



McKinney Act Savings Fund Loan Guidelines

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MCKINNEY ACT SAVINGS FUND LOAN GUIDELINES

I. Use of Funds

The Funds may be used for one or the more of the following purposes in furtherance of the HFA's single-family and multi-family programs.

- a. Pre-development and development soft costs
- b. Acquisition
- c. Construction or rehabilitation.
- d. Downpayment closing cost assistance
- e. Mortgage interest rate buy-down
- f. Credit enhancement or loan guarantee
- g. Ancillary or functionally related recreational, health, educational or social services facilities that are integral to housing occupied by very low-income persons and families.
- h. Other forms of assistance as permitted by the Act.

II. Eligibility Requirements

Non-Profit and For-Profit developers building affordable housing in the District of Columbia are eligible for McKinney Act funds. The following factors will apply when evaluating a McKinney Act loan request:

- a. The developer/sponsor entity will have been in existence for 3 or more years as evidenced by 3 years of audited financial statements, Articles of Incorporation, and By-Laws.
- b. Experienced development team consisting of the proposed developer, the proposed Construction Contractor, and the proposed Management Agent.
- c. Active oversight by the developer/sponsor's Board of Directors, as evidenced by Board List, Resolution approving application, and minutes from the last 3-4 meetings.
- d. Commitments or letters of intent from other lenders (as applicable)
- e. Evidence of adequate revenue stream to repay debt (i.e. rental income, fundraising, operating grants, etc.).

III. Target Population

The Agency may give priority to tenant groups and special needs housing developments designed to house the homeless, youth, the elderly, persons with disabilities, HIV positive individuals and their families, persons with mental illness or drug or substance abuse problems, ex-convicts, and other similar persons with special needs.

Use of the funds is limited to the acquisition and development of housing units to be occupied by very low-income individuals or families, and to directly benefit very low-income families or individuals for a period of ten years. In mixed-use projects, the funds borrowed must be allocable only to those units occupied or to be occupied by very low-income persons. The very low-income limits, which are published by HUD under its Section 8 guidelines, shall apply.

Current HUD Section 8 Very Low-Income Levels for the year are as follows:

One-Family	\$30,450	Five Family	\$47,000
Two-Family	\$34,800	Six-Family	\$50,450
Three-Family	\$39,150	Seven-Family	\$53,950
Four-Family	\$43,500	Eight-Family	\$57,400

IV. Terms

Interest Rate, Terms Fee and Charges. The interest rate charged on loans shall be established at 2 percent below the prime rate as published in the *Wall Street Journal* on the date the Loan Commitment Letter is issued by the HFA. A loan origination fee of 1% of the total loan amount shall be charged to the borrower and shall be due at closing. The loan term shall not exceed three (3) years.

V. Collateral Requirements

Loans shall be secured by a deed of trust lien, guarantee, or other collateral deemed acceptable by the HFA.

VI. Loan Processing

Applicants shall be required to submit such documentation as determined necessary, including but not limited to the following:

Basic Application Material

- a. A general project summary describing the type of project, its size, location, purpose of the loan, form of the project ownership, rent levels or sales price, including a description of any recreational, health or social services facilities and programs.
- b. A description of the sponsor's property development experience and a description of other properties owned including location/address, unit sizes and percentage of occupancy.

- c. Development team qualifications
- d. 3 year audited financial statement from sponsor / borrower
- e. Evidence that the borrower has site control through a deed, purchase option or purchase and sales agreement, or lease agreement.
- f. A project schedule of significant events including dates for site acquisition, financing approvals, construction start, substantial completion and project lease-up.
- g. A market study showing that sufficient demand exists for the units at the proposed rent or sales levels.
- h. A statement of sources and uses of funds needed to acquire the land, build or renovate the project, pay all pre-development, development and soft and hard costs and capitalize certain cash reserves. Specify all sources of funds including, grants, loans, or rental or mortgage subsidies and all uses of funds.
- i. An income and expense budget showing proposed rents for each unit and whether utilities, services or other items are included, and an estimate of the operating expenses (administrative, maintenance, utilities, taxes, insurance, etc.), and a 10-year operating proforma demonstrating the project's ability to operate with adequate debt service coverage given specific income and expense trends.
- j. A management plan describing how the project will be operated and by whom.
- k. A tenant selection plan or buyer selection plan.

