HOUSING FINANCE AUTHORITY OF PINELLAS COUNTY AFFORDABLE MULTIFAMILY RENTAL DEVELOPMENT LOAN PROCEDURES

LENDING PHILOSOPHY

The Housing Finance Authority of Pinellas County (HFA) follows Pinellas County's lending philosophies to provide for and preserve multifamily affordable housing units. To this end and in furtherance of Pinellas County's Community Housing Program, the objectives of the HFA's lending philosophy are summarized as follows:

1. To utilize federal, state, and local housing grant funding in a way that facilitates the successful completion of developments that serve the low, moderate, and middle-income families in Pinellas County.

2. To provide financial support to developments that make a positive social impact as measured by location, quality of housing units, persons served, and other socio-economic measures.

3. To leverage other private and public funding sources to the maximum extent possible.

4. To assist mixed-income, high quality, aesthetically pleasing communities that enhance the neighborhoods in which they are located.

5. To assist affordable housing developments that are a component of mixed-use developments that provide vibrant places and create an environment conducive for the type of residential development where services and amenities are within walking distance.

6. To assist affordable housing developments that support economic development opportunities and job creation.

7. To assist developments located in areas with a demonstrated need for affordable housing.

8. To assist developments that preserve existing housing stock through substantial rehabilitation.

9. To assist developments marketed toward mixed-income occupants. Exceptions to the mixed-income policy can be made.

10. To encourage environmentally sustainable and energy efficient development approaches.

LOAN REVIEW AND APPROVAL PROCEDURES

Loan Review: HFA staff or a third party underwriting service provider will gather all relevant documents, review materials, visit the development site, and prepare a loan recommendation memo for review and approval.

Approval Authority: Funding sources for the affordable housing loans include the HFA's line of credit at the Federal Home Loan Bank of Atlanta (FHLB), housing trust funds allocated to the HFA from Pinellas County, and HFA's general funds. Utilization of any funding sources available to the HFA will require compliance with the applicable funding sources guidelines and review by staff prior to HFA Board submission and approval. The HFA Board is authorized to approve affordable housing funding in compliance with the guidelines, procedures and requirements contained herein.

UNDERWRITING GUIDELINES

The following underwriting criteria are to be used when assessing loan applications for acquisition, new construction and/or major rehabilitation of multifamily housing developments. When providing subordinate financing to conforming loans bearing reasonable fees, costs and expenses, the HFA will typically accept the senior lender's underwriting determination. When providing senior or sole financing or if underwriting analysis information provided by a senior mortgage lender is incomplete or unavailable then the HFA may engage an additional third party underwriting analysis.

The guidelines herein are designed to assist HFA staff or third party underwriting service provider as designated by the HFA in determining the viability of a development and an applicant's ability to repay a loan under the terms and conditions requested. HFA staff is expected to use professional judgment when reviewing applications. If there is a valid reason to make an exception to these underwriting guidelines to meet affordable housing or community development objectives, HFA staff may submit justification for the exception along with supporting documentation to the HFA Board. Any loan recommendation exceeding $250,000 with exceptions shall include an independent underwriting report.

Loan Terms*

Type:
1. Equity Bridge Loan
   - Providing short-term financing repayable with tax credit equity
2. HFA Construction Loan
   - Providing a portion of funds required for construction
3. Bridge Loans
   - Terms and collateral dependent on circumstances

Unit Set Asides: All developments must set aside a percentage of the units for the purpose of providing affordable housing as defined in applicable program criteria.

Interest Rate: Fixed interest rate for the period of the loan, which are anticipated to range from 0.00-6.00% based on underwriting and pro-forma analysis. In certain cases, incremental adjustments in interest rate during the term of the loan may be arranged. The setting of rate ranges may vary based upon a variety of factors that may include:

- Current market rates of conventional and nonprofit lenders for similar term loans;
- Projected rates of cost of loan capital over next 12-36 months;
- Analysis of operating pro-forma;
- Environmental impact;
- Borrower type (nonprofit or for-profit);
- Positive community impacts.

