



MaineHousing
Maine State Housing Authority



Supportive Housing Program

Addendum

Effective July 17, 2015

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Supportive Housing Programs Addendum

Section 1: Overview

MaineHousing provides debt and subsidy funding for various supportive housing initiatives. The specific program details for each subsidy offering are described in a program-specific guide. The program requirements set forth in this Addendum apply to all supportive housing programs, except to the extent directly in conflict with a program-specific guide.

In addition, Chapter 29 of MaineHousing's Rules, Multifamily Development and Supportive Housing Loans and Grants, applies to all supportive housing programs.

Section 2: Background

The State of Maine Consolidated Housing and Community Development Plan identifies the need for a continuum of affordable and appropriate housing options for people with special needs, including persons who are homeless. The MaineHousing supportive housing programs are for people with special needs, including persons who are homeless.

Section 3: Eligible Applicants

Eligible applicants must:

- (a) Be a non-profit corporation having a determination, or an application for determination, of tax exemption under Section 501(c)(3) of the Internal Revenue Code and the implementing regulations; instrumentalities of municipalities will also be eligible;
- (b) 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 be in good standing under Maine law;
- (c) Provide a corporate resolution demonstrating the authority to apply for and receive funding from MaineHousing;
- (d) Be in compliance with federal and MaineHousing conflict of interest prohibitions, as further discussed below; and
- (e) Demonstrate financial, organizational and development capacity to undertake a proposed initiative.

No applicant will be accepted, processed, approved, or funded by MaineHousing if the applicant or any affiliate or principal of the applicant, or any entity controlled by the applicant or affiliate or principal, (i) in the last six months has been declared in default or has been 60

days or more delinquent on any loan with MaineHousing unless an approved payment or workout plan is in place and in good standing or (ii) has ever been the owner of a MaineHousing financed project upon which MaineHousing has foreclosed a mortgage interest.

Developers and contractors must not be presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in federal and state housing programs and may not have had a professional license to provide the nature of the services they will provide for the project suspended or revoked.

An applicant may apply for funding 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 an application to MaineHousing. 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. If the applicant has not been issued a final determination by the IRS by loan closing, the applicant must obtain a final determination before the end of the advance-ruling period. Further, if applicant is not the service provider or the property manager, the applicant must provide evidence that the service provider or the property manager 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 or meets certain safe harbor requirements under the Code.

State and federal law and MaineHousing'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 MaineHousing 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 MaineHousing's programs must complete a conflict of interest disclosure form and comply with the law and policy and any requests by MaineHousing to ameliorate potential or perceived conflicts of interest.

Section 4: Eligible Activities

Eligible activities may include acquisition and rehabilitation, rehabilitation-only, substantial rehabilitation, adaptive re-use and new construction. Specific programs may limit eligibility to specific activities. A specific program may also restrict activities to those that create *new* supportive housing beds or units, i.e. applicants may acquire existing housing, but the housing may not have been used as supportive housing. The program guide for the subsidy offering will provide further guidance on this topic.

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

Supportive housing units provide either transitional or permanent housing (safe haven housing may be either).

Transitional housing is housing that:

- (a) is designed to provide housing and access to appropriate supportive services for persons in need of a supportive housing environment; and
- (b) facilitates the movement to permanent housing within a period not to exceed 24 months following initial occupancy. This time period must be set prior to occupancy with notification provided to residents at time of occupancy. Upper limits for occupancy may be set at less than 24 months with extensions as needed based upon individual capacity.

Project-based Section 8 vouchers may not be used with transitional housing. Therefore, applicants will need to demonstrate access to an alternate source of operating revenues to support the operational costs of the proposed project.

Permanent housing is housing that:

- (a) is designed to provide a permanent, independent housing option; and
- (b) is intended to integrate into the community of independent living persons with the ability to sustain permanent long-term residence.

Supportive housing projects contain either independent living units or non-independent living units. Independent living units provide separate sleeping and living space in addition to an area designed for food preparation and a private sanitation area. All other housing configurations are defined as non-independent living units.

Projects that will provide Single Room Occupancy (SRO) units must be designed to be reasonably convertible to independent living units should the need arise in the future.

Section 5: Ineligible Activities

MaineHousing funds may not be used for the following:

- a) Acquisition and/or rehabilitation of existing units that are currently restricted to providing housing for persons with supportive housing needs and are serving that population in a manner that is both feasible and sustainable
- b) Refinancing of existing MaineHousing debt (refinancing of non-MaineHousing debt will be considered on a case-by-case basis)
- c) Service funding
- d) Operational funding (unless Project-based Housing Choice Vouchers are offered in a program specific guide)
- e) Acquisition of existing projects that were originally funded by MaineHousing unless as part of a preservation or workout effort
- f) Projects that have a current, unexpended MaineHousing subsidy award
- g) Commercial activities and any activity which will involve an unrelated trade or business income or which violates the corporate charitable purposes of the applicant

Section 6: Non-Residential Activities

MaineHousing may limit the amount of space in a project that can be used for non-residential purposes. The non-residential use must be functionally related to and compatible with the residential component. Residential space that is for the exclusive use of staff is an eligible use of funding. Non-residential space that is exclusively or primarily for the benefit of staff and residents, i.e. conference rooms or counseling spaces, are also an eligible use of funding. MaineHousing will evaluate non-residential space on a project-by-project basis.

Commercial uses and any activity that involves an unrelated trade or business income or violates the corporate charitable purposes of the applicant are not eligible for MaineHousing financing.

MaineHousing will evaluate the amount of commercial income that can be dedicated to support debt service and operating expenses on a project-by-project basis.

Section 7: Construction and Rehabilitation Standards

Projects will need to comply with MaineHousing's Quality Standards and Procedures Manual which is located on MaineHousing's website at:

<http://www.mainehousing.org/docs/default-source/qap/qap-2014-quality-standards-and-procedures-manual.pdf?sfvrsn=14>

Applicants are also encouraged to consult the Best Practices Guide for additional information regarding construction standards and processes. The Best Practices Guide is located on MaineHousing's website at:

<http://www.mainehousing.org/docs/default-source/development/best-practices-guide.pdf?sfvrsn=10>

Section 8: Accessibility

All projects must be designed and constructed or rehabilitated in accordance with all applicable Federal, State and local accessibility laws, regulations and standards, which may include without limitation the Federal Fair Housing Act, Section 504 of the Rehabilitation Act of 1973, Title II and Title III of the Americans with Disabilities Act of 1990 and the Maine Human Rights Act, together with all regulations, accessibility standards and guidance associated therewith. For guidance on compliance, see *Maine State Housing Authority's Accessibility Policy and Procedures for the Design and Construction of Multi-family and Supportive Housing Projects* in Appendix A of the *Quality Standards and Procedures Manual*.

Individual programs may have program-specific requirements relating to accessibility. The program guides for specific programs will provide further details.

Section 9: Site Control Standards

Site control may take three forms.

- (a) Ownership: the applicant may own the property at the time of application. Applicants may utilize non-MaineHousing resources to purchase properties prior to application. However, applicants assume all risk for purchasing properties prior to a MaineHousing loan closing. MaineHousing does not bear any obligation to issue a commitment of funding as a result of an applicant's election to purchase a property prior to a MaineHousing loan closing.
- (b) Purchase and Sale Contract
- (c) Option Agreement

Applicants that are proposing Section 8 project-based vouchers will need to carefully review Section 10 below. Section 10 as well as Section 11 describe significant limitations imposed by HUD on site control and other activities after a project application is submitted to MaineHousing.

Applicants that are considering attaining site control via a long term lease interest will need to contact MaineHousing prior to submitting an application. Long term lease-hold interests may be considered eligible under certain circumstances.

Applicants must provide signed purchase and sale or option agreements for the proposed site upon securing site control. Purchase and sale agreements and option agreements should provide the applicant with a sufficient period of time in which to purchase the property. MaineHousing encourages applicants to secure agreements that credit option payments or earnest money deposits toward the reduction of the purchase price.

