



Housing Authority of Prince George's County Rental Housing Guide

Multifamily Rental Housing Financing Program

TABLE OF CONTENTS

1. About HAPGC.....	2
2. Definitions.....	3
3. Checklist of initial Requirements and Submissions.....	4
a. Required Submissions.....	4
b. Feasibility Review/Inducement Resolution.....	5
4. Loan Processing and Commitment.....	5
a. Typical Underwriting Standards.....	5
b. Loan Commitment Checklist.....	6-9
c. Loan Commitment.....	9
d. Closing Preparation.....	9
e. Agreements.....	10
f. Post- Closing.....	11
g. Escrowed Funds.....	12
h. Secondary Financing.....	12
5. Fees and Service Charge.....	13
a. HAPGC Fees.....	13
b. Other Fees.....	13

Housing Authority of Prince George's County

Rental Housing Guide

About HAPGC

The Housing Authority of Prince George's County (HAPGC) was established in 1969 to provide Prince George's County, Maryland residents with low to moderate incomes with safe, decent and affordable housing. Most of this housing is in the form of rental units that must meet rigorous housing quality standards. HAPGC also provides its residents with programs that promote self-sufficiency, potentially leading to homeownership opportunities. Pursuant to the Annotated Maryland Code, HAPGC is empowered to provide financing for the acquisition, rehabilitation or new construction of affordable rental housing throughout the County.

Multifamily Rental Housing Finance Program

HAPGC is seeking to provide construction and permanent financing for rehabilitation and new construction of multifamily rental housing for low and moderate income County residents. Plan 2035 for Prince George's County states that "as the County works to capture a greater share of regional forecasted job growth, housing development will need to increasingly concentrate on building well designed, mixed income multifamily housing in higher density transit oriented, mixed use communities with easy access to jobs." HAPGC intends to use its authority to finance the construction of such housing to further this goal.

The Rental Housing Guide contains the materials that must be submitted, as well as other related requirements, for HAPGC tax-exempt bond financing. Sponsors that have obtained other Federal, State or County assistance for the development of affordable rental housing are also welcome to apply for construction and permanent financing.

Rental housing developments that adhere to the requirements for financing under the criteria for tax-exempt bonds pursuant to Section 142 of the Internal Revenue Service code are also eligible for 4% Low Income Housing tax credits allocated by the Community Development Administration (CDA) of the Maryland Department of Housing and Community Development. HAPGC will use its annual allocation of tax-exempt bond authority on a first-come-first-served basis, however, it will give priority to projects that promote the County's development priorities including projects in Transforming Neighborhood Initiative (TNI) areas, Inner Beltway communities, Regional Transit Districts and projects that preserve existing affordable housing.

HAPGC will finance projects rated AA or higher by one of the major rating agencies e.g. Standard & Poors or Moody's, with credit enhancement from bond insurers, the Federal Housing Administration, or the Government Sponsored Enterprises (Fannie Mae and Freddie Mac). It will also finance unrated transactions where the financing is "privately placed" with

major institutional investors. In all cases, it is the responsibility of the Sponsor to obtain and pay for credit enhancement for proposed projects.

If you are interested in pursuing financing for multifamily rental projects in Prince George's County, please contact Sharon Land at srland@co.pg.md.us.

