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1998

**Supportive Housing Program
Request for Proposals
Round 1**

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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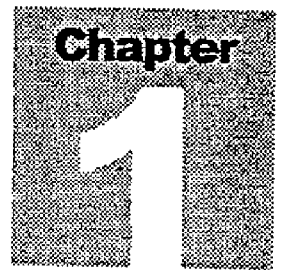
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Introduction

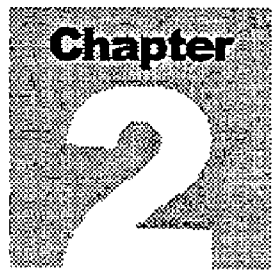
Section 1: Overview and Purpose

The Maine State Housing Authority (MSHA) is the housing finance agency for the State of Maine. MSHA annually offers a Supportive Housing Program to create housing units for persons with special needs. The 1998 Supportive Housing Program is divided into three components:

- Debt financing program with a 7% rate available at any time in 1998
- SHP C, the mental health bond program offering 7% debt and subsidy for projects serving consumers identified by the Department of Mental Health, Mental Retardation and Substance Abuse Services
- A Request For Proposals (RFP) offering subsidy or subsidy and 7% debt.

This application addresses the third component of the program, the RFP. MSHA is soliciting proposals for subsidy or subsidy and debt for the development of supportive housing projects in the state of Maine. For 1998, there will be two rounds of competition to create approximately 40 units. In this first round, \$500,000 in flexible subsidy resources is available for supportive housing projects. MSHA has set aside a total of \$2 million dollars in 501(C)(3) debt financing for both 1998 subsidy rounds. Applicants can apply for subsidy only or for debt and subsidy.

This guide provides the criteria and process to follow in submitting applications. All applications are due no later than 5:00 PM on Wednesday, May 13, 1998.



Program Priorities

Section 1: Persons in Need

In its 1997 Strategic Plan, MSHA identified five priority population groups to be served:

- first time homebuyers,
- cost burdened renters,
- cost burdened homeowners,
- homeless persons,
- special needs populations.

In the 1998 Consolidated Plan, MSHA further identified the needs for each population group. This RFP focuses on homeless persons and special needs populations, including frail elderly, persons with mental illness, special needs children, individuals with physical disabilities, persons with AIDS, persons with mental disabilities, victims of domestic violence.

Section 2: Program Highlights

As part of its strategic planning process, MSHA surveyed the supportive housing network and conducted a supportive housing program review. This RFP responds to some of the concerns and suggestions identified in that process. Highlights include:

- elimination of the requirement for site control and license in hand at the time of application;
- encouragement of innovative financial arrangements;
- quick response from MSHA;
- targeting of the most needy special population groups in Maine;
- reliance on the developer to identify and link persons who are the neediest with the most appropriate resources.

Eligibility

Section 1: Eligible Applicants

To be eligible for assistance, an applicant must

1. 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;
2. Provide a corporate resolution demonstrating the authority to incur the liability of financing;
3. Demonstrate capacity to deliver or ensure the delivery of appropriate services for the proposed resident population;
4. Demonstrate financial and organizational capacity to undertake the proposed initiative;
5. Provide evidence of a qualified development team.

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

MSHA's policy on conflicts of interest prohibits current and past employees or commissioners from working on certain transactions with applicants with whom they have a financial or personal relationship. To help ensure the implementation of this policy, applicants for loans under MSHA's programs must 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 on a case by case basis.

No application 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 a loan with MSHA, unless an approved payment or workout plan is in place and in good standing.

Applicants may need to fulfill licensing requirements of applicable State agencies, depending on the proposed housing project. A letter of support from a State agency which endorses the

proposed housing, acknowledges the need in the geographic area, and approves the proposed service plan will strengthen the application.

Section 2: Eligible Program Activities

Funds allocated under this supportive housing RFP may be used for acquisition, acquisition and rehabilitation, substantial rehabilitation, and new construction.

Eligible activities include, but are not limited to, transitional housing, group homes, emergency shelters, single room occupancy (SRO) residences, supported or independent apartments, or other group living environments with residential programs.

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

The resources from this RFP cannot be combined with any other financial resources available through MSHA with one exception: successful applicants may request pre-development loans.

Section 3: Subsidy

Subsidy is 0% deferred, forgivable funding. The minimum amount of subsidy which can be requested is \$25,000. The maximum amount which can be requested is \$200,000. MSHA reserves the right to award less subsidy than is requested.

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.

Section 4: Low Income Targeting

RFP funds must benefit persons of low income. Debt financing requires that at least 20% of the units/beds be affordable to people whose income is 50% or less of the Area Median Income (AMI). The term of the low income benefit period is 30 years.

Section 5: Debt Financing

This RFP does not require that debt financing be either a part of the proposal or acquired from MSHA. Applications cannot be for debt only. Debt financing is subject to:

1. Debt will be provided at a 7% interest rate.
2. Payments in equal monthly installments amortized over 30 years is standard, but MSHA will consider alternatives.

