Maryland Department of Housing and Community Development

MULTIFAMILY RENTAL FINANCING PROGRAM GUIDE

DRAFT 2011 GUIDE

Community Development Administration
Multifamily Housing Programs
100 Community Place
Crownsville, Maryland 21032-2023
410-514-7446 800-543-4505 TTY 800-735-2258
http://www.mdhousing.org

EQUAL HOUSING OPPORTUNITY

Martin O'Malley, Governor
Anthony Brown, Lt. Governor
Raymond A. Skinner, Secretary
Clarence J. Snuggs, Deputy Secretary

CONTENTS

Mission

Maryland Department of Housing and Community Development

The Department of Housing and Community Development works with partners to finance housing opportunities and revitalize great places for Maryland citizens to live, work and prosper.

Multifamily Housing Programs

Working with partners, Multifamily Housing Programs expands quality, affordable rental and transitional housing opportunities for Marylanders by financing the development, rehabilitation, and preservation of quality rental communities and transitional housing.

1.0 Introduction

The Maryland Department of Housing and Community Development (the Department) administers financing programs for the construction, acquisition and rehabilitation of multifamily rental housing. Multifamily Housing Programs (Multifamily Housing) which includes Housing Development Programs (HDP) and the Maryland Low Income Housing Tax Credit Program is part of the Community Development Administration (CDA) and administers these programs for the Department. With the exception of the Office and Commercial Space Conversion (OCSC) Program, which provides market rate housing, these programs provide affordable rental housing for lower and moderate-income families and individuals.

The Department promotes the production and preservation of affordable housing by providing financial assistance that is complementary to funds available in the private sector. The Department administers a variety of homeownership, rental, and neighborhood revitalization programs. A major component of its effort is the financing of affordable rental housing. The Department has structured its threshold and evaluation criteria for rental housing to target projects that meet the objectives set forth in Section 2.1 below, Vision for Affordable Housing in Maryland.

Many of the Department's multifamily funding sources can be applied for using a consolidated application form. Awards from some of these sources are made under a competitive process using specific funding cycles. This guide (Guide) provides an overview of how funding requests for most of these programs are evaluated and processed. The Guide and the governing statutes and regulations are the controlling authority in the event of any conflicts with any other written procedures, processes or documents. The Guide contains the following sections:

- Section 1: Introduction
- Section 2: Overview of the Funding Process
- Section 3: Project Threshold Criteria
- Section 4: Project Evaluation Criteria
- Section 5: Waivers
- Exhibits
- Certifications

1.1. Applicability

This Guide covers the application procedures for the following multifamily rental housing financing programs available through the Department:

- Multifamily Bond Program (MBP);
- Competitively awarded Rental Housing Funds (RHF) including the Rental Housing Production Program (RHPP) and Elderly Rental Housing Program (ERHP), and Multifamily HOME Program; and
- Federal Low-income Housing Tax Credit Program (Tax Credits).

Staff will review each application to determine the appropriate funding program(s) within the RHF for the project. The Department has complete discretion to determine which program will fund a competitive RHF award. Resources for the Tax Credits and competitive RHF awards are allocated to projects during scheduled rounds of competition.

Applicants requesting only Bond Financing and Tax Credits approved with Bond Financing (non-competitive Tax Credits that are not allocated from the State's Tax Credit ceiling) are not subject to the competitive process but must still meet the threshold criteria and obtain a minimum score of 180 under the selection criteria in this Guide. This requirement applies as well to projects financed through locally-issued tax exempt bonds and requesting non-competitive Tax Credits. Additional information on Bond Financing is provided in highlighted boxes throughout the Guide.

Before submitting an application for funding from any program covered by this Guide, sponsors are encouraged to meet with Multifamily Housing staff to discuss the proposed development, funding options, processing and program guidelines. Please contact Multifamily Housing at 410.514.7446 or rentalhousing@mdhousing.org to schedule a meeting.

Multifamily Housing administers programs not covered by this Guide including:
- Maryland Housing Rehabilitation Program (MHRP);
- Nonprofit Rehabilitation Program (NRP);
- Office and Commercial Space Conversion (OCSC) Program;
- Partnership Rental Housing Program (PRHP);
- Shelter and Transitional Housing Facilities Grant Program (STHFGP); and
- Multifamily Energy Efficiency and Housing Affordability Program (MEEHA).

With the exception of OCSC which is inactive and closed to new applications, separate guidance on these programs is available through the Department's website or by contacting Multifamily Housing at 410.514.7446 or rentalhousing@mdhousing.org.

1.2. Vision for Affordable Housing in Maryland

1.2.1. Production of Quality Sustainable Development

Development teams must demonstrate the capacity to develop quality affordable rental housing in a timely and comprehensive manner. In order to ensure the development of affordable housing that is sustainable over the long term, the Department will evaluate the scope of work, marketability, project aesthetics, material selections, amenities, design, energy efficiency, and costs.

1.2.2. Public Purpose

Developments financed by the Department will be strong long-term sustainable real estate transactions offering quality communities for both the residents and the surrounding neighbors. The Department supports projects that offer appropriate resident services, provide housing of choice to Maryland's families, workforce, seniors and persons with disabilities and special needs, and that locally identified needs for affordable rental housing. Projects with local, nonprofit, minority or women owned business involvement are also encouraged.

1.2.3. Leveraging and Effective Use of State Resources

To maximize the efficient use of State resources, the Department encourages the leveraging of other resources. For these purposes, competitive Tax Credits are considered a State resource. The Department also encourages use of its tax-exempt and taxable bond program resources as well as amortizing RHF loans. Projects that can proceed with the least delay upon funding approval are preferred.

1.2.4 Smart, Green, and Growing –

Incentives are given to projects that demonstrate the ability to contribute positively to the on-going needs of our global environment and in particular preservation of Maryland's vital natural resources, its unique geography, the Chesapeake Bay and its many tributaries. All projects are given the opportunity to receive points for environmentally sensitive development and energy efficient construction elements.

The State's Smart Growth Initiative applies to all new construction projects seeking funding under this Guide. This initiative requires all newly constructed developments to be in Priority Funding Areas (PFAs), which are described in this Guide under the subheading Project Location and Marketability in Section 3 – Project Threshold Criteria.

Targeted and sustainable growth are encouraged through various scoring categories for projects in designated revitalization areas, transit oriented developments, Qualified Census Tracts/Difficult Development Areas, or neighborhoods with community revitalization plans involving new construction or rehabilitation of existing structures.

2.0 Overview of the Funding Process

A flowchart outlining the funding process can be found under Exhibit C to this Guide. For projects requesting Bond Financing and non-competitive Tax Credits only, some of the following steps may not apply, but more information for these programs may be found in the highlighted text boxes throughout this Guide.

2.1 Application Submissions

Applications for projects that are subject to the competition will be accepted and reviewed during scheduled, competitive rounds. The Department will schedule and provide a notice of the rounds of competition for the reservation of financing. The schedule will provide the application deadline dates. If needed, additional rounds of competition may be held until all available resources have been reserved. Only projects that meet the threshold requirements set forth in this Guide, that are submitted by eligible applicants, and that have complete applications submitted no later than the application deadline will be rated and ranked in any competitive round.

Applicants and developers are encouraged to meet and discuss proposed projects with Department staff prior to the competitions. Staff will be able to provide preliminary feedback regarding project specifics and may be able to provide suggestions for stronger applications. Please contact Multifamily Housing at 410.514.7446 to schedule a meeting.

Applications must be submitted using the Department's Application Submission Package, which contains more detailed information regarding many of the requirements in this Guide. Information in the application submission kit supplements this Guide and should be reviewed carefully to ensure compliance with these requirements. The Application Submission Package is available through the Department's website at:

http://www.mdhousing.org/Website/programs/rhf/application.aspx

Bond Program: Applicant Submission Requirements

Projects requesting Bond Financing, with or without non-competitive Tax Credits, may submit an application at any time.

2.2 Threshold Review

This is a screening process that is intended to eliminate projects that do not meet basic requirements. Department staff reviews applications and supporting documentation to determine compliance with the Department's criteria and to approve any requests for waivers of threshold criteria. If projects satisfy all threshold criteria or receive a waiver, they will then be evaluated against the project evaluation criteria. Incomplete applications, projects that do not meet the threshold requirements or projects which are denied a waiver, will not be rated against the project evaluation criteria and will not be ranked during the competitive process. Instead, these applications will be withdrawn from processing and the sponsors notified of the deficiencies. Rejected applications may be strengthened and resubmitted in a subsequent round.

Bond Program: Threshold Requirements

Projects requesting Bond Financing, with or without non-competitive Tax Credits, must also meet all of the threshold requirements unless specified otherwise. Projects requesting Bond Financing that do not meet threshold requirements or have incomplete applications also will be withdrawn from processing.

2.3 Project Evaluation Review

Department staff will rate projects that meet the threshold requirements against the Project Evaluation Criteria in Section 4 of this Guide. This evaluation consists of a review of the application, supporting documentation and a preliminary site visit.

Department staff will then present their evaluations to an internal Department committee for further review and evaluation. Recommendations for reservations of loan funds or Tax Credits will be based on the rating and ranking of the projects by the internal committee and on the availability of resources. These recommendations will be made to the Department's Housing Finance Review Committee (HFRC) for review. After evaluating the recommendations, the HFRC will make a final recommendation to the Secretary of the Department who will, in his or her discretion, approve projects for a reservation of funds and further processing. Under certain circumstances reservations may be contingent on the approval of the State of Maryland Board of Public Works (BPW).

Projects that are not approved will be withdrawn from processing and the sponsors notified of the deficiencies so that applications may be strengthened and possibly resubmitted. Sponsors of unsuccessful applications are encouraged to meet with the Department's staff to discuss in more detail the evaluation of the projects.

Loan and Tax Credit Processing Information – See Section 7.0.

3.0 Project Threshold Criteria

To be evaluated against the Project Evaluation Criteria in Section 4.0 of this Guide, projects must meet all of the following threshold criteria. These requirements are intended to eliminate projects that do not meet basic program guidelines and to ensure that Department resources are reserved for projects that are viable and ready to proceed. Projects that do not meet the threshold criteria or that have incomplete applications will be withdrawn from processing. After a reservation has been issued, projects that do not continue to meet threshold criteria will be withdrawn from processing. Except for requirements of the programs' governing statutes, the threshold requirements may be waived at the Department's discretion for compelling reasons that are not inconsistent with the applicable statute. See Section 5.0 of this Guide for waiver provisions and requirements.

