

(Procedures Last Revised ~~6/28/18~~)

EXCERPT OF
CONNECTICUT HOUSING FINANCE AUTHORITY PROCEDURES
II. RENTAL HOUSING
A. MULTIFAMILY RENTAL HOUSING PROGRAM

A-1. Housing Affordability and Applications

In furtherance of its mission to alleviate the shortage of affordable housing for low and moderate income families and persons in Connecticut, the Authority responds to all inquiries regarding multifamily rental housing developments.

(a) Within available resources depending on funding sources and to the extent practicable, multifamily rental housing developments should serve a mix of incomes, inclusive of households with incomes at or less than sixty percent (60%), fifty percent (50%) and ~~thirty percent (30%)~~ ~~twenty-five percent (25%)~~ of the area median income (“AMI”) adjusted for family size, as determined by the U. S. Department of Housing and Urban Development (“HUD”), though all development types shall be considered.

(b) A CHFA-DOH Consolidated Application (the “application”), in its most recent form, shall be completed and submitted by an applicant seeking financing. Each applicant’s application will be screened to determine if it conforms with and satisfies the following:

- (1) State of Connecticut and Authority policy objectives;
- (2) preliminary threshold requirements established by the Authority, subject to further review;
- (3) Authority-established eligibility standards set for all applicants; and
- (4) demonstrated need and/or demand.

(c) Upon the Authority’s request, clarification of application submissions must be provided to the Authority’s satisfaction before a financing proposal may be considered for approval.

(d) The Authority will publish a fee schedule of costs associated with application and financing. Other fees may include the commissioning of appraisals, market studies and environmental assessments as necessary.

(e) The Authority may require physical access to the proposed development site in

determining the feasibility of the financing request.

A-2. Qualified Development Team

(a) As required by the Authority, each member of the development team shall be licensed and/or registered to do business in the state of Connecticut.

(b) When determining whether a development team is qualified, the team's track record, financial capacity, and relevant experience in multifamily housing finance, development, construction, management, and resident services will be taken into account. Development team members may be asked to report past experience with affordable housing programs, including financial performance of individual developments, any removals as general partner, defaults under project documents, failures to receive IRS Form 8609, or project foreclosures.

(c) A proposed change/substitution of any member of the Qualified Development Team previously accepted by the Authority shall be submitted in writing by the applicant/mortgagor; such change/substitution will require the prior written consent of the Authority.

(d) All applicants shall sign an "Identity of Interest" statement disclosing relationships among members of the proposed development team. The statement shall attest to the relationship, if any, of all persons and/or entities benefitting financially from the multifamily rental housing development. When an identity of interest exists, the Authority reserves the right to evaluate and accept or reject the cost reasonableness of that service and/or work to be performed.

A-3. Credit Evaluation

(a) The Authority may conduct a credit investigation to ascertain and ensure that the proposed development team possesses sufficient financial capacity and is capable of completing and operating the proposed multifamily rental housing development. The Authority shall determine the extent of such credit investigation.

(b) An applicant shall furnish a listing of any general partners, managing members or principal shareholders of the developer/sponsor entity and the proposed owner/mortgagor entity, the general contractor, and property management agent, as required by the Authority.

A-4. Affirmative Action

Each mortgagor and its contractors, subcontractors, and management agents shall agree to comply with federal and state executive orders, statutes, regulations, and other requirements of law relating to affirmative action and equal employment opportunity.

A-5. Return on Equity

(a) The mortgagor's equity in a multifamily rental housing development shall be as defined in Section 8-253a(5), as may be amended, of the Connecticut General Statutes, incorporating project costs certified by the mortgagor and recognized by the Authority, whether or not such costs

have been paid in cash or in a form other than cash, and the total amount of the mortgage loans and/or grant proceeds.

b) A loan to a mortgagor, having as one of its purposes the construction or rehabilitation of housing, shall be subject to an agreement between the Authority and the mortgagor limiting the mortgagor and its principals/stockholders to such return on the mortgagor's equity as may be established or permitted by the Authority. The non-cumulative cash return on equity shall be determined at the Authority's discretion and to the extent economically feasible.