MaineHousing strongly encourages applicants to secure contingencies in the purchase and sale agreements by which the earnest money deposit will be returned to the applicant if certain requirements or standards cannot be met. Examples of these contingencies include without limitation:

- an acceptable survey;
- satisfactory inspection by the State Fire Marshal's Office (if applicable);
- receipt of 501(c)(3) determination;
- satisfaction of all relevant title and land use issues as evidenced in an attorney's title and land use opinion;
- standard contingencies, such as success in securing financing, satisfactory environmental assessment, etc.;
- presence of lead-based paint and/or other hazardous materials;
- financing

Purchase and sales agreements should allow access to the site for environmental reviews, architect's inspections, MaineHousing inspections and contractor's estimates.

Applicants 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 operation of the

supportive housing project. The appeal period for all approvals must be expired without appeal as of the loan closing.

Section 10: Federal Regulations Applicable to Site Control

All actions related to site control (acquisition, purchase and sale contracts, option agreements, etc.) must occur **prior** to the date upon which MaineHousing receives applications. If applications include a request for Section 8 project-based vouchers, it will trigger certain prohibitions under HUD's environmental review rules that will apply to proposed projects. From the submittal date of the application until a project (if selected for funding) receives its environmental clearance, HUD's environmental review rules prohibit "choice-limiting actions." The Environmental Review section contains detailed information on HUD's environmental review requirements, including examples of prohibited choice-limiting actions. From the date MaineHousing receives an application until the project receives its environmental clearance, site control activities that are prohibited choice-limiting actions include acquiring or leasing the project site, entering into, amending, renewing or extending a purchase and sale agreement that does not comply with HUD's requirements for conditional purchase and sale agreements, or entering into, amending, renewing or extending an option to purchase or lease the site that does not comply with HUD's requirements. These matters are discussed in detail in Section 11 below. Section 11 also includes a listing of other choice-limiting actions that are prohibited before a project's environmental clearance.

Prior to the date of MaineHousing's receipt of an application, applicants are not limited by the choice-limiting actions prohibition. Applicants are urged to carefully review the choice limiting action description in this Addendum prior to taking any site control actions, or prior to taking any other action that could be a choice-limiting action, to ensure that they comply with HUD's regulations.

Section 11: Environmental Review

For projects requiring a Phase I environmental site assessment, the Phase I (including any update) and any necessary follow-up Phase II site investigations (such as soil sampling) will be completed by MaineHousing's environmental consultant regardless of the source of funds for the project. In addition, if the environmental consultant recommends environmental remediation or other follow-up at the site, which may include going through the Maine Department of Environmental Protection's Voluntary Response Action Program, commonly referred to as "VRAP," the consultant's recommendation will be implemented by the developer as a condition of MaineHousing financing for the project.

Projects receiving project-based rental assistance from MaineHousing must undergo an environmental review under HUD's environmental review rules at 24 C.F.R. Part 58.

Applications that include a request for Section 8 project-based vouchers will trigger certain prohibitions under HUD's environmental review rules that will apply to the proposed project. From the application submittal date until completion of the environmental review process, HUD's environmental review rules prohibit all participants in the development process for a project, including the applicant and any developer or sponsor of the project and any of their

affiliates participating in the project, any construction manager, and any other consultants and contractors, from taking certain actions. These prohibited actions are called “choice-limiting actions.” HUD’s prohibition on taking choice-limiting actions continues in effect from the date MaineHousing receives an application until a project has received its environmental clearance, which means the completion of an environmental review of the project and, if necessary, HUD approval of the release of the project-based voucher funds for the project after completion of the environmental review. In the information below, the period extending from the application submittal date to the date of environmental clearance is referred to as the “Choice-Limiting Action Prohibition Period”.

The list of choice-limiting actions set out below is not all-inclusive and applicants are strongly urged to consult MaineHousing prior to taking any action that could be a prohibited choice-limiting action. **IMPORTANT NOTE: Taking a choice-limiting action during the Choice-Limiting Action Prohibition Period will disqualify a project from receiving Section 8 project-based vouchers or other HUD financial assistance.**

A. Prohibited Choice-limiting Actions

During the Choice-Limiting Action Prohibition Period, the applicant and all other participants in the development process are not allowed under HUD’s environmental review rules to do *any* of the following, except to the limited extent described below.

1. Spend or commit *any* funds for the project, whether those funds are federal, state, local, bank, equity, or private funds, grants, loans or any other source or type of funds, except for the following activities:
 - a. Environmental, geotechnical and other studies
 - b. Site inspection and testing
 - c. Engineering services
 - d. Architectural and design services
 - e. Permitting and zoning approvals
 - f. Financing applications
 - g. The payment of the option price under an option agreement complying with the requirements of Section 11.B.1 below.
 - h. The payment of an earnest money deposit under a conditional purchase and sale agreement complying with the requirements of Section 11.B.2 below.
2. Enter into a binding contract or agreement for any purpose, except as follows:
 - a. The activities listed in subsection 1.a through f above.

- b. An option agreement complying with the requirements of Section 11.B.1 below.
 - c. A conditional purchase and sale agreement complying with the requirements of Section 11.B.2 below.
 - d. A construction management contract, **but only if** an Addendum required by HUD (available from MaineHousing) is executed as part of and simultaneously with the construction management contract. (The construction management project delivery method must still be approved by MaineHousing Construction Services prior to entering into a construction management contract, as provided in MaineHousing's *Quality Standards and Procedures Manual*.)
3. Enter into a binding contract or agreement for any of the following or actually undertake or do any of the following:
- a. Enter into an option to buy or lease all or part of the project site or to purchase an easement for the benefit of the project site, or amend, extend or renew an option, unless the option agreement complies with the requirements of Section 11.B.1 below.
 - b. Enter into, amend, extend or renew a purchase and sale agreement that does not comply with the requirements of Section 11.B.2 below.
 - c. Purchase or lease all or part of the project site, including but not limited to any small additional parcel that may be needed to meet density or other local or state requirements.
 - d. Purchase or grant an easement or right-of-way.
 - e. Enter into an Agreement to Enter into a Housing Assistance Payments Contract (AHAP) or a Housing Assistance Payments (HAP) Contract.
 - f. Purchase or otherwise procure construction materials for the project.
 - g. Go out to bid for any work relating to the project, including but not limited to construction, rehabilitation, demolition or environmental remediation.
 - h. Excavation or earth removal.
 - i. Demolition.
 - j. Environmental remediation activities on, in or affecting the land or building(s) on the project site, including but not limited to lead paint, mold, asbestos, or soil remediation or other clean-up.
 - k. Utility or infrastructure construction or installation, e.g., sewer, water, electric or gas lines, drainage, stormwater management facilities, roads, sidewalks, etc.

- l. Paving.
- m. Grading, filling or clearing.
- n. Dredging or draining.
- o. Construction of buildings or other structures.
- p. Moving, rehabilitation, renovation or alteration of existing buildings.
- q. Burying, replacing or relocating a propane, oil, kerosene or other stationary above-ground tank, or a fuel conversion of a heating system, on an abutter's property or on the project site as a way of mitigating hazards to your project or for any other reason.
- r. Any other activity that has a physical effect on the land or buildings on the project site.

B. Site Control Agreements – Options and Conditional Purchase and Sale Agreements

During the Choice-Limiting Action Prohibition Period, HUD permits option agreements and conditional purchase and sale agreements that meet certain requirements. HUD and MaineHousing strictly enforce these requirements. MaineHousing will not proceed with the environmental review of a project if a non-complying agreement exists. In that case, MaineHousing will require that the non-complying agreement either be rescinded and replaced with an agreement meeting HUD's requirements or be amended to bring it into compliance with HUD's requirements.