Definitions

Affordable Housing:	Rental units in which at least 20% of the apartments are leased to residents earning no more than 50% of the Area Median Income (AMI) or 40% of the units are leased to residents earning no more than 60% of AMI and rents do not exceed 30% of tenants' Adjusted Gross Income adjusted for family size.
Inducement Resolution:	An action taken by the HAPGC Board acknowledging its intention to provide tax-exempt bond financing and enabling the Sponsor to recoup certain development and related costs at closing.
Multifamily Housing:	Structures designed principally for residential use comprised of not less than five (5) dwelling units in the same, or contiguous buildings, or parcels in the case of new construction.
TEFRA Hearing:	A public hearing required by Section 103 of the Internal Revenue Service Code alerting the public that tax-exempt bonds will be issued within the jurisdiction for the financing of an affordable rental housing development.
TNI:	The Transforming Neighborhood Initiative is a County effort to improve living conditions, including housing, in designated parts of the County including East Riverdale/Bladensburg, Glass Manor/Oxon Hill, Hillcrest Heights/Marlow Heights, Kent Land/Palmer Park, Langley Park and Suitland/Coral Hills
Regional Transit Districts:	Regional Transit Districts are areas around Metro stops at Largo Town Center, New Carrollton, Prince George's Plaza, Branch Avenue and Suitland.
Inner Beltway:	Inner Beltway communities are those incorporated and unincorporated areas of the County between the District of Columbia and Interstate 495.

Checklist of Initial Requirements and Submissions

Required Submissions

Prior to any action taken by the HAPGC staff or Board the Sponsor must submit the following information for review and approval:

1. A complete application to HAPGC (CDA form 202)
2. Resumes and experience of the key development partners including the Sponsor, General Contractor, Architect and Property Manager.
3. Site location map showing proximity to schools, public transportation, shopping and other neighborhood amenities.
4. Market data showing comparable rental developments in the area including rent levels, amenities provided, vacancy rates etc.
5. Evidence of applicable zoning or actions to receive appropriate zoning.
6. Title report disclosing all liens, easements and other encumbrances.
7. Evidence of the availability of utilities to the site.
8. Evidence of site control via title, option, partnership agreement etc. which extends for at least six (6) months after application submission.
9. Form of credit enhancement (or private placement) contemplated.
10. Site, building and unit plans.
11. MAI appraisal performed within the six (6) months preceding the application.
12. Personal financial statements for principals of the ownership entity.
13. A non-refundable application fee of \$5,000 to be applied toward the financing fee equal to 1% of the bond amount sought.

Feasibility Review/Inducement Resolution

Upon receipt of the complete application and related submissions, HAPGC staff will begin its review of the information to determine the economic feasibility of the project, creditworthiness of the ownership entity, credentials and experience of the key partners and desirability of the site. The following are the steps in the application approval process:

1. A Credit Committee comprised of HAPGC staff will review the application and related submissions to determine if the project is one that HAPGC wishes to finance.
2. Upon the positive review of the Credit Committee, the project will be submitted to the Development and Finance Committee of the HAPGC Board for review and approval.
3. Should the HAPGC Board Development and Finance Committee concur with the recommendation of the staff, it will direct the staff to prepare an Inducement Resolution for the full HAPGC Board. It should be noted, the Inducement Resolution is not a commitment by HAPGC to finance the project but will allow, under tax law, the ability to recoup certain development and related costs at the bond closing.
4. After the full HAPGC Board has approved the Inducement Resolution, staff will prepare a Resolution to be approved by the Prince George's County Council authorizing it to proceed with the financing and evidencing local support for the project and prepare for the TEFRA hearing.
5. Prior to closing on the bonds and mortgage loan the HAPGC Board will pass a Final Bond Resolution.

Loan Processing and Commitment

Following passage of the Inducement Resolution by the HAPGC Board, staff will work with the Sponsor and development team to fulfill all of the requirements for issuance of tax-exempt bonds to finance the project. During this stage of loan processing HAPGC staff and the development team will discuss various aspects of the project including whether the issue is to be a public offering or private placement, the form of credit enhancement contemplated, whether the Sponsor will pursue Low Income Housing or Historic Tax Credits, necessary secondary financing or "soft debt" etc.

