



# CONTINUUM OF CARE

## MATCH FUNDING



**2008 Program Guide**

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# MaineHousing Match Funding

## Continuum of Care

### 2008 Program Guide

#### A. Introduction

Each year, the U.S. Department of Housing and Urban Development (HUD) issues a Super Notice of Funding Availability (SuperNOFA) for major federal programs that serve the needs of homeless and disabled populations. Included in the SuperNOFA are those programs authorized under the McKinney-Vento Homeless Assistance Act. These programs offer funding on a competitive basis to proposals that will serve the needs of homeless populations.

McKinney-Vento funding requires the development of a Continuum of Care system for the community where assistance is being sought. Continuum of Care (COC) systems must be designed to address the needs of homeless populations via a coordinated community-based process of identifying needs and solutions to address needs. There are three COC systems in Maine: Portland COC (PCOC); Greater Penobscot COC (GPCOC); and Maine Balance of State COC (MBOS). Each of these three COC systems submits applications to HUD for grant funding under the Continuum of Care Homeless Assistance Programs (COCHAP). The COCHAP offers funding through three programmatic options: the Supportive Housing Program; the Shelter Plus Care Program; and the Section 8 Moderate Rehabilitation Single Room Occupancy Program for Homeless Individuals.

To learn more about each COC, please contact:

MBOS	Scott Tibbitts, <a href="mailto:STibbitts@MaineHousing.Org">STibbitts@MaineHousing.Org</a> 626-4604
GPCOC	Kaleena Nakowicz, <a href="mailto:KaleenaNakaowicz@BangorMaine.Gov">KaleenaNakaowicz@BangorMaine.Gov</a> 992-4241
PCOC	Bob Duranleau, <a href="mailto:RMD@PortlandMaine.Gov">RMD@PortlandMaine.Gov</a> 775-7915

This Program Guide is limited to initiatives that are seeking funding under the federal **Supportive Housing Program (SHP)**.

#### B. MaineHousing Role

Maine State Housing Authority (MaineHousing) is the housing finance agency for the State of Maine. Each year, MaineHousing directs significant resources to address the housing needs of homeless populations. For 2008, MaineHousing has allocated up to \$1 million dollars to address the housing needs of Maine's homeless populations in this offering. The primary source of funding for this allocation is the State HOME Fund which is generated by the State of Maine Real Estate Transfer Tax.

MaineHousing is a committed supporter of the HUD homeless programs and a partner to the Maine non-profit organizations that utilize the HUD programs. MaineHousing provides both technical and financial resources to the COC effort to ensure that Maine receives the maximum amount of federal funding available for homeless support.

Part of MaineHousing's commitment is to pledge subsidy funds that will satisfy a HUD matching requirement for the **SHP**. HUD requires that applicants seeking **SHP** development capital for the creation of housing for the homeless submit to a 50%/50% local match requirement.

MaineHousing will allocate subsidy funding for **SHP** projects submitted in the 2008 COC applications. The MaineHousing funding will be used as a dollar for dollar match for the portion of **SHP** applications dedicated to so-called 'bricks and mortar' costs. These costs include all direct costs incurred in the development of housing units. The MaineHousing funding may not be used for operational or service costs or as match for these costs.

MaineHousing provides funding for a variety of special needs initiatives. MaineHousing has adopted a set of standards and requirements that are applicable to all special needs housing funded by MaineHousing. Those standards and requirements are contained in a handbook titled ***Addendum to the Supportive Housing Programs***. The ***Addendum to the Supportive Housing Programs*** can be found on the MaineHousing website. The ***Addendum to the Supportive Housing Programs*** will be referenced in various sections of this Program Guide.

## **C. Process**

Applicants wishing to access MaineHousing match funding for the development of projects will need to notify the applicable continuum that they are seeking match funding from MaineHousing. This notification will need to be made at the time of the submission of the HUD SHP application.

The applicable continuum will forward to MaineHousing a copy of the complete HUD SHP application by the application submission date for all applicants seeking match funding from MaineHousing.