1. Option Agreements

If a project site currently is

- (i) vacant land, *or*
- (ii) occupied by a non-residential building, *or*
- (iii) occupied by a building with mixed non-residential and residential uses, *or*
- (iv) occupied by a building that was formerly a residential building but is no longer used for residential purposes, *or*
- (v) does not otherwise meet the requirements for using a conditional purchase and sale agreement

an applicant may enter **only** into an option agreement that states that it is subject to MaineHousing's decision on the desirability of the project site based on the results of the environmental review and provides for an option price that is only a nominal portion of the purchase price. HUD does not define "nominal" but states

that any reasonable interpretation is acceptable and recognizes that what is nominal will vary depending on the local real estate market and the purchase price.

IMPORTANT NOTE: HUD's environmental review rules DO NOT allow an applicant to enter into a conditional purchase and sale agreement for ANY of the types of project sites above during the Choice-Limiting Action Prohibition Period.

2. Conditional Purchase and Sale Agreements

Single-family (1 to 4 Unit) Properties

For a project site that is currently occupied by an existing single-family residential building (defined by HUD as having one to four units), applicants may enter into (i) an option agreement that meets the requirements described above, or (ii) a conditional purchase and sale agreement complying with **all** of the following HUD requirements:

- a. There is an existing single-family building on the site.
- b. The proposed project on the site is for single-family residential use.
- c. The proposed project involves either
 - (i) rehabilitation of the existing single-family building that does not increase the number of units beyond four (4); or
 - (ii) demolition of the existing single-family building and reconstruction of another single-family building on the site.
- d. The purchase and sale agreement includes the following language, which cannot be deleted or amended or modified during the Choice-Limiting Action Prohibition Period:

Notwithstanding any other provision of this Agreement, Purchaser shall have no obligation to purchase the Property, and no transfer of title to the Purchaser may occur, unless and until Maine State Housing Authority has provided Purchaser and/or Seller with a written notification that it has completed a federally required environmental review and its request for release of federal funds, if required, has been approved and, subject to any other contingencies in this Agreement, (a) the purchase of the Property may proceed, or (b) or the purchase may proceed only if certain conditions to address issues in the environmental review shall be satisfied before or after the purchase of the property.

- e. The purchase and sale agreement provides for one of the following deposits:
 - (i) \$1,000 or less if the deposit is non-refundable, *or*
 - (ii) a reasonable amount if the deposit is refundable (taking into account the local real estate market, the purchase price and any other relevant factors), *or*

- (iii) in circumstances in which auction rules require all bidders to deposit \$5,000 and the successful bidder to enter into a purchase and sale agreement requiring a \$5,000 earnest money deposit, the deposit may be a \$1,000 non-refundable deposit plus a \$4,000 refundable deposit in order to comply with auction rules.
- f. The applicant does not close on the purchase of the project site or otherwise acquire title to the project site during the Choice-Limiting Action Prohibition Period.

Multi-family (5 or more Unit) Properties

For a project site that is currently occupied by an existing multi-family residential building (defined by HUD as having five or more units), applicants may enter into (i) an option agreement that meets the requirements described above, or (ii) a conditional purchase and sale agreement complying with **all** of the following HUD requirements:

- a. There is an existing multi-family building on the site.
- b. The proposed project on the site is for multi-family residential use.
- c. The proposed project involves rehabilitation of the existing multi-family building (i) that does not increase or decrease the number of units by more than 20% and (ii) for which satisfactory evidence demonstrates that the estimated cost of rehabilitation is less than 75% of the total estimated replacement cost after rehabilitation.
- d. The building is not in a Special Flood Hazard Area (100-year floodplain, shown as any zone with an "A" or "V" designation on FEMA's flood maps).
- e. The purchase and sale agreement includes the following language, which cannot be deleted or amended or modified during the Choice-Limiting Action Prohibition Period:

Notwithstanding any other provision of this Agreement, Purchaser shall have no obligation to purchase the Property, and no transfer of title to the Purchaser may occur, unless and until Maine State Housing Authority has provided Purchaser and/or Seller with a written notification that it has completed a federally required environmental review and its request for release of federal funds, if required, has been approved and, subject to any other contingencies in this Agreement, (a) the purchase of the Property may proceed, or (b) or the purchase may proceed only if certain conditions to address issues in the environmental review shall be satisfied before or after the purchase of the property.

- f. The purchase and sale agreement provides for one of the following deposits:
 - (i) 3% or less of the purchase price if the deposit is non-refundable, or

- (ii) a reasonable amount if the deposit is refundable (taking into account the local real estate market, the purchase price and any other relevant factors).
- g. The applicant does not close on the purchase of the project site or otherwise acquire title to the project site during the Choice-Limiting Action Prohibition Period.

C. Overview of Environmental Review

The environmental review of the project requires MaineHousing to review the effect of the project on resources protected by various federal laws, regulations and policies and to determine any necessary compliance actions under these laws, regulations and policies. In addition, MaineHousing must evaluate the effects on the project of certain environmental and other conditions and determine whether any compliance actions by the applicant or modifications to the project are required to eliminate or minimize adverse impacts.

Any required compliance action can add costs and time to a project, if compliance is possible at all. Sometimes, there are features of a project that make compliance either impossible or costly and time-consuming at best. For that reason, MaineHousing wants applicants to be aware of the following categories of environmental review that often result in compliance issues. If possible, applicants should avoid project sites within any of the categories outlined below.

Please note that the categories of environmental review outlined below are not the only categories that can give rise to compliance issues. Depending on the unique features of a project site, compliance issues may also arise under other categories of environmental review. Projects that cannot satisfy compliance requirements due to costs, limitations of the project site, legal prohibitions, or other reasons may not receive any funding, including project-based rental assistance, from MaineHousing.

Location in a Floodplain. If a project is located in a 100-year floodplain, as designated on FEMA's flood insurance rate map for that location, or sufficiently close to the floodplain to cause a floodplain impact, HUD's environmental review rules require that the project go through an 8-step decision-making process that includes identifying and discussing alternatives to locating the project in the floodplain, identifying impacts to the floodplain, and taking steps to mitigate impacts to the floodplain. The 8-step decision-making process is a process intended to involve the public and therefore requires publishing notices concerning the proposed location of the project in the floodplain and the intended action after the information noted in the previous sentence is considered. Flood insurance for a project located in a floodplain is required by MaineHousing.

Location in a Wetland. If a project is located in a wetland, or sufficiently close to a wetland to cause a wetland impact, HUD's environmental review rules require that the project go through the 8-step decision-making process described above.

Location in an Airport Runway Protection Zone. HUD's environmental review rules do not allow HUD financial assistance, including project-based rental assistance, to be provided to

projects involving new construction or major rehabilitation that are located within certain distances of the ends of runways at commercial airports or military airfields due to the incidence of aircraft accidents in those locations. These areas are known as runway protection zones. In Maine, the relevant airports are Augusta State Airport, Bangor International Airport, Hancock County/Bar Harbor Airport, Knox County Regional Airport (Rockland), Northern Maine Regional Airport (Presque Isle), and Portland International Jetport. Each of these airports has an airport layout plan with defined runway protection zones. The maximum area for runway protection zones for these commercial airports is 2,500 feet long (measured from the ends of the runways) by 1,750 feet wide (875 feet from each side of the centerline of the runways).

Location near Thermal or Explosive Hazards. HUD's environmental review rules require that projects be located within an acceptable separation distance of stationary above-ground tanks containing flammable or explosive substances that are on the project site or within sight distance of any point on the project site. Acceptable separation distance is determined based on the size of the hazardous tank and takes into account both buildings and unprotected outdoor areas such as patios/decks/balconies, recreation areas, and other locations on the project site where people might congregate. If the tank is not located within an acceptable separation distance, HUD's environmental review rules require the hazard to be mitigated. Mitigation measures can include any one or more of the following approaches, which need to be approved by MaineHousing prior to being implemented: relocating the tank so that it is an acceptable separation distance from the project building(s) and unprotected outdoor areas; burying the tank; constructing a blast barrier; and converting to another source of fuel.