3.1 Application Material

3.1.1 *Application Submission*

Complete applications for projects seeking competitive financing must be received no later than the prescribed date and time. Sponsors must submit two (2) complete copies of the application form including all attachments and exhibits. Application forms should not be re-typed, changed or modified in any manner. All information on the application form must be completed or indicated that it is not applicable. All required exhibits must be included and all required documentation must meet the criteria specified in the Application Submission Package. Incomplete or late applications will not be considered for funding under any program. For applications seeking competitive financing, no new application material concerning the project will be accepted after the application deadline date. However, the Department, at its discretion, may request applicants to submit clarifying information. Documents submitted with the applications, such as market studies, environmental assessments, and agreements, must be less than one year old. For applicants seeking competitive financing, letters of support from local government must be for the specific round.

3.1.2 *Application Fee*

Application fees must be paid simultaneously with or before submission of an application. All application submissions, including repeat submissions, must include evidence that the $2000 application fee has been paid. Applications received without the required fee will not meet the threshold requirements. Application fee checks payable to the "Community Development Administration" should be sent under separate cover to the DHCD Central Cashier, P.O. Box 500, Crownsville, Maryland 21032. A copy of the check should be included with the application.

3.2 Development Team

Members of the development team are individuals or organizations, including officers and directors of corporate members of the team, general partners of partnership members, and managing members of limited liability companies, that are involved in the development of the project in any of the following roles:

- Applicant;
- Developer and co-developer, if any;
- Guarantor(s);
- Owner (including any ownership interest other than limited partners or non-managing members);
- Architect;
- General Contractor;
- Management Agent.

3.2.1 Previous Project Performance

Members of the development team may not:

- Have participated as an owner or manager in the development or operation of a project that has defaulted on:
    - a Department loan in the previous five years
    - another government or private loan in the previous three years.
- Have consistently failed to provide documentation required by the Department in connection with other loan applications or the management and operation of other existing developments;
- Have been involuntarily removed within the previous 5 years as a general partner or managing member from any affordable housing project whether or not financed or subsidized by the programs of this Department;
- Have a current limited denial of participation from the U. S. Department of Housing and Urban Development (HUD);
- Be debarred, suspended or voluntarily excluded from participation in any Federal or State program; or
- Have been directly involved with any project placed on the Department's defaulted loans watch list due to actions which, in the opinion of the Department, are attributable to the sponsor or the development team.
- Have unpaid fees, loan arrearages, or other obligations due to the Department on other projects.

This evaluation will be based on mandatory disclosures by development team members, including submission of financial statements meeting the criteria specified in the Application Submission Package, as well as a review of Department records, personal credit histories, commercial credit reports, and other available information. Failure to disclose required information on the application may subject the applicant to penalties under Maryland law.

3.2.2 Financial Capacity

Members of the development team acting in the role of sponsor, developer, guarantor, or owner will not be considered for funding if they have unpaid State or federal income, payroll or other taxes as of the application date or a record within the past five years of any of the following which are unacceptable to the Department:

- Chronic past due accounts;
- Substantial liens or judgments;
- Three or more instances of unpaid taxes (even if cured prior to the application date);
- Foreclosures or bankruptcies; or
- Deeds in lieu of foreclosure.

This evaluation will be based on mandatory disclosures by development team members, including submission of financial statements meeting the criteria specified in the Application Submission Package, as well as a review of Department records, personal credit histories, commercial credit reports, and other available information. Failure to disclose required information on the application may subject the applicant to penalties under Maryland law.

3.2.3 Previous Participation

Development team members are also ineligible to participate in the program if they previously received reservations or commitments of funding from the Department but were unable to carry the project forward. This prohibition applies only to reservations or commitments issued within five years prior to the date of the application.

For Tax Credits, this includes entities that:

- Received a reservation but were unable to place the project in service in the year of the reservation or unable to meet the requirements to receive a Carryover Allocation;
- Received a Carryover Allocation but could not meet the 10% expenditure test deadline necessary to keep a Carryover Allocation;
- Received a Carryover Allocation or other Allocation but could not place the project in service within the time required by the Tax Credit Program; or
- Demonstrate a history or pattern of non-corrected serious health and safety issues as documented by IRS 8823 forms.

For financing provided through RHF and the Multifamily Bond Program, this includes entities that received a reservation or commitment of loan funds but were unable to close the financing.

This section does not apply to cases of the voluntary return of a Tax Credit or RHF loan by a development team member based on a determination that the project as originally proposed is no longer feasible, provided that the Department was willing to accept the return, and there was no loss to the Department of State resources.

3.3 Local Government Support and Contribution

Applications must include either a final resolution or letter of support from the highest elected official of the local jurisdiction in which the project is located.. Support should not be contingent upon the completion of tasks or improvements that are unrelated to the project, such as off-site work that is not necessary for completion of the project. For projects seeking competitive financing the application must also include evidence of a local contribution for the project.

Bond Program: Local Support

Bond Financed projects that do not include Rental Housing Funds do not need a contribution from the local government. However, a letter of support from the highest elected official dated within 90 days of the bond application must be included in the original submission for funding and a local resolution supporting the project must be provided prior to initial closing of the loan or issuance of the §42(m) eligibility letter for projects receiving Tax Credits.

Prior to closing, the project sponsor must submit a resolution supporting the project in a form acceptable to the Department from the governing body of the local jurisdiction and highest elected official of the jurisdiction.

Local contributions should be made from local resources and assets. If the project is located within a municipality, the resolution or letter of support as well as the local contribution must be made by the municipality. If the municipality, because of limited resources, is unable to make a local contribution to the project, the county in which the municipality is located may make a contribution to the project "on behalf of" the municipality. In such cases, a letter or agreement between the county and municipality must be submitted regarding the contribution along with evidence of the contribution.

Acceptable forms of contributions include, but are not limited to:

- The donation or long term leasing of land or improvements;
- Capital funds for acquisitions, construction, rehabilitation, or development costs;
- Locally installed infrastructure or site improvements which reduce off-site costs attributable to the project;
- Waiver of local fees for permits, tap fees, impact fees and other fees and charges;
- Real estate tax abatement, or payment in lieu of taxes;
- Operating or rent subsidies for the project; and
- Long-term agreements for a political subdivision to provide services at no cost to a project such as trash collection, road or grounds maintenance.

A local contribution must generally reduce the development or operating costs of a project. In some circumstances, the Department may accept other types of contributions that otherwise support a project.

3.4 Site Requirements

3.4.1 Site Control

Sponsors must have sufficient site control to allow projects to move forward if they receive a reservation of funds. At the time of application, site control should extend for at least 360 days after the application deadline date (including extension options). Acceptable evidence of site control includes deeds, contracts of sale, leases, purchase options or other evidence at the Department's discretion.

3.4.2 Utility Availability

Evidence that public water, sewer, electric, gas, telephone and other utility services are at project sites or will be available during the construction or rehabilitation period must be provided. Acceptable evidence of utility availability may include a letter from the development team's civil engineer, the utility company providing the service, a responsible local official or, for existing buildings, copies of recent utility bills. Alternately, the applicant may provide a certification in the form provided in the Application Submission Package.

3.4.3 Zoning

Properties must be properly zoned for their intended use. If a zoning change, variance or exception is required, sponsors must provide the following information in the application:

- Documentation illustrating the present status of the proposed zoning change, the local planning and zoning process;
- Contact information for a local official familiar with the project and responsible for the approval process; and
- A detailed schedule with projected dates for obtaining the required approvals corresponding to the project schedule in the Application Submission Package.

3.4.4. Environmental Assessments

Each project must comply with applicable requirements of local, state and federal environmental laws and regulations. As part of the Application Submission Package, an environmental assessment checklist or environmental report, if available, must be included. Environmental Assessments should not be more than one year old as dated from application submission.

3.4.5 Scattered Sites

Projects located in a revitalization area as described in Section 4.2.1 of this Guide and involving either the rehabilitation of existing scattered site homes or new construction on non-contiguous vacant infill lots, whether as a stand alone project or as part of a larger scattered site redevelopment project, must include in the application a current revitalization plan for the community. The revitalization plan must be prepared in accord with the requirements of Section 4.2.1 of this Guide. No targeted unit in a scattered site project may be adjacent to a vacant unit that is not part of the project or specifically targeted for redevelopment in the revitalization plan.

3.4.6 Exceptions

The requirements for site control, availability of utilities, environmental and zoning compliance, and scattered sites are not applicable to projects that involve the purchase of completed residential units constructed under a density bonus, affordable zone or other comparable program. Instead, sponsors of these types of projects must provide a detailed proposal for identifying specific sites and indicating how and when they will obtain site control.

3.5 Project Location and Marketability

3.5.1 New Construction and Priority Funding Areas

All projects involving any new construction must be located in a Priority Funding Area (PFA) under Maryland's Smart Growth Initiative. PFAs include:

- All incorporated municipalities including Baltimore City, with some exceptions related to water, sewer and density for areas annexed after January 1, 1997;
- All areas between the Baltimore beltway and the Baltimore City limits and the Washington, DC beltway and the Washington, DC boundary;
- All areas designated as Sustainable Communities as of June 1, 2010;
- Federal and State enterprise zones;
- All areas designated by county governments as PFAs, including rural villages designated in county comprehensive plans as of July 1, 1998; and
- Certified heritage areas within locally designated growth areas.

All applications for projects involving any new construction must include a letter from the county government that certifies the project is located in a PFA.

3.5.2 Market Study

Applications must include a market study prepared by an independent professional who has experience with multifamily rental housing and/or tax credit housing in Maryland and whose firm appears either on the list of acceptable market analysts maintained by the Department or on the list of firms who have undergone peer review by the National Council of Affordable Housing Market Analysis (NCAHMA). Market studies should not be more than one year old as dated from application submission and should conform to the requirements set forth under Section 4.3.1 in the Project Evaluation Criteria section of this Guide. A list of acceptable market analysts from CDA's approved list of appraisers and market analysts is on the Department's website at:

http://www.dhcd.state.md.us/website/programs/rhf/Documents/AppraiserList.pdf

3.6 Occupancy and Rent Restrictions

3.6.1 Minimum Occupancy Restrictions

At a minimum, applicants must agree that low-income units in the projects will be rented to families with incomes and at rents that do not exceed the levels required under the proposed funding source.