Typical Underwriting Standards

Property Type:	Five (5) or more unit primarily residential structure in garden, mid-rise, high-rise or scattered (contiguous) site configuration. Either new construction or substantial rehabilitation.
Property Location:	Prince George's County, Maryland with priority given to projects located in TNI areas, Inner Beltway Communities, or Regional Transit Districts also projects to preserve existing affordable housing.
Public Purpose:	Project must serve residents at either 50% of AMI (20% of units) or 60% of AMI (40% of units) with rents not exceeding 30% of the residents' income adjusted for family size.
Loan to Value:	HAPGC will use the loan-to-value ratio acceptable to the credit enhancement provider or the entity with whom the bonds are privately placed.
Debt Service:	Generally debt service coverage should be 1.15x, subject to the requirements of the credit enhancement provider or entity with whom the bonds are privately placed.

Loan Commitment Check List

The following items are to be submitted as part of the loan commitment review process. This list may be modified in certain cases, at HAPGC's discretion, where HAPGC is either not the mortgagee or in a private placement scenario.

1. Updated financial proforma
2. The appraisal report must be satisfactory to HAPGC and other parties involved with the financing, including any credit enhancement providers, and cannot be dated more than six (6) months from the time of its submission. For certain transactions, HAPGC may also require an independent market study to demonstrate sufficient market depth to support the proposed project.
3. Credit reports are required for all principals of the Sponsor and/or General Partnership seeking financing.

4. A Phase I environmental report is required. Where unfavorable environmental issues are found, e.g. underground storage tanks, further testing and remediation may be required.
5. Where any secondary or “soft debt” is included in the financial proforma, letters of commitment must be submitted.
6. An updated title report and survey, reflecting all easements and encumbrances must be submitted.
7. HAPGC requires that Sponsors demonstrate good faith efforts to use minority and women-owned businesses, locally-based businesses and meet Section 3 requirements in all aspects of the development process including construction. Additionally, Sponsors must agree to abide by all affirmative action and fair housing requirements in the leasing of rental units.
8. Sponsors are to submit financial statements for the previous three (3) years for the borrowing entity, plus interim financial statements to the end of the most recent operating quarter. Balance sheets for the previous three (3) years and an interim balance sheet to the end of the most recent operating quarter must also be presented. For existing properties, a list of major capital expenditures for the last five (5) years must accompany the financial statements. Partnership or corporate tax returns, with all schedules attached, for the past two (2) years are also to be submitted.
9. A schedule of income producing real estate owned by each principal, including the property name, address, number of units or square feet, vacancy rates and outstanding mortgage balance(s) and due date(s) are to be presented. Where current mortgages with balloon payments are due within one (1) year, a plan for payment or refinance must be submitted.
10. Each principal is to certify as to whether they have been involved with a defaulted loan, loan workout, foreclosure, deed-in-lieu of foreclosure or personal or corporate bankruptcy in the past five (5) years. If so, they are to provide documentation as to the circumstances and disposition of the action.
11. The General Contractor must submit a description of its experience in the type of construction to take place for the proposed project including a list of similar

properties completed in the last five (5) years. Key staff members, and their resumes, should be attached.

12. The General Contractor is also to present its most recent audited financial statements and balance sheet(s) along with evidence, to the satisfaction of HAPGC, that it has sufficient insurance and bonding capacity for the successful completion of the proposed project.
13. The Architect must submit a description of its experience in the design and supervision of projects similar to the proposed project, including a list of properties showing the property's name, address, number of units, total construction costs etc., for the past five (5) years. Key staff to be involved with the design and supervision of the project, along with their resumes, are to be included.
14. The Property Manager must submit a detailed management plan for the lease-up, operation and maintenance of the proposed project including administrative and maintenance staffing. Resumes of key property management staff are to be included. The plan should describe any services to be provided to the residents along with rent collection policies and procedures, income verification procedures and marketing and advertising plans demonstrating compliance with all fair housing laws. Whether the Property Manager is affiliated with the Sponsor or is an independent third party, the property management contract must be submitted along with a description of experience managing properties similar to the proposed project for the past five (5) years. The management plan and contract, along with the hiring or dismissal of the property management firm, is subject to the review and approval of HAPGC.
15. Evidence of compliance with applicable zoning laws and regulations, or evidence that actions haven been initiated to obtain the project's compliance with all necessary zoning laws and regulations, and can reasonably be expected to be successfully concluded by the time of closing of the financing, is to be submitted.
16. The Sponsor must submit evidence that all required utilities are available to the site, or in the case of new construction, will be available at or before completion of the proposed project.
17. The Sponsor must submit a relocation plan if either temporary or permanent relocation of current residents is anticipated.