Historic Properties. As part of the environmental review of a project, the Maine State Historic Preservation Officer must determine whether the proposed project will affect a historic property and whether the planned work will result in an adverse effect if the property is of historic significance. Any adverse effect finding must be resolved before the project can move forward.

Section 12: Survey Requirements

MaineHousing may accept a certified mortgage inspection plan for existing residential properties where the existing building footprint will not be substantively altered (including any detached additions permanently affixed to the site). In addition, the title insurer will need to accept a certified mortgage inspection plan as acceptable documentation to delete the standard exception for survey in the lender's title insurance policy. MaineHousing reserves the final decision as to whether a certified mortgage inspection plan will meet MaineHousing's survey requirement.

All new construction/adaptive re-use projects and existing residential properties involving a substantive alteration to the footprint of the existing building (including any detached additions permanently affixed to the site) will require a survey that meets the survey standards outlined in the MaineHousing Quality Standards and Procedures Manual. Surveys will need to be submitted by the applicant and reviewed and approved by MaineHousing prior to the MaineHousing loan closing.

Section 13: Displacement and Relocation

Applicants are strongly encouraged to locate properties that will not require either the temporary or permanent displacement of existing tenants. Applicants must make reasonable efforts to minimize the displacement of existing residents of projects.

When displacement is unavoidable, projects that will receive Section 8 project-based vouchers or other Federal funds must comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, 42 USC § 4201 et seq. and 49 CFR Part 24.

Projects that will not be receiving Section 8 project-based vouchers or other Federal funds must comply with the MaineHousing requirements for displacement and relocation.

Both the federal and MaineHousing requirements pertaining to displacement and relocation are detailed in Appendix 3 to this Addendum.

Section 14: Subsidy Funding Terms

MaineHousing funding awards are structured either as performance grants or deferred loans. The minimum and maximum amounts of MaineHousing funding awards are detailed in the applicable program guides.

Structure: **Performance grants** are structured as 0% forgivable loans that are forgiven at the end of a specified term. The specified term is detailed in the applicable program guide. During the specified term, MaineHousing will recapture the performance grant in the event of non-performance. The applicable program guide will detail what constitutes performance for that program.

Deferred loans are structured as 0% deferred loans. At the conclusion of the loan term, the original loan principal balance is repayable to MaineHousing without accrued interest. The loans also become payable upon non-compliance with any MaineHousing requirements contained within the project's legal documents.

Funding Cap: The total of all MaineHousing funding combined may not exceed the total development costs of the project. MaineHousing's concurrence will be required as to the reasonableness of a project's total development cost and all components of the total development cost.

Late Charge: 6% of any payment more than 15 days in arrears.

Prepayment: Performance grants and deferred loans may not be prepaid without the written concurrence of MaineHousing. Generally, involuntary prepayment penalties are 2% for prepayment during the first 15 years and 1% during the 16th through the 20th years. MaineHousing reserves the option to revise the penalties.

Penalties that are specific to a particular program will be detailed in the applicable program guide.

Recourse: Performance grants and deferred loans are non-recourse, i.e., in the event of a default, MaineHousing will not look to other applicant assets to recover the full funding amount.

Section 15: Debt Funding Terms

For projects that utilize MaineHousing amortizing debt, the following criteria will apply:

Interest Rate	To be set by MaineHousing at time of application
Term	Payments in equal monthly installments amortized over 30 years. Applicants may elect to defer loan payments during the rehabilitation period. With this election, interest will accrue during the rehabilitation period and will be paid in one lump sum payment at the conclusion of the rehabilitation period.
Loan to Value	Total amortizing debt will not exceed the appraised market value of the property at the time of application. The total of amortizing debt and performance grant funding may not exceed the total development costs of the project.
Debt Service Coverage	In lieu of debt service coverage, MaineHousing's underwriting will require a minimum surplus cash flow of \$300 per unit. The surplus cash flow will be determined by first calculating the total revenues that are available to cover real estate related expenses (where applicable, a vacancy factor may be employed). Then the total expenses necessary to operate the project (property management, utilities, maintenance, taxes, insurance, reserves, etc.) will be subtracted from the total revenues. The resultant figure will be divided by the total number of units to yield the surplus cash flow per unit.
Recourse	Loans are recourse, i.e. in the event of a default, MaineHousing will look to other developer assets to recover the full loan amount. MaineHousing reserves the right to require any parent corporation of the applicant to assume the debt obligations of the applicant.
Late Charge	6% of any payment more than 15 days in arrears
Prepayment Penalty	No voluntary prepayment; 2% penalty for involuntary prepayment during first 15 years and 1% during 16 th through 20 th years

Loan Security	<p>Amortizing debt will be secured by a first lien mortgage on the land and improvements, a general assignment of the project's leases, rents, contracts, accounts and a security interest in all fixtures and personal property of the project. On a case-by-case basis, MaineHousing will consider a shared first lien position. However, the total debt secured by first lien mortgages may not exceed the appraised market value of the project as-completed (completion of all rehabilitation/construction). MaineHousing may require an inter-creditor agreement between lenders and MaineHousing which describes their relationship and their rights on terms and conditions acceptable to MaineHousing.</p> <p>Amortizing debt loans are not assumable. MaineHousing may cross-collateralize the supportive housing financing with other existing or future financing from MaineHousing to the developer or a related entity.</p>
Non-MaineHousing Debt	<p>No other liens, security interests or mortgages may encumber a project without MaineHousing's written consent. Debt from a non-MaineHousing source must be on terms that are significantly more beneficial than the terms of MaineHousing amortizing debt. Any secondary security interests may be required to enter into a subordination agreement with MaineHousing.</p>
Appraisals	<p>Projects receiving MaineHousing amortizing debt will require an appraisal performed by a Maine Certified Residential and Commercial Real Estate Appraiser. The applicant will be responsible for securing the appraisal. The appraisal may be in the form of the Uniform Residential Appraisal Report when applicable.</p>
Underwriting Tenant-Based Rental Assistance	<p>Applications that propose tenant-based rental assistance for operating revenue will be evaluated for feasibility by MaineHousing. The feasibility evaluation will encompass a review of the local waiting lists; the success of the applicant in securing tenant-based rental assistance for clients; the current and future availability of rental assistance; the applicability of preferences for the target client population. MaineHousing may discount the projections of tenant-based rental assistance being available for a specific project.</p>

Section 16: Security

Performance grants and deferred loans must be secured by a mortgage on the land and improvements; a general assignment of the project's leases, rents, contracts, accounts; and a security interest in all fixtures and personal property of the project. If a first lien position is available, the

MaineHousing lien will occupy that position. However, the MaineHousing lien may be subordinated to other liens as needed to ensure the viability of the project. MaineHousing reserves the option of requiring specific lien arrangements as circumstances may warrant. MaineHousing may require an inter-creditor agreement between the lender and MaineHousing which describes their relationship and their rights on terms and conditions acceptable to MaineHousing.

If the applicant is an instrumentality, subsidiary, or otherwise controlled by another non-profit corporation, MaineHousing reserves the right to require that the parent corporation assume the obligations of the performance grants and deferred loans.

Performance grants and deferred loans are not freely assumable. Transfers of title of any interest in the project by the applicant or any change in use of the project must comply with MaineHousing's Ownership Transfer Rule.

Section 17: Secondary Debt

No other liens, security interests or mortgages may encumber the project without MaineHousing's consent. Any person or entity with a mortgage subordinate to MaineHousing's mortgage and security interest may be required to enter into a subordination agreement with MaineHousing.

Section 18: Vacancy Rate

Projects must consider the use of a vacancy rate, if applicable, to the type of housing being developed. The application should provide support for the projected vacancy rate for the project, as applicable. The vacancy rate should be supported by either historical experience or industry standards.