A-6. Related Facilities

The Authority may provide financing for related facilities in accordance with Section 8-243(d) as may be amended of the Connecticut General Statutes, which defines "related facilities" as commercial, office, health, welfare, administrative, recreational, community, and service facilities incidental and pertinent to multifamily rental housing as determined by the Authority. If any related facility is to be leased, then the Authority shall have the right to disapprove any proposed use, tenant, or provision of the lease.

A-7. Market Study

(a) The Authority requires an independent, professional market study on all multifamily rental housing developments being considered for CHFA mortgage financing and/or issuance of Low-Income Housing Tax Credits (LIHTCs). If a development being considered for financing has a project-based rental assistance commitment or contract in place ; provided that, if the applicant's sponsor is a not for profit and the multifamily rental housing development contains fifteen (15) apartments or less, or benefits from project-based rental assistance for the entire development, then the Authority may determine that the market analysis required as part of the prospective appraisal valuation required under Sec. A-8 will be sufficient so as to not require a separate market study, ~~or the Authority may accept a market analysis prepared by an acceptable alternative source.~~

(b) If the Authority determines that a separate market study is required, then the Authority shall commission a market analysis from an approved list of market analysts developed and maintained by the Authority. Unless otherwise determined by the Authority, ~~t~~The applicant shall make full payment for the market study(ies), in advance, which payment is nonrefundable should the applicant's financing proposal not be approved by the Authority. The market study shall be prepared according to industry standards and within contract terms established by the Authority.

~~(b)(c)~~ For developments seeking an issuance of LIHTC but no financing from CHFA, CHFA reserves the right to accept a market analysis prepared to CHFA's standards by an acceptable, alternative analyst not on CHFA's approved list.

~~(e)(d)~~ The Authority reserves the right to require current market information prior to approval of its financing.

A-8. Appraisal

(a) Independent, professional "as-is" and "to-be-developed" appraisals are required for

all multifamily rental housing developments being considered for mortgage financing by the Authority. ~~Also, This requirement may be modified in the Authority's discretion for developments of fifteen (15) apartments or less, and/or to waive the requirement for "as-is" appraisals for developments with zero land cost (donated properties, etc.) or long term ground leases where no site acquisition costs will be incurred.~~ The Authority may require appraisals when financing with non-amortizing CHFA debt, ~~debt or~~ restructures or other special situations.

(b) The Authority shall commission an appraisal from an approved list of appraisers developed and maintained by the Authority. ~~Unless otherwise determined by the Authority, t~~The applicant shall make full payment for the appraisal(s), in advance, which payment is nonrefundable should the applicant's financing proposal not be approved by the Authority. The appraisal shall be prepared according to industry standards and within contract terms established by the Authority. The Authority may accept another lender's appraisal in certain circumstances such as LIHTC transaction~~tax credit deals~~ that are not financed with CHFA ~~Tax Exempt Bonds~~.

(c) The Authority reserves the right to exercise discretion to require an appraisal and/or modify its appraisal requirements as may be practical given the circumstances of each transaction.
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(de) The Authority reserves the right to require additional appraisals or to commission review appraisals at the applicant's expense.

A-9. Underwriting Standards

The Authority shall establish loan underwriting standards in the following areas and may review and revise the standards as market and economic conditions dictate.

(1) Debt Service Coverage ("DSC") - The minimum coverage for all uninsured multifamily rental housing loans is 1.15. For USDA properties and FHA-insured loans, minimum coverage shall be 1.10 or the USDA/FHA standard, whichever is higher. For programs or financing that fund housing development for the homeless, special needs populations, restructures or if there is no permanent amortizing debt, the DSC may be reduced at the Authority's discretion.

(2) Determination of Value -

(a) The "as-is" market value established in the Authority-commissioned independent appraisal shall be one, ~~but not necessarily the only,~~ consideration used to determine the value of the subject property in relation to its proposed acquisition cost.

(b) The "to-be-developed" prospective value established in the Authority-commissioned independent appraisal shall be considered in determining the potential underwriting risk to the Authority during the term of its financing.