3. A total of \$2,000,000 in 501(c)(3) tax-exempt bond proceeds will be made available for both RFPs in 1998.
4. 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 debt and subsidy exceed the total development cost of the project.
5. Feasibility review of debt requests is based on the reasonableness of projected income flow and the expenses of the project.

Chapter 4

Scoring of Applications

A Scoring Committee will rank applications in accordance with the following scoring system. The points identified reflect the maximum that can be awarded for each criteria. MSHA reserves the right to award fewer points. Before being scored, the applications will be reviewed for completeness, accuracy and feasibility. Those projects that are deemed feasible will subsequently be scored.

Section 1: Need (30 points)

The Scoring Committee will consider the need of the target population group in relation to statewide and regional special needs populations, the unmet need of the target population group, the responsiveness of this application in meeting that unmet need, and the way in which the application serves those with the greatest financial need.

Section 2: Organizational Capacity (20 points)

In assessing organizational capacity, the scoring committee will rate general organizational capacity, experience in housing development, experience in project management, and experience in the provision of or linking to supportive services.

Section 3: Long-Term Viability and Service to Target Population (40 Points)

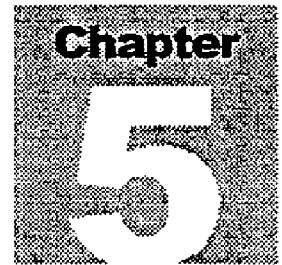
Commitment of scarce subsidy resources will be dependent upon a clear understanding of the project and its feasibility. The Scoring Committee will consider the description of the proposed project and will rate the project by reviewing the preliminary pro-forma demonstrating the long term viability of the project, a description of the development resources committed to the project, a description of the supportive services committed to the project, and overall budget reasonableness. The Scoring Committee will evaluate the efficiency of the use of subsidy as well as the public benefit provided.

Section 4: Project Readiness (5 points)

The Scoring Committee will award points for the commitment of the organization to the proposed supportive housing project and its readiness to complete it within a reasonable timeframe.

Section 5: Project Community Support (5 points)

The Scoring Committee will award points for strong community support, including the leveraging of dollars in addition to MSHA funding.



Submission Requirements

Section 1: General

Applicants will be rated on how well they respond to the scoring criteria identified in the previous section. Applicants will follow the guide below when preparing the RFP application. Applications are restricted to a total of 15 pages, plus attachments, on 8.5" by 11" paper. Each section is restricted to a maximum number of pages, as indicated below.

Section 2: Application Requirements

Applications will consist of the following components:

1. ***Executive Summary (1 page)***. Provide a one page summary describing the project. The summary must include the population group, how it is to be served, where it is to be served, the number of beds or units, and a brief description of the project completion schedule and development costs.
2. ***Responding to the Scoring Criteria***.
 - a) ***Need (5 pages)***.
 - i) Relate the targeted population group to state and regionally identified needs.
 - ii) Describe in detail the nature of the targeted population group's unmet need.
 - iii) Describe how this application will meet that need.
 - iv) Describe the level of low income targeting the application will achieve.
 - b) ***Organizational Capacity (3 pages)***. Provide a general description of the organization and its mission. Describe the applicant's capacity to develop the project for the target population group. Describe experience in short and long term management of similar properties. Describe how supportive services will be provided and list relevant experience in providing supportive services.
 - c) ***Long-Term Viability and Service to Target Population (3 pages)***. Provide details of how this project is to be developed and then managed once the project is completed. In conjunction with a narrative describing the components of the

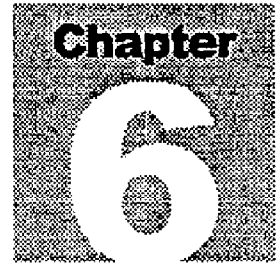
project, develop a preliminary development sources and uses statement and a preliminary operating budget. Identify all internal and external financial resources, noting how each relates to project development or management. Include in resource identification a description of the supportive services committed to this project.

- d) *Project Readiness (2 pages)*. In narrative form, describe the organization's readiness to complete the project. Describe the work already done that would lead to quick completion of the project once funds are awarded.
- e) *Project Community Support (1 page)*. Projects will receive more points when there is a clear demonstration of community support for this project. Describe how the local community has responded to this proposed project, and how it has demonstrated support (or opposition). Include in that description any additional funds that would be leveraged through this application.

3. *Attachments*. Attach the following:

- a Certificate of Good Standing from the Secretary of State's office,
- a copy of the IRS 501(c)(3) determination letter,
- a corporate resolution describing the authority to respond to this RFP,
- community support letters (optional),
- a preliminary development budget,
- a development sources of funds statement,
- a preliminary operating budget.

Forms for the completion of budgets are attached as Proformas 1, 2, & 3. If applying for debt, complete a Request for Inducement, attached as Schedule A.



