MSHA
MAINE STATE HOUSING AUTHORITY

Supportive Housing Program
SHP C

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

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

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Maine State Housing Authority

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Introduction

Section 1: Overview and Purpose

The Maine State Housing Authority (MSHA) is pleased to offer the Supportive Housing Program (SHP C) for calendar year 1999. The proceeds from the 1995 Mental Health Bond Issue continue to be available to sponsors for the creation of appropriate housing for people with mental health service needs. SHP C offers below-market, fixed-rate financing and subsidy financing to 501(c)(3) non-profit sponsors for the development of housing models which will provide both affordable housing and appropriate supportive services to the targeted residents. Eligible housing types include, but are not limited to, transitional housing, group homes, single room occupancy (SRO) residences, supported or independent apartments, or other group living facilities with residential programs.

Applications submitted under the terms of this offering will be accepted until the mental health bond proceeds have been expended.

The following will be considered in financing decisions under the SHP C Program:

- Capacity of the sponsor to develop and operate the proposed project
- Demonstrated need for the proposed housing
- Commitments of additional development and operating capital as required by the needs of the project
- Sponsor creditworthiness
- Appropriate service delivery mechanism
- Affordability for people with the lowest incomes
- Source(s) of operating income
- Adequacy of collateral value

Eligibility

Section 1: Applicants

To be eligible for financing under the SHP C Program, an applicant must:

a) 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 qualify for tax exemption under Section 501(c)(3) of the Internal Revenue Code;

b) have among its corporate purposes the development, ownership and/or operation of affordable housing;

c) provide evidence of legal existence and authority to incur the liability of the financing;

d) demonstrate capacity to deliver or contract with another agency to deliver appropriate services for the proposed resident population;

e) provide evidence of credit worthiness, repayment capability, good credit standing and good record of financial management (when a newly-formed organization is the applicant, the history of each individual or sponsoring organization will be reviewed); and

f) provide evidence of a qualified development team.

Sponsors and contractors, to include principals and partners, must not be presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in federal housing programs. All sponsors and contractors will be required to certify that they are not so classified.

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

Where the applicant is an instrumentality, subsidiary, or otherwise controlled by another non-profit corporation, MSHA reserves the right to require that the parent corporation guarantee the loan to its subsidiary.

MSHA's policy on conflicts of interest, among other things, prohibits current employees or commissioners from working on certain transactions with applicants with whom they have a financial or personal relationship. To help ensure that this policy is carried out, applicants for loans under MSHA's programs are requested to disclose current or recent financial, business, professional or family relationships or associations with any MSHA employee or commissioner. These relationships will be reviewed by MSHA. Situations where a potential or actual conflict of interest exists will be reviewed by MSHA's Board of Commissioners for action or response on a case by case basis.

An applicant may apply for SHP C Program financing while in the process of applying for their 501(c)(3) exemption. The exemption will need to be granted by the time of a permanent loan closing. Applicants must be approved by the Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS), as evidenced by the submission of a DMHMRSAS "Pre-Application for Mental Health G. O. Bonds" form. Depending on the type of housing being proposed, applicants may also need to secure license(s) from State agencies.

Section 2: Activities

Eligible activities include acquisition, acquisition and rehabilitation, substantial rehabilitation, and new construction. Refinancing of existing debt is **not** an eligible activity.

Section 3: Non-Residential Activities

Projects may contain non-residential uses subject to limitations on the amount of non-residential space, but only if the proposed non-residential use is functionally related to and compatible with the residential component. Commercial uses and any activity which will involve an unrelated trade or business income which violates the corporate charitable purposes of the applicant will **not** be eligible for MSHA financing. MSHA will evaluate the amount of commercial income that can be dedicated to support debt service and operating expenses on a case by case basis.

Financing

Section 1: Debt

$5,000,000 of 501(c)(3) bond proceeds is available for the program.

30 year financing at a 7% fixed interest rate.

Maximum debt not to exceed the lesser of 85% of the project's total development cost or the project's appraised out-of-service value.

Section 2: Subsidy

Eligible for $20,000 of 0% deferred, forgivable financing per residential unit. In the case of group living residences, projects will be eligible for subsidy in the amount of $20,000 per bed.

Repayment of the subsidy will be deferred until the earlier of a sale, transfer, assignment or change in use of the project or a default under the permanent mortgage loan. At the end of 30 years from the time of the execution of the permanent mortgage documents, the subsidy will be forgiven in its entirety. A change in use caused by a change in State housing policy will not trigger repayment of the subsidy.

Example:

A 4 unit supportive housing project:

Subsidy for 4 units @ $20,000 each = $80,000

The balance of funding needed can come from MSHA debt up to a maximum 85% loan to value.