Section 19: Review of Organizational Credit and Capacity

MaineHousing reserves the option of requiring a review of an applicant's financial and organizational capacity to undertake the proposed project. If a review is required, the following are examples of the types of data that may be reviewed. The applicant will need to provide information as required to complete the review (when applicable). The information will be required prior to the issuance of any MaineHousing commitment letter for subsidy funding (when applicable).

- Positive annual cash flow/working capital position;
- evidence of sufficient start-up capital;
- adequacy of liquidity and net worth;
- debt repayment history;
- documentation supporting the reliability of income projections; and
- size, scope and reliability of contracts by which organization is funded.

Section 20: Replacement Reserve

MaineHousing will establish a project-specific replacement reserve at the time of the closing of the MaineHousing financing. The reserve will need to be maintained for the entire period in which either the MaineHousing financing or covenant restrictions are outstanding.

The initial funding of the replacement reserve account will be an amount equal to one percent (1%) of the cost of structures. For acquisition/substantial rehabilitation projects, the cost of structures is defined as the 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 an appraisal or by applying the ratio in the tax assessment between land and building to the overall acquisition cost. For new construction projects, the cost of structures is defined as the total construction contract, including all site development and demolition.

The initial funding amount for the replacement reserve account will be deducted from the MaineHousing proceeds at the loan closing. This initial funding of the account is a mortgageable cost.

The Replacement Reserve account will be held and administered by MaineHousing. Each month, on the first day of the month, a total of \$30 per unit will need to be submitted to MaineHousing which will then deposit this amount into the account. Interest that accrues to the account will remain with the account.

Each year thereafter, funding to the Replacement Reserve Account will increase by 3% of the previous year's funding to account for inflation.

Section 21: Real Estate Taxes and Insurance

MaineHousing reserves the right to require a tax and insurance escrow account. If required, the applicant must establish the escrow account at a financial institution acceptable to MaineHousing prior to the loan closing. The applicant and MaineHousing must be "either/or" signatories on the account; i.e., both the applicant and MaineHousing will be able to authorize transactions. The applicant must deliver the signatory card for the account and pre-fund the account in an amount determined by MaineHousing at the time of the loan closing. The pre-funding requirement for property taxes will be the amount which, when combined with the monthly funding to the tax and insurance escrow account, will pay the next scheduled tax bill or to make the PILOT payment as applicable. Projects that will receive 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. The bank or other financial institution that holds the tax and insurance escrow will need to execute a Deposit Account Control Agreement with MaineHousing.

Taxes and insurance are operating expenses, not capital items, and thus are not mortgageable expenses. The applicant must pay for these two items from other sources of capital or equity.

Properties will be underwritten reflecting full tax liability. The tax amount will be based on certification by the local municipal tax assessor of the after-rehabilitation valuation and mil rate, unless the project is able to secure tax relief from the community. This may be in the form of abatement or an agreement for a payment in lieu of taxes (PILOT). MaineHousing neither encourages nor discourages non-profit corporations from seeking exemptions from local taxes and

will not take any position in negotiations between applicants and municipalities regarding property tax liability.

The applicants must provide evidence of acceptable property insurance prior to the closing of the MaineHousing financing. The MaineHousing insurance requirements are detailed in the Maine State Housing Authority Insurance Requirements for Multi-Family and Supportive Housing manual. This manual may be found on the MaineHousing web-site at:

<http://www.mainehousing.org/docs/default-source/development/multifamily-supportive-housing-insurance.pdf>

The applicant will need to provide the Maine State Housing Authority Insurance Requirements for Multi-Family and Supportive Housing Compliance Checklist to the applicable insurance agents for completion. The completed checklists will be required to complete the underwriting of the insurance policy. The checklist is located on the MaineHousing web-site at:

<http://www.mainehousing.org/docs/default-source/development/insurance-checklist.pdf>

Section 22: Title Insurance

The applicant must provide a lender's title insurance policy acceptable to MaineHousing insuring MaineHousing's mortgage position with mechanics lien and survey exceptions deleted prior to the loan closing.

Section 23: Rehabilitation and Construction Period Financing

For projects involving rehabilitation, MaineHousing will establish and administer a rehabilitation escrow account. For projects involving substantial rehabilitation or new construction, MaineHousing may require applicants to secure construction financing from a non-MaineHousing source. MaineHousing may elect to not provide a rehabilitation escrow with rehabilitation period financing for those projects that exceed MaineHousing's oversight and administrative capabilities.

For projects with a MaineHousing-administered rehabilitation or construction escrow account, the applicant shall deposit all funds necessary for the rehabilitation or construction of the project in the account at the loan closing. MaineHousing will hold and administer the account in accordance with the terms of a Rehabilitation Escrow Agreement to be executed by the applicant and MaineHousing at the loan closing. MaineHousing will disburse funds from the escrow following MaineHousing's inspection and approval. MaineHousing will provide the applicant with the procedure for requesting disbursements at or following the loan closing. Payment from the escrow account will be in the form of two-party checks requiring both the applicant and the contractor to endorse the check as payment is received.

As MaineHousing does not charge a fee for administering the rehabilitation escrow, the rehabilitation escrow account will not pay any interest earnings to the applicant.

Section 24: Documentation of Other Funding

Prior to the issuance of a commitment letter for MaineHousing subsidy awards, the applicants must demonstrate the ability to secure all other sources of development capital as needed to complete the proposed project. Generally, commitment letters for all sources of development capital will be required. Other forms of documentation will be reviewed on a case by case basis.

Applicants will be required to demonstrate the ability to secure all sources of operating revenues as may be needed. The documentation of financial support will be reviewed on a case by case basis. MaineHousing reserves the right to accept/reject alternative forms of documentation.

Section 25: Affordability and Use Requirements

Affordability and use requirements will be detailed in the program guide for the subsidy programs. Affordability and use restrictions are enforced in restrictive covenants that are recorded in the applicable registry of deeds and will remain as covenants for the required use period. The restrictive covenants will run with the land and bind all subsequent owners.

For purposes of the affordability requirements, individuals that are under the guardianship of the State of Maine will be determined to be earning low income.

Section 26: Section 8 Project-Based Vouchers

MaineHousing may offer HUD Section 8 Housing Choice Vouchers to designate as project-based rental assistance for units created under supportive housing programs. To be eligible for project-based Section 8 rental assistance from MaineHousing, the following criteria must be met:

- (1) Projects must create permanent housing. Emergency, temporary or transitional housing are not eligible for project-based rental assistance.
- (2) If a proposed project falls within a municipality in which a local housing authority is located or within a municipality contiguous to a municipality in which a local housing authority is located, then a letter must be submitted to MaineHousing from the local housing authority operating in that location which states the local public housing authority cannot provide the vouchers.
- (3) Housing Choice Voucher program regulations at 24 CFR §982 set forth Housing Quality Standards (HQS) which all units must meet before assistance can be paid on behalf of a family and at least annually throughout the term of the assisted tenancy. For SRO units, HQS (24 CFR §982.605(b)(4) requires the installation of a sprinkler system.
- (4) The units must be either independent units or non-independent living units that are Single Room Occupancy (SRO) units as defined by HUD (24 CFR §982.4).
- (5) Tenants must have a lease with a minimum term of one year.

- (6) The rents that are charged must meet the MaineHousing rent reasonableness test.
- (7) Tenants must meet HUD eligibility criteria.
- (8) Tenants must be at least 18 years old or have been legally emancipated.
- (9) HUD prohibits the use of project-based Section 8 vouchers for the following activities: shared housing; medical, mental or similar public/private institutions; nursing homes or facilities providing continuous care; psychiatric, medical or nursing facilities; board and care or Intermediate Care Facilities; manufactured housing; or coop housing.

For projects that have one to four units, MaineHousing may allocate project-based assistance for each unit in the project. For projects that have five or more units, MaineHousing may allocate assistance for as many as 25% of the units in the project. For projects that have five or more units and are exclusively rented to either elderly tenants or families in which a family member is disabled, MaineHousing may allocate assistance for greater than 25% of the units in the project.