(3) Loan to Value ("LTV") - The LTV may not exceed eighty percent (80%) of the appraised prospective value or the Authority's estimated total lending cost as recognized by the Authority. As determined by the Authority in its discretion, (i) the LTV may be increased to further public and/or Authority objectives, and (ii) for applicants with not-for-profit sponsors, financing may occur at a

higher LTV percentage. For the purpose of this section, a loan is defined as that which is self-amortizing. In transactions with federal HUD Housing Finance Agency Risk Sharing mortgage insurance where the Authority is assuming less than fifty percent (50%) of the risk (Level II Risk), HUD standards for Loan-to-Cost, DSC, and underwritten occupancy limits will prevail, subject to applicable law. The Authority may, in its discretion, exempt applicants/mortgagors with not-for-profit developers/sponsors, regardless of the number of apartments in the multifamily rental housing development, from and/or modify the requirements of this subsection.

(4) Total Development Cost (“TDC”) - The total multifamily rental housing development cost shall be based on the Authority's analysis, including but not limited to, time, construction and acquisition costs, reserve and soft costs, extraordinary features, location, public purpose and type of sponsor/developer.

For construction costs, the Authority may select and commission an independent professional cost analysis. The applicant shall make full payment for the independent cost analysis, in advance, which payment is nonrefundable should the applicant’s financing proposal not be approved by the Authority.

(5) Vacancy Assumptions - Underwriting vacancy rate assumptions will be based on the percentage of the AMI of the intended resident population and/or market conditions as of the first stabilized year of operations as determined by the Authority.

(6) Income Trends - To determine the maximum amount of a mortgage loan, income shall be forecasted on an annual basis throughout the term of the proposed mortgage loan, and other documentation and indices may be considered.

(7) Expense Trends - To determine the maximum amount of a mortgage loan, expenses shall be forecasted on an annual basis throughout the term of the proposed mortgage loan and other documentation and indices may be considered. Written documentation approved by the municipality evidencing real estate tax abatements, deferments, or payments in lieu of tax agreements will be required for the Authority to include less than full taxes in its underwriting assumptions. Forecasted annual growth rates for expenses, as specified by the Authority, shall be greater than forecasted annual growth rates for the proposed income sources.

(8) Maximum Loan Amount - The maximum amount of a mortgage loan for a multifamily rental housing development is equal to the LEAST of the following based on market, location and other conditions:

- (a) an amount based on applicable statutory limits;
- (b) an amount based on the LTV; or
- (c) an amount based on the DSC.

(9) Rent Limitations - To the extent economically feasible, maximum rents shall be set at levels affordable to the targeted resident income group(s) to be served as determined by applicable state and federal rent limitations, market analysis and the need to serve low- and moderate-income residents.

(10) Reserve for Replacement - A Reserve for Replacement Account shall be established for each multifamily rental housing development which account, plus interest or other earnings thereon, shall at all times be under the sole control of the Authority, unless otherwise determined by the Authority. In the Authority's discretion, contributions to the Replacement Reserve Account may consist of:

(a) annual per unit amounts, which amounts may be increased periodically at rates or in amounts solely determined by the Authority, or

(b) scheduled annual amounts based upon an Authority-approved Capital Needs Assessment (CNA) describing estimated annual capital replacement needs for the multifamily rental housing development for a period as determined by the Authority. The CNA shall be provided by a qualified architect, engineer or other professional approved by the Authority. Unless otherwise determined by the Authority, sShould the Authority elect to commission the CNA, its cost shall be prepaid in full by the applicant which cost shall be nonrefundable should the applicant's financing proposal not be approved by the Authority.

(11) Operating Deficit Reserve - The Authority may require a mortgagor to fund an operating deficit reserve in an amount determined and held by the Authority. Such reserve shall be available for the full term of the Authority's mortgage loan to fund operating deficits, real estate taxes, debt service coverage deficiencies and such other costs as solely determined by the Authority to ensure economic viability during the term of its mortgage loan. Unless otherwise determined by the Authority, such reserve will be established as of initial closing for Authority financing under terms and conditions of an escrow and disbursement agreement executed between the mortgagor and the Authority. Such deposit shall be in cash or in the form of an irrevocable and unconditional Letter of Credit (LOC) in form and content acceptable to the Authority. The deposit required for the operating deficit reserve may be included within the development budget.

(12) Type of Financing - Both recourse and non-recourse financing may be provided, as determined by the Authority. Non-recourse mortgage loans shall become recourse if the mortgagor defaults under certain circumstances, including, but not limited to, utilizing the multifamily rental housing development's income and assets for other than operating expenses, debt service or capital improvements permitted under the Authority's loan documents.

