation and displacement benefits that are determined to be due to a displaced tenant are financial responsibility of the developer.