



Supportive Housing Pre-Development Loan Program Guide and Application

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

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

MaineHousing

353 Water Street

Augusta, Maine 04330

Program Effective on March 8, 2011

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Chapter One

Program

Section 1: Purpose

The purpose of Maine Housing's Supportive Housing Pre-Development Loan Program (PDL) is to provide interest-free capital to cover mortgageable pre-development costs incurred by applicants who are developing supportive housing projects.

Section 2: Eligible Applicants

To be eligible under the PDL you must evidence that the applicant has received 501 (c)(3) tax-exempt status from the U.S. Internal Revenue Service, and is registered to do business in the State of Maine and can evidence good standing from the State of Maine.

A maximum of three (3) outstanding PDL's per applicant, to include related entities, will be allowed at any point in time.

Section 3: Eligible Projects

Projects financed by MaineHousing under any of its Supportive Housing programs including McKinney-Vento Program Continuum of Care Match projects.

Section 4: Eligible Uses

Eligible uses of PDL proceeds include any mortgageable costs incurred in the pre-development phase of the project including, but not limited to:

- up to \$5,000 toward the option or earnest money payments on a purchase and sale contract
- environmental testing
- legal services
- architectural services
- engineer's assessment
- market study and appraisal services
- up to \$5,000 toward consulting fees
- up to \$7,500 toward organizational overhead directly attributable to pre-development activities

Construction and infrastructure costs are ineligible.

MaineHousing reserves the right, in its sole discretion, to deny or partially fund payment for any eligible use.

Section 5: Affordability Requirements

Affordability requirements will coincide with the minimum affordability requirements outlined in the MaineHousing program guide or applicants pledge used for permanent financing (whichever is more restrictive).

Section 6: Loan Terms

Loans are 0.00% interest.

Repayment is deferred until the earlier of the end of the PDL term or the initial project loan closing (construction loan closing or permanent loan closing as applicable).

Term is 24 months.

The maximum funding amount under the PDL is \$40,000.

Funding limits per PDL will not exceed the maximum limits described above. MaineHousing in its sole discretion reserves the right to reduce or limit funding at an amount that is less than what the applicant desires.

Funding for this program is subject to the availability and appropriation of funds by MaineHousing.

In the event that the PDL work plan is not accomplished within the schedule agreed to by the parties in the PDL Agreement, or at the expiration of the PDL term, MaineHousing reserves the right to commence the assessment of interest on the outstanding principal at MaineHousing's current cost of capital.

Pre-development costs incurred by the applicant before the execution of the PDL Agreement are eligible for reimbursement, so long as it can be demonstrated by the applicant that the expenses were directly related to the proposed project. These costs and evidence of payment **must** be submitted at the time of the PDL application.

Section 7: Eligibility Requirements

Each application will need to be complete, demonstrate a need for funding, and demonstrate preliminary project feasibility, and organizational capacity to undertake the proposed project. The eligibility requirements are described in greater detail in Chapter 2.

Section 8: Reporting

The applicant will be expected to communicate periodically with the assigned MaineHousing loan officer concerning the status of its projects. MaineHousing reserves the right to establish a schedule for written status reports if necessary.

Section 9: Application Process

All applicants for the PDL must submit a completed MaineHousing Pre-Development Loan Application. Contingent on the availability of funds, applications will be reviewed as they are received.

A PDL commitment carries no entitlement or assurance of a commitment for the same project through other MaineHousing financing programs. MaineHousing reserves the right to reject or cease processing any or all submissions or applications.

Section 10: Disbursement Process

Once a PDL Agreement is executed, MaineHousing will disburse funds in accordance with a workplan and budget mutually agreed to by the borrower and MaineHousing. The amount of the

loan will be set aside in an escrow account at MaineHousing.

Upon receipt and approval of evidence of applicant's having paid an eligible expense, MaineHousing will reimburse the borrower directly or will write a two-party check to the applicant and second payee upon receipt and approval of invoices for eligible services rendered to the applicant.

