

As of July 1, 2024

Prince George's County
Department of Housing and Community Development

HOME Investment Partnerships Program Loans
for Affordable Multifamily Rental Housing

SUMMARY OF TERMS

Overview:

The HOME Investment Partnerships ("HOME") Program is a federal block grant program under the Department of Housing and Urban Development ("HUD") designed to create affordable housing for low-income households. Prince George's County is a Participating Jurisdiction ("PJ") with HUD under the HOME Program. Prince George's County receives HOME funds from HUD, and its Department of Housing and Community Development (the "Department" or "DHCD") utilizes its allocation of HOME funds to provide gap financing for activities including building, buying and/or rehabilitating affordable rental and homeowner housing. The HOME Program is operated under the requirements of Title 24 under the Code of Federal Regulations, Part 92 ("24 CFR Part 92").

Funding Type:

For multifamily rental projects, HOME financing will be made available as a Subordinate Loan (the "HOME Loan"). HOME Loans will be underwritten in accordance with 24 CFR Part 92, the terms outlined herein, and originated and serviced by the Department (<https://www.ecfr.gov/current/title-24/part-92>).

Purpose/Use of Funds: The proceeds of HOME loans must be used for expenses allowable under 24 CFR Part 92. These generally include, but are not limited to, construction expenses, acquisition costs, and professional fees. Applicants will bear the responsibility of ensuring intended uses of HOME funds are permissible and will be required to document costs or expenses when submitting draw requests.

Funding Priorities: The Department has established the following set of Priorities to guide the award of competitive HITF funding:

- Located within one mile of the Blue Line transit Corridor;
- Located within one mile of the Purple Line transit Corridor;
- New construction and/or preservation of affordable housing within one mile of existing and planned Maryland Department of Transportation (MDOT) Metro Stations throughout the County;
- Conformance with housing priorities and guidance in the Prince George's County's 2035: Adopted General Plan;
<https://pgccouncil.us/DocumentCenter/View/3162/Plan-2035-Approved-General-Plan-Book?bidId=>
- Mixed-use, mixed-income affordable housing developments; and
- Affordable housing that includes sustainable design, energy efficiency and green design standards.

Eligibility: Units supported with HOME funds ("HOME units") must be affordable to households with incomes at or below 60% of the Area Median Income ("AMI"). At least twenty percent (20%) of all HOME units must be affordable to households with incomes at or below 50% of the AMI ("Low HOME units").

Property Location: Within Prince George's County

Borrower/Development Team: At the time of the HOME loan closing, the Borrower and its managing entities must have business registrations that are in good standing. All members of the development team to include the Developer/Sponsor,



the Borrower, the General Contractor (and its subcontractors), the Managing Agent, and the Architect, and other professionals involved in the Project's design may not be suspended, debarred, or deemed otherwise ineligible to receive federal funds. The Project's development team must be approved by the Department and must have demonstrated experience in the immediate past five years with the successful development and completion of affordable housing projects.

HOME Loan Amount: Up to \$2,500,000. Exceptions to this limit may be approved at the discretion of the Department.

Davis-Bacon Wage Rates: Borrowers should review the maximum per unit HOME subsidy limits (presently the Section 234 Condominium Housing (Elevators) limits) and as part of their application activities to determine the maximum HOME Loan permissible and required number of HOME units. Any projects with 12 or more HOME units will be subject to the Davis-Bacon Act and must pay the prevailing wage rates.

Subordination: The HOME Loan may be subordinated to Senior Loan(s) approved by the Department, and subject to terms of an agreed-upon Subordination Agreement with Senior Lender(s). Multiple Senior Loans are acceptable.

HOME Loan Term: Generally coterminous with the term of the Senior Loan(s), with a term of up to 40 years.

HOME Loan Amortization: Up to 40 years

HOME Loan Interest Rate: Two percent (2%) simple interest during permanent loan period; zero percent (0%) during construction. At the discretion of the Director of the Department, Maryland DHCD's Contingent Interest loan terms will be considered on a case-by-case basis.