Organizational Documents

- a. Mission statement of the organization including activities, services it provides, prior experience, any awards or other forms of recognition it has received and significant projects it has undertaken.
- b. A copy of the Articles of Incorporation, By-Laws and Partnership Agreement.
- c. A copy of IRS ruling or tax-exempt certificate if sponsor is a nonprofit.
- d. A Certificate of Good Standing
- e. The organization's last annual report, including annual financial statements and list of significant activities in the last year.
- f. A copy of the Board resolution or other documents authorizing the loan application and authority to enter into the Loan Agreement with the HFA.
- g. A list of the names, phone numbers and addresses of your Board of Directors, attorney, architect, builder, and construction manager, if already selected.

Third Party Reports

- a. Appraisal
- b. Phase I Environmental
- c. Physical Needs Assessment Report

Note: Depending on the specifics of each proposal, the HFA may require third party reports as part of initial application, or allow loan proceeds to be used for procuring such reports.

VII. Loan Approval and Disbursement Policy

The Board of Directors must approve all loans. Upon approval by the Board, the Executive Director shall issue a Loan Commitment Letter. The Borrower will be required to enter into a Loan Agreement and execute a Promissory Note and other financing documents as determined necessary by the HFA. The HFA shall disburse funds to the borrower upon receipt of invoices or approved construction draws signed by a duly authorized representative of the borrower.

For Agency Use Only			
Application Received (Date):		# of Units:	
Application Fee (Amount):		Ward:	

DCHFA APPLICATION FORM

GENERAL INFORMATION

APPLICANT INFORMATION			
Contact Name:			
Title:			
Company Name:			
Address 1:			
Address 2:			
Telephone Number:			
Fax Number:			
E-Mail Address:			
OWNERSHIP INFORMATION			
Proposed Owner Entity:			
Proposed Developer:			
Sponsor/Guarantor:			
Proposed General Partner Entity:			
Evidence of Site Control:			
Purchase Contract Effective Date:			
Purchase Contract Expiration Date:			
Purchase Price:			
Purchase Price Per Unit:			
PROJECT INFORMATION			
Project Name:		# of Units:	
Census Tract Number(s):		Ward:	
Square Number(s):		Lot Number(s):	
Project Address(es) and Zip Code :			
Gross Site Area (Sq. Ft.):			
Gross Floor Area (Sq. Ft.):			
Floor Area Ratio:			
Proposed Density (Units/Acre):			
Current Zoning:			
Proposed Zoning:			

DEVELOPMENT TEAM INFORMATION

JOINT VENTURE PARTNER/DEVELOPMENT CONSULTANT	
Contact Name:	
Title:	
Company Name:	
Address 1:	
Address 2:	
Telephone Number:	
Fax Number:	

E-Mail Address:	
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OWNER'S LEGAL COUNSEL	
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Contact Name:	
Title:	
Company Name:	
Address 1:	
Address 2:	
Telephone Number:	
Fax Number:	
E-Mail Address:	

MANAGEMENT AGENT	
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Contact Name:	
Title:	
Company Name:	
Address 1:	
Address 2:	
Telephone Number:	
Fax Number:	
E-Mail Address:	

GENERAL CONTRACTOR	
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Contact Name:	
Title:	
Company Name:	
Address 1:	
Address 2:	
Telephone Number:	
Fax Number:	
E-Mail Address:	

ARCHITECT	
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Contact Name:	
Title:	
Company Name:	
Address 1:	
Address 2:	
Telephone Number:	
Fax Number:	
E-Mail Address:	

UNDERWRITER/MORTGAGE LENDER	
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Contact Name:	
Title:	
Company Name:	
Address 1:	
Address 2:	
Telephone Number:	
Fax Number:	
E-Mail Address:	

PROJECT FINANCIAL INFORMATION

BOND FINANCING AND OTHER SOURCES OF FUNDS			
Requested Bond Financing (\$):		\$ Per Unit:	
McKinney Act (\$)		\$ Per Unit	
Other Source _____:		\$ Per Unit:	
Other Source _____:		\$ Per Unit:	
Other Source _____:		\$ Per Unit:	
Other Source _____:		\$ Per Unit:	
Total Sources of Funds		Total Per Unit:	
McKinney Amt. as % of Total Sources			
Bond Amt. as % of Total Sources:			