MaineHousing may limit the frequency of requests for reimbursement. MaineHousing reserves the right to review any and all of the expenses being paid for by the PDL.

Section 11: Modification, Reduction, or Acceleration of Loan

If MaineHousing determines that the applicant has failed to meet one or more of the obligations of the loan agreement, MaineHousing will notify the applicant and give it an opportunity within a prescribed time to show that it has taken curative action. If the applicant fails to do so, MaineHousing may modify, reduce, or accelerate the loan, or take other appropriate action.

Section 12: Questions

Applicants are encouraged to contact MaineHousing's Development Division at 207/626-4600 or 1-800-452-4668 (voice) or 1-800-452-4603 (TDD) to discuss any questions about the PDL.

Chapter 2

Eligibility Requirements

Section 1: Complete Application

An application must be complete and provide all required information in the application checklist in order to be accepted. Applications that are unsigned or otherwise substantially incomplete will be returned to the applicants.

Section 2: Evidence of Funding Need

Borrowers must demonstrate the need for PDL funds to achieve their affordable housing objectives. Projects that in the sole judgment of the Authority do not require MSHA PDL funds or could proceed with other available sources of funding will not be considered.

Section 3: Project Feasibility

MaineHousing will conduct a preliminary analysis of all proposals. MaineHousing will only provide PDL funding for projects that have been determined to be preliminarily feasible. The analysis of feasibility will include a review of the following issues:

- Do applicable zoning and land use laws allow the proposed use? If not, what is the likelihood and timeframe for obtaining the applicable zoning?
- Are there any obvious barriers to the sponsor's securing clear title to the property? If so, please explain.
- Do the development costs projected by the applicant appear reasonable?
- Is the applicant likely to secure permanent financing?
- Is the applicant likely to complete the proposed project?
- Do the proposed operating expenses for the project appear reasonable?
- Is the applicant likely to secure the operating subsidies (if any) identified in the operating budget?

Section 4: Funding Limits

Applicants may have limits set on the amount of PDL funding that can be accessed prior to the completion of specific tasks or milestones. These limits will be set forth in the PDL Agreement between the applicant and MaineHousing. In addition, there are specific limits that will apply in all cases. Those limits are:

- For projects that will be applying under MaineHousing Request for Proposals programs, sponsors may receive up to \$10,000 of PDL funding prior to MaineHousing's issuance of an award letter

Non-Discrimination Policy

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: 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), 1-800-452-4603 (TTY in state only), or (207) 623-2985 (TTY).

Exhibit A
Application Declaration

I am aware that this Application must be signed and complete, including required Exhibits and attachments as noted.

To the best of my knowledge, all information contained in this application and its supporting exhibits and attachments is true and correct. I also hereby authorize the Maine State Housing Authority (“MaineHousing”) to evaluate the application in such manner as MaineHousing deems necessary, including discussing this application with any lender, municipal official, vendor, or other party with an interest in this property or project.

I hereby authorize MaineHousing to verify any bank or other fund balance indicated on any personal or organizational financial exhibit, to investigate credit, employment or business standing of that or any related party, to disclose any aspect of the financial information to any person but only for the purpose of determining the accuracy of the information or otherwise investigate and evaluate the application in such manner as MaineHousing deems necessary.

I certify that neither the owner/applicant, its principals or partners is presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation in any HUD programs.

Applicant: _____

By: _____

Date: _____

Applicant: _____

By: _____

Date: _____

Applications must be signed by all principals (Individual, Partner, General Partner or Corporate representative authorized to bind the company) in the applicant entity.

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

UNSIGNED APPLICATIONS WILL NOT BE ACCEPTED

Exhibit B
Applicant Conflict of Interest Disclosure Form

To ensure that the Maine State Housing Authority (“MaineHousing”) maintains the continued confidence of Maine people and its partners in carrying out its mission of providing affordable housing, MaineHousing’s employees and commissioners must avoid situations in which their obligations or commitments to other organizations or individuals or their personal or financial relationships or interests are or appear to be at odds with their responsibilities to MaineHousing.