3.6.2 Preference for Individuals with Physical Disabilities

All projects funded pursuant to this Guide must ensure that individuals with physical disabilities have priority for occupancy of any units qualified under the Uniform Federal Accessibility Standards (UFAS). However, in ensuring that individuals with disabilities receive priority for UFAS qualified housing, owners are not required to disregard occupancy restrictions imposed by any applicable financing program, State or federal law or lease.

3.6.3 Relocation and Displacement

Generally, the Department will not participate in a project if the development results in the permanent displacement of more than 5% of the elderly or disabled residents or 10% of the non-elderly residents dwelling on the site of the proposed project. If the project will result in the relocation of any tenants (i.e. households or businesses), the Department expects that the applicant will comply with the requirements of the Uniform Relocation Assistance and Real Property Acquisition Act of 1970 (42 U.S.C. 4601 also known as “URA”) and §104(d) of the Housing and Community Development Act of 1974 (42 U.S.C. §5304(d)) regarding resident notice and compensation. These requirements apply to all funding requests regardless of the ultimate source of the funds.

All applicants should make themselves familiar with URA and §104(d) requirements, including notices from both the purchaser and seller to residents that may apply to their project. The Department will consider waivers to its cap on permanent displacement only to the extent that the displacement complies with URA and leverages substantial federal investment. Information on federal relocation requirements and the rights of affected tenants may be found on the Internet at:

http://www.hud.gov/offices/cpd/library/relocation/publications/

3.6.4 Definition of Elderly Housing

The Department defines an elderly household as one in which at least one household member is age 55 and over. This definition applies to all projects applying for Tax Credits, RHF loans, HOME funds, or MBP financing as elderly housing. Regulatory agreements filed for the project must conform to this definition.

Any application for funding for elderly housing proposing a more restrictive definition of elderly including a requirement that all household members meet the age requirement, must request a waiver in advance of application submission. Projects failing to request and receive such a waiver will be rejected at threshold. A market study must demonstrate demand for the elderly population proposed.

3.6.5 Long Term Use Restriction and Homeownership Opportunities

All projects requesting competitive Tax Credits and/or RHF loans must agree to at least 40 years of low-income occupancy restrictions, unless a structured year-15 transition to homeownership program is presented and accepted. All projects requesting non-competitive Tax Credits and/or MBP loan funds must agree to at least 30 years of low-income occupancy restrictions.

Nothing in this section should be construed as conflicting with the Qualified Contract provisions under the Tax Credit Program pursuant to the Internal Revenue Code §42(h)(6) or the Qualified Contract Procedures established by the Department.

Properties intended for eventual homeownership must be physically designed to facilitate marketing for and conversion to homeownership. At application submission, projects must present a strategy that shows how funding will be made available from project or other dedicated resources to prepare and assist residents for the transition of the project to homeownership at the close of the initial 15-year compliance period.

3.7 Financing Terms and Conditions

3.7.1 Other Financing

Letters of intent to provide financing must be furnished for all funding sources identified in the application. At a minimum, letters of intent must state that the project appears feasible and show the amount of anticipated funding, general repayment terms and any conditions. Letters of intent from the intended first mortgagee also must include the lender's acknowledgement of the Department's financing regulations and policies and the lender's agreement to cooperate with the applicable RHF and Tax Credit processes, as appropriate.

In addition to the requirements outlined in the paragraph above, if financing will be subsidized or insured, evidence must be provided that the appropriate applications have been prepared and have been or are ready to be filed. For projects proposing financing with an FHA-insured first mortgage and an RHF loan, the lender must acknowledge in its letter of intent that it will accept the use of the FHA/CDA Intercreditor Agreement without modification. Lenders for FHA-insured first mortgages must also detail the proposed schedule for Multifamily Accelerated Processing (MAP). This schedule must correspond with the developer's schedule as set forth on the Application Form.

For projects that will be syndicated for tax credit equity investment, sponsors must provide a proposal from at least one syndication firm showing the amount of expected Tax Credits, the investor type, expected net proceeds, syndication costs, pay-in schedule and willingness to comply with the Department's regulations. The syndicator's letter must provide a proposed schedule for completing its due diligence and indicate the current status of their review of the application and project, including whether a site visit has been completed

Letters that fail to explicitly include the acknowledgements and information listed above will be rejected as incomplete and will result in the application failing Threshold and being removed from processing.

3.7.2 Rental Housing Fund

The maximum RHF loan per project should not exceed $2 million or $50,000 per unit, whichever less.

While the Department encourages repayment of its funds on an amortizing basis, the Department, at its discretion, generally permits loans funded by RHF or a portion thereof, to be repaid on a cash flow basis. The proportion of the loan that may be repaid on a cash flow basis and the terms for repayment will be determined by a Department review of the project's net operating income. Rates may be set at the applicable Federal rate (AFR) or a lower rate at the Department's sole discretion.

The Department expects to receive 100% of the cash flow although the Department may agree to share cash flow with the borrower or subordinate public lenders. Cash flow splits will be determined on a case by case basis based on a review of a number of factors, including but not limited to:

- the amount of the deferred development fee or developer equity in the budget;
- the developer's borrowing history or performance with the Department , including payment of cash flow or amortizing debt on other projects in the Department's portfolio;
- a subordinate public lender's commitment to affordable rental housing as evidenced by its adoption of affordable rental housing tools including inclusionary zoning, housing trust funds, preservation and homelessness prevention strategies, and policies that discourage discrimination based on source of income

All cash flow loans must be repaid at the end of the loan term.

Bond Program: Terms and Conditions

Loans provided under the Multifamily Bond Program must be amortized at an interest rate set by the Department. The term of the loan may be up to 40 years for either taxable or tax-exempt bond funded loans. All projects must be credit-enhanced so that the bonds sold to fund the loans can receive a rating of "Aa" or better from the Department's rating service.

In addition, loans derived from the Department's RHF and MBP are, by regulation, subject to restrictions on prepayment, tenant notice and relocation requirements of COMAR 05.05.01, the RHF program, and COMAR 05.05.02 for the Multifamily Bond Program.

3.7.3 Tax Credits

3.7.3.1 General

A Tax Credit reservation or allocation (except in connection with MBP or local bond issues) for any single project is limited to $1,500,000 or $30,000 per unit, whichever is less. Reservations or allocations may be split over two or more calendar years. Allocations of Tax Credits pursuant to §42(h)(4)(B) of the Internal Revenue Code (federally subsidized tax exempt bond transactions) are limited only by the amount required, at the sole determination of CDA, necessary for the long term feasibility of the project. Additional conditions and restrictions on Tax Credit reservations and allocations are provided in the Qualified Allocation Plan (QAP), which is available on the Department's web site at:

http://www.dhcd.state.md.us/website/Programs/rhf/Documents/2008%20QAP%20051308%20FINAL.pdf

3.7.3.2 Financing with Shelter and Transitional Housing Facilities Grant Program or Partnership Rental Housing Program

Financing from the Shelter and Transitional Housing Facilities Grant Program or Partnership Rental Housing Program may not be included in the project's eligible basis if competitively allocated Tax Credits are used. Please contact Multifamily Housing before submitting an application for Tax Credits involving these programs.

3.7.3.3 Balancing Rental Housing Funds and Tax Credits
In order to balance the demand for RHF and Tax Credits, the Department reserves the right to adjust the amount of Tax Credits as well as RHF requested in the application. The Department also may substitute other sources of funds for those requested.

3.7.3.4 State 30% Basis Boost : DHCD RESERVES THE RIGHT TO CHANGE THIS SECTION BASED ON NCSHA BEST PRACTICE[R1] RECOMMENDATIONS, WHICH ARE PENDING
As authorized by and to the extent permitted by Section 42(d)(5)(B)(v) of the Internal Revenue Code, enacted by "The Housing and Economic Recovery Act of 2008", HR 3221, the Department may increase the eligible basis of projects by up to 30% (a "Basis Boost") if the Department determines that the project or a building in the project needs the Basis Boost to be financially feasible. In making this determination, the Department will consider one or more of the following:

(a) the impact of the additional Basis Boost on a project's need for Rental Housing Funds (RHF) and its financial feasibility;

(b) whether the project will receive points under Section 4.2.2.B by committing to rent at least 10% of its units to households with incomes of 30% or less of the area median income; or

(c) whether the project will be owned in whole or in part by a public housing authority or a local government.

The Department may make a determination that a project is eligible for a Basis Boost described above on its own initiative at any time, based upon review of the project's sources and uses, or upon request of the Applicant. An Applicant's request should be submitted at least 30 days in advance of the competitive round deadline and include documentation and certification that a Basis Boost is needed in order for the project to be financially feasible. Sections 3.7.2 and 3.7.3.1 concerning the maximum limits for Rental Housing Funds and Tax Credits continue to apply to projects receiving a Basis Boost under this section, unless the Department uses its discretion under Section 3.7.3.3.

Projects receiving a 30% Basis Boost because of location in a Qualified Census Tract (QCT) or Difficult Development Area (DDA) in Section 4.2.1 are NOT also eligible to receive the State Basis Boost.

3.7.4 Rehabilitation

3.7.4.1 Minimum Rehabilitation Requirement
For projects that consist of the rehabilitation of existing buildings, the Department has established a minimum rehabilitation standard to ensure that meaningful, and not just cosmetic, rehabilitation is undertaken. The total hard construction costs (exclusive of fees or overhead items) of rehabilitation for projects must be at least $15,000 per unit and supported by a building evaluation report performed by an engineer or other qualified professional. Waivers of this minimum must be requested in accordance with Section 5.0 of this Guide. Rehabilitation projects utilizing Tax Credits are subject to the minimum expenditure test set forth in §42 of the Code.

Multifamily Bond Program: Rehabilitation

For bond financed projects, the Department will consider construction costs less than $15,000 per unit based on scope of work, reasonableness and affordable housing production. Rehabilitation projects utilizing Tax Credits are subject to the minimum expenditure test set forth in §42 of the Code.

3.7.4.2 Energy Improvement Report

Rehabilitation projects which fail to submit at a minimum a preliminary Energy Improvement Report with the application will not be considered for funding. The Energy Improvement Report shall take into account the current and projected energy performance of the building. Energy improvements with a SIR of 2 or greater and a CER of 10 or greater must be included in the project scope of work. The goal is to make existing buildings as energy efficient as possible while taking into account practical financial and construction limitations.