Interest rates are subject to adjustment for future market changes at the discretion of the HFA.

Collateral/Security: All borrowers are required to enter into collateral and security agreements acceptable to the HFA, including, but not limited to a mortgage, promissory note, funding agreement, affordable housing development agreement, and a land use restriction agreement (LURA) to assure compliance with occupancy, affordability, and affordability period requirements.

The HFA will consider entering into a pari passu position with other lien holders (equity bridge loan lender or construction lender) participating in the financing. The HFA will subordinate into a junior lien position to senior lenders providing primary financing only when such subordination is necessary for development economics. In no case will the HFA subordinate to a developer fee.

Any equity bridge loan provided by the HFA may also be secured by an assignment of tax credit equity contributions by the investment limited partner, a junior mortgage lien position, assignment of the construction contract and assignment of rents.

Development Analysis: Underwriting reports must include an assessment of the current market demand in the neighborhood in which the development will be located, the experience of the developer, the financial capacity of the developer, firm written financial commitments for the development, an examination of sources and uses and a determination that costs are reasonable.

Loan to Value: Loan to value will not exceed total development cost, inclusive of a reasonable developer's fee.

Developer Fee:	Total developer's fee shall not exceed 18% of the total development cost.
Equity at Closing:	A minimum of 15% of total tax credit equity shall be contributed at closing of the construction loan.
Debt Service:	All first and second mortgage loans provided for a development will be underwritten to minimum debt service coverage of 1.10 to 1.00 or the requirements of the first mortgage lender, whichever is greater. Only items determined by industry standards to be usual, customary, and reasonable will be considered in determining debt service coverage.
Minimum Loan:	Minimum loan amount is $50,000.
Maximum Loan:	Limited to funds available. This product offers gap financing based on development need as determined by the development's cash flow analysis. The maximum loan size is $250,000. The HFA reserves the right to consider increasing the maximum loan size on a case by case basis.
Repayment:	It is anticipated the terms will not exceed 24 months, with (2) possible extension periods of 6 months each. HFA prefers monthly interest payments. <u>Equity Bridge Loan:</u> Repayment of the equity bridge loan will take place upon the earlier of: 1) achievement of all conditions for the last installment of the investment limited partner's equity contribution, or 2) maturity of the credit facility (if applicable). <u>HFA Construction Loan:</u> An HFA construction loan would be repaid by the permanent loan upon conversion to permanent financing after construction completion.
Prepayment Penalties:	None.
Application Fee:	None.
Compliance:	Properties will be required to comply with the regulations of the most restrictive funding source. These regulations change from time to time. It is the responsibility of the borrower to remain up to date on the most current regulations.
Monitoring:	The borrower is required to submit periodic third party monitoring reports on a schedule and from a monitoring agent approved by the HFA, and make its records available to the HFA for periodic monitoring. The

borrower is also required to make the premises available for inspection by the HFA.

Participation Loans**:** The HFA will participate in individual loans with other private and public-sector lenders when appropriate and helpful to the borrower. Inter-creditor or participation agreements may be used to assure that all lenders understand the relationship(s) between each lender and the borrower as well as with each other.

Other: Borrower is responsible for all processing and closing costs incurred in connection with the loan including, but not limited to: credit underwriting, legal fees, inspection fees, recording fees, and title insurance premiums.

*The HFA reserves the right to waive any of these terms or impose other terms and conditions based on an assessment of risk and the needs of a particular development or borrower. This list of terms and conditions is not comprehensive; other terms and conditions may be required by the HFA administrative practices.

General Development Review Guidelines

Review of Development: The following minimum information requirements apply to underwriting reports:

Borrower: Applicants/ borrowers will be reviewed for their development record including their construction/development history, as well as their operating and management performance for existing developments. An analysis of credit worthiness based on liquidity, net worth, unrestricted assets, contingent liabilities, past performance, default history, outstanding contingencies etc. will be conducted. For-profit applicants, if a corporation or partnership, will be required to provide corporate documents, partnership agreements, and three years of financial statements for the borrowing entity and each of the principals. Guaranties of parent or affiliated entities may be required.