Maine law and, when federal funding is involved, federal regulations govern conflicts of interest. In general, these laws prohibit MaineHousing employees and commissioners from working on transactions with applicants with whom they have financial, business, professional or personal relationships or other ties. In addition, these laws prohibit former MaineHousing employees and commissioners from working on certain transactions for up to two years after leaving MaineHousing.

To help ensure the continuing integrity of MaineHousing’s business and compliance with these laws, applicants for loans or certain other assistance under MaineHousing’s programs must disclose any financial, business, professional, civic, charitable, family (or other personal) relationships, associations or connections that the applicant, its affiliates, employees of applicant who may work on the MaineHousing project, or any parties the applicant intends to hire to work on the MaineHousing project (whether employees, contractors or consultants) may currently have with MaineHousing or any MaineHousing employee or commissioner or may have had within the past two years. An applicant and its affiliates include:

- if the applicant is one or more individuals, all individuals;
- if the applicant is a business or nonprofit entity, that entity;
- the officers and board members of the applicant;
- employees of the applicant with decision-making authority, including an executive director, manager or someone in a similar position;
- if the applicant is a business corporation, any shareholder with a controlling interest;
- if the applicant is a partnership, the applicant’s partners;
- any other business partner or associate of the applicant involved in this MaineHousing project;
- if the applicant is a limited liability company, the members and managers;
- a family member (including husband, wife, child, brother, sister) or other person in a personal relationship;

If you are unsure whether a relationship, association, or connection you have may constitute a conflict of interest, please consult with MaineHousing’s Chief Counsel.

To the best of your knowledge:

1. Are you, any of your affiliates, or any party you intend to hire to work on the project a party to (or financially interested in) any business owned or operated by a MaineHousing commissioner or employee either as an individual or through an interest in a corporation, partnership, limited liability company, or other entity?

(please circle) YES NO

2. Do you, any of your affiliates, or any party you intend to hire to work on the project have family relations or other personal associations with any MaineHousing employee or MaineHousing commissioner?

(please circle) YES NO

3. Do you or any party you intend to hire to work on the project have any employee who was once an employee or commissioner of MaineHousing?

(please circle) YES NO

4. Do you, any of your affiliates, or any party you intend to hire to work on the project have any other type of relationship either with a MaineHousing employee or MaineHousing commissioner that may be construed to be a conflict of interest?

(please circle) YES NO

PLEASE NOTE: If you answered yes to any of the above questions, please describe below (or on back).

Name of Applicant: _____

Signed: _____

Date: _____

Printed Name: _____

Title: _____

**Exhibit C
Application Questionnaire**

Name of Applicant: _____

Contact Person: _____ Title: _____

Mailing Address: _____

Telephone Number: _____ FAX: _____

Email Address _____

Total Pre-development Funding Requested: \$ _____

Applicant Information

1. Please briefly describe the history and mission of your organization. (attach separate sheets as needed)

2. What affordable housing problem does the proposed project seek to address? (attach separate sheets as needed)

Project Information

3. Please describe the proposed site (being sure to include site size; amount of road frontage; and existing improvements on the site) and the factors which led you to choose it.

4. How is the site zoned? Does the zoning allow for the use you plan? Have you spoken with a local zoning or code enforcement officer?