3.7.5 Internet Access

The Department requires all newly constructed and rehabilitated projects have the capacity to access technology for high-speed Internet in each unit or in a community space. Internet service provided in each unit may be the responsibility of the tenant. If service is to be provided in community spaces, the services provided must include any necessary computer hardware and software as well as connections and allow reasonable accommodation during evenings and weekends for tenant work and academic schedules. Project owners are encouraged to take advantage of their economies of scale to subsidize internet service to the tenant's unit. Please see the Project Evaluation Criteria section of this Guide for related scoring points.

3.7.6 Lead Hazard Elimination

The Department is committed to the goal of 100% elimination of risk from lead hazards in housing. Upon completion of any rehabilitation, all existing buildings must be certified by the Maryland Department of the Environment (MDE) as lead-safe and meet HUD/EPA clearance standards. All abatement and clean-up must be carried out in accordance with MDE requirements (COMAR 26.02.07, <u>Procedures for Abating Lead Containing Substances in Buildings</u>). All abatement contractors or subcontractors must be certified and accredited by MDE.

All projects originally constructed before 1950 must also register with MDE's lead poisoning prevention program. Projects originally constructed before 1978 may voluntarily register with MDE's lead poisoning prevention program to obtain certain limited liability from lead-related claims. The Department strongly recommends this voluntarily participation.

Additionally, all contractors and subcontractors engaging in the following activities on multifamily projects built before 1978 must be Lead-Safe Certified, as mandated by the US EPA Lead-Based Paint Renovation, Repair and Painting (RRP) Rule:

- Remodeling and repair/maintenance
- Electrical Work

- Plumbing
- Painting
- Carpentry
- Window Replacement

For more information regarding licensing procedures and guidelines please contact the EPA Lead Safe Hotline, 1800-424-5323 or refer to:

http://www.epa.gov/getleadsafe

For information on abatement contractors or subcontractors, registration forms, requirements and fees for the MDE lead poisoning prevention program contact the MDE Lead Hotline, 1-800-776-2706 or refer to:

http://www.mde.state.md.us/Programs/LandPrograms/LeadCoordination/index.asp

3.8 Development Budget

3.8.1 Acquisition Price

For all projects, the acquisition price must meet the following standards:

- For an arms length transaction, the maximum acquisition price may not exceed the lesser of the contract sales price or the “as is” appraised value of the property.
- For transactions involving a change in use, appraisals must include an “as is” value and an after rehabilitation value under its projected use. In such cases, the acquisition cost may not exceed the lesser of the two values or any lower value based upon the standards for related party transactions described in this section.
- For a related party transaction where the property was acquired less than two years before the application date, the maximum acquisition price may not exceed the lesser of the “as is” appraised value of the property or the original acquisition price plus carrying costs acceptable to the Department.
- For a related party transaction where the property was acquired two or more years before the application date, the maximum acquisition price may not exceed the “as is” appraised value of the property.
- Department loan funds may not be used to purchase schools or school sites owned by local governments or religious institutions for conversion to housing. Requests for waivers of this policy should be submitted in advance of application deadlines in accord with Section 5.0 of this Guide.

Additionally, for projects with competitive Tax Credits and/or a RHF loan, any portion of the acquisition price in excess of the "as is" value will not be financed or reimbursed by any RHF funds and will not be used in calculating the developer fee.

Exceptions to the acquisition price standards may be submitted to the Department on a case by case basis. See Section 5.0, Waivers, for general information on program waivers.

For purposes of this section, an acquisition is defined as the transfer of title and legal ownership.

Applicants with questions regarding the definition of arms-length and related-party transactions should contact the Department. With the approval of the Department and in order to meet the 10% expenditure test for an allocation of Tax Credits, the maximum acquisition price may be increased to include real estate taxes and other carrying costs associated with owning the site during the period after acquisition and application.

The acquisition price must be supported by an appraisal performed by a licensed independent professional appraiser. Independent professional appraisers under contract with the Department will perform the appraisal, and the applicant will pay the costs of any required appraisals. The Department, at its sole discretion, may accept an appraisal that is required by another lender and prepared by an independent professional appraiser for that lender. For Tax Credit transactions involving acquisition Tax Credits, the Department may, as a condition of a reservation, and at its discretion, request an opinion from an independent CPA or tax attorney confirming that the planned acquisition conforms with Section 42(d)(2)(B) of the Internal Revenue Code (i.e. the Ten-Year Rule).

3.8.2 Syndication Equity Rates and Related Costs

For projects that are syndicated for Tax Credits, the equity raise-up rate should be within current market standards. When the project's gap analysis is performed, the Department will review the raise-up rate to ensure that it is competitive in the tax credit market.

3.9 Limitation on Fees

Fees in the development budget are limited according to the standards established by the Department for rental housing projects. Projects, without Section 8 project-based voucher assistance, subject to §911 of the Housing and Community Development Act of 1992 (federal subsidy layering requirements) have the same limitations under a Memorandum of Understanding between the Department and HUD. Projects with Section 8 project-based voucher assistance must comply with the standards in the HUD Administrative Guidelines: Subsidy Layering Reviews for Proposed Section 8 Project-Based Voucher Housing Assistance Payments Contracts, published in the Federal Register, July 9, 2010. The safe harbor and maximum standards in the July 9, 2010 HUD Administrative Guidelines may vary from those shown below. See the Qualified Allocation Plan for further information.

<table>
<tr><th>Category</th><th colspan="2">Limitation</th></tr>
<tr><td>Total Builders Fee</td><td colspan="2">The total fees allowable for a builder, including profit, overhead and general requirements, may not exceed 15% of the net construction cost for new construction projects and 17% for rehabilitation projects</td></tr>
<tr><td rowspan="3"></td><td>Builder's Profit</td><td>5% to 10% of the net construction costs</td></tr>
<tr><td>Builder's Overhead</td><td>2% to 3% of the net construction costs</td></tr>
<tr><td>General Requirements</td><td>5% to 10% of the net construction costs</td></tr>
<tr><td>Architect Design</td><td colspan="2">2% to 5% of the construction contract</td></tr>
<tr><td>Architect Administration</td><td colspan="2">1% to 3% of the construction contract</td></tr>
<tr><td>Civil Engineers Fee</td><td colspan="2">2% to 5% of site improvement costs</td></tr>
<tr><td>Developer's Fee</td><td colspan="2">10% to 15% of total development costs not to exceed $2.5 million</td></tr>
<tr><td colspan="3">Please see below for additional information.</td></tr>
</table>

3.9.1 Net Construction Costs

Net construction costs are equal to the construction contract amount less builder's profit, builder's overhead, general requirements and bond fees.

3.9.2 Builder's Fees

The total fees allowable for a builder, including profit, overhead and general requirements, may not exceed 15% of the net construction cost for new construction projects and 17% for rehabilitation projects. A builder's profit is permitted even if a relationship or identity of interest exists between the developer and general contractor. However, all general contractors must meet the Department's guidelines and be approved to act as a general contractor for the project. The allowable profit will range from 5% to 10% of the net construction costs.

3.9.3 Architect's Fees

The allowable architect's fee for project design may range from 2% to 5% of the construction contract amount. For architectural administration, the allowable fee may range from 1% to 3%.

3.9.4 Civil Engineer's Fee

The allowable civil engineer's fee for project design may range up to 5% of the net construction costs.

3.9.5 Developer's Fee

The developer's fee must include all fees paid to processing agents and development consultants. The range of allowable developer's fees is from 10% to 15% of total development costs as approved by CDA based on the table below. The developer's fee may not exceed $2.5 million.

Fee on Development Costs	Fee on Acquisition Costs*
• 15% on first $10,000,000 • 10% on amount over $10,000,000	• 10% on first $10,000,000 • 5% on amounts over $10,000,000

- No acquisition fee will be permitted on related party transactions.

For projects with proposed developer's fees in excess of $2.5 million, sponsors must submit a request for a waiver in accordance with Section 5.0 of this Guide. Total development costs include the following: expenses related to the actual construction or rehabilitation of the project; fees related to the construction or rehabilitation such as architecture, engineering and legal expenses; financing fees and charges such as construction interest, taxes, insurance and lender fees; and acquisition related costs which may include master planning costs. Total development costs do not include the following: hard or soft cost contingencies; syndication related costs; funded guarantee and reserve accounts that are required by lenders or investors; and developers' fees. Further guidance on the disbursement of developer's fee can be found in the Appendix of this Guide.

3.9.6 Financial Pro Forma

The financial pro forma of projects will be evaluated based on a review of estimated operating expenses, construction costs, reserve for replacement deposits, vacancy rates and debt service coverage ratios. Sponsors must submit a minimum 20-year pro forma.

3.9.7 Vacancy Rate

The pro forma vacancy rate must be fully supported by the market study. During subsequent underwriting by Department staff, the rate may be adjusted up or down to reflect documented market conditions.

3.9.8 Project Phasing

Applications for subsequent phases of projects already in receipt of a reservation of RHF or Tax Credit allocations must show evidence that the original phase(s) of the project achieved sustaining occupancy. Multifamily Housing defines sustaining occupancy for this purpose as a minimum of three months of break-even operations and 90% or above occupancy. The Department may waive this requirement upon specific request in accordance with Section 5.0 of this Guide.

3.10 Readiness to Proceed and Development Schedule

As part of the Application Submission Package, Sponsors must complete the Anticipated Development Schedule in CDA Form 202. This schedule should be consistent with the Department's loan submission process as outlined in Exhibit B of this Guide as well as Tax Credit requirements. If a project is approved for a Tax Credit and/or RHF reservation, it is expected to meet the development schedule as proposed. In cases where a zoning change, variance or exception is necessary, schedules must be consistent with the analysis provided by the development team's zoning attorney or engineer. In all cases, the Anticipated Development Schedule should reflect the project's readiness to use current calendar year Tax Credits and current fiscal year RHF funds. If a project envisions utilizing other than current calendar year Tax Credits and/or current fiscal year RHF loan funds, the application must provide sufficient explanation and supporting information for the alternate development schedule.

.

4.0 Project Evaluation Criteria

Once projects meet the threshold requirements, they will be rated according to the nature and character of the development and, if subject to the competition for RHF and Tax Credits, ranked against other projects. During a competitive round, each application will be evaluated and awarded points based on the criteria it meets and ranked against the other projects included in the round. The selection criteria outlined below are based on Maryland's housing priorities and needs.

