



2015 Tax-exempt Debt with Subsidy Financing Demonstration Program for the Acquisition and Rehabilitation of Existing Senior Housing with Rental Assistance Demonstration (RAD) Funding

MaineHousing is making the following resources available under the Rental Loan Program to finance the acquisition and rehabilitation of eligible existing senior housing:

- Proceeds of tax-exempt facility bonds issued pursuant to Section 142(d) of the Internal Revenue Code of 1986, as amended (the “Code”)
- 4% “automatic” Low Income Housing Tax Credit
- Bond-related subsidy subject to MaineHousing’s Mortgage Purchase Program Bond Resolution and Section 142(d) of the Code

Any funding offered to a project will include the proceeds of tax-exempt facility bonds issued pursuant to Section 142(d) of the Code, the low-income housing tax credits generated by the tax-exempt bond proceeds and any subsidy that MaineHousing determines is necessary for the project to be feasible, considering other resources available for the project.

Funding under this program is available for eligible projects on a walk-in basis until such time as the resources allocated to this program are exhausted or are insufficient to fund an eligible project. Projects that have a Notice to Proceed from another MaineHousing program are not eligible to apply.

Applicants must comply with the requirements of MaineHousing’s Rental Loan Program Guide dated August 2014 (the “RLP Guide”) and the applicable requirements of MaineHousing’s 2015-2016 Qualified Allocation Plan (the “QAP”) not specifically addressed in this document. The Rental Loan Program Guide dated August 2014 and the 2015-2016 Qualified Allocation Plan can be found at MaineHousing’s website, www.mainehousing.org.

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

Eligible Projects

To be eligible, projects must meet the following requirements.

1. Funding under this program is limited to the preservation and rehabilitation of existing rental housing for seniors that (a) has been approved by HUD for restructuring under the Rental Assistance Demonstration (RAD) Program, and (b) needs at least \$40,000 of hard

rehabilitation costs per unit as defined in Section 5.D.3. of the QAP.

Seniors are persons who are elderly as defined under federal and State of Maine fair housing laws or a HUD program designated for persons who are elderly.

The applicant must submit a capital needs assessment as part of the application that meets the requirements in Section 5.D.2 of the QAP. MaineHousing will rely on the capital needs assessment, as reviewed and approved by MaineHousing, to determine whether the project satisfies the minimum rehabilitation requirement set forth above. The project must also comply with the minimum rehabilitation requirement in Section 42(e)(3) of the Code, which may be greater than the minimum rehabilitation requirement set forth above. The applicant must agree to complete the rehabilitation recommended in the capital needs assessment and include the costs of completing the proposed rehabilitation in the total development cost of the project to the maximum extent feasible, as determined by MaineHousing, even if the proposed rehabilitation exceeds the minimum rehabilitation requirements set forth above and in Section 42(e)(3) of the Code.

2. The project must be included on the *Maine State Housing Authority Notice of Public Hearing on Proposed Issuance of Tax-exempt Bonds* published on August 7, 2013 or February 10, 2014 and approved pursuant to Section 147(f) of the Code (so-called TEFRA approval).
3. For a period of 45 years, at least 50% of the units in the project must be available for rent by persons who earn no more than 50% of the area median income and must be rent-restricted in accordance with Section 42 of the Code. The project owner, and any fee interest owner if the project or land on which the project is located is leased, must execute a restrictive covenant on the project that obligates compliance with these affordability requirements and any additional affordability pledged by the applicant, and the restrictive covenant must be recorded in the appropriate registry of deeds.
4. The applicant agrees to accept any future extensions and renewals of the Section 8 housing assistance payments contract made available to the applicant under the RAD Program and any future comparable replacement assistance or subsidy program offered by the United States Department of Housing and Urban Development.
5. The application must identify all existing project accounts and reserves that will be transferred with the acquisition of the project and describe the use or disposition of the accounts and reserves transferred with the project, including any use of the accounts or reserves as a source of funding for the rehabilitation of the project.
6. Projects involving the rehabilitation of an historic structure must apply for federal and state historic rehabilitation tax credits, if eligible, unless the applicant can demonstrate good cause to MaineHousing's satisfaction for not pursuing these credits.
7. Telemedicine Resource Room – the project must include a designated room to be specifically used by qualified medical professionals to provide health services, including counseling, physical therapy, home health services, and diagnostic and monitoring activities, to the residents of the project. The room must be for the exclusive use of the residents and the professionals and be provided at no cost to the residents or the professionals.

Tax-exempt Debt and Tax Credits

The source of funding for all debt available under this program will be proceeds from the issuance of qualified tax-exempt facility bonds pursuant to Section 142(d) of the Code.

MaineHousing will provide construction-period financing for projects. MaineHousing may, but is not required to, utilize a financial institution to serve as MaineHousing's escrow agent for disbursing the proceeds of the construction financing. Any financial institution selected by the applicant must be acceptable to MaineHousing and must enter into an escrow agreement on terms and conditions acceptable to MaineHousing.

All projects must be eligible for and utilize the "4% automatic" federal low income housing tax credit ("LIHTC") as described in Section 42 of the Code generated by the tax-exempt funding provided to the project.