5. Please check the following that are applicable:

- Municipal water _____
- Municipal sewer _____
- Electricity to site _____
- Ledge formations _____
- Active train line within 300 feet _____
- Electric transmission lines _____
- Unusual topography features _____
- Drainage / Soil Problems _____
- Hazardous Waste Site within 1 Mile _____
- Underground Storage Tanks _____
- 100 Year Flood Zone _____
- Wetlands _____

Proforma #1
Estimated Development Costs

1. Acquisition - Land: Value of land and site improvements (e.g. utilities, roads, walkways, etc.) as determined by town tax assessment.
2. Acquisition - Buildings: Value of buildings as determined by town tax assessment.
3. Site Improvements: Site preparation such as fill, grading, on-site utilities, driveways, walkways, and landscaping.
4. Overhead and Profit: General contractor's or construction manager's overhead costs and profit. Overhead includes such items as office rent, fuel, lights, supplies, insurance and office supplies, etc.
5. General Requirements: Allowances for items required for the construction of a specific project - such as site phone, temporary sheds, toilets, building permits, temporary power, equipment rental, insurance for the job, etc.
6. Construction Contingency: Insert percentage. Multiply times the sum of lines (4) through (7).
7. Architectural: For design and supervision of construction. This should represent the typical fees paid for projects of similar design and services rendered. Include quotation of services and rates or attach a copy of Standard AIA Form Owner/Architect Agreement.
8. Engineering: Fees for engineering (soil, environmental, hydrological, etc.) that are not part of the architect's fee. Please include contract or proposal quotation.
9. Legal and Recording: Those legal expenses incurred including services: (A) in connection with organizing the ownership entity; (B) in connection with preliminary title and land use opinions; and (C) in connection with initial and final closings.
10. Appraisal: As required by funding sources.
11. Survey: As required by funding sources.
12. Taxes and Permits: Taxes which accrue during the construction period estimated on a prorate basis for the period. Permits include all other land use or regulatory permits other than those in line 7.
13. Insurance: Insurance includes cost of Builder's All Risk. It does not include worker's compensation which is a Contractor's cost included in Line 7.
14. Construction Period Loan Interest: The interest estimated to accrue during construction consists of: estimated mortgage multiplied by 60%, then multiplied by the construction

lender's interest rate (___ %), then divided by 12, and finally multiplied by the number of months expected to be under construction, plus 2 months.

(\$ x 60% x ___% / 12 x ___# months) + 2 months = estimated construction period interest

Proforma # 1
Estimated Development Costs

1	Acquisition: Land	\$ _____	
2	Acquisition: Buildings	\$ _____	
3	Subtotal: Acquisition		\$ _____
4	Site Improvements	\$ _____	
5	Building Improvements	\$ _____	
6	Contractor's Overhead/Profit	\$ _____	
7	General Requirements	\$ _____	
8	Bond Premium	\$ _____	
9	Construction Contingency @ 10%	\$ _____	
10	Subtotal: Improvements		\$ _____
11	Architectural	\$ _____	
12	Engineering	\$ _____	
13	Accounting	\$ _____	
14	Legal/recording	\$ _____	
15	Appraisal	\$ _____	
16	Survey	\$ _____	
17	Taxes/Permits	\$ _____	
18	Insurance	\$ _____	
19	Other:	\$ _____	
20	Subtotal: Soft Costs		\$ _____
21	Commitment Fee(s)	\$ _____	
22	Construction Loan Origination Fee	\$ _____	
23	Construction Period Loan Interest	\$ _____	
24	Letter of Credit Fees	\$ _____	
25	Subtotal: Financing Fees		\$ _____
28	Replacement Reserve	\$ _____	
29	Developer's Overhead	\$ _____	
30	Consultant	\$ _____	
31	Other:	\$ _____	
32	Subtotal: Fees and Reserves		\$ _____
33	TOTAL ESTIMATED DEVELOPMENT COST		\$ _____

Proforma # 2
Sources of Funds Schedule

General: Attach commitment or interest letters from all sources, if available. Applicants should also attach copies of financing applications that are pending and indicate when decisions are expected from other sources. List all debt sources in the order of their lien position.

Monthly Payment column: Provide figures in this column only in Debt sources section; do not fill in shaded areas.

Special terms/Conditions column: Insert explanation of special terms and conditions of each source (e.g. deferral, balloon, roll-over from construction to permanent sources, adjustable rate or non-conventional amortization, etc.).

Equity Sources: Include all sources of equity such as grants, borrower equity, etc.