Bond Program: Minimum Project Evaluation Criteria Score

Applications requesting MBP funding and non-competitive Tax Credits must still obtain a minimum score of 180 points under Project Evaluation Criteria to be eligible for funding.

Summary of Evaluation Criteria Scoring (*305 Points Total*)

4.1 Capacity of Development Team	***Total 95 Points***	***See Current Application Submission Package Exhibit(s)***
4.1.1 Development Team Experience	50 points	Exhibit C, Form 202
4.1.2 Deductions from Team Experience Score	(up to minus 30 points)	Exhibit F, Form 202
4.1.3 Financial Capacity	25points	Exhibit D
4.1.4 Nonprofit/ Participation	10 points	Exhibit H, Form 202
4.1.5 PHA/MBE/WBE Participation	10 points	Exhibit G, Form 202
4.2 Public Purpose	***Total 55 Points***	
4.2.1 QCT/DDA, Rehabilitation and Revitalization Plans	10 points	Exhibit B, I , Form 202
4.2.2. Income Targeting – Below 60% of Median	20 points	Form 202
4.2.3 Housing for Individuals with Disabilities	5 points	Exhibit M, Form 202
4.2.4 Family Housing	5 points	Form 202
4.2.5 Tenant Services	15 points	Exhibit K

4.3 Project Location and Marketability	***Total 65 Points***	See Current Application Submission Package Exhibit(s)
4.3.1 Market Study	40 points	Exhibit A
4.3.2 Housing in BRAC Impacted Counties and Communities with Indicators above Statewide Averages	15 points	Exhibit J, Form 202
4.3.3 Projects in Rural Areas	10 points	Exhibit A, Form 202
4.4 Development Quality	***Total 60 Points***	
4.4.1 Sustainable Development	33 points	Exhibit E
4.4.2 Amenities and Design Criteria	27 points	Exhibit E
4.5 Construction or Rehabilitation Cost Limits (GSF and Per Unit)	(Up to 5 Minus Points)	Exhibit E
4.6 Leveraging and Long Term Subsidies	***Total 30 Points***	
4.6.1 Leveraging of Non-State Resources	20 points	Exhibit A, Form 202
4.6.2 Long-Term Operating Subsidies	10 points	Exhibit N, Form 202

4.1. Capacity of Development Team

Points are awarded based on the capacity of the development team to develop affordable rental housing, including the extent to which qualified and experienced professionals are identified and committed to the project for the long term.

4.1.1 Development Team Experience (50 maximum points)

Points will be awarded based on the demonstrated relevant experience and qualifications of the members of the development team. Crucial for determining the capacity of the development team are the members of the developer entity including the applicant, developer, co-developer, guarantors, and general partner or managing member (the entity with a controlling interest). The other lead members of the team are the general contractor, architect and management agent. Staff will evaluate the development team members based on their record of accomplishment during the past five years with projects that are similar to the proposed project. Team members without appropriate experience should establish partnerships with experienced entities.

A scattered site project requires all members of the development team to have prior experience with similar sized scattered site rental properties and the ability to provide evidence of this experience. Projects may lose points if a scattered site development is submitted without documentation of previous performance with similar scattered site properties. For maximum points, all team members including those with controlling interests in the developer and the project owner should have previous experience with scattered site developments and operations.

Scoring for each entity within the team will be as follows:

Evaluation Criteria	*Developer Entity (18 points maximum)*	*General Contractor (12 points maximum)*	*Architect (8 points maximum)*	*Management Agent (12 points maximum)*
The entity(s) has a consistent and successful track record during the past five years with projects that are similar to the proposed project and has shown the ability to remedy problems.	13-18	9-12	6-8	9-12
The entity(s) has an overall successful track record during the past 5 years but may not have sufficient experience, has not always promptly addressed problems or may not have sufficient experience with similar projects.	7-12	5-8	4-5	5-8
The entity(s) has an inconsistent track record during the past 5 years, may not have sufficient experience, has not promptly addressed some problems, or may not have sufficient experience with similar projects.	1-6	1-4	1-3	1-4
The entity(s) has limited or no experience, has a record of problems that were not promptly addressed, or has limited or no experience with similar projects.	0	0	0	0

4.1.2 Deductions from Team Experience Score (Up to 30 Points Deducted)

4.1.2.1 Previous Participation with Multifamily Housing and Asset Management

Up to five (5) points may be deducted from the Development Team Experience Score for lead members (developer, co-developer, general partner or managing member, or property management agent) of the team involved in projects currently in the Department's pipeline that are not meeting or have failed to meet the Department's loan processing schedules, construction progress or completion, or close out requirements. These points also may be deducted for lead members (developer, co-developer, general partner or managing member, or property management agent) that have a record of any of the following:

Compliance Issues:
Consistent failure to promptly resolve compliance matters as evidenced by outstanding IRS 8823's with continuing non-compliance issued by the Department or other compliance enforcement action by the Department for the following:

- Failure to maintain income targeting as required under the loan or Tax Credit allocation agreements;
- Failure to maintain adequate documentation of tenant eligibility or qualified basis;
- Failure to timely recertify tenant incomes; or
- Continued occupancy by unqualified households.

Asset Management Issues:
- Untimely submission of required Department asset management documents including, but not limited to, annual audits, operating statements and budgets;
- Properties with annual physical inspection or management performance evaluations with ratings of “Below Average” or “Unsatisfactory”;
- After the HUD inspection and cure period, consistent history or pattern of failing REAC scores;
- Failure to maintain a current Management Agreement on file with the Department’s Division of Credit Assurance; and
- Late payments of any type including cashflow billings.

Construction Issues:
- Failure to pay General Contractor (as stipulated in the construction contract) for work in place.
- Failure to resolve any construction related issue, or issues, which result in delay of project completion.

4.1.2.2 Project Financing and Underwriting

Five (5) points each may be deducted from the total points otherwise due under the Development Team Experience score for failure by the applicant to address any of the following financing or underwriting requirements:

To avoid a deduction against the Development Team score, sponsors must submit a request for a waiver in accordance with Section 5.0 of this Guide that includes a detailed explanation of the reasons for failing to meet these standards.

Minimum Reserve for Replacement (RfR) Deposits - must not be less than $300 per unit per year.

For rehabilitation projects, a capital needs assessment from a qualified third party professional or comparable engineering report will be required before loan closing in order to establish a final amount for the reserve for replacement deposit. For all projects, the Department reserves the right to adjust the RfR amount based on a new capital needs assessment every five years.

Operating Reserves – shall range from three to six months of projected operating expenses plus all required debt service payments and monthly replacement reserve payments. The Department when evaluating guaranties for completion, lease-up, or operations will consider the demonstrated financial capacity and liquidity of the owner or other guarantor. At a minimum, funded operating reserves must remain in place until the project has achieved economic break-even operations for one fiscal year confirmed by its annual audit and has reached 90% occupancy for 12 consecutive months. Thereafter, operating reserves may be released over the next three or more years at the discretion of the Department, provided the project continues to achieve economic break-even operations and 90% occupancy. Upon release, operating reserves generally may be used to pay any outstanding deferred developer's fee and then may be applied to reduce any State loan, fund other reserves, fund project betterments or otherwise be applied as approved by the Department.

Bond Program: Operating Reserve Requirements

Bond financed projects must provide evidence of reserves sufficient to cover project operating or working capital deficits. Generally, the Department requires that minimum reserve requirements shall range between 3 and 6 months of projected operating costs plus anticipated debt service payments for the period. Projects also must meet any additional requirements of the credit enhancement provider for bond financing.

Annual Operating Expenses Per Unit - including real estate taxes and excluding reserve for replacement deposits should range from $3,000 to $5,500 per unit.

Maximum Rents – The low-income units in the projects must be rent restricted as required by the funding source. For projects receiving project-based rental assistance, the application must include information concerning the actual rent to be paid by the tenants and the estimated subsidy that will be received by the project owner.

Maximum unit rents (including tenant paid utilities) may not exceed 30% of the imputed gross income limit applicable to each unit. The imputed gross income as well as rent limit will be based on 1.5 persons per bedroom for units with one or more bedrooms and 1.0 person for efficiency or Single Room Occupancy (SRO) units. Rent levels including tenant paid utilities must be supported by the market study. Rents also should allow for a reasonable affordability window so those tenants with incomes below the maximum levels are not paying a disproportionate percentage (i.e. greater than 30%) of their income for rent. The Department will consider the project's capture rate in reviewing the proposed rents. For age-restricted projects, the imputed household size may not exceed three persons regardless of the number of bedrooms. Current area median income limits and rent limits adjusted for household size may be found on the Department's website at:

www.mdhousing.org/website/.../rhf/.../LIHTCIncomeRentLimits040609.pdf

Annual changes to income limits will be posted on the Department's website when available.

Minimum Debt Service Coverage Ratio (DSCR) – must be 1.15 to 1 by the first year of sustaining operations after considering all must-pay debt service payments, including Bond Financed mortgage payments. A debt coverage ratio of 1.1 to 1 will be required for other amortizing debt service on RHF provided through the Department. The Department will work with the sponsor to meet more stringent requirements imposed by other lenders or equity providers.

4.1.3 Financial Capacity (25 maximum points)

Maximum points will be awarded to development entities and guarantors that have the financial capacity to undertake the project. Audited financial statements, compiled statements and interim statements submitted for determination of financial capacity of the development entities and guarantors will be reviewed utilizing standard Generally Accepted Accounting Principles (GAAP). Working capital sufficient to carry the project through pre-development and net worth sufficient to provide applicable guarantees will be considered in determining the principals' financial capacity. Working capital and net worth will be calculated based on financial statements. Financial statements must include calculations of the following: Total Assets, Total Liability, Current Assets and Current Liabilities in order for points to be awarded in this category. Points will be awarded as follows:

Net Worth As A Percentage Of Total Development Cost	
Over 25%	10 Points
Between 10% and 25%	5 Points
Under 10%	0 Points

Liquid Assets As Percentage of Total Development Cost	
10% or Over	15 Points
Between 6% and 10%	10 Points
Between 3% and 6%	5 Points
Under 2%	0 Points

Net Worth = Total Assets less Total Liabilities
Liquid Assets = Current Assets less Current Liabilities

To perform this evaluation, the Department requires that information be submitted with the application. Please see Application Submission Package for more information.