(13) Mortgage Increase - The Authority may consider an increase in the amount of its mortgage loan if such increase is due to unforeseen and unavoidable circumstances beyond the mortgagor's control, or to correct a government-mandated condition or to further Authority or other public policy objectives. No mortgage loan may be increased without the receipt and acceptance of an updated and credible financing plan re-underwritten by the Authority to the Authority's current standards and criteria.

(14) Developer Allowance/Fee ("DAF") - To the extent economically feasible, the DAF will be comprised of two parts: a "Deferred DAF Portion" and a paid portion. The Deferred DAF Portion is the portion of the total approved DAF amount to be pledged back by the mortgagor to complete the multifamily rental housing development, as may be permitted by the Authority and as further described in subsection (15) below. The paid portion of the DAF will be calculated on the sliding scale as shown below, or as determined by the Authority:

- (a) 15.0% of the first \$5 Million of total construction and soft costs, plus
- (b) 12.5% of the next \$5 Million of total construction and soft costs, plus
- (c) 10.0% of the next \$5 Million of total construction and soft costs, plus
- (d) 7.5% of the next \$5 Million of total construction and soft costs, plus
- (e) 5.0% of the next \$5 Million of total construction and soft costs, plus
- (f) 2.5% of total construction and soft costs over \$25 Million

Notwithstanding the foregoing, the DAF (including the Deferred DAF Portion) shall not exceed 15% of the Total Development Cost, as identified in subsection (4) above without the DAF. The total DAF, paid and deferred, may not exceed 15% of the TDC. For developments involving the preservation of expiring use developments or recapitalization of existing affordable housing, the paid portion of the DAF ~~shall~~will be the sum of 5% of the Acquisition Price of the development (less reserves and any seller financing) and 10% of the Total Construction and Soft Costs to a maximum of \$2.5 million, as determined by the Authority.

Notwithstanding anything herein to the contrary, developments determined by the Authority to not be utilizing scarce public resources shall be entitled to a DAF equal to 15% of the Total Development Costs identified in subsection (4) above. For developments utilizing no scarce DOH or CHFA resources as determined by the Authority, the total allowable DAF will be equal to 15% of Total Development Costs.

(15) Deferred Developer Allowance/Fee (“Deferred DAF Portion”) - The Authority may permit a portion of the total approved DAF amount to be pledged back by the mortgagor to complete the multifamily rental housing development. For the purposes of assessing initial application feasibility, the pledged back or deferred amount should not exceed the lesser of:

- (a) fifty percent (50%) of the Authority-approved total paid DAF as of initial closing, or
- (b) the amount that may be fully recovered by the mortgagor, without interest, from Authority-approved annual distributions during the first fifteen (15) years of operations.

The final Deferred DAF Portion shall be sized at the Authority’s discretion and approval and may exceed these limitations with the consent of the investor’s limited partner in the transaction.

(16) Loan Term and Rate - The permanent loan term may be up to forty (40) years, with prepayment subject to the terms of these Procedures and the Connecticut General Statutes. The interest rate may be fixed or variable, as determined by the Authority. Subject to statutory requirements, debt subordinated to Authority financing may be allowed on a case-by-case basis and may be in the form of an unsecured or secured loan, as determined and approved by the Authority.

(17) Mortgage Insurance - In the Authority's discretion, mortgage insurance or other forms of

credit enhancement may be required.

(18) Consultants - Should an applicant/mortgagor elect to retain a housing development consultant, resident training consultant, or other such consulting services, then the fees of such consultants shall be excluded from the development budget. At the option of the applicant/ mortgagor, such consultants may be compensated from the Authority-approved DAF.

(19) General Contractor Overhead and Profit and General Requirements –

(a) Overhead should not exceed two percent (2%) and profit should not exceed six percent (6%) of the total costs for site and building improvements in the construction contract; i.e., Divisions 2 through 16 of the construction contract documents.

(b) General Requirements, exclusive of bond premium costs, if applicable, should not exceed six percent (6%) of the total costs for site and building improvements in the construction contract; i.e., Divisions 2 through 16 of the construction contract documents.