Each applicant for MaineHousing match funding will be scored per the scoring criteria detailed in Section D of this Program Guide. MaineHousing will convene a scoring committee composed of MaineHousing staff and representatives of the Continuums of Care with experience and skill-sets relevant to this initiative. The scoring committee will review all submitted HUD SHP applications from applicants seeking MaineHousing match funding. The scoring committee will utilize the application materials to develop a final score for each applicant. Projects must receive at least 70 points to be recommended by the scoring committee. The scoring committee will report selection recommendations to the MaineHousing Director. The Director will make final match funding decisions.

Before each continuum makes its selections for the HUD SuperNOFA, MaineHousing will notify all applicants and the continuum of the outcome of the match selection process. Following the continuum scoring process, MaineHousing will formally issue a selection notice, which will include the maximum amount of match funding that will be available for that project. Ultimately, the match funding is contingent upon the project being selected by HUD and becoming viable.

## **D. Scoring Criteria**

All requests to MaineHousing for match funding of HUD SHP projects will be scored based upon the criteria below. MaineHousing will look to the application submitted to the COC for the data needed to score each request.

MaineHousing will employ the following two scoring criteria. Each criterion will offer a maximum score of 50 points for a maximum total of 100 points.

### ***Scoring Criteria #1 – Organizational Capacity (50 POINTS)***

The following elements will be considered:

- The financial, staffing and managerial capacity of the applicant to facilitate and coordinate all facets of real estate development
- The experience of the development team in developing projects within reasonable time-frames and budgets. The development team may include consultants, design professionals, contractors, etc.
- The experience of the applicant in owning real estate assets and maintaining the financial and physical viability of the assets
- The experience of the applicant in securing operational and service funding for projects that serve the needs of special needs populations
- The experience of the applicant in addressing the service needs of the target population. The service needs may be addressed by entities other than the applicant.

### ***Scoring Criteria #2 - Feasibility of the Initiative (50 POINTS)***

The following elements will be considered:

- For projects which are not requesting MaineHousing Project-Based Section 8 vouchers, does the applicant offer a clear and specific plan for securing operational funding for the project, both in the short and long term? Does the applicant demonstrate that the plan is feasible?

- Does the applicant offer a clear and specific plan for securing service funding for the project, both in the short and long term? Does the applicant demonstrate that the plan is feasible?
- Has the applicant secured the conditional support of potential funding providers, such as the Department of Health and Human Services, etc.?
- Does the applicant propose a total development cost that is reasonable for the real estate market in which the project will be located? (Please see Section J of this Guide for further discussion of total development costs)
- Does the applicant propose a development time-line that is both reasonable and in compliance with HUD requirements?
- Does the applicant propose a project that has gained local or regional support?

## E. Applicants

Eligible applicants must meet the following criteria:

Be a non-profit corporation organized in the State of Maine under Title 13-B of the Maine Statutes or registered to do business in the State of Maine and have determination, or have applied for determination, of tax exemption under Section 501(c)(3) of regulations of the Internal Revenue Code and the implementing regulations;

Demonstrate the authority to apply for and receive necessary funding for the proposed project;

Demonstrate capacity to deliver appropriate and necessary services for the target population and/or realistic strategies to meet the service needs of the target population;

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

Developer must not be excluded from participation in federal housing programs, as further discussed in the *Addendum to the Supportive Housing Programs*;

Developer must be currently in good standing with previously MaineHousing funded projects, as further discussed in the *Addendum to the Supportive Housing Programs*;

Developer must be in compliance with federal and MaineHousing conflict of interest prohibitions, as further discussed in the *Addendum to the Supportive Housing Programs*.

Developer must comply with all requirements for subsidy funding set forth in the *Addendum to the Supportive Housing Programs*.

## F. Eligible Activities

MaineHousing match funding may be used for the acquisition and rehabilitation of existing residential housing (residential housing is real property most recently used exclusively as a residence for individuals or families in compliance with local zoning requirements).

MaineHousing strongly urges applicants to consider acquisition and rehabilitation of existing residential housing prior to considering alternatives such as adaptive re-use; substantial rehabilitation; and new construction. Generally, acquisition and rehabilitation of existing residential units is the most cost effective and efficient strategy for developing supportive housing. Acquisition and rehabilitation of existing residential properties also places less stress on an organization's development capacity.