4.1.4 Nonprofit Involvement (10 maximum points)

Points may be awarded when the project involves a nonprofit organization that is tax-exempt under Section 501(c) (3) or 501(c) (4) of the Internal Revenue Code and independent of any for-profit entity . The number of points awarded will be determined based on the role of the nonprofit entity and its demonstrated capacity to undertake its role in a project of the type and scope proposed.

Up to 10 points may be awarded when the entity has a controlling ownership interest in the project and is a Qualified Nonprofit within the meaning of Section 42(h)(5)(B) and (C) of the Internal Revenue Code which, among other things, requires that the entity:

1. Materially participate in the development and management of the project throughout the compliance period, and

2. As determined by the Department, is neither controlled by nor affiliated with any for-profit entity, and
3. Has as one of its exempt purposes the fostering of low-income housing.

Alternatively, up to 5 points may be awarded if the nonprofit entity is: 1) a CHDO; or 2) a member of the development team; or 3) is the tenant service provider with a significant and clearly defined role.

A controlling ownership interest means a greater than 50% interest in the general partner of a limited partnership or a similar arrangement for corporations and limited liability companies.

The Department will consider the extent to which the project involves specific and significant participation by the entity and the capacity of the entity to carry out its role. The application must include a letter of intent from the organization that documents the specific services or products to be provided to the project.

4.1.5 Minority-owned and/or Women-based Business Enterprise Participation (M/WBE) and Public Housing Authorities(PHAs) (10 maximum points)

Preference is given to projects which involve (1) a PHA; or (2) a minority-owned or women-owned business enterprise certified by the Maryland Department of Transportation (MDOT) pursuant to the Maryland Minority Business Enterprise/Federal Disadvantaged Business Enterprise Program (MDOT certified). Enterprises certified by a comparable program operated by a local Maryland jurisdiction also are eligible for scoring under this category. Further information may be obtained by calling the Maryland Department of Transportation Office of Minority Business Enterprise at 800-544-6056 or refer to:

http://www.mdot.state.md.us/MBE_Program/Index.html

The number of points awarded will be determined based on the role of the entity and its demonstrated capacity to undertake its role in a project of the type and scope proposed. Up to 10 points may be awarded when the PHA or MDOT or locally certified entity has a controlling ownership interest. A controlling ownership interest means a greater than 50% interest in the general partner of a limited partnership or a similar arrangement for corporations and limited liability companies. Up to 5 points may be awarded for PHA or MDOT or locally certified minority-owned or women-owned business involvement when the entity does not have a controlling ownership interest but is a member of the development team or tenant service provider with a significant and clearly defined role.

In general more points will be awarded for a larger role and demonstrated capacity. Points for a lesser interest in the ownership entity will be awarded based on the extent of the risks and rewards of ownership and participation afforded thePHA or MBE/WBE participant. The Department will evaluate the organization of these entities, their history of housing related activities and their specific role in the project.

4.2 Public Purpose

4.2.1 Qualified Census Tracts, Difficult Development Areas, Rehabilitation and Community Revitalization Plans (10 maximum points)

Ten points may be awarded for projects, either rehabilitation or new construction, that contribute to a concerted community revitalization plan and are located in a Qualified Census Tract (QCT) or Difficult Development Area (DDA) as defined in Section 42(d)(5)(C) of the Internal Revenue Code.

For projects not located in either a QCT or DDA, 10 points may be awarded under this category for rehabilitation or replacement projects, or 5 points for new construction projects, in neighborhoods that have existing community revitalizations plans or are officially designated as:

- Certified Heritage Areas within county designated growth areas;
- Sustainable Communities;
- Empowerment Zones;
- Federal or Maryland Enterprise Zones;
- Hotspot Communities;
- Main Street Maryland Communities; or
- Rural villages designated in county comprehensive plans as of July 1, 1998.

Projects located in neighborhoods not listed above may still qualify for the 10 points for rehabilitation or replacement housing or the 5 points for new construction under this category if the application includes either *a)* a community revitalization plan for the neighborhood or *b)* a current letter from the local planning department or zoning board confirming the project's location in a revitalization area and that the project contributes to the community revitalization plan in place for the area.

For a listing of Qualified Census Tracts and Difficult Development Areas, please consult the HUD user website at: http://www.huduser.org/datasets/qct.html

For the purpose of qualifying projects for scoring under this category, rehabilitation means repair of or alterations to an existing building, or buildings, where a majority of the structural elements of the original building or buildings, at a minimum, is incorporated into the finished project. In its discretion, the Department may award these points to a project that involves the demolition and replacement of an existing occupied housing project if rehabilitation of the existing building or buildings is infeasible or impractical. To receive points, the replacement project must comply with the Department's policies concerning displacement and relocation of existing tenants and be consistent with the community revitalization plan.

A community revitalization plan is a plan that is consistent with Maryland's Smart Growth Initiative and established to prevent or reverse the decline or disinvestment in the community. The plan must be local in nature with defined geographic boundaries. To be acceptable, a plan also should include evidence of a concerted planning process including consultation with and input from major stakeholders, particularly community residents and businesses. Plans will be evaluated and scored based on the evidence and the extent of the endorsement of the plan by either local government or by established community based organizations. The plan should include discussions of the types of development that will be encouraged, the potential sources of funding, services to be offered to the community, participants in the revitalization effort, or outreach and marketing efforts to be undertaken. The plan should include more than a mapping of where housing, commercial, industrial and other development will be allowed. A County or municipal zoning or land use plan or consolidated plan prepared as required by HUD does not qualify unless it meets the standards for community revitalization plans as described above.

In lieu of including a plan in the application, the Department may accept in the application a current letter from the local planning department or zoning board confirming the project's location in a locally-designated revitalization area and that the project contributes to the community revitalization plan in place for the area.

4.2.2 Income Targeting (20 maximum points)

To be eligible for RHF or a reservation of Tax Credits, sponsors must rent a minimum number of units to income eligible households. For Tax Credit projects, at least 20% of the units must be rented to households with incomes of 50% or less of area median income, or 40% of the units must be rented to households with incomes of 60% or less of the area median income. All units financed with State funds must be rented to households with incomes of 60% or less of area median income.

A. Weighted Average of Income Targeting.

Up to 15 points will be awarded for projects that restrict units for rent to households with incomes below 60% of the area median income. The lowest income level considered under this category is 30% of the area median income. Maximum points will be awarded for projects in which all of the units will be rented to households with incomes of 30% or less of the area median income. Points for projects with other income mixes will be determined based on the weighted average percent of median income per bedroom. Each efficiency or SRO unit will be counted as 0.67 bedrooms for income targeting scoring purposes.

Income Targeting					
Wtd. Avg.	Points	Wtd. Avg.	Points	Wtd. Avg.	Points
30 – 31%	15	43%	8	50%	1
32 – 33%	14	44%	7	51% - 60%	0

34 – 35%	13	45%	6	
36 – 37%	12	46%	5	
38 – 39%	11	47%	4	
40 – 41%	10	48%	3	
42%	9	49%	2	

Example. A 100 unit rental housing project consists of 25 one-bedroom units, 50 two-bedroom units and 25 three-bedroom units. The one-bedroom units will be rented to families with incomes of no more than 50% of the area median. Twenty of the two-bedroom units will be rented to families with incomes of no more than 60% of the area median, twenty more will be rented to families with incomes of no more than 40% of the area median, and 10 will be rented to families with incomes of no more than 30% of the area median. Ten of the three-bedroom units will be rented to families with income of no more than 50% of the area median and the remaining 15 three-bedroom units will be rented to families with incomes of no more than 40% of the area median.

Step One: Find the number of <u>bedrooms</u> serving each income level.

60% of AMI -- 20 2-bedrooms or 40 bedrooms [20 x 2 = 40]
50% of AMI -- 25 1-bedrooms and 10 3-bedrooms or 55 bedrooms [(25 x 1) + (10 x 3) = 55]
40% of AMI -- 20 2-bedrooms and 15 3-bedrooms or 85 bedrooms [(20 x 2) + (15 x 3) = 85]
30% of AMI -- 10 2-bedrooms or 20 bedrooms [10 x 2 = 20]

Step Two: Multiply the number of bedrooms at each income level by the maximum income level for those bedrooms and add the results.

40 bedrooms x 60% of AMI = 2400
55 bedrooms x 50% of AMI = 2750
85 bedrooms x 40% of AMI = 3400
20 bedrooms x 30% of AMI = <u>600</u>
Total 9150

Step Three: Divide the result by the total number of rent restricted bedrooms to get the weighted average percent of median income per bedroom.

9150 ÷ 200 = 45.75% of AMI, rounds to 46% of AMI.

Step Four: Use chart above to determine number of points for 46% of AMI.

46% of AMI corresponds to 10 points.

B. Income Targeting Bonus Points

Five additional points will be awarded for projects committing to rent at least 10% of the total projects' units to households with incomes of 30% or less of the area median income for the compliance period. These points may also be awarded for non- project based Section 8 projects which obtain project based vouchers for at least 10% of the units for a minimum term of 10 years.

4.2.3 Housing for Individuals with Disabilities at or below 50% AMI (5 maximum points)

Projects that provide integrated independent housing opportunities for individuals with disabilities, particularly those living on Supplemental Security Income (SSI) or Supplemental Security Disability Income (SSDI), may be awarded points in this category. Transitional housing or other facilities with limits on the term of occupancy or leases by tenants are not eligible to receive points under this category. Properties developed pursuant to a common development plan along with the applicant's property but that are not subject to the Department's RHF, Tax Credit or MBP use or occupancy restrictions also are not eligible to be scored under this category.

To receive points, the units must be made available only to individuals with disabilities at or below 50% AMI and held for individuals with disabilities at or below 50% AMI, including SSI/SSDI recipients, until the prescribed percentage of income-qualified resident individuals with disabilities is achieved but no longer than 60 days beyond 80% of initial occupancy for new construction projects. Points will be awarded to occupied rehabilitation projects that will market and hold units for individuals with disabilities including those who are income-qualified at or below 50% AMI, including SSI/SSDI recipients upon turnover for at least 60 days after vacancy. Points will be awarded based on the percentage of total units within the project whether or not rent- or income-restricted targeted to individuals with disabilities, including those at SSI/SSDI income levels, according to the following table:

Percent of Total Units for Individuals with Disabilities	
10% or more of the proposed units	5 points
8-9% of the units	4 points
6-7% of the units	3 points
4-5% of the units	2 points
1-3% of the units	1 point
Less than 1% of the units	0 points

To receive points, an application should include a letter from or a memorandum of understanding or other agreement with an entity that will assist the applicant in marketing the units to individuals with disabilities or special needs. The sponsor also must include with the application a marketing plan for meeting its targeting commitments. The market study for the project must also address the marketability of the units targeted for individuals with disabilities at or below 50% AMI.

