

2000



Supportive Housing Debt Program

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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Introduction

Section 1: Overview of Supportive Housing Resources

The Maine State Housing Authority (MSHA) is pleased to announce the availability of funding for supportive housing projects for calendar year 2000. MSHA is committed to the enhancement and creation of housing opportunities for people with special needs.

MSHA will provide three different Supportive Housing Program (SHP) options for non-profit developers to access funding for supportive housing projects:

- Below-market rate financing available at any time during 2000
- Subsidy funding available through a Request for Proposals process
- Federal HOME funds available through a Request for Proposals process

This guide describes the below-market rate financing option. MSHA will raise capital by issuing tax-exempt bonds and will pass the savings along to non-profit developers via low interest mortgage financing. Developers will need to demonstrate that their project is viable without additional MSHA subsidy beyond the low interest mortgage financing.

MSHA will offer a Request for Proposals (RFP) twice during 2000; once in March and again in May. The RFP will offer subsidy funding on a competitive basis. The competitive criteria will be described in detail in the RFP. Developers should contact MSHA to be placed on a mailing list to receive notification of the RFP.

MSHA will also offer a Federal HOME Funds Request for Proposals in September of 2000. Developers should contact MSHA to be placed on a mailing list for this option also.

Section 2: Background

The State of Maine Consolidated Housing and Community Development Plan (CHCD) for program years 1995-1999 identified the need for a continuum of affordable and appropriate housing options for people with special needs. The SHP program addresses the need for both specialized and non-specialized rental housing for people with special needs.

MSHA is offering 7%, 30 year fixed rate financing to 501(c)(3) non-profit organizations developing housing for people with special needs. Eligible activities include, but are not limited to:

- transitional housing
- group homes

- emergency shelters
- single room occupancy (SRO) residences
- supported or independent apartments
- other group living facilities with residential programs

Examples of populations that may be served include:

- individuals with mental retardation
- victims of domestic violence
- frail elders
- foster children
- individuals with physical disabilities or AIDS
- ex-offenders
- individuals with substance abuse problems

Applications submitted under the terms of this program will be accepted until December 31, 2000. MSHA reserves the right to discontinue this program before this date if resources cease to be available.

The following will be considered in financing decisions:

- Capacity of the developer 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
- Developer 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 assistance, 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. provide evidence of legal existence and authority to incur the liability of the financing;
- c. demonstrate capacity to deliver or ensure the delivery of appropriate services for the proposed resident population;
- d. demonstrate financial and organizational capacity to undertake the proposed initiative; and
- e. provide evidence of a qualified development team.

Developers and contractors must not be presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in federal housing programs.

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

MSHA's policy on conflicts of interest 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 debt while in the process of applying for their 501(c)(3) exemption. The exemption or an advance ruling will need to be granted by the time of loan closing. Applicants also need to fulfill licensing requirements of applicable State agencies and provide a letter of support from the Department of Human Services, the Department of Corrections, Department of Education, or Department of Mental Health, Mental Retardation and Substance Abuse Services, if applicable. The support letter will indicate the state agency's support of the specific type of housing

in the proposed geographic area and the agency's support for the service provider that will be delivering the services.

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

MSHA may limit the amount of space in a project that can be used for non-residential purposes. The non-residential use will need to be 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 / Underwriting Terms

Section 1: Debt

7% tax exempt rate. A total of \$5,000,000 is available for the 2000 Program.

SHP debt will not exceed the greater of 125% of the project's appraised after-rehab, out-of-service value or 100% of the after-rehab in-service value. Under no circumstances will SHP debt exceed the total development costs of the project.

Section 2: Loan Term

SHP debt has a 30-year term with monthly amortization and level payments. There is a minimum debt requirement of \$25,000 per project. The maximum loan amount is \$400,000.

SHP loans are fully recourse financing, which means that, in the event of a default, MSHA will look to other developer assets as needed to recover the full mortgage amount.

Pre-payment and assumption are allowed only with the prior written consent of MSHA, as more fully described in MSHA's financing and mortgage loan documents.

Section 3: Debt Service Coverage

The SHP debt program requires that debt service coverage be a minimum of 110%. The debt service coverage must be met by revenues that can be dedicated to loan payments and 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, etc.). The resulting net income is then divided by the debt service, the result of which must be a minimum of 110%.