Applicants requesting funding for adaptive re-use of non-residential properties, substantial rehabilitation of existing properties and new construction, will be required to demonstrate that there is a lack of reasonable options for acquiring and rehabilitating existing residential properties in the target area. Applicants will be required to provide the following information in an addendum to the COC application:

- Data indicating the number of residential properties (including multi-family) that are currently available for purchase and are located in the municipality in which the proposed project will be developed
- The number of properties from the pool of available properties for which the applicant conducted due diligence to determine whether a specific project would be suitable for the intended use
- A summary of the deficiencies that were identified in the projects that were considered
- Any other search or due diligence activities applied to existing residential properties

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

Eligible housing programs include: transitional housing; permanent housing; and safe havens. Please note that projects must be permanent housing if project-based Section 8 Housing Vouchers will be requested from MaineHousing.

Transitional housing is defined as housing that:

- (a) Is designed to provide housing and appropriate supportive services for persons in need of a supportive housing environment; and
- (b) Has as its purpose facilitating the movement to a less restrictive form of care within a period up to and 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.

Permanent housing is defined as housing that:

- (a) Is designed to provide a permanent, independent housing option; and
- (b) Has as its purpose the integration into the community of independent living persons with the ability to sustain permanent long-term residence.

Safe Havens are defined as housing that:

- (a) Is designed to provide safe residence of varying lengths of stay for homeless persons including victims of domestic violence.

## G. Ineligible Activities

MaineHousing match funds may not be used for the following activities:

- Acquisition and/or rehabilitation of existing projects that are currently *restricted* to providing housing for homeless persons and are currently *servicing* homeless persons in a manner that is both feasible and sustainable
- Refinancing of existing debt
- Operational funding
- Service funding
- Developer fees (**developer's incurred costs, including overhead, are eligible**)
- Acquisition of existing projects that were originally funded by MaineHousing unless the acquisition is part of a preservation or workout effort

## H. Target Populations

**SHP** funded projects must be targeted to persons that meet the McKinney-Vento definition of homelessness. For new projects, persons assisted with permanent housing must be homeless and reside in one of the following:

- Places not meant for human habitation, such as cars, parks, sidewalks, and abandoned buildings
- An emergency shelter
- Transitional housing for homeless persons and who originally resided in one of the two locations above

If an individual meets one of three criteria above, but most recently spent less than a total of 30 days in a correctional facility or an institution, then the individual is deemed to meet one of the three criteria.

## **I. Targeting Requirement**

Units funded with MaineHousing match funds must be targeted to homeless persons with incomes at or below 50% of the area median income. The targeting restrictions will remain in place for 30 years and set forth in a covenant that will be recorded at the applicable registry of deeds.

## **J. Total Development Costs**

Recent market data indicate that in most Maine real estate markets, acquisition and rehabilitation of existing residential units can be achieved at a total development cost of \$150,000 or less. In most markets for which information is available, rehabbed units of \$150,000 or less can be found that will provide decent, safe and sanitary housing in suitable locations. MaineHousing may consider projects that propose a total development cost in excess of \$150,000 per unit if a Maine licensed appraiser confirms to MaineHousing's satisfaction that there is an absence of available and existing residential units that would have a total development cost of \$150,000 or less.

## **K. Funding**

The source of the MaineHousing match funding will be subsidy funds generated by the State HOME Fund Program.

The MaineHousing subsidy funding will be structured as non-recourse, 0%, deferred loans. The loans will be secured by a lien on the property. The MaineHousing liens will be in first lien position unless otherwise concurred to by MaineHousing in writing. MaineHousing will review requests for lien subordination on a case-by-case basis. MaineHousing will not establish any minimum collateral requirements for the subsidy funding, e.g. loan to value.

MaineHousing will require repayment of the full subsidy loan at the earlier of the following events: (a) sale, transfer, assignment of the property; (b) the discontinuation of the intended public purpose; (c) a default under the MaineHousing loan documents; or (d) thirty (30) years. Provided the events described in (a) through (c) have not occurred, the applicant may successively extend the 30 year repayment date in 10 year increments. During the period of each renewal term, the terms and conditions of the original loan documents will remain in effect.

Subsidy loans may not be prepaid without MaineHousing's consent.