~~(b)~~(c) At the Authority's discretion, the maximum percentage amounts paid to a general contractor for overhead and profit may exceed eight percent (8%) and for general requirements may exceed six percent –(6%) provided, however, that the transaction is not subject to HUD/FHA limitations due to financing, a HUD Subsidy Layering Review, FHA Risk-Share insurance, etc. and so long as the total amount paid to a general contractor for overhead, profit and general requirements does not exceed a cumulative total of fourteen percent (14%).

(d) Fees may be further limited for related parties or identities of interest.

~~(e) — In cases where HUD/FHA mortgage insurance and/or HUD financing is/are present, HUD standards and limitations on overhead and profit and general requirements to be paid to the general contractor may prevail.~~

(20) Syndication Costs - The costs of syndication shall not exceed an amount acceptable to the Authority. Syndication costs include all direct and indirect costs incurred in securing syndication proceeds; e.g., any fee paid to the syndicator, as well as the mortgagor's legal costs associated with securing syndication proceeds.

(21) Syndication Proceeds or Bridge Loan Financing - Funds derived from the syndication of federal Low-Income Housing Tax Credits and/or federal and state Historic Tax Credits must be available either from the syndication proceeds or bridge loan financing in an amount, with terms, and in a manner satisfactory to the Authority. If there is an identity of interest between the lender and either the syndicator, the mortgagor, or the developer, then the rate must be a commercially reasonable rate as determined by the Authority. The interest cost of financing the DAF shall not be recognized, provided that the Authority may grant an exception in the case of a DAF for a mortgagor with a not-for-profit sponsor.

(22) Restrictive Covenant - All multifamily rental housing developments shall have a restrictive covenant identifying the term and structure of affordability limitations.

(23) Affirmative Fair Housing Marketing - All mortgagors shall execute the Authority's form of an affirmative fair housing marketing plan, which may be included as part of the Authority's management agreement.

(24) Small, Minority and Women-Owned Businesses - The mortgagor and general contractor for all developments obtaining Authority-provided financing shall execute minority hiring, affirmative action and non-discrimination and equal employment opportunity documents, as required by the Authority.

(25) Additional Underwriting Considerations - Financing proposals considered undesirable by the Authority will not be approved. Characteristics of undesirable financing proposals include, but are not limited to, the following:

(a) those submitted by applicants with non-performing loans or obligations with the Authority or any governmental agency;

(b) those submitted by applicants that have misused the Authority or any governmental loan and/or grant proceeds;

(c) those submitted by entities whose principals are principals of other entities which are either currently delinquent on Authority or any governmental loans or obligations, or have a history of monetary delinquency or default of any nature;

(d) not in the public interest;

(e) applications for Authority bridge loan financing not associated with other Authority financing;

(f) applications for the sole purpose of making interest payments to the Authority, any governmental agency or another lender;

(g) applications for multifamily rental housing developments that lack sufficient financial commitments, acceptable to the Authority, to maintain a balanced sources and uses of funds; and

(h) collateralized with security of unproven or questionable marketability.

If the Authority determines that any of the above underwriting standards are not satisfied and/or the multifamily rental housing development is financially infeasible, then the applicant/mortgagor will be notified in writing and the processing of the application will cease.

A-10. Approval and Issuance of a Loan Commitment

Upon recommendation of Authority staff, the proposal for mortgage financing is submitted to the Authority's Mortgage Committee of the Board of Directors for its consideration. Upon consideration by the Mortgage Committee, a financing proposal may be referred to the Board of Directors for its consideration. If a financing resolution is adopted by the Board of Directors, then:

(a) the loan commitment is issued and forwarded to the applicant; and

(b) the applicant must sign and return the loan commitment with the noted requirements and fee within the stated time.

The terms and conditions upon which the Authority will make its mortgage loan shall be contained in the loan commitment. The loan commitment shall be effective for a period set forth therein. Should the Authority's Board of Directors not adopt a financing resolution for the multifamily rental housing development, the applicant shall be notified and processing of the application will cease.

A-11. Initial Closing

Prior to the advance of any proceeds to the mortgagor from the mortgage loan, the Authority shall require that the mortgagor deliver to the Authority the fully executed mortgage deed, note, and other documents required by the loan commitment or deemed by the Authority to be necessary or appropriate to assure that the multifamily rental housing development shall be completed and operated in accordance with the Authority's requirements. The Authority shall require that the mortgagor deliver to the Authority the following in a form and upon terms acceptable to and approved by the Authority, in its sole and absolute discretion.