MaineHousing will require that 75% of the units that receive project-based Section 8 vouchers be limited to households earning 30% or less of the area median income as determined by HUD.

Projects requesting project-based Section 8 vouchers will require an environmental review and will be subject to HUD's prohibition on taking choice-limiting actions from the date that MaineHousing receives an application for funding until the project receives its environmental clearance. During this period, applicants must ensure that they do not take any choice limiting actions. For more information on choice limiting actions, please see Section 10, Environmental Review, above.

Upon completion of the project Maine Housing will conduct a housing quality standards inspection. Once the project and units pass this inspection MaineHousing will execute a contract with the owner. The term of the contract will be up to 15 years with an option to renew for an additional 15 year term.

Section 27: Project Management & Reporting Requirements

The financial, physical and administrative management of subsidy funded projects will be regularly reviewed by MaineHousing for the duration of the subsidy and affordability/use restriction period. MaineHousing's procedures, as well as the financing commitment and mortgage loan documents, permit MaineHousing to monitor and preserve the financial viability of the project for the purpose of protecting its security interest and ensuring continued public benefit. For units (apartments), applicants must provide initial and annual certifications and initial tenant income certifications. For group living arrangements (beds), applicants must provide annual certification that the property continues to be operated in the manner required at permanent loan closing.

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

Projects will need to provide an annual income statement and balance sheet specific to the project financed. The financial statements will not need to be audited, however, MaineHousing reserves the right to require an audited financial statement at any time during the affordability period.

The project must continue to meet local and state codes and standards throughout the period in which MaineHousing's debt is outstanding. MaineHousing will periodically inspect all units and review the activities of the applicant to assess compliance with applicable regulations and mortgage requirements. MaineHousing reserves the right to require annual financial statements showing all expenses and revenues of the project in reasonable detail (MaineHousing may require the statements to be audited financial statements) within 60 days after the close of a fiscal year. MaineHousing reserves the right to require a yearly budget at least 30 days prior to the beginning of a project's fiscal year.

MaineHousing 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. Applicants 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.

Section 28: Homeless Management Information System (HMIS)

Applicants will be required to enter all program specific and client data into the Homeless Management Information System (HMIS). All clients and impacted family members must be entered into HMIS with name, date of birth, social security number, and the complete HUD/Maine Universal Data elements and required service related data. All projects receiving funding from MaineHousing will receive HMIS user and reporting licenses necessary to record those data elements and will be bound by and follow the same confidentiality and other policies and procedures outlined in the Maine HMIS Policies and Procedures Manual.

Section 29: Housing Registry

Applicants will need to provide information as needed to enable MaineHousing and SocialServe to enter the applicant's project into the MaineHousing Housing Registry Website (www.mainehousingsearch.org)

Section 30: Fair Housing and Equal Opportunity

Applicants shall comply with all applicable Federal, State and local laws, executive orders pertaining to fair housing and equal housing opportunity, including without limitation, Title VI of the Civil Rights Act of 1964, as amended (42 U.S.C. §2000d et seq. (*Nondiscrimination in Federally Assisted Programs*)), Title VIII of the Civil Rights Act of 1968, as amended by the Fair

Housing Amendments Act of 1988, (42 U.S.C. § 3601 et seq.) (*Federal Fair Housing Act*), Executive Order 11063, as amended by Executive Order 12259 (*Equal Opportunity in Housing*), Age Discrimination Act of 1975, as amended (42 U.S.C. § 6101 et seq.), Americans with Disabilities Act of 1990 (42 U.S.C. § 12101 et seq.), Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 701 et seq.) and the Maine Human Rights Act (5 M.R.S.A. § 4581 et seq.), together with all associated regulations and guidance, as amended from time to time.

Procedures for selection of residents, conditions of residency, and rules regarding termination shall comply with the applicable requirements set forth above. Providers must make reasonable accommodations of rules, policies, and procedures and must allow reasonable structural modifications of buildings to be made, if necessary, to allow an individual with disabilities to have equal access to housing.

Section 31: MaineHousing Non-Discrimination Notice

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.

Appendix 1

MaineHousing Insurance Requirements

The following insurance requirements apply to all supportive housing projects that are or will be financed by MaineHousing.

The requirements contained herein are the minimum requirements of MaineHousing and are for the sole benefit of MaineHousing as lender. MaineHousing is in no way representing or warranting that the minimum coverage required herein is adequate. The Developer is solely responsible for providing and determining the adequacy of insurance coverage for the Developer and the project.

Maine Housing reserves the right, at any time, to modify the insurance requirements, including without limitation, requiring additional insurance coverage of such types and in such amounts and form as MaineHousing determines is necessary or in MaineHousing's best interest, as conditions warrant.

COMPLIANCE CHECKLIST

A MaineHousing Insurance Compliance Checklist(s), in form and substance prescribed by MaineHousing, must be completed by the insurance agent(s) providing insurance coverage for a project. The completed MaineHousing Insurance Checklist(s) must be submitted to MaineHousing for review prior to any loan closing.

GENERAL

All required insurance coverage shall:

- Be in form acceptable to MaineHousing;
- Be provided at the sole cost and expense of the developer, including without limitation, any deductible or self-insured retention, and coverage shall apply for the benefit of MaineHousing as if no such deductible or self-insured retention applies;
- Be in effect prior to the policy inception date and prior to the commencement of any activities covered by such insurance and shall remain valid and in effect during the term of the financing, except any insurance coverage during the course of construction of projects shall remain valid and in effect during the term of the construction contract and any extended warranty period or such longer period as set forth below;
- Be issued by an insurer licensed to do business in the State of Maine, or if not so licensed, approved by the Maine Superintendent of Insurance, and currently rated "A VIII" or better by AM Best;

- Provide at least 30 days written notice to MaineHousing prior to the effective date of any assignment, cancellation, non-renewal or modification, except for non-payment of premium in which case at least 10 days written notice to MaineHousing prior to the effective date of cancellation or non-renewal shall be provided; and
- During construction without any MaineHousing financing (either directly or through a participation in the construction loan), include “*Maine State Housing Authority, its successors and assigns*” with a mailing address of 353 Water Street, Augusta, Maine, 04330, or such other address as MaineHousing may designate from time to time as “Certificate Holder”; and
- During the term of any MaineHousing financing (either directly or through a participation in the construction loan), include “*Maine State Housing Authority, its successors and assigns*” with a mailing address of 353 Water Street, Augusta, Maine, 04330, or such other address as MaineHousing may designate from time to time, as “Mortgagee” and “Loss Payee” on all builder’s risk coverage, property coverage, boiler and machinery coverage and flood coverage (as applicable) and as “Additional Insured” on all general liability and umbrella liability coverage. The additional insured endorsement shall state “*Maine State Housing Authority, its successors and assigns*, is an additional insured for both ongoing and completed operations and should provide the same coverage as ISO CG 20 10 (11-85 version). Endorsements with coverage no less broad than ISO CG 20 26 (07-04 version) with ISO CG 20 37 (07-04 version) shall also be provided.

Developers shall submit certificates of insurance evidencing in-force coverage to MaineHousing for review and approval and evidence of payment of premiums for all required insurance coverage prior to loan closing. Developers shall submit renewal certificates to MaineHousing for review and approval at least 15 days prior to the expiration of the existing coverage. Each certificate of insurance shall be accompanied by a checklist in form prescribed by MaineHousing analyzing whether the insurance coverage evidenced by the certificate complies with these requirements. The checklist shall be completed and signed by the insurance agent issuing the certificate of insurance.

MaineHousing may, at any time, request a copy, certified copy or original of the policy and any endorsements for any or all of the required insurance coverage. Upon request, a developer shall promptly deliver all requested insurance policies and endorsements to MaineHousing in the form requested.