Section 3: Low Income Targeting

All projects will be required to rent 100% of the beds/units to people earning at or less than 50% of the area median income (AMI) as established by HUD and adjusted by family size. In addition, a minimum of 50% of the beds/units must be rented to people earning at or less than 30% AMI.

Section 4: Appraisals

MSHA will commission the appraisals for all projects from a list of MSHA selected appraisers. The instructions to these appraisers will be to determine a project's out-of-service market value (before and after rehabilitation). Out-of service value is defined as that value which is the highest and best alternative value that is physically, legally and financially feasible. This alternative use will not be dependent upon a State year to year operating subsidy. Where the alternative use will require modifications to the physical plant, the appraiser will need to secure an estimate of the costs of the conversion and this cost will be deducted from the final value conclusion.

The appraisals will be commissioned upon a determination by MSHA that a proposal represents a viable project. Viability would include, but not be limited by, a demonstration that a project is financially, legally and physically feasible. There will not be a fee charged at that time. The cost of the appraisal will be paid out of the loan closing proceeds assuming that the project is financed. Sponsors will not be required to repay the cost of the appraisal in the event the project is not financed. At the time that the appraisal is commissioned, the sponsor will be notified of the amount of the appraisal fee. The cost of the appraisal is a mortgageable expense.

Section 5: Interest Rate

The interest rate for the amortizing debt is 7%. The rate is fixed and loans are amortized on a level basis.

Section 6. Loan Term

Amortizing debt is structured with a 30-year term with monthly amortization and level payments. Projects utilizing MSHA amortizing debt will have a minimum debt requirement of $25,000 per project. Amortizing debt is structured as recourse financing. The subsidy is structured as non-recourse financing.

Pre-payment is allowable only with the prior written consent of MSHA. As such prepayment adversely affects MSHA's bondholders, this consent is not given freely as a matter of course. There are also restrictive covenants which will apply to the project. These are further discussed in the Affordability Section. Financing is not assumable, except with prior permission of MSHA, as more fully set forth in MSHA's permanent financing commitment and mortgage loan documents.

Section 7. Construction Financing

For projects involving minor modifications or rehabilitation, MSHA will administer a rehabilitation escrow account for the construction activities. For new construction and substantial rehabilitation, borrowers may be required to secure construction period financing from a construction lender. MSHA will determine whether or not a construction lender will be required.

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

As MSHA does not charge an administrative fee for the administration of the rehabilitation escrow, the rehabilitation escrow will not pay any interest earnings to the sponsor.

The sponsor will not be required to pay principal and interest on the amortizing debt during the period in which the rehabilitation is on-going. However, the interest on the amortizing debt will continue to accrue during the rehabilitation period. The sponsor will pay the accrued interest in a lump sum at the conclusion of the rehabilitation. The regular principal and interest payments will then commence on the beginning of the month following the completion of the rehabilitation. The development budget should, therefore, reflect the total accrued interest anticipated during the rehabilitation period.

Example:

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

Chapter

Underwriting Terms and Requirements

Section 1: Affordability

Affordability requirements will exist for the lesser of 30 years from the date of the execution of MSHA's permanent loan or the term of the mortgage and will be enforced under the terms of a Financial Assistance Agreement (FAA) which will be executed at the loan closing. The FAA is a covenant document that is recorded at the applicable registry of deeds. The covenants in the FAA run with the real estate and will bind all subsequent owners for the term of the loan.

Residents of targeted units/beds who are income eligible at the time of their initial occupancy but become ineligible due to greater income can continue to reside in the project as long as the next available unit/bed is rented to a person/family with an income meeting the affordability requirements outlined above.

Section 2: Secondary Debt and Refinancing

All secondary debt that is secured by the property must be approved by MSHA. Any secondary debt that is approved must be subordinated to MSHA's loan by execution of a subordination agreement by the secondary lender. The applicant must adequately demonstrate the project's ability to support the additional debt. Refinancing of existing debt is not an eligible use of this program.

Section 3: Lien Position

All loans must be secured by a first lien on the land and improvements, a general assignment of the project's leases, rents, contracts, and a security interest in all fixtures and personal property of the project. No other liens or security interests may encumber the project without MSHA's express consent. One mortgage will be used to secure both the debt and the subsidy financing.

Section 4: Credit Test

Eligible applicants will be evaluated in regard to financial credit worthiness and capacity. Credit tests will include the following:

- 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 for the proposed project
- Size, scope and reliability of contracts by which organization is funded

Section 5: Debt Service Coverage

There is a minimum debt service coverage requirement of 110%. The debt service coverage must be met by revenues that are not dedicated to the provision of services. Therefore, the debt service coverage will be calculated by using gross rental income minus vacancy and costs related to the operation of the real estate (management fee, administrative expenses, utilities, maintenance, taxes, insurance, reserves). The resulting net income is then divided by the debt service, the result of which must be a minimum of 110%. MSHA may require a higher debt service coverage if there are factors involved that increase the risk related to the project.