Section 4: Lien Position

SHP 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. In certain circumstances, MSHA may consider a shared first lien position; however, the total debt secured by first mortgages will not exceed the loan to value limits described in Section 1. No other liens or security instruments may encumber the project without MSHA's express consent.

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.

Section 5: Secondary Debt

All secondary debt secured by the property must be approved by MSHA. Any secondary debt that is approved must be subordinated to MSHA's loan through the execution of a subordination agreement by the secondary lender. The applicant must adequately demonstrate the project's ability to support the additional debt.

Section 6: Vacancy Rate

Where applicable, an application 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: Credit Test

The applicant's financial credit worthiness and capacity will be evaluated. The credit evaluation will consider the following factors:

- 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; and
- Size, scope and reliability of contracts by which organization is funded.

Section 8: 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 after-rehab in-service and after-rehab out-of-service market value if possible.

The appraisal for a SHP project will be commissioned after MSHA determines that a proposal represents a viable project. Viability includes, but is not 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 with loan closing proceeds, assuming that the project is financed. Developers will not be required to repay the cost of the appraisal in the event the project is not financed. The cost of the appraisal is a mortgageable expense and should be included in the

development budget. MSHA will notify the developer of the cost of the appraisal when the appraisal is commissioned.

Section 9: Replacement Reserve

The initial funding to 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 a 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 defined as the total construction contract.

The Replacement Reserve Account will be established at the loan closing, when the initial funding discussed above will 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 developer 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 on the annual reviews.

Subsequent funding to the Replacement Reserve Account will be made in equal monthly installments, starting at loan closing. The balance of deposits for the first year will be equal to 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. All MSHA-financed projects are subject to this Replacement Reserve funding schedule.

Section 10: Real Estate Taxes and Insurance

Properties will be underwritten reflecting full tax liability. The tax amount will be based on certification by the local municipal tax assessor of after-rehabilitation valuation and mil rate, unless the project is able to secure tax relief from the community. This may come 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 developer should attempt to secure a written agreement from the municipality at the time of the loan application. The developer will need documentation of such an agreement prior to the SHP loan closing. MSHA neither encourages nor discourages non-profit corporations from seeking exemptions from local taxes. It will not take any position in negotiations between developers and municipalities regarding property tax liability.

The first year's property insurance must be purchased prior to loan closing. Proof of acceptable insurance (Binder and Certificate of Insurance) is needed for MSHA's review prior to the loan closing.

MSHA reserves the right to require a tax and insurance escrow account. If required, the escrow account will be maintained in a bank account that the Developer establishes prior to the loan closing. The account will be established as an either/or signatory account, i.e. both the developer and MSHA will be able to authorize transactions. The signatory card for the account must 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 account, will 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 must prepay an amount that will adequately cover the tax obligation from the time of the closing to the commencement of the tax exemption.

Because taxes and insurance are operating expenses, not capital items, neither the cost of the first year's insurance nor the pre-funding requirement for property taxes will be mortgageable expenses. The developer must make arrangements for the payment of these two items from other sources of capital or equity.

Section 11: 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 SHP 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, and other expenses. The net income that is used in the calculation of debt service coverage must also be generated from non-Medicaid sources.

Section 12: Title Insurance

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

Section 13: 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 a construction lender will be required.

For projects with a MSHA-administered rehabilitation escrow account, the funding for the account will occur at the loan closing. The account will be administered per the terms of a Rehabilitation Escrow Agreement that will be executed at the 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 loan closing. Payment from the escrow account will be in the form

of two-party checks requiring both the developer and the contractor to endorse the check as payment is received.

Because MSHLA does not charge a fee for administering the rehabilitation escrow, the rehabilitation escrow account will not pay any interest earnings to the developer.

The developer will not be required to pay principal and interest on the SHP 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 developer will pay the accrued interest in a lump sum at the conclusion of the rehabilitation. The regular principal and interest payments will then be due 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:

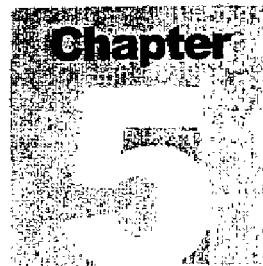
A project closes its loan on January 1st. The project has a 2-month rehabilitation period. The developer would not pay any principal and interest during January and February. At the beginning of March, the developer would pay two months of accrued interest. At the beginning of April, the developer would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

Affordability

Section 1: Low Income Targeting Requirements

Projects will be required to rent 20% of the beds/units to people earning 50% or less of the area median income as established by HUD and adjusted by family size.