MaineHousing’s acceptance of any certificate or policy of insurance does not ensure compliance with the requirements set forth herein or waive any right of MaineHousing to determine that the coverage does not comply with the requirements.

REQUIREMENTS DURING CONSTRUCTION

The following insurance shall be obtained and maintained during the construction of the project or such longer period as set forth below.

A. Builder's Risk Insurance

Builder's risk insurance can be provided by the owner or the general contractor of the project, provided if the general contractor provides the coverage, the owner, its successors and assigns, must be named as an additional insured on the policy.

Amount/ Valuation	<p>100% of the completed value of all structures (existing and to be constructed) and all materials, equipment, supplies and temporary structures being built or stored at or near the construction site. Completed value will be determined by MaineHousing in its sole discretion. Completed value will not include any site or land costs other than demolition.</p> <p>Loss recoveries must be valued at completed value without deduction for depreciation. For rehabilitation projects, building shells and other salvageable components shall be insured for replacement cost. Replacement cost for historic structures or structures located in an historic district will depend on historic preservation requirements for replacing the structure.</p>
Coverage	<p>No less broad than ISO Form CP 10 30 (<i>Special Cause of Loss</i>), but does not have to be on the ISO form</p> <p>No exclusions for scaffolding</p> <p>No exclusions for testing</p> <p>No coinsurance provision shall apply. An Agreed Value Endorsement is required if the policy includes a coinsurance provision.</p> <p>Coverage must include the interest of the owner, all contractors, subcontractors and suppliers as their interests may appear. Rights of subrogation against MaineHousing must be waived.</p>
Additional Coverage/ Endorsements	<p>Earthquake – 100% of completed value</p> <p>Flood if located in a designated special flood hazard area (<i>Zone A or Zone V or any zone with an A prefix</i>) – maximum coverage available under the Standard National Flood Insurance Program. MaineHousing may require additional coverage in an amount up to 100% of completed value as determined by MaineHousing based on the location of the project within the designated special flood hazard area and the history of flooding.</p> <p>Flood if not located in a designated special flood hazard area, but is otherwise required by MaineHousing based on the</p>

property's proximity to a designated special flood hazard area and history of flooding – 100% of completed value

Delay of Opening (loss of income) equal to 100% of anticipated gross annual rents

Soft Cost Endorsement (indemnification of finance charges)

Permission to Occupy Endorsement (permission is granted for occupancy of the insured project for the purpose it was intended)

Deductible	Up to \$2,500 unless a higher limit is approved by MaineHousing
Term	Builders risk insurance coverage shall remain valid and in effect until a permanent property policy acceptable to MaineHousing is in place
Insured	Owner or General Contractor
Additional Insured	Owner, its successors and assigns, if coverage is provided by the General Contractor

B. Owner Insurance Coverage

Commercial General Liability

Minimum Amount	\$2,000,000 General Aggregate \$2,000,000 Products and Completed Operations Aggregate \$1,000,000 Personal and Advertising Injury \$1,000,000 Each Occurrence
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Aggregate limits shall apply on a “per location” or “per project” basis.

MaineHousing may require higher limits

Coverage	No less broad than latest ISO form CG 00 01, but does not have to be on the ISO form
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Coverage may exclude War, Abuse and Molestation, Fungus, Nuclear Energy, Employment-related Practices, Asbestos and Terrorism. All other exclusions must be reviewed and approved by MaineHousing.

Form	Occurrence basis form
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Workers' Compensation/Employer's Liability Insurance

If the owner of the project is a limited partnership or limited liability company and does not have any employees, these requirements apply to the general partner(s) or member(s)/manager(s).

Minimum Amount	\$500,000 Each Accident \$500,000 Disease – Each Employee \$500,000 Disease – Policy Limit or amounts required by statute, whichever is greater
Coverage	Insurance or an approved self-insurance program with coverage required under Maine Workers' Compensation Act

Automobile Liability Insurance

Minimum Amount	\$1,000,000 Each Accident
Coverage	Owned, hired and non-owned vehicles
Form	ISO form CA 00 01 or equivalent

Umbrella Liability Insurance

Minimum Amount	\$1,000,000 for structures with up to 3 floors \$3,000,000 to \$10,000,000 as determined by MaineHousing, for structures with 4 or more floors
Coverage	Excess of General Liability, Automobile Liability and Employer's Liability No less broad than General Liability, Automobile Liability and Employer's Liability
Form	Occurrence basis form

C. Contractor Insurance Coverage (includes general contractors, construction managers and major subcontractors)

Commercial General Liability

Minimum Amount	\$2,000,000 General Aggregate \$2,000,000 Products and Completed Operations Aggregate \$1,000,000 Personal and Advertising Injury \$1,000,000 Each Occurrence
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Aggregate limits shall apply on a “per location” or “per project” basis.

MaineHousing may require higher limits

Coverage	No less broad than latest ISO form CG 00 01, but does not have to be on the ISO form
	Coverage may exclude War, Abuse and Molestation, Fungus, Nuclear Energy, Employment-related Practices, Asbestos and Terrorism. All other exclusions must be reviewed and approved by MaineHousing.
Form	Occurrence basis form

Workers’ Compensation/Employer’s Liability Insurance

Minimum Amount	\$500,000 Each Accident \$500,000 Disease – Each Employee \$500,000 Disease – Policy Limit or amounts required by statute, whichever is greater
Coverage	Insurance or an approved self-insurance program with coverage required under Maine Workers’ Compensation Act

Automobile Liability Insurance

Minimum Amount	\$1,000,000 Each Accident
Coverage	Owned, hired and non-owned vehicles
Form	ISO form CA 00 01 or equivalent

Umbrella Liability Insurance

Minimum Amount	\$1,000,000 for structures with up to 3 floors \$3,000,000 to \$10,000,000 as determined by MaineHousing, for structures with 4 or more floors
Coverage	Excess of General Liability, Automobile Liability and Employer’s Liability
	No less broad than General Liability, Automobile Liability and Employer’s Liability

Form Occurrence basis form

D. Design Professional Coverage (including architects and engineers)

Professional Errors and Omissions Insurance

Minimum Amount \$1,000,000 Each Occurrence
\$1,000,000 Aggregate

For projects with total construction costs less than \$1,500,000, MaineHousing may consider lower coverage amounts, but in no case, less than \$500,000 Each Occurrence and \$500,000 Aggregate

Coverage If coverage is on claims made basis, the retroactive date must predate the work being performed.

Term Coverage must remain in place for 3 years after project completion

E. Environmental Remediation Contractor's Coverage (only projects contaminated with hazardous substances, lead, asbestos and other pollutants)

Pollution Liability Coverage

Minimum Amount \$1,000,000

Coverage Cleanup, property damage and bodily injury

The retroactive date must pre-date the remediation work start date

REQUIREMENTS FOR COMPLETED PROJECTS

The following insurance shall be obtained and maintained by the owner of the project during the term of MaineHousing's financing.

Property Insurance Coverage

Amount/Valuation 100% of the replacement cost of all structures, improvements and contents. Replacement value shall be determined by MaineHousing and shall be a minimum of \$150 per square foot. Replacement cost for historic structures or structures located in

an historic district will depend on historic preservation requirements for replacing the structure.

Loss recoveries must be valued at replacement cost without deduction for depreciation.

No coinsurance provision shall apply. An Agreed Value Endorsement is required if the policy includes a coinsurance provision.

Coverage must include the interest of the owner and all other interests as they may appear. Rights of subrogation against MaineHousing must be waived.

Coverage/
Endorsements

No less broad than ISO Form CP 10 30 (*Special Cause of Loss*), but does not have to be on the ISO form

Earthquake – 100% of the replacement cost

Wind – 100% of the replacement cost

Flood if located in a designated special flood hazard area (*Zone A or Zone V or any zone with an A prefix*) – maximum coverage available under the Standard National Flood Insurance Program. MaineHousing may require additional coverage in an amount up to 100% of the replacement cost as determined by MaineHousing based on the location of the project within the designated special flood hazard area and the history of flooding.