Projects must comply with the QAP, Section 142 of the Code and associated regulations regarding the use of tax-exempt bond proceeds, and Section 42 of Code and associated regulations regarding the LIHTC.

Subsidy

MaineHousing is making subsidy in an amount up to \$2,500,000 available for eligible projects. The amount of any subsidy awarded to a project will be limited to the lesser of (i) \$30,000 per LIHTC-eligible unit in the project and (ii) the amount necessary for the project to achieve feasibility.

Any subsidy awarded to a project will be in an amount that MaineHousing determines, in its sole discretion is necessary for the feasibility of the project, considering other resources that are available for the project, and maximizes the use and efficiency of the subsidy available under this program. The following guidelines will apply.

- MaineHousing will consider all other resources available for the project, including without limitation, equity generated from the LIHTC and any other tax credits and interest-bearing debt structured and underwritten in accordance with this program and the RLP Guide, in determining the need for subsidy. Applicants must maximize all other resources available for the project.
- The amount of subsidy awarded to a project may be less than the amount requested by the applicant if MaineHousing determines that the project can support more debt financing based on its review of the project's operating budget during underwriting.
- MaineHousing will use the maximum LIHTC rent for LIHTC-eligible units to determine the need for subsidy unless the comparable market rent for the project is less than the maximum LIHTC rent as supported by an independent market study acceptable to MaineHousing.

Applicants awarded subsidy under this program must comply with all requirements of MaineHousing's Mortgage Purchase Program Bond Resolution and the requirements of Section 142 of the Code and associated regulations.

MaineHousing reserves the right to award all, a portion or none of the available subsidy during any offering, depending on the quality and merits of the applications received.

Underwriting Criteria

- Construction Financing Terms:
- 2.5% interest rate per year plus a 2-point origination fee, subject to change based on market conditions at the time the tax-exempt facility bonds are issued.
 - Secured by a first-lien mortgage and security interest in the project and related personal property.
- Debt Financing Terms:
- 5.5% interest rate per year, subject to change based on market conditions at the time the tax-exempt facility bonds are issued.
 - At the applicant's option, (a) amortization of principal and interest over 30 years, (b) amortization of principal and interest over 40 years with a balloon payment due at the end of 30 years, (c) interest only payments for 30 years with a final balloon payment of all amounts owed due at the end of 30 years, (d) interest only payments for 15 years with a 30-year amortization beginning in year 16 and a final balloon payment of all amounts owed due at the end of 30 years, or (e) interest only payments for 15 years with a 40-year amortization beginning in year 16 and a final balloon payment of all amounts owed due at the end of 30 years.
 - Secured by a first-lien mortgage and security interest in the project and related personal property.
- Subsidy Terms:
- 0% interest deferred payment loan with payment due on the earliest of (a) 30 years, (b) a sale, transfer, or assignment of the project, (c) the discontinuation of the intended public purpose, or (d) a default of the MaineHousing loan(s).
 - Secured by a first-lien mortgage and security interest in the project and related personal property.
 - Subsidy may be made available during the rehabilitation of the project to the extent possible, as determined by MaineHousing in its sole discretion, considering any limitations of the sources and the requirement that the project satisfy the requirements of Section 42(h)(4)(B) of

the Code (the so-called 50% test) for LIHTC eligibility.

Developer Fee:

- The formula for calculating the maximum allowable developer fee pursuant to Section 7.B.1 of the QAP will be increased for projects involving the rehabilitation of historic structures to \$10,000 per unit for the first 20 units in the project and \$8,500 (currently \$5000 for non-historic acquisition/rehab projects) for each additional unit in the project above 20 units.

Construction Cost Increases:

- If the construction costs of a project increase after the date of the application due to market conditions or other reasons beyond the control of the applicant, as determined by MaineHousing in its sole discretion, and the project has been awarded the maximum LIHTC allowed under the QAP, MaineHousing may, at its sole discretion, award additional subsidy resources to the project, provided that the additional subsidy (a) when combined with the equity generated by any additional LIHTC awarded under the QAP, will not exceed an amount equal to 5% of the total construction cost for the project, as determined under the QAP and estimated at the time construction bids on the project are requested, and (b) does not exceed the subsidy limits set forth above.

The following rules and guidelines apply: The RLP Guide (to the extent not in conflict with this program), Chapter 16 of MaineHousing's Rules, *Low-Income Housing Tax Credit Rule* (the 2015-2016 Qualified Allocation Plan), and Chapter 29 of MaineHousing's Rules, *Multifamily Development and Supportive Housing Loans and Grants*.

Submission Requirements

The application must be in the form prescribed by MaineHousing for this program. The application must be completed and submitted, together with all supporting documentation, electronically to MaineHousing's ShareFile **no later than 5:00 PM on June 30, 2015**.

MaineHousing will review all applications for completeness, eligibility and feasibility. Applications that are not complete or eligible or are not feasible will be rejected, and the applicant will be notified of the deficiency(ies).

Please call Bill Glover, Manager of Lending of the Development Division, at (207) 626-4600 if you have any questions or need information on how to access MaineHousing's ShareFile or any other information.

MaineHousing's Discrimination Policy

MaineHousing does not discriminate on the basis of race, color, religion, sex, sexual orientation, 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, 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.