Not-for-profit applicants will be required to provide the following: Financial statements for the past three years (preferably audited and/or prepared by a CPA); organizational documents, including Articles of Incorporation and Bylaws, evidence of tax-exemption, authorization to make application, list of board members and their resumes; list of primary contributors, if applicable; and operating statements on existing developments.

Appraisal Requirement: Current (90 day) appraisal by a State licensed or certified appraiser.

Survey Requirement: A survey by a licensed surveyor is required.

Environmental Audit/Assessment: An environmental assessment including research and review of lead based paint and asbestos issues will be required. All third-party environmental reports must be completed by an environmental engineer and they must meet the current ASTM standards.

Rehabilitation/Construction Risk Management: Review of plans and specifications, general contract and detailed total cost budget; soil tests for new construction; evidence of conforming zoning; utility letters; builder's risk insurance for all developments with new construction/rehabilitation; payment and performance bonds for all new construction/rehab loans; and interest and operating reserves. A structural report by a licensed engineer will be required on any loan involving major rehabilitation or construction or when the appraisal indicates structural obsolescence or the like.

Development Review: Development review will include, but is not limited to, development location, feasibility, availability of physical and social support services, jurisdictional approvals, percentage of units available for low and moderate-income households, degree of affordability, description of development units and amenities, ratio of HFA funding per unit, and demonstrated experience of the applicant.

Property Management: An experienced property management agent and detailed management plan is required.

Other Federal Requirements: Additional requirements will apply if federal funds are part of the financing.

Application: When a loan application is submitted, the package shall contain the following attachments, as applicable:

1. Applicant Information;

2. Development Team Information;

3. Market Information/Market Study;

4. Participant Income Documentation;

5. Development Sources & Uses and both Operational and Development Pro Formas;

6. Evidence of Site Control

7. Development Information:
   - Location Map and Legal Description
   - Preliminary Site Plan
   - Color Photographs
   - Preliminary Floor Plans and Elevations

8. Evidence of subdivision and zoning

9. Funding commitment documentation from all funding sources including terms and conditions

Other: Other such documentation as may be required to fully analyze and evaluate the proposed development.

LOAN COMMITMENTS, DOCUMENTS AND CLOSING PROCEDURES

The purpose of loan documentation will be to clearly define the nature and terms of the loan to the borrower.

1. **Standard Loan Conditions**: As a condition of loan closing, the borrower is required to submit the following:
   - Most recent audited financial statements;
   - Authorization to enter into a loan agreement on behalf of the borrowing entity;
   - Verification of required property and liability insurance identifying the HFA as mortgagee and loss payee on all insured collateral;
   - Such other documents as deemed necessary to perfect title.

2. **Additional Loan Conditions for Real-Estate Secured Loans**: As a condition of loan closing, all real-estate secured loans will have additional requirements for closing, including but not limited to the following:
   - A policy of title insurance;
   - A survey that is no more than 12 months old;
   - Environmental site assessments for land loans and other collateral deemed to have potential environmental concerns;
   - Current appraisals of real property conducted by state certified appraisers; and
   - Other documents as deemed necessary to perfect title.

3. **Promotion by Borrowers**: The HFA requires all borrowers to acknowledge the participation or inclusion of the HFA financing in the borrower's marketing and other promotional efforts that cite financial supporters of their development(s). The HFA's name (and logo) should be included on development site signage, press releases, funding proposals, and other printed information listing entities supporting the development(s) in a size and type similar to other entities participating in the financing.

4. **Non-Binding**: These loan procedures do not create a contractual or legal obligation on behalf of the HFA or Pinellas County until definitive agreements are executed. The HFA reserves the right to modify or cancel these loan procedures at any time.

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