## **L. Project-Based Section 8 Rental Assistance**

MaineHousing has made available a limited number of HUD Section 8 Housing Choice Vouchers to designate as project-based rental assistance for units created under this program offering. To be eligible for project-based rental assistance from MaineHousing, the following criteria must be met:

- Projects must create permanent housing. Emergency, temporary or transitional housing are not eligible for project-based rental assistance.
- 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 and that the local housing authority will administer the vouchers, in accordance with a contract with MaineHousing and the terms of the MaineHousing Administrative Plan.
- The project must meet HUD Housing Quality Standards
- The units must be either independent units or Single Room Occupancy (SRO) units as defined by the federal Department of Housing and Urban Development (HUD) (24 CFR 982.4)
- Tenants must have a lease with a minimum term of one year
- The rents that are charged must meet the MaineHousing rent reasonableness test
- Tenants must meet HUD eligibility criteria
- Tenants must be at least 18 years old or have been legally emancipated

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 with a family member that is disabled, MaineHousing may allocate assistance in excess of 25% of the units in the project.

## **M. Loan Security**

MaineHousing subsidy loans will be secured by a mortgage on the land and improvements constituting the project, including an assignment of leases and rents, and a UCC security interest in all fixtures, personal property and deposit accounts of the project. HUD requires that the developer record a deed covenant at the time of the HUD Grant Agreement. The HUD covenant ensures the continued public purpose during the HUD compliance period. MaineHousing's recorded documents will be subordinate to the HUD deed covenant. Additionally, MaineHousing may subordinate its mortgage to other lenders for the project. MaineHousing will review subordination requests on a case-by-case basis.

For more details on loan security, please consult the ***Addendum to the Supportive Housing Programs.***

## **N. Reserves**

MaineHousing strongly encourages the establishment and regular funding of a project replacement reserve. Replacement reserve funding is not required by MaineHousing for purposes of this program.

MaineHousing may require the establishment and funding of a tax and insurance escrow.

## **O. Displacement and Relocation**

The applicant must make reasonable efforts to minimize the displacement of existing residents of the project. Where displacement will occur, the developer shall comply with MaineHousing's temporary relocation and permanent displacement policies, 24 CFR § 92.353 and the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, 42 USC § 4201 et seq. and 49 CFR Part 24, which may require the developer to provide assistance to permanently or temporarily displaced residents.

## **P. Fair Housing and Equal Opportunity**

The applicant shall comply with applicable Federal and State laws, executive orders and regulations 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.*, 24 CFR Part 1), The Fair Housing Act, as amended (42 U.S.C. § 3601 *et seq.*, 24 CFR Part 100-115), Equal Opportunity in Housing (Executive Order 11063, as amended by Executive Order 12259), Age Discrimination Act of 1975, as amended (42 U.S.C. § 6101 *et seq.*, 24 CFR Part 146), and the Maine Human Rights Act (5 M.R.S.A. § 4581 *et seq.*).

### ***MaineHousing Non-Discrimination Notice***

*Maine State Housing Authority ("MaineHousing") does not discriminate on the basis of race, color, religion, sex, sexual orientation, national origin, ancestry, age, physical or mental disability, or familial status in the admission or access to, or treatment or employment in, its programs, and activities. 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: Jodie Stevens, Maine State Housing Authority, 353 Water Street, Augusta, Maine 04330-4633, Telephone Number (207) 626-4600 or 1-800-452-4668 (voice) or 1-800-452-4603 (TTY).*

*Applicants are cautioned to be aware of the potential applicability of provisions of the Americans with Disabilities Act, the Maine Human Rights Act, federal Fair Housing legislation and Section 504 of the Rehabilitation Act of*

*1973 to any housing proposed for funding. Procedures for selection of residents, conditions of residency, and rules regarding termination may fall within the scope of this legislation. Providers must make reasonable accommodations of rules, policies, and procedures and may be required to allow reasonable structural modifications of buildings to be made, if necessary, to allow an individual with disabilities equal access to housing.*

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**MAINEHOUSING RESERVES THE RIGHT TO REJECT OR CEASE PROCESSING ANY REQUESTS FOR FUNDING PRIOR TO ISSUANCE OF A MAINEHOUSING LETTER OF COMMITMENT. MAINEHOUSING ACCEPTS NO OBLIGATION TO FINANCE ANY PROPOSAL UNTIL A COMMITMENT HAS BEEN ISSUED AND ACCEPTED BY THE DEVELOPER IN ACCORDANCE WITH ITS TERMS.**