Submission Procedure

Section 1: General

All proposals must be received no later than 5 p.m., local time on Wednesday, May 13, 1998. They should be mailed to Maine State Housing Authority, 353 Water Street, Augusta, Maine 04330-4633 or hand delivered to MSHA, Attention: Carol Dudley. All inquiries and requests for further information may also be directed to Carol Dudley. She may be reached by telephone at (207) 626-4685, by fax at (207) 626-4678, (800) 452-4603 (TDD) or by e-mail at cdudley@mainehousing.org.

Recipients of awards must execute and return a commitment to MSHA. The commitment will be subject to several conditions relating to the recipient's use of funds for the ownership, development, or sponsorship of the intended project. Recipients will be required to execute a grant agreement and other documents, such as a note, a mortgage, and use restrictions running with the land, as may be required by MSHA to secure the recipient's performance of its proposed activities. A further explanation of requirements is in Appendix 1.

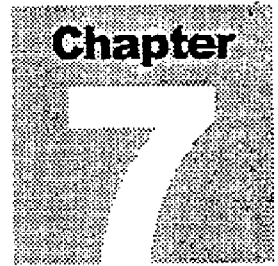
In any dispute or controversy involving timely submission, applicants have the burden to establish the date and time of MSHA's receipt.

MSHA reserves the right to withdraw the RFP and elect to pursue the objectives set forth above through any other lawful means prior to the issuance of an award.

Section 2: Timeframe and Process

MSHA intends to report on awards for supportive housing projects under this RFP promptly. The steps to the review process are as follows:

1. Applications will be reviewed for completeness, accuracy and feasibility. Applications will be rejected prior to scoring if they do not respond to the submission requirements or are inconsistent with program eligibility requirements.
2. Feasible applications will be scored in accordance with the criteria in Chapter 4.
3. If approved, the applicant will receive a letter of commitment with conditions and requirements consistent with MSHA rules and guidelines. The conditions which apply will depend on the type of project and whether there will be any debt. Program guidelines that may apply are found in Appendix 1. The commitment letter will establish deadlines for securing site control and for the closing, as well as for other project-specific requirements.
4. Closing and Project Development. Once all conditions are met, MSHA will schedule a closing.



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):

Susan D. Crawford, Information and Referral Specialist
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.

Attachments Follow:

- Proforma #1: Estimated Development Costs**
- Proforma #2: Sources of Funds**
- Proforma #3: Estimated Year/Annual Operating Income and Expenses**
- Schedule A: Request for Inducement**
- Appendix 1: Requirements for Selected Recipients**
- Appendix 2: Summary of Policy on Displacement/Relocation**

APPENDIX 1: Requirements for Selected Recipients

Introduction

In order to receive funds from MSHA there are requirements that must be met. The requirements vary depending upon the type of dollars used to fund the supportive housing project. At the time an applicant receives approval, the commitment letter will identify the requirements and time frames. The following identifies some of those requirements.

Underwriting Terms

Section 1: Lien Position

Debt 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 LTV limits cited in Chapter 3, Section 5. No other liens or security instruments may encumber the project without MSHA's express consent.

MSHA may require that the parent corporation guarantee the MSHA loan, if the applicant is a subsidiary corporation controlled by another corporation.

Subsidy awards will be secured by either a first or second lien on the property.

Section 2. Secondary Debt

MSHA must approve any additional secondary debt secured by the property. Unless MSHA has agreed to a shared first lien position, any secondary debt that is approved must be subordinated to MSHA's amortizing 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 3. Debt Service Coverage

Debt Service Coverage (DSC) must be a minimum of 110%. DSC must be met by revenues that can be dedicated to mortgage loan payments and are not dedicated to the provision of services. Therefore, the DSC will be calculated by using the 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 which must equal a minimum of 110%.

Section 4. Appraisals

MSHA will commission appraisals for projects requesting debt financing 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.

The appraisal 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 may waive the appraisal requirement in certain circumstances where the debt request is obviously much less than the value of the property.

Section 5. 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 money 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.

Funding to the Replacement Reserve Account will be made in equal monthly installments, starting at loan closing. Funding 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.

Section 6. 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 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 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 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 7. Title Insurance

All 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, including mechanics lien and survey exceptions, will need to be deleted prior to MSHA's acceptance of the policy.

Section 8. 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 received.

Because MSHA 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 amortizing debt during the rehabilitation period. However, 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 completion of the rehabilitation. The development budget should 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 loan. The development budget should include funding sufficient to pay the two months of accrued interest.

Site and Construction Standards

Section 1: Site Standards

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. 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 2: 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 required by MSHA. When the scope of building rehabilitation or construction is complex, or where State law requires it, a licensed architect will 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 funded properties. Depending on the proposed scope of rehabilitation, MSHA may require the developer to consult with a design professional. After a site is selected, MSHA will conduct a complete on-site inspection and 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 3: Habitability Standards

Projects must meet all State and Federal environmental, labor, civil rights, relocation and other 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 4: 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 Requirements

Section 1: Ongoing Reporting Requirements

The financial, physical and administrative management of projects financed through the RFP program will be regularly reviewed by MSHA for the duration of the financing and 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 attached as Appendix 2. Developers should be aware that displacement costs can be very significant and can result in projects being financially infeasible.