Sponsors should contact the Maryland Department of Disabilities (MDOD), the Mental Hygiene Administration (MHA) and the Developmental Disabilities Administration (DDA) in the

Maryland Department of Health and Mental Hygiene, Making Choices for Independent Living (MCIL), and the Maryland Developmental Disabilities Council (MDDC) for more information about serving individuals with disabilities or special needs seeking affordable rental housing. The following links may be used to learn more about these agencies:

MDOD: http://www.mdod.maryland.gov
MHA and DDA: http://www.dhmh.state.md.us/
MCIL: http://www.mcil-md.org/
MDDC: http://www.md-council.org

4.2.4 Family Housing (5 maximum points)

Points may be awarded based on the percentage of non-age restricted units with 2 or more bedrooms available to individuals or households with children according to the following table:

Percent of Units for Family Housing	
10% or more of the proposed units	5 points
8-9% of the units	4 points
6-7% of the units	3 points
4-5% of the units	2 points
1-3% of the units	1 point
Less than 1% of the units	0 points

4.2.5 Tenant Services (13 maximum points + 2 points for high speed internet services)

Up to 13points may be awarded for linking service programs to the project

A. Services

Services **must** include those that are targeted and designed to assist residents with housing stability, including counseling/training on maintaining successful tenancy including managing utility and energy usage , financial management, financial literacy, basic household management, and access to social services and primary health care. **Failure to provide the above mandatory services will result in zero points for this category regardless of the other services provided,**

Other Programs may include, but are not limited to the following:

- Parenting programs for young parents (such as family support centers), parenting skills sessions for all interested parents and parent and child activities;
- Access to primary health care and counseling/training on maintaining successful tenancy, money management, financial literacy and basic household management.
- Literacy programs (such as book clubs, toddler reading programs, story groups), libraries and book sharing groups or centers;

- Art activities or art centers for children that include painting, photography, ceramics, etc.
- Day care, after care, summer and out of school time programs for children and youth that encourage succeeding in and completing school and moving to higher education/work;
- Health education and referral or health care outreach centers, including AA or NA;
- Job training, preparation and reference centers;
- Job opportunities for residents;
- Housing services and/or community coordinators;
- Mentoring programs where young adults mentor adolescents or more established adults mentor other adults;
- Housing and/or community meeting centers;
- Recreation centers located within housing complexes;
- Nutritional services;
- Eating together programs;
- Assisted or congregate living services including assistance with activities of daily living, instrumental activities of daily living, medical services, or housekeeping;
- Transportation services; and
- Programs that help residents increase personal and financial assets, and promote mobility through financial stability and self sufficiency.

B. Internet Access
Up to 2 additional bonus service points may be awarded for projects that provide subsidized high-speed internet services with training and support to each dwelling unit in the project. One point of the bonus will be awarded for the provision of high speed access to each unit and 1 additional point will be awarded for a program providing subsidized high-speed internet service and training as an integral part of the tenant service plan. The owner's share of the ongoing monthly costs of high-speed Internet access may be included in the project's operating budget.

The tenant service plan submitted with the application will be evaluated. Points may be awarded based on the extent to which the plan is comprehensive, well defined, economically and practically feasible, appropriate for the proposed tenant population, innovative and involves a unique collaboration, partnership, ownership or management structure. Projects that expect a mix of residents types such as elderly and family or disabled should ensure that tenant services address all resident population needs. Projects that include on-site services must be designed to include the necessary physical space for the services. To be scored under this category, letters or agreements documenting a service provider's involvement with the project should be submitted, and the primary service provider must be clearly identified in the submission. More points will be awarded to the extent information is provided clearly describing the implementation, frequency and duration of individual services, the methods for direct linkages of services and tenants, and the means of payment for services.

4.3 Project Location and Marketability

4.3.1 Market Study (40 maximum points)

Points may be awarded to projects that fill a demonstrated need for affordable rental housing in the local market and that will be competitive. Maximum points will be awarded for high quality market studies that show a strong market demand for the project. The market study should provide a concise summary of the data, analysis and conclusions, including but not limited to the following:

- A description of the site and the immediate surrounding area;
- A summary of market related strengths and/or weaknesses which may influence the project's marketability;
- An opinion by the market analyst of market feasibility including the prospect for long term performance of the property given housing and demographic tends and economic factors;
- For properties with project-based Section 8 assistance, a marketability opinion in the event the Section Housing Assistance Payments (HAP) contract is not renewed or expires;
- A detailed project description including the proposed number of units by number of bedrooms, unit size in square feet, utility allowances for tenant-paid utilities, and rents;
- A geographic definition (other than a simple radius) of the primary market area (PMA) and secondary market area (SMA) including maps of the PMA and SMA;
- An estimate of the number of renter households qualified by income and, if appropriate, age for the targeted program(s) and special needs set-asides, if any, in the PMA;

  Note: An elderly household is defined as one in which at least one household member is age 55 or older per the Definition of Elderly Housing section in this Guide.

- Rent levels, operating expenses, comparative amenity study, turnover rates, waiting lists and vacancy rates of comparable projects in the market area with an analysis of the competitive advantages offered by the applicant's proposed project;
- Absorption rate for the proposed project;
- Support for the applicant's proposed vacancy rate and the income targeting of the project;
- A summary of the project's positive and negative attributes and impact on existing projects already in the Department's portfolio and projects in the Department's current processing pipeline (To ensure that the market study addresses all the relevant properties, the market analyst should contact the Department to receive a proximity report identifying properties within up to 5 miles of the project site);
- A Capture Rate for the proposed project overall, as well as capture rates for each targeted income band. Rent burdens (rent plus utility allowance, if any) may not exceed 30% of gross income;
- A conclusion or executive summary capturing the above information;
- Chart that shows proximity to public services with distances; and
- Map showing access and proximity to public transportation.

The market study must be prepared by a third-party professional experienced with multifamily rental housing and/or tax credit housing and is either on the list of acceptable market analysts maintained by the Department on its website or on the list of peer-reviewed analysts maintained by the National Council of Affordable Housing Market Analysts (NCAHMA). The study should be detailed and provide a logical basis for all conclusions.

Higher points will be awarded to applications for properties with overall capture rates below 5%. While capture rates for targeted income bands may exceed 5%, the analyst must provide a detailed explanation justifying the marketability of these units in order to receive maximum points. Similarly, where the analyst uses rent burdens exceeding 30% in calculating capture rates, the analyst must justify the increased rent burden.

Additional information on recommended practices for market studies and standard terminology as well as the NCAHMA-approved list of analysts is available through the NCAHMA website. The Department's list of acceptable market analysts may be obtained by calling the Department or from the Department website at:

http://www.mdhousing.org/Website/programs/rhf/document/appraiserlist1.pdf

4.3.2 Housing in BRAC Impacted Counties and Housing in Communities with Indicators above Statewide Averages (15 maximum points)

Points will be awarded to projects that are in the nine BRAC (Base Realignment and Closure) - impacted areas (Baltimore City and Cecil, Harford, Baltimore, Howard, Frederick, Montgomery, Anne Arundel and Prince George's counties). Projects providing housing in these jurisdictions may earn points as follows:

- 10 points for family projects; or
- 5 points for elderly projects, but only if a local letter of support includes a statement by the highest local elected official explaining how the proposed project will result in increased availability of affordable housing opportunities for the workforce in the jurisdiction.

Statewide, five (5) additional points may be awarded for family housing projects located in school or election districts or census tracts with certain key demographic indicators at rates higher than statewide averages. These indicators include, but are not limited to:

- Maryland School Assessment (MSA) scores (elementary and secondary);
- Median home sales prices;
- Educational attainment (high school and bachelor's degrees);
- Employment;
- Personal income;
- Voter participation; and
- Homeownership rates.

To be considered for these five (5) additional points, the stability of the community must be demonstrated by a majority of the type of above-average demographic indicators described above as evidenced by the market study prepared in accordance with the requirements of Section 4.3.1, *Market Study*, above. The demographic data must be the most current available at the school district, election district or census tract level, as applicable.

4.3.3 Projects in Rural Areas (10 points)

Ten (10) points will be awarded to projects that are in rural areas as designated by the Rural Development programs of the U.S. Department of Agriculture or that are either in federal Community Development Block Grant (CDBG) non-entitlement or HOME non-participating jurisdictions that have an area median income below the non-metro median income. Counties below this level include Allegheny, Caroline, Dorchester, Garrett, Kent, Somerset, Washington, Wicomico and Worcester.

4.4 Leveraging and Long Term Subsidies

4.4.1 Leveraging (20 maximum points)

The extent to which Department funds are used to leverage other project funding sources will be considered. Points will be awarded based on the percent of non-Department funds specifically identified and designated to supplement Department funds. Recognizing that fixed transactional and other development costs may place rural projects at a competitive disadvantage for leverage purposes, the Department will score qualified Rural Projects (as defined in Section 4.3.3) using a different point scale from other projects.

For purposes of this section, Department funds include the State's HOME Investment Program, Rental Housing Production Program, Maryland Housing Rehabilitation Program, Elderly Rental Housing Program, Nonprofit Rehabilitation Program, Community Legacy Program and the Partnership Rental Housing Program. Because the Department administers Tax Credits, equity derived from Tax Credits allocated from the State's credit ceiling will be included in Department funds for computing leverage. Equity derived from Tax Credits not allocated from the State's credit ceiling (i.e., 4% tax credits associated with tax exempt bonds) will not be considered a Department subsidy for computing leverage.

Other Federal (including bond financing and unallocated Tax Credits and local funds originating from State Small Cities Community Development Block Grants), State, local (including HOME Investment Program funds administered by local participating jurisdictions) or private funding will be considered leveraged funds.

In order to compare the Tax Credit equity across all projects, an imputed raise-up amount, based on current market rates, will be determined and announced by the Department.

For Tax Credits that may be awarded in connection with a tax credit eligible basis increase allowed for projectsin Qualified Census Tracts or Difficult Development Areas referenced in

Section 4.2.1only the equity derived from Tax Credits awarded for the lower basis will be considered Department funds. Equity derived from Tax Credits awarded in connection with the increased QCT or DDA basis will be considered leveraged funds

The leverage ratio will compare all Department funds to all project costs. Since total development costs, as used in this Guide, do not include certain costs that can be paid from Tax Credit equity, these additional costs will be included in the calculation as well. The extra costs are developer's fee, funded guaranties and reserves, and syndication costs.