The affordability requirements will exist for 30 years beginning with the execution of the SHP loan documents. The requirements will be enforced under the terms of a Financial Assistance Agreement (FAA) that 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 30 year term.



Services

Section 1: Populations Served

The Supportive Housing Program is intended to serve populations with special needs. Each project must offer significant services addressing the needs of the intended residents. The applicant must identify all 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 developer to deliver the specified services as outlined in the service plan. Loan documents also will require the developer to continue serving the target population that was identified in the original proposal.

The developer will need to submit a monitoring plan that will specify the following: what, if any, State agency provides oversight and review to the operations of the project; which internal element of the developer'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 2: Marketing

Developers must provide acceptable evidence of the demand and need for the proposed housing project. Documentation should be provided that, at a minimum, demonstrates:

- the specific population which will be served;
- the size and location of this population;
- the unmet need in this population that is to be addressed by the developer's proposal;
- the length of time that the project can be anticipated to reach full occupancy; and
- the overall market conditions relevant to the type of housing being proposed.

Process

Section 1: Application Processing Timeline

Developers will be notified if a project will be financed once a complete application is received. A decision to provide financing will be followed by the issuance of a commitment for financing. Following the execution of a commitment letter, a closing agenda will be provided to the developer. A MSHA loan closing will be scheduled by MSHA, upon the satisfaction of the closing agenda.

Following is the typical process for SHP loans:

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 (developers should not expend project related costs prior to an Inducement Resolution without notifying MSHA).
4. MSHA visits the site and reviews specifications and plans for rehabilitation; reviews contractor's contracts.
5. MSHA commissions an appraisal.
6. Confirmation made of State development and operating subsidies (if applicable).
7. MSHA performs final underwriting and makes decision on complete SHP program loan application.
8. MSHA issues a commitment letter, if the financing decision is affirmative.
9. MSHA prepares loan documents.
10. Developer 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 plan 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. The inspector 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 enterprises 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.

Section 7: Bonding Guidelines

In the event MSHA provides financing for construction and rehabilitation activities, *Performance and Payment Bonds* ("bonds") may be required. Decisions will be made on a case by case basis using these guidelines:

For conventional site built projects, decisions regarding "bonding" will be based, in part, on the following construction cost schedule:

- Up to \$100,000 – no bonds required
- \$100,000 to \$200,000 – MSHA may require bonds
- \$200,000 plus – bonds required

For "modular" projects, decisions regarding "bonding" will be based, in part, on the following construction cost schedule:

- Up to \$200,000 – no bonds required
- \$200,000 to \$400,000 – MSHA may require bonds
- \$400,000 plus – bond required

For "Turn-Key" projects, if the construction lender does not require bonds, then MSHA may require a Maintenance Bond, in an amount equal to 10% of the construction amount.

For projects completed without MSHA construction financing, if no bonds are provided (e.g., the construction lender does not require bonds), MSHA may require a Maintenance Bond, in an amount equal to 10% of the construction costs.

For projects when MSHA accepts an Irrevocable Letter of Credit, in lieu of bonds, a Maintenance Bond, in an amount equal to 10% of the construction cost, may be required.

Project Management & Reporting Requirements

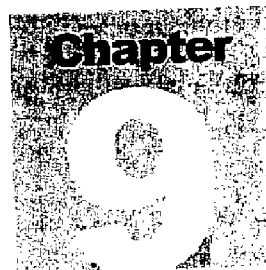
Section 1: Ongoing Reporting Requirements

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.

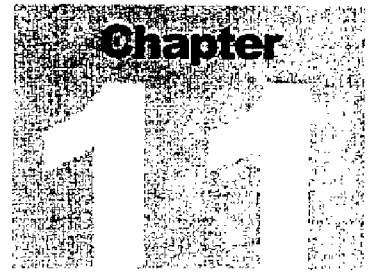
MSHA cautions applicants to be aware of the potential applicability of provisions of the Maine Human Rights and Federal Fair Housing legislation and Section 504 to any housing proposed for funding. Procedures for selection of residents, conditions of residency, and rules regarding termination may fall 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.



Displacement / Relocation 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. A summary of this policy is included in the SHP application. A copy of the full policy may be obtained upon request. Developers should be aware that displacement costs can be very significant and can result in projects being financially infeasible.



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.