18. Project plans and specifications should be at least 80% complete at the time of loan commitment. Final plans and specifications, along with a cost estimate, must be submitted and approved prior to loan closing.

19. Where the financing is a public offering requiring credit enhancement, evidence of the commitment from a credit enhancement provider, acceptable to HAPGC and achieving a credit rating of AA or higher by a major rating agency, must be submitted.

20. A copy of the organizational documents of the Sponsor, along with all attachments, and evidence that the organization is in good standing in the state where it is domiciled, must be submitted.

*In the case where there is an identity-of-interest between or among the Sponsor and any of the other key partners involved in the project e.g. General Contractor or Property Manager, HPAGC reserves the right to ensure that all costs and fees are “usual and customary” for the services provided.

Loan Commitment

Upon review and approval of the required documents and related submissions above, the Executive Director of HAPGC or his/her designee, will issue a Commitment Letter describing in the detail the nature and requirements of the financing and any credit enhancement if involved.

Closing Preparation

1. **Bond Closing:** In the case of a public offering an Official Statement will be prepared by Bond Counsel and Underwriters allowing the bonds to be placed on the market. Bonds may be offered in a competitive bid process or a negotiated sale. In the case of a private placement, a Private Placement Memorandum, or some similar document, will be prepared in cooperation with the purchasing entity.

2. **Mortgage Loan Closing:** Subsequent to, or in some cases simultaneous with, the bond closing, HAPGC will work with the Sponsor, credit enhancement provider, tax credit purchaser and respective counsels to execute the loan closing documents that have been prepared and reviewed previously.

Agreements

At the mortgage loan closing, in addition to the financing documents, several Agreements will be executed between the borrower and HAPGC. These Agreements are recorded in the County land records and their terms and conditions shall survive until the end of the specified period, usually thirty (30) years.

- A. Regulatory Agreement: The Regulatory Agreement will contain all of the covenants, restrictions and requirements relative to the public purposes of HAPGC.

- B. Land Use Agreement: A Land Use Agreement will be executed that delineates the restrictions and requirements of the Internal Revenue Service Code for tax-exempt bond financing including the following:
 - 1. The property must remain in affordable rental use for at least fifteen (15) years.
 - 2. In the selection of tenants there shall be no discrimination of persons in protected classes including race, color, religion, national origin, sex, or marital status or by reason of the fact there are children or handicapped individuals in the family.
 - 3. In the selection of employees to work at the project, there shall be no discrimination against any applicant for employment because of race, color, religion, national origin, age, sex or marital status.
 - 4. At least 20% of the units in the development shall be rented to households whose income does not exceed 50% of the Area Median Income, adjusted for family size or, at least 40% of the units must be rented to households whose income do not exceed 60% of Area Median Income adjusted for family size.
 - 5. Units targeted to serve low and moderate income households must be proportionally representative of the mix of units by bedroom size in the entire development and shall not be clustered in any single portion or floor of the development.
 - 6. The maximum basic annual rent, including utilities, for a particular unit size, cannot exceed 30% of the Area Median Income adjusted for family size.
 - 7. All units in the property must be maintained in compliance with the County Code, including any energy conservation requirements.

8. The borrower will annually submit Audited Financial Statements for the previous operating fiscal year prepared by a Certified Public Accountant acceptable to HAPGC.
9. Prince George's County Department of Housing and Community Development shall have the right of first refusal in the event of a sale or transfer of the property for as long as the bonds are outstanding.

Post-Closing

Upon closing of the bonds and the mortgage loan construction/rehabilitation, marketing and lease-up shall proceed. There are specific conditions that must be adhered to and satisfied during these stages as required by HAPGC, mortgage lender, credit enhancement provider and tax credit purchaser.