(a) Construction Contract - A construction contract with the general contractor or construction manager acceptable to the Authority, with a guaranteed maximum price including not less than a one-year warranty for construction defects.

(b) Assurance of Completion - A mortgagor or its general contractor shall provide a 100% Payment and 100% Performance Bond; or LOC acceptable to the Authority; or other security including, without limitation, cash escrow arrangements, satisfactory to the Authority to ensure completion of the multifamily rental housing development. If a LOC is provided, the issuer must be licensed in the state of Connecticut and have at the time of issuance, replacement, substitution or renewal, a rating acceptable to the Authority in its discretion. Except as otherwise agreed by the Authority, the LOC shall be unconditional, irrevocable and transferable by the Authority at no cost to the Authority; name the Authority as beneficiary; permit multiple draws; and be governed by Connecticut law and subject to Uniform Customs and Practices for Documentary Credits.

(c) Governmental Approvals - All building and other permits, licenses, waivers, variances, and approvals necessary for the construction or rehabilitation of the multifamily rental housing development.

(d) Title Policy - A mortgagee's title policy in the amount of the mortgage loan, with a company acceptable to the Authority, containing endorsements as may be required by the Authority, and no exceptions other than those approved by the Authority.

(e) Property Survey - A currently dated Property Survey within the standards of Class A-2 in accordance with the current Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys, jointly established and adopted by ALTA/NSPS, applicable sections of the Regulations of Connecticut State Agencies, and "Standards for Surveys and Maps for the State of Connecticut" as adopted by the Connecticut Association of Land Surveyors, Inc.. Surveys shall be certified to the Authority and indicate all existing buildings and improvements, lot and building lines, encroachments, watercourses, wetlands, significant topographical features, easements, zoning

classification, and other pertinent information required by the Authority.

(f) Architect Agreement - An executed standard AIA Owner/Architect Agreement with standard supplemental conditions, with the design architect and supervising architect, together with evidence of professional liability insurance coverage in amounts established by the Authority for each multifamily rental housing development.

(g) Management Agreement - An executed management agreement in form provided by the Authority. A management plan, marketing plan and tenant selection plan shall be submitted by an applicant/mortgagor and accepted by the Authority prior to execution of the management agreement.

(h) Construction Costs - A complete cost breakdown prepared and signed by the general contractor and mortgagor and from such other contractors and material suppliers as the Authority may require.

(i) Financial Exhibits - The Development Budget (all uses of funds), ~~Allocation of Funds (uses of funds by sources of funds), and Development Period Cash Flow Analysis (monthly uses of funds by source over time)~~ and other exhibits as the Authority may require for completion of the multifamily rental housing development shall be prepared and signed by the mortgagor and accepted and signed by the Authority.

(j) Construction Schedule - Construction Progress Schedule and Draw Schedule prepared and signed by the general contractor, and accepted by the Authority.

(k) Opinion Letters - The mortgagor and/or other parties as the Authority may require, shall submit an opinion prepared by its attorney for review and acceptance by the Authority.

(l) Environmental Assessments - A Phase I environmental site assessment in form and in content ~~and issued by an entity licensed in Connecticut and~~ satisfactory to the Authority and issued by an entity licensed in Connecticut. In the event the Authority determines it necessary or appropriate, a mortgagor shall obtain a Phase II or any other additional environmental reports in form and content satisfactory to the Authority and issued by an entity licensed in Connecticut ~~and satisfactory to the Authority~~.

(m) Insurance - Insurance policies providing for such coverage, terms, deductibles, insured parties, and loss payees as the Authority may require.

(n) Utilities - Assurance of the availability and sufficiency of utilities.

(o) Declaration of Restrictive Covenants - Agreement to expend not less than such percentage of the proceeds of the mortgage loan for the acquisition or reconstruction of residential real property as may be required by the Authority to ensure that any interest on bonds, bond anticipation notes, and other obligations issued by the Authority remains exempt from taxation.

(p) Building Loan Agreement - Agreement that advances of mortgage proceeds shall be made no more frequently than once per month without prior written approval of the Authority.

(q) Evidence of Subsidy(ies), Grants, Abatements, or Other Assistance - Documents

satisfactory to the Authority evidencing the commitment of any federal, state, or local government, or agency thereof, to provide any insurance, subsidy, grant, tax abatement or other assistance for the benefit of the proposed multifamily rental housing development.