Collateral:	The HOME Loan will be secured by a subordinate lien Deed of Trust recorded in the land records of Prince George's County.
HOME Loan Payments:	Annual payments are due by April 30, unless an alternative due date is agreed upon. The Department must approve the Borrower's repayment strategy and interest rate structure as part of the underwriting process.
HOME Loan Prepayment:	The HOME Loan may be prepaid in whole or in part without penalty provided the Borrower is in compliance with the affordability and rental requirements and is not in default under the Loan. Partial or full repayment prior to the expiration of the affordability agreement does not terminate or change any of the affordability requirements applicable to the Project.
HOME Loan Documents:	Loan Agreement, Deed of Trust, Promissory Note, Affordability Agreement.
HOME Loan Fees:	Legal fee of \$55,000 due at closing.
Property Due Diligence:	All costs of due diligence will be the sole responsibility of the Borrower. The Department will rely upon due diligence reports of the Senior Lender(s). The Department will require Reliance Letters for Environmental Report(s), Capital Needs Assessment, and Property Appraisal.
Affordability Requirements:	An Affordability Agreement restricting the Property's rent and tenant income must be recorded in the Land Records of Prince George's County. The Agreement will be for a period of at least 40 years and will survive repayment of the Loan, unless otherwise released or amended by the Department.



**Diversity and Equity Policy for
Publicly Subsidized Development
Projects:**

The Developer must comply with the requirements and participation goals of the County's Diversity and Equity Policy for Publicly Subsidized Development Projects (the "Policy"). The Policy and associated requirements and goals are detailed in Section 10-335 of the Prince George's County Code (the "Code") and are as follows:

- At least thirty percent (30%) of the Development Costs for Construction (including the design, demolition/site work, and building stages) of the County-Subsidized Project shall be paid to County-Based Small Businesses (CBSB) and/or Locally-Owned and Operated Businesses (LOB), including at least twenty percent (20%) of design costs if applicable. In this Section, "design" includes architectural, engineering, and design work, excluding in-house design costs.
- Use Best Efforts to achieve at least twenty-five percent (25%) of the Development Costs for Construction (including the design, demolition/site work and building stages) of the County-Subsidized Project shall be paid to County-Based Minority Business Enterprises. As a minimum, the Developer shall demonstrate its Best Efforts, as defined above, to meet this Goal.
- The General Contractor Team for the Project shall include one or more businesses that are County-Based Minority Business Enterprises (CMBE) and/or Locally-Owned and Operated Businesses (LOB).
- As applicable, the Construction services (including the design, demolition/site work, and building stages) for at least twenty-five percent (25%) of the total work hours on the Project shall be worked by County Residents, including at least twenty percent (20%) of the total work hours of workers in the specialty trades (defined as "specialty trade contractors" in the North American Industry Classification System (NAICS) being worked by County Residents.

The Code requires the approval of a Supplier Diversity and Equity Plan by the County.

Additional information regarding the Policy is available at the following website:



<https://princegeorgescountymd.gov/980/Housing-Development-Division>

Section 3 Hiring Requirements: Section 3 of the Housing and Urban Development Act of 1968 requires thirty-five percent (35%) of total labor hours must be worked by qualifying Section 3 workers; 5% of total labor hours must be worked by Targeted Section 3 workers (the County's 35% requirement exceeds HUD's minimum target).

Reporting and Compliance: The compliance requirements of the HOME Program will govern compliance activities. This includes, but is not limited to, making HOME units available for Housing Quality Standards inspections; allowing the review and/or audit of tenant files; and notifying residents and DHCD within mandated timeframes of proposed changes to utility allowance and rent rates.

Borrower must submit annual documentation to the Department to demonstrate compliance with Affordability Requirements.

In addition, the Department will require annual Financing Reporting.

Property Management: The Property Manager must be approved by the Department.

Governing Laws: The HOME assisted Project will be governed by the federal regulations found at 24 CFR Part 92 for the HOME Investment Partnerships Program (the "HOME Program"), pursuant to authority of 42 U.S.C. 3535(d) and 12701-12839 of the HOME Investment Partnerships Act at Title II of the Cranston Gonzales National Affordable Housing Act of 1990, as amended (collectively, the "Act") as regulated by the U.S. Department of Housing and Urban Development.

NOTE:

The Terms outlined above are for illustrative purposes only and do not constitute a reservation or commitment by the Department to provide financing to the Property.