Flood if not located in a designated special flood hazard area, but is otherwise required by MaineHousing based on the property's proximity to a designated special flood hazard area and history of flooding – 100% of the replacement cost

Loss of Rental Income coverage equal to 100% of anticipated gross annual rents

Ordinance and Law coverage at no less than 10% of the value of all structures and improvements for demolition and increased cost of construction

Deductible

Up to \$2,500 unless a higher limit is approved by MaineHousing

Form

ISO Form CP 10 30 (*Special Cause of Loss*) or equivalent

Evidence of coverage must be on *Accord Form 28* indicating compliance with the property insurance requirements set forth herein.

If written on a Business Owner's Policy, ISO Form BP 04 83 is required.

Standard National Flood Insurance Program form for flood, if required

Boiler and Machinery Insurance Coverage (if not included in property insurance coverage)

Amount/
Valuation

100% of the replacement cost of all structures, improvements and contents. Replacement value shall be determined by MaineHousing and shall be a minimum of \$150 per square foot. Replacement cost for historic structures or structures located in an historic district will depend on historic preservation requirements for replacing the structure.

Loss recoveries must be valued at replacement cost without deduction for depreciation.

No coinsurance provision shall apply. An Agreed Value Endorsement is required if the policy includes a coinsurance provision.

Coverage must include the interest of the owner and all other interests as they may appear. Rights of subrogation against MaineHousing must be waived.

Coverage/
Endorsements

Loss of Rental Income coverage equal to 100% of anticipated gross annual rents

Ordinance and Law coverage at no less than 10% of the value of all structures and improvements for demolition and increased cost of construction

Deductible

Up to \$2,500 unless a higher limit is approved by MaineHousing

24 hour maximum deductible on Use and Occupancy

Form

Accord Form 28 indicating compliance with these requirements

Crime Coverage

If the property manager has custody of the owner's funds, both the owner and the property manager must obtain and maintain this coverage.

Amount 25% of anticipated gross annual rents
Coverage Employee Dishonesty, Forgery and Alteration

Commercial General Liability

Minimum Amount \$2,000,000 General Aggregate
\$2,000,000 Products and Completed Operations Aggregate
\$1,000,000 Personal and Advertising Injury
\$1,000,000 Each Occurrence

Aggregate limits shall apply on a "per location" or "per project" basis.

MaineHousing may require higher limits

Coverage No less broad than latest ISO form CG 00 01, but does not have to be on the ISO form

Coverage may exclude War, Abuse and Molestation, Fungus, Nuclear Energy, Employment-related Practices, Asbestos and Terrorism. All other exclusions must be reviewed and approved by MaineHousing.

Form Occurrence basis form

Workers' Compensation/Employer's Liability Insurance

If the owner is a limited partnership or limited liability company and does not have any employees, these requirements apply to the general partner(s) or member(s)/manager(s).

Minimum Amount \$500,000 Each Accident
\$500,000 Disease – Each Employee
\$500,000 Disease – Policy Limit
or amounts required by statute, whichever is greater

Coverage Insurance or an approved self-insurance program with coverage required under Maine Workers' Compensation Act

Automobile Liability Insurance

Minimum Amount \$1,000,000 Each Accident

Coverage Owned, hired and non-owned vehicles

Form ISO Form CA 00 01 or equivalent

Garagekeepers Liability Insurance (if owner provides for-fee parking to public)

Minimum Amount \$25,000 per vehicle

Umbrella Liability Insurance

Minimum Amount \$5,000,000

Coverage Excess of General Liability, Automobile Liability and Employer's Liability

No less broad than General Liability, Automobile Liability and Employer's Liability

Form Occurrence basis form

Pollution Liability Coverage (only projects contaminated with hazardous substances, lead, asbestos and other pollutants)

Minimum Amount \$1,000,000

Coverage Cleanup, property damage and bodily injury

The retroactive date must pre-date the remediation work start date

Appendix 2

Service Centers Calculated January 2013

**Entire Municipality
(Alphabetical Order)**

ASHLAND
AUBURN
AUGUSTA
BANGOR
BAR HARBOR
BATH
BELFAST
BETHEL
BIDDEFORD
BINGHAM
BLUE HILL
BOOTHBAY HARBOR
BREWER
BRIDGTON
BRUNSWICK
CALAIS
CAMDEN
CARIBOU
CORNISH
DAMARISCOTTA
DEXTER
DOVER-FOXCROFT
EASTPORT
ELLSWORTH
FALMOUTH
FARMINGTON
FORT KENT
FREEPORT
GARDINER
GREENVILLE
GUILFORD
HERMON
HOULTON
JACKMAN
KENNEBUNK
KITTEERY
LEWISTON
LIMESTONE
LINCOLN
MACHIAS
MADAWASKA
(See Next Page)

**Urban Compact Areas Designated as
Regional Service Centers
(Alphabetical Order)**

CAPE ELIZABETH (partial)
GORHAM (partial)
LISBON (partial)
OLD TOWN (partial)
WELLS (partial)
WINSLOW (partial)

**Census Designated Places Designated as
Regional Service Centers
(Alphabetical Order)**

DIXFIELD (partial)
FAIRFIELD (partial)
LISBON (partial)

MARS HILL
MEXICO
MILBRIDGE
MILLINOCKET
MOUNT DESERT
NEWPORT
NORWAY
OLD ORCHARD BEACH
ORONO
OXFORD
PITTSFIELD
PORTLAND
PRESQUE ISLE
RANGELEY
ROCKLAND
ROCKPORT
RUMFORD
SACO
SANFORD
SCARBOROUGH
SKOWHEGAN
SOUTH PORTLAND
SOUTHWEST HARBOR
THOMASTON
TOPSHAM
VAN BUREN
WATERVILLE
WESTBROOK
WINDHAM
WISCASSET

Appendix 3 Displacement and Relocation Policy

Tenant Displacement and Relocation Policy

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

Summary of Policy on Displacement/Relocation

Part I: The General Policy Section stresses that applicants take all reasonable steps to avoid or minimize displacement/relocation. However, MaineHousing recognizes that in certain cases it cannot be avoided. Where it cannot, MaineHousing imposes financial obligations upon the applicant to assist those displaced. These obligations are project costs eligible for MaineHousing financing.

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

Part III: The Benefits and Procedures for Persons (permanently) Displaced From Projects Receiving Federal Funds Section describes how federal law defines a displaced person and what the law requires an applicant to do for displaced persons. In summary, the benefits 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 1) actual and reasonable out-of-pocket moving and related expenses; or 2) 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 either the cost of the original unit or 30% of the person's gross monthly income, whichever is less.

This section also defines "**economic displacement**" in which tenants are 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 MaineHousing-financed projects, with

applicants' need for guidance as to what will (and will not) expose them to liability, MaineHousing developed the following formulation:

<u>Time Frame</u>	<u>Rent Increase Allowed</u>
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 documented increases in operating costs
After 3 and 1/2 years:	Rebuttable presumption that rent increases not a result of the acquisition/rehab financed by MaineHousing

"Targeted" units are also restricted by the terms of MaineHousing's covenant documents with the developer.

Part IV: The Benefits and Procedures for Persons (permanently) Displaced From Projects Not Receiving Federal Funds Section describes the benefits for displaced or relocated tenants in which projects that do not receive any federal funding.

Notice	Supportive housing projects: 60 days . Projects involving density reduction: 60 days . Projects requiring displacement to meet 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.: 1) explanation of relocation assistance available; 2) location of up to 3 comparable units for the tenant to choose from; and 3) offer of transportation to inspect the comparable units.
Moving Expenses	For persons below 80% of median income, either 1) actual and reasonable out-of-pocket moving and related expenses; or 2) 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 the financial responsibility of the developer.