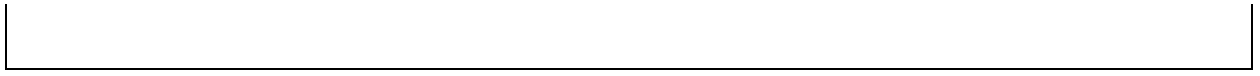
PROPOSED REHABILITATION	
Rehabilitation Cost:	
Rehabilitation Cost Per Unit:	
Rehab. Cost as % of Bond Amt.:	
Rehab. Cost as % of McKinney Amt.:	
Rehab. Cost as % of Tot. Sources:	

RENT INFORMATION				
Unit Type	# of Units	Current	# of Units	Proposed
Efficiency:				
One Bedroom (Type A):				
One Bedroom (Type B):				
Two Bedroom (Type A):				
Two Bedroom (Type B):				
Three Bedroom:				
Four Bedroom:				
Five Bedroom:				
Annual Gross Potential Rent:				
Annual Gross Commercial Inc.:				
Annual Operating Expense:				
Per Unit Per Annum Operating Exp.:				
Op. Exp. as % of Gross Pot. Rent:				

INCOME TARGETING	
Election Under IRS Code Section 142 (20/50 - 40/60):	
Percent of Units Qualified Under LIHTC Guidelines:	

RESIDENT SERVICES
Description of Proposed Resident Services:
Description of Recreational Amenities:

SCOPE OF REHABILITATION
Description of Proposed Scope of Rehabilitation:



**District of Columbia Housing Finance Agency
Sources and Uses of Funds Schedule**

SOURCES OF FUNDS	Applicant's Estimate	Agency Use Only	LIHTC Eligible Basis
Tax-Exempt Bond Proceeds			
LIHTC Proceeds			
McKinney Act			
Development Fee - Deferred Portion			
Developer Equity Contribution			
Grants (Please List):			
Subordinate Debt (Please List):			
TOTAL SOURCES OF FUNDS	\$0	\$0	
USES OF FUNDS			
Land			
Building			
Other			
Total Acquisition	\$0	\$0	
Construction Costs			
Construction			
Hard Cost Contingency			
Environmental Remediation			
Land Improvements / Site Improvements			
Unusual Land Improvements / Infrastructure			
Permits			
General Requirements			
Builder's Overhead			
Builder's Profit			
Architecture			
Design			
Supervision			
Construction Financing			
Letter of Credit Commitment fee			
Letter of Credit Annual Fee			
Construction Monitoring			
Capitalized Interest During Construction			
Total Hard Costs	\$0	\$0	
Accounting and Cost Certification			
Owner/Developer Legal Counsel			
Third Party Due Diligence Reports			
Title and Recording			
Survey			
Interim Insurance			
Interim Taxes			
Marketing			
Resident Initiatives			
Relocation			
Soft Cost Contingency			
Total Soft Costs	\$0	\$0	
Development Fee - Paid at Closing and Through Completion			
Development Fee - Deferred Portion			
Total Developer Fee	\$0	\$0	
Financing Fees - Permanent Loan			
DCHFA Application Fee			
DCHFA Financing Fee			
DCHFA Tax Credit Allocation Fee			
Bond Counsel			
Issuer's Counsel			
Underwriter/Investment Banker Fee (if applicable)			
Underwriter's Counsel or Bond Investor's Counsel			
Credit Enhancement Fees			
Application/Commitment Fee			
Financing and Placement Fee (FHA Only)			
Initial Mort. Ins. Premium (FHA Only)			
Credit Enhancer's Legal Counsel			
Bond Costs of Issuance - Other			
Cash Flow Verification Analyst			
Rating Agency Fee			
Trustee Set-Up and Legal			
Financing Contingency			
Total Financing Costs	\$0	\$0	
Debt Service Reserve Fund			
Operating and Lease-Up Reserve			
Replacement Reserve			
Total Reserves	\$0	\$0	
TOTAL USES OF FUNDS	\$0	\$0	\$0