Section 6: Vacancy Rate

Each proposal should provide support for the projection of a vacancy rate for the project. This rate should be supported by either historical experience or industry standards.

Section 7: Services

Each project must offer significant services addressing the specific needs of the intended residents. The applicant must identify all of the specific services that will be provided, the entity that will be responsible for each service, the budget for each service, and the source of funding for each service. This service plan will be required at the time of the application. MSHA's loan documents will incorporate an agreement by the sponsor to deliver the specified services as outlined in the service plan. Loan documents will also require the sponsor to continue serving the target population that was identified in the original proposal.

The sponsor will need to submit a monitoring plan explaining which internal element of the sponsor's organization provides monitoring and review of the services being delivered to the residents, what day-to-day contact with the residents will be provided, and who will be responsible for making these contacts.

Section 8: Replacement Reserve

The initial funding of the Replacement Reserve Account will be set at 1% of the *cost of structures*. With acquisition/rehabilitation projects, the *cost of structures* will be defined as 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 appraisal or by applying the ratio in the tax assessment between land and building to the overall acquisition cost. With new construction and substantial rehabilitation projects, the *cost of structures* will be equal to the total construction contract/cost.

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

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

Section 9: Real Estate Taxes and Insurance

Properties will be underwritten reflecting full tax liability based upon certification by the local municipal tax assessor of after-rehabilitation valuation and mil rate, unless the project is able to secure tax relief either through abatement or an agreement for a payment in lieu of taxes (PILOT). If the project will be receiving an abatement or a PILOT, the sponsor should secure a written agreement from the municipality at the time of the loan application. The sponsor will need to have documentation of all executed agreements prior to loan closing. MSHA neither encourages nor discourages non-profit corporations from seeking exemptions from local taxes. MSHA will not hold any position nor play any role in the resolution of this issue.

The first year's property insurance must be purchased prior to loan closing. Proof of acceptable insurance will need to be provided prior to the loan closing for MSHA's review. A copy of MSHA's insurance standards can be requested by calling the Development Division.

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

As taxes and insurance are operating expenses as opposed to capital items, neither the cost of the first year's insurance nor the pre-funding requirement for property taxes will be mortgageable expenses. The sponsor must make arrangements for the payment of these two items from other sources of capital or equity.

Section 10: Evidence of Other Funding - Capital & Operating

Applicants must demonstrate evidence of commitments for all other sources of project financing as necessary.

Commitment letters, contracts, and other evidence of capital subsidies and operating subsidies should be submitted with the application. At a minimum, these commitments will need to be submitted to MSHA for review prior to a financing decision.

For those projects in which Medicaid funds cannot be used to pay for costs related to room and board, alternative revenues will have to be identified to cover the costs of real estate related expenses such as utilities, taxes, insurance, maintenance, management, debt service, etc. The net income that is used in the calculation of debt service coverage must also be generated from non-Medicaid sources.

Section 11: Title Insurance

All projects will be required to provide title insurance acceptable to MSHA prior to the permanent loan closing. All of the standard exceptions inserted in a title insurance policy (e.g., exception for survey) will need to be deleted prior to MSHA's acceptance of the policy.

PROCESS

Section 1: Application Processing

Once an application for financing has been reviewed and deemed complete, MSHA will reach a decision whether to provide financing. A decision to provide financing will be immediately followed by the issuance of a commitment for permanent financing. Following the execution of a commitment letter, a closing agenda will be provided to the sponsor. Upon the satisfaction of the closing agenda, a MSHA loan closing will be scheduled by the assigned MSHA attorney.

The following sequence is typical of the MSHA financing process:

1. MSHA receives Application for Financing, including proposed scope of planned rehabilitation or new construction.
2. MSHA performs preliminary review for completeness and feasibility; notifies applicant of any additional required items.
3. MSHA processes Inducement Resolution (sponsors should not incur project-related costs prior to an Inducement Resolution without the notification of MSHA).
4. Applicant initiates tenant income certification process and MSHA completes or approves process (if applicable).
5. MSHA visits the site and reviews specifications and plans for rehabilitation; reviews contractor's contracts.
6. MSHA commissions an appraisal.
7. Confirmation made of State development and operating subsidies.
8. MSHA performs final underwriting and makes decision on the complete loan application.
9. If financing decision is affirmative, MSHA issues Commitment for Permanent Financing.

10. Sponsor completes loan closing agenda.

Site and Construction Standards

Section 1: Site Control

Applications for SHP financing must have a signed purchase and sale or option agreement for the proposed site. Purchase and sale agreements should allow the developer a minimum of 120 days to purchase the property. MSHA encourages applicants to secure agreements that credit option payments or earnest money deposits toward reduction of the sales price.