1. Construction Monitoring, Review and Reporting: All construction/rehabilitation will be monitored to ensure that the work is progressing as scheduled. A full construction/rehabilitation review will be conducted prior to release of any payments pursuant to a construction/rehabilitation draw request from the borrower.
2. Income Certifications: Income certification forms for each tenant household will be completed at initial lease-up and at least annually thereafter. Income certification forms will be made available for inspection by HAPGC on request.
3. Cost Certification: Upon construction/rehabilitation completion an itemized verification of all construction and development costs must be prepared by an independent third party acceptable to HAPGC.
4. Reporting: During the term of the mortgage loan and/or for as long as any bonds are outstanding, the borrower will require the property management agent to file with HAPGC monthly status reports containing operating data for the property i.e. occupancy, rent collections, evictions etc. along with a certificate of continuing compliance with respect to income levels of tenants. Annually, a financial audit for the previous year, and an operating budget for the upcoming year, must be submitted to HAPGC.

Escrowed Funds

Working in concert with any other lenders and equity partners, several different types of reserves may be required including:

1. Reserve for Replacement: Reserves are required to take into the account for the need to make major capital improvements over the life of the loan. They may be either calculated as a percentage of construction costs or be a fixed amount per unit based on whether the project is new construction or substantial rehabilitation.
2. Debt Service Reserve: An amount equal to between three (3) to six (6) months of debt service payments will be funded at loan closing. These funds will be available in the event there are insufficient funds resulting from operations to meet an upcoming principle and interest payment on the bonds.
3. Operating and Lease Up Reserve: An amount equal to three (3) to six (6) months operating expenses will be funded at loan closing. These funds will be available to pay operating expenses in the event there are insufficient funds on hand due to a lease up slower than projected or vacancies higher than expected.

Secondary Financing

Secondary financing, or “soft debt”, may be permitted with the approval of HAPGC and any credit enhancement provider under the following conditions:

1. The obligations of the borrower to pay secondary financing must clearly be subordinate to obligations to pay the HAPGC debt.
2. The subordinate debt must clearly state that the lender waives its right to commence lien enforcement for default on any condition of the subordinate debt, including non-payment, without the prior written consent of HAPGC.
3. Projected cash flow from operation of the property must support the total monthly mortgage payment for the primary and secondary debt while maintaining the minimum debt service coverage prescribed for the primary debt.
4. The HAPGC Deed of Trust must evidence that its mortgage is the single first mortgage and has the first priority for payment.

Fees and Service Charges

HAPGC Fees

1. Application Fee: The total financing fee will be one percent (1.00%) of the bond amount. With the submission of its application, the borrower will pay a non-refundable five thousand dollar (\$5,000) application fee. The application fee will be credited towards the financing fee due at closing.
2. Inducement Resolution Fee: Upon approval of an Inducement Resolution by the full HAPGC Board, the borrower will pay a fee equal to 1/10th of 1.00% of the bond amount requested, to be credited towards the financing fee due at closing.
3. HAPGC Commitment Fee: Upon execution of the Commitment Letter between HAPGC and the borrower, the borrower will pay 1/10th of 1.00% of the bond amount requested, to be credited towards the financing fee at closing.
4. Financing Fee: A financing fee of 1.00% of the bond amount, minus any amounts previously paid, will be due at bond closing.
5. HAPGC Servicing Fee: An annual fee equal to the present value of twenty five basis points (.25%) of the original bond amount will be included in the financing.

Other Fees:

1. Credit Enhancement Fees: The borrower will be responsible for any fees charged by credit enhancement providers and such fees will be recognized as an expense that can be included in the mortgage.
2. Third Party Fees: The borrower will be responsible for any fees related to third party vendors whose services are required for approval of financing including, but not limited to, appraisals, market studies, environmental testing etc. which costs may be included in the bond financing.