Certifications

1. The Undersigned, on behalf of the Applicant, certifies that the above information and documents filed as part of this application are true and accurate to the best of his/her knowledge.
 2. The undersigned, on behalf of the Applicant, certifies that this Application for financing has been filed with a knowledge and understanding of the applicability of the DCHFA's Act (D.C. Law 2-135, as amended), the Rules of the DCHFA, and other policies and requirements as set forth in the DCHFA Developer's Guide.
 3. The undersigned, on behalf of the Applicant, certifies that the Applicant shall comply with all federal and District laws regarding nondiscrimination. The Applicant shall provide, and shall include in all contracts and subcontracts entered into in connection with the Project after the date hereof, a requirement that all contractors and sub-contractors engaged in the rehabilitation of the Project shall provide equal opportunity for housing and employment without discrimination in accordance with applicable District and federal laws. These laws include, but are not limited to, the District of Columbia Human Rights Act of 1977, as amended (D.C. Code Section 2-1401.01 *et seq.*). The Applicant shall use its best efforts to assure compliance with this requirement, including prosecution of an action to enforce contract compliance, if necessary. The Applicant also shall cause all contracting and procurement relating to the Project to be in compliance with applicable District and federal laws. The Applicant shall (a) (i) make good faith efforts to have at least 35% of the dollar amount of all contracts and subcontracts (including but not limited to custodial services, and procurement of goods and supplies for Project operations) let on the Project awarded to firms certified by the D.C. Local Business Commission as a Local, Small and Disadvantaged Enterprise ("Disadvantage Business Enterprise") in accordance with D.C. Law I-95, D.C. Code Section 1-1141 *et seq.* and to have at least 5% of the dollar amount of all contracts let on the Project to prime contractors that agree to subcontract a portion of the contract work with Disadvantaged Business Enterprises and (ii) provide information to the Agency at its reasonable request regarding such contracting and (b) incorporate or cause to be incorporated all applicable requirements described above into any contract or subcontract for construction work or management services, or any other contract, subcontract, deed, contract for sale or transfer, or obligation regarding the Project whatsoever (or, to the extent such contract or subcontract, deed, contract for sale or transfer or obligations is entered into or incurred prior to the date hereof, make good faith efforts to incorporate or cause to be incorporated all such requirements described herein) and use all reasonable efforts to enforce those requirements and provisions and to obtain compliance therewith by its contractors, subcontractors, agents, representatives and transferees for so long as the Applicant is the owner of the property that is the subject of this Application.
 4. The undersigned, on behalf of the Applicant agrees to and does hereby indemnify and save harmless the Agency and their past, present and future trustees, officers, directors, members, employees and agents, successors and assigns (individually, an "Indemnatee" and collectively, the "Indemnitees") from and against all liabilities, obligations, claims, damages, taxes, penalties, fines, losses, costs and expenses of any and every kind and nature incurred by the Indemnitees in connection with the Application Guidelines implementation with respect to the Applicant, including without limitation:
 - (a) all Damages paid in settlement of any litigation commenced or threatened or other claim against any Indemnatee;
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- (b) all expenses reasonably incurred in the investigation of, preparation for or defense of any litigation, proceeding or investigation of any nature whatsoever, commenced or threatened against the Applicant or any Indemnitee;
- (c) any judgments, penalties, fines, damages, assessments, indemnities or contributions imposed or assessed against an Indemnitee; and
- (d) the fees of attorneys, auditors and consultants.

The foregoing indemnification obligation shall not be limited by the amount or type of damages sustained.

5. The undersigned, on behalf of the Applicant, certifies that neither the Applicant nor any of its affiliates are delinquent on any obligation or indebtedness for which an agency or instrumentality of federal or local government is the creditor, including any obligation or indebtedness related to taxes and direct or guaranteed loans.

Applicant: _____

Date: _____

By: _____

Title: _____



Document Checklist McKinney Act

VI. Loan Processing Number	Application Item	
a.	General Project Summary	
b.	Sponsor's Property Development Experience	
c.	Development Team Qualifications (include resumes of key staff)	
d.	3 Years of Audited Financials	
e.	Evidence of Site Control	
f.	Project Schedule	
g.	Market Study	
h.	Sources and Uses	
i.	Income and Expense Budget	
j.	Management Plan	
k.	Tenant Selection Plan	
Organizational Documents	Application Item	
a.	Mission Statement, activities, services provided	
b.	Articles of Incorporation, BY-Laws, Partnership Agreement	
c.	IRS ruling or tax-exempt certificate if a non-profit	
d.	Certificate of Good Standing	
e.	Annual Report, significant accomplishments	
f.	Board Resolutions	
g.	Names, phone numbers, and addresses of Board of Directors	
Attachments	Attachment Item	
	DCHFA Application Form	
	Sources and Uses of Funds	
	Document Checklist	