MSHA strongly encourages developers to secure contingencies in the purchase and sale agreements by which the earnest money deposit will be returned to the developer if certain requirements or standards cannot be met. Examples of these contingencies would include:

- an acceptable survey;
- satisfactory inspection by the State Fire Marshal's Office (if applicable);
- receipt of 501(c)(3) designation; and
- satisfaction to all relevant land and title use issues as evidenced in an attorney's title and land use opinion.

Those contingencies would be in addition to standard contingencies, such as success in securing financing, satisfactory environmental assessment, and so on.

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

Developers must secure all required land use approvals and any and all federal, state and local permits and approvals required to proceed with acquisition, construction and/or rehab, and operation of the supportive housing project.

Section 2: Site Standards

A site will not be approved when the surroundings will detract excessively from the quality of the development, or when the development has/will have an adverse effect on its surroundings. Existing neighborhood conditions must be free of physical deterioration severe enough to compromise the viability of a development, free of conditions which present visual blight, free of nuisances from water pollution, noise and/or odor, and free of hazards from physical features which would detract from the development.

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

Section 3: Survey

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

Section 4: General Building Standards

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

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

- BOCA National Building Code
- BOCA National Plumbing Code
- BOCA National Mechanical Code
- NFPA 13 Sprinkler Systems
- NFPA 70 The National Electrical Code
- NFPA 101 The Life Safety Code
- American Society for Testing of Materials (ASTM) Building Code Standards
- American National Standards Institute (ANSI) CARBO/ANSI A117.1-92 which addresses Accessible and Usable Buildings and Facilities
- The Americans with Disabilities Act (ADA)

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

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

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

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

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

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

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

Section 5: Habitability Standards

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

Section 6: Contractor Selection

Developers are responsible for securing a price from and engaging competent contractors to perform the work. MSHA will review all contractor(s) proposal(s) for cost reasonableness and completeness prior to issuing a funding commitment.

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

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

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

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

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

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

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

Project Management & Reporting

Section 1: Ongoing Reporting Requirements

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

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

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

MSHA cautions applicants to be aware of the potential applicability of provisions of the Maine Human Rights and Federal Fair Housing legislation and Section 504 to any housing proposed for funding. Procedures for selection of residents, conditions of residency, and rules regarding termination may fall within the scope of this legislation. Providers must make reasonable accommodations of rules, policies and procedures, and may be required to allow reasonable structural modifications to buildings, if necessary, to allow an individual with disabilities equal access to housing.

Chapter

Relocation/Displacement Policy

Section 1: Tenant Relocation Policy

MSHA strongly discourages the development of projects that will require displacement of tenants. All projects financed with MSHA funds must comply with MSHA's Displacement and Relocation Policy. This policy is included in the SHP application. Developers should be aware that displacement costs can be very significant and can result in projects being financially infeasible.

Funding for Pre-Development Activities

Section 1: Pre-Development Loan Program

Non-profit borrowers may apply for pre-development loans for $2,000, plus $2,500 per unit or bed, up to $40,000 per project, subject to the availability of funds. Pre-development loans are interest-free loans to cover mortgageable pre-development costs of non-profit developers who are securing site control, applying for project approvals, and preparing financing applications for housing development projects which ensure affordability for lower income residents of Maine.

Applicants for pre-development loans are encouraged to contact MSHA's Development Division with questions concerning the requirements of the program and to discuss the proposed project before submitting a funding application.

Non-Discrimination Policy

Section 1: Non-Discrimination and Compliance with Federal Laws

The Maine State Housing Authority does not discriminate on the basis of disability status in the admission or access to, or treatment or employment in, its federally assisted programs and activities. MSHA will provide special communication assistance to persons with vision or hearing impairments. MSHA has designated the following person responsible for coordinating compliance with the nondiscrimination requirements contained in the Department of Housing and Urban Development's (HUD) regulations implementing Section 504 of the Rehabilitation Act of 1973 (24 C.F.R. Part 8., June 2, 1988):

Jodie Sullivan
Maine State Housing Authority
353 Water Street
Augusta, Maine 04330
Telephone Number (207) 626-4600 or 1-800-452-4668 (voice)
or 1-800-452-4603 (TDD)

Applicants are cautioned to be aware of the potential applicability of provisions of the Americans with Disabilities Act, the Maine Human Rights Act, federal Fair Housing legislation and Section 504 to any housing proposed for funding. Procedures for selection of residents, conditions of residency, and rules regarding termination may fall within the scope of this legislation. Providers must make reasonable accommodations of rules, policies, and procedures and may be required to allow reasonable structural modifications of buildings to be made, if necessary, to allow an individual with disabilities equal access to housing.

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