Debt Sources: Include all loans and non-equity permanent sources of funds.

Total Annual Debt Service: Calculate by multiplying monthly payment subtotal times 12.

Proforma # 2
Sources of Funds Schedule

Sources of Funds

	AMOUNT	RATE	TERM	MONTHLY PAYMENT	SPECIAL TERMS / CONDITIONS (deferrals, balloons, adjustable rate, etc.)
Pre-Development Funding					
2					
3					
Pre-Development Subtotal					
Construction Funding					
1					
2					
3					
Construction Funding Subtotal					
Permanent Funding					
<i>Equity</i>					
1					
2					
3					
<i>Debt</i>					
1					
2					
3					
Permanent Funding Subtotal					
				x 12	
					TOTAL ANNUAL DEBT SERVICE

Proforma # 3
Estimated Operating Income and Expense Schedule

General: Expenses should reflect operating costs for a full twelve month period in full occupancy. Costs should be trended for inflation to the date that units will be occupied. Whenever possible, documentation of estimates should be provided in the form of proposals from contract, comparable building experience, or similar data.

1. Gross Rental Income: Insert Income from Proforma #4.
2. Vacancy Loss: Insert appropriate percentage (generally no less than 5%) for the project. Multiply percentage times line 1 and insert.
3. Other Income: Specify.
4. Management Fee: Insert percentage for calculation of fee based on projected total project income. Includes the cost of a project manager (part or full time), office salaries, telephone, travel, office supplies, site office costs, postage, printing, etc.
5. Legal: Legal fees relating to evictions, etc.
6. Accounting: Accounting fees for preparation of year-end financial report. Does not include routine bookkeeping.
7. Water and Sewer: If available, include rate information from local utility and consumption estimates from engineering professional.
8. Contract Building Systems: Include contractual services relating to elevator, plumbing, electrical, heating, ventilation, air conditioning, groundskeeping, shoveling walks, performing minor repairs to building exterior, common areas, and rental units.
9. Real Estate Taxes: As provided by Municipal assessor.
10. Property and Liability Insurance: Estimated cost of owner's property and liability insurance; loss of rents coverage; and flood insurance (if applicable).
11. Replacement Reserve: As required by funding sources.

Proforma # 3
Estimated Operating Income and Expense Schedule

1	Gross Rental Income	_____
2	Less: Vacancy Loss @ _____%	_____
3	Other:	_____
4	Other:	_____

5	TOTAL ANNUAL OPERATING INCOME	\$ _____
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6	Management Fee @ _____%	_____
7	Legal/Recording	_____
8	Accounting	_____
9	Advertising	_____
10	Common Area Electric/Lights	_____
11	Common Area Heat	_____
12	Common Area Hot Water	_____
13	Unit (Paid by Owner) Electric/Lights	_____
14	Unit (Paid by Owner) Heat	_____
15	Unit (Paid by Owner) Hot Water	_____
16	Water and Sewer	_____
17	Garbage, Trash, Exterminating	_____
18	Building Maintenance	_____
19	Contract Building Systems	_____
20	Grounds Maintenance	_____
21	Real Estate Taxes	_____
22	Property and Liability Insurance	_____
23	Replacement Reserve	_____
24	Other:	_____
25	Other:	_____

26	TOTAL ANNUAL OPERATING EXPENSES	\$ _____
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27	Net Operating Income (income minus expenses)	_____
28	Total Debt Service	_____

29	ANNUAL CASH FLOW (net operating income minus debt service)	\$ _____
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**Proforma # 5
Workplan and Budget**

Activity/Objective	Date for Start of Work	Date for Completion	Pre-Development Loan Amount	Other Sources	Total Cost Prior to Closing
Site Control					
Zoning					
Legal					
Architectural					
Engineering					
Appraisal					
Survey					
Financing Fees					
Application Fees					
Reserves					
Consultant Fee					
Developer's Overhead					
Other					
Other					
Total			\$	\$	\$