In mixed income developments, the Department will evaluate leveraging on the affordable rental units only. The total costs of the project will be prorated using the number of bedrooms in the affordable units.

Percent of Adjusted Net Costs Leveraged	Leverage Points	Rural Project
Greater than 50% of adjusted net costs	20	20
48% to 49% of adjusted net costs leveraged	19	20
47% of adjusted net costs leveraged	18	19
45% to 46% of adjusted net costs leveraged	17	18
44%	16	17
42% to 43% of adjusted net costs leveraged	15	16
41%	14	15
39% to 40% of adjusted net costs leveraged	13	14
38%	12	13
36% to 37% of adjusted net costs leveraged	11	12
35%	10	11
33% to 34% of adjusted net costs leveraged	9	10
32%	8	9
30% to 31% of adjusted net costs leveraged	7	8
29%	6	7
27% to 28% of adjusted net costs leveraged	5	6
26%	4	5
24% to 25% of adjusted net costs leveraged	3	5
23%	2	5
21% to 22% of adjusted net costs leveraged	1	5
20% or less of adjusted net costs leveraged	0	5

Example. (Note: all figures supplied in this example are for illustrative purposes only. In particular, actual equity raise-up rates used in the evaluation may vary based on the Department's analysis of the syndication market. The Department will publish separately on the Department website the imputed rate in advance for each competitive round.) A 25 unit rental housing project located in Baltimore County consists of 10 one-bedroom units and 15 two-bedroom units. The total development costs for the project are $2,000,000. Financing for the *project includes a first mortgage private loan of $525,000, a second mortgage Rental Housing Production Program loan of $285,712, a local contribution of $425,000 and an annual tax credit allocation of $114,286. The imputed raise-up rate for this example is 91 cents on the dollar. The owner's legal and accounting costs for syndication are $50,000, reserves are $50,000 and the Developer's fee is $225,000.*

Step 1. Calculate the tax credit equity that will be provided to the project.

Tax Credit Equity	
Annual Tax Credits*	$114,286
Credit Period	x 10
Total Tax Credits	= 1,142,860
Imputed Raise-up	x .91
Imputed Subsidy (rounding)	=$1,040,003

Step 2. Calculate the total DHCD subsidy.

Total DHCD Subsidy	
Tax Credit Equity	$ 1,040,003
DHCD Loans	$ 285,712
Total Subsidy	$ 1,325,715

Step 3. Calculate all project costs.

All Project Costs	
Total Development Costs	$ 2,000,000
Developer's Fee	$ 225,000
Guaranties and Reserves	$ 50,000
Owner Syndication Costs	$ 50,000
Total Costs	$ 2,325,000

Step 4. Determine the costs associated with the affordable portion of the project.

Adjusted Costs	
Affordable BRs	40
Total BRs	40
% Affordable	= 100%
All Project Costs	x 2,325,000
Adjusted Costs	=$ 2,325,000

Step 5. Determine the portion of funds leveraged from other sources.

Leverage Evaluation	
Total State Subsidy	$ 1,325,715
Adjusted Costs	2,325,000

% State Funds	= 57.02%
Total Funds	100%
Less % State Funds	(57.02%)
% Leveraged	= 42.98%, 43% Rounded

Step 6. Calculate the number of points for the percent leveraged from the chart above. 43% of all costs leveraged equal 16 points, for a small project.

Historic Leveraging and Bonus Points

Equity from the Federal Historic Preservation Tax Credit will be considered leveraged funds for this leveraging calculation. A project that commits to apply for the Federal Historic Preservation Tax Credit will receive 2 Historic Nature bonus points in this category by: 1) including the federal historic tax credit equity in the development budget; 2) including in the Department funding application evidence that the Historic Preservation Certification Application, Part 1 – Evaluation of Significance, has been submitted to the Maryland Historical Trust (for review and forwarding to the National Park Service); and 3) certifying that the project will complete the entire Federal Historic Preservation Tax Credit application process and pursue the tax credit equity. The total points available in this Section 4.4.1 will not exceed 20 points.

4.4.2 Long-term Operating Subsidies (10 maximum points)

Points will be awarded to projects that maximize long term operating or rent subsidies derived from non-project resources. The creation of reserve funds to subsidize rents or operations will not be awarded points unless the subsidy is clearly funded from non-project resources.

The subsidies must reduce the operating expenses or rent for the low-income tenants. The tenants should pay no more than 30% of their gross income for housing expenses, including utilities. Project based rental subsidies, payments in lieu of taxes, or other operating or social service subsidies are encouraged.

For HOME participating jurisdictions, maximum points may be awarded for projects with a subsidy of at least $1000 per unit per year for a period of 10 years. For HOME non-participating jurisdictions, maximum points will be awarded for projects with a subsidy of at least $500 per unit, per year for 10 years.

Fewer points will be awarded to the extent that the subsidy per unit per year is below $1000 for HOME participating jurisdictions or below $500 for HOME non-participating jurisdictions, the subsidy is for a term of less than 10 years, or repayment terms of the subsidy diminish its overall value to the project. The Department will evaluate the subsidy by computing the total value of the subsidy and dividing it by the term in years of the subsidy and the number of units in the project.

LONG-TERM (10 YEAR) ANNUAL OPERATING SUBSIDIES PER UNIT		
Points	**Participating Jurisdiction**	**Non-participating Jurisdiction**

10	Subsidy $\geq$ \$1000	Subsidy $\geq$ \$500
9	= \$801 to \$999	= \$475 to \$499
8	= \$ 701 to \$800	= \$350 to \$474
7	= \$601 to \$700	= \$325 to \$349
5	= \$401 to \$600	= \$200 to \$324
3	= \$201 to \$400	= \$100 to \$199
1	= \$100 to \$200	= \$50 to \$99
0	< \$100	< \$50

4.5 Construction or Rehabilitation Costs (Up to 5 Points Deducted)

Projects with construction costs greater than the limits below will lose 5 points. Projects with per unit construction costs in excess of $250,000 per unit will also lose 5 points. The total maximum deduction under this section is 5 points.

Construction or rehabilitation costs include all work, including site development, associated with the physical development of the project. The project costs are obtained by dividing the total amount of the construction or rehabilitation contract (including contractor's profit, overhead and general conditions) by the gross square footage of all of the buildings to be constructed or renovated. The construction contingency should not be factored into this equation.

Type of Building	New Construction	Rehabilitation
Townhouses	$127	$131
Cottage, Single Family and Semi-detached Dwellings	127	131
Garden Apartments	107	82
Units Stacked – no elevators	116	95
Elevator Buildings (≤4 floors with frame construction)	116	95
Elevator Buildings (≥5 floors with concrete construction)	127	99

The Department, in its discretion and at least 30 days in advance of funding round deadlines, may review and revise these cost limits.

The Department, in its discretion, will consider waivers of the point deductions in this category for extenuating circumstances or for projects that do not readily conform as new construction or rehabilitation developments, such as adaptive re-use and substantial historic rehabilitation. Such requests must be in writing and submitted at least 30 days in advance of application submission deadline. Waivers must be requested in accordance with Section 5.0 of this Guide.

4.6 Development Quality *(60 maximum points)*

4.6.1 Sustainable Development (33 maximum points)

Points will be awarded to eligible applicants who demonstrate the environmental sustainability and energy efficiency [R2]of their projects.

Subcategory I (5 Point maximum)

Five (5) points will be awarded for a development proposal that fits one or more of the following:

1) TRANSIT ORIENTED DEVELOPMENT (TOD): TOD development is defined as having a density that exceeds 25 units per acre, involves mixed use or is part of a larger mixed use undertaking, involves good non-motorized transport design (walkability), and a) is located within 0.5 miles of a mass or public transit or rail station, or b) is located within 0.25 miles of a bus depot or bus stop with scheduled service at intervals at most 30 minutes between the hours of 6:30am and 7:00pm; or

2) GREEN CERTIFICATION: The project must be developed using green building criteria from Earthcraft, Green Communities Program of Enterprise Community Partners, Green Globes, National Association of Homebuilders (NAHB) Model Green Home Building Guidelines, US Green Building Council Leadership in Energy and Environmental Design (LEED) or other similar program promoting sustainable development practices. The program's published scoring checklist must be submitted and be completed by the project architect or a qualified third party demonstrating a sufficient level of scoring to achieve green certification as defined within the program guidelines. (See Note below.); or

3) BROWNFIELDS: The project involves the redevelopment of a "Brownfields" site approved for participation in the Maryland Department of the Environment's Voluntary Cleanup and Remediation Program; or

4) The project achieves certification through LEED Neighborhood Development

5) HIGH DEVELOPMENT QUALITY SCORE: The project achieves at least 23 of 28 points under **Subcatgegory II**, below[R3].

> Note: Applicants may elect to substitute the wetlands and critical area buffers established by the Maryland Department of the Environment for the mandatory site requirements found within the listed green certification programs. In addition, applicants may elect to substitute a minimum density requirement of 12 units per acre for attached single family or multifamily structures 2 stories or greater and 6 units per acre for single story structures. Areas designated as wetlands or non-buildable critical environment areas by the Maryland Department of the Environment and public non-buildable easements may also be subtracted from the density calculations. Certain non-buildable steep slope areas, designated conservation areas, or green space areas may be subtracted from the density calculation on a case by case basis.

Subcategory II (28 Point maximum)

Up to 28 points will be awarded for projects based on the qualities of the project design, material selection and environmental and site considerations as specified in Exhibit 4A,1-5.. Department staff will inspect the project and associated community and will thoroughly evaluate the plans and specifications for compliance with these qualities.

For details of submission requirements, see Exhibits 4A 1-5, 4B " Development Quality Base Level Energy Standards Certification" and 4C "Development Quality Base Level Green Standards Certification" of this Guide.

All rehabilitation projects, except as listed in number 3 below, must submit an Energy Improvement Report.

4.6.2 Amenities and Design Criteria (27 maximum points)

Under this category, projects will be evaluated and awarded points based upon the qualities of the site and project design as specified in Exhibit 4A, 6-9. Department staff will inspect the project and associated community and will thoroughly evaluate the plans and specifications for compliance with these qualities.

For details