- (r) Others - Any other conditions contained in the loan commitment letter.

A-12. Construction Period

(a) The Authority shall retain a third-party, independent field observer at the mortgagor's expense who shall monitor construction progress and attend project job meetings, on a schedule to be determined by the Authority. The cost of the field observer is a mortgagable expense and may be included in the Development Budget.

(b) The Authority will process and fund one advance request per month, unless otherwise agreed to by the Authority. Mortgage loan proceeds shall be advanced and disbursed to the mortgagor as construction/ renovation progresses, the time and amount of each advance to be at the sole discretion and upon the estimation of the Authority in relation to the percentage of the work in place, subject to conditions described by the Authority.

A-13. Substantial Completion/Permission to Occupy

(a) The mortgagor shall notify the Authority in writing when the mortgagor's supervising architect determines that substantial completion of the multifamily rental housing development has been achieved.

(b) The mortgagor shall prepare permission to occupy form(s) provided by the Authority and submit such form(s) to the Authority together with the supervising architect's punch list and a copy of the certificate of occupancy. Based upon the date of the certificate of occupancy and recommendations of the Authority's staff, the Authority shall establish a permission to occupy date and advise the mortgagor of such date. Depending upon the multifamily rental housing development's configuration and construction schedule, more than one permission to occupy form may be required and multiple permission to occupy dates may be established.

A-14. Cost Certification

The mortgagor and its general contractor shall have cost certifications audited by their respective certified public accountants. The mortgagor shall submit its and the general contractor's cost certifications to the Authority for review and acceptance in accordance with the timeframe set forth in the guideline. Upon acceptance by the Authority of the mortgagor's and general contractor's cost certifications, the Authority shall prepare a Maximum Mortgage Letter to be executed by the mortgagor and the Authority.

A-15. Final Closing

Prior to scheduling a final closing, a mortgagor shall submit all documentation required by the Authority. When all such documentation has been accepted, the Authority shall schedule a final closing, which may take place by correspondence or at the offices of the Authority.

A-16. Post-Final Closing

Items to be completed subsequent to final closing shall be completed by a mortgagor by the date recited in an escrow agreement for such purpose executed as of final closing. A supplemental cost certification by both a mortgagor and general contractor shall be submitted as required by the Authority.

A-17. Waivers, Exemptions and Modifications

(a) The Authority's Board of Directors may authorize waivers, exemptions and modifications for any requirements that are not mandated by statute or other law. Requests for waivers, exemptions and modifications from applicant/mortgagors shall be in writing. Such waivers, exemptions and modifications may be granted for the following reasons, including, but not limited to:

- (1) service to very low-income households;
- (2) minimal risk to the Authority;
- (3) conflicting public policies;
- (4) acceptable financial capacity and proven track record; and/or
- (5) other compelling reasons at the discretion of the Authority's Board of Directors.

Additionally, approval for such requests may only be granted if the Authority concludes there is sufficient evidence that:

- (6) the enforcement of such provisions provide for exceptional difficulty or unusual hardship not caused by the applicant/mortgagor;
- (7) the benefit to be gained by approving such request clearly outweighs the detriment which will result from enforcement of the requirement;
- (8) approval of such request is in harmony with conserving public health, safety and welfare, and
- (9) approval of such request is in the best interest of the State and/or the Authority.

(b) The Authority's Executive Director may, from time to time, vary Multifamily Rental Housing Program requirements set forth in this Section II(A): (i) in response to federal and/or state

legislation/regulations or special program and/or financing initiatives as may be adopted by the Authority's Board of Directors, and (ii) as may be necessary to effectuate the Authority's administration of the federal low-income housing tax credit program and the purposes and requirements set forth in Section IV(A) of the Procedures entitled "Low Income Housing Tax Credit."

(c) Wherever in Section II. A of these Procedures reference is made to the Authority exercising discretion, elimination, waivers, variances and exemptions, such shall be made by the Executive Director or his/her designee based upon consideration of, but not limited to, the following:

- (1) Such is/are necessary for the development of quality affordable housing; and
- (2) the considerations listed in Section A-17 herein.

Rental Housing
Multifamily Rental Housing Program
Revised: 5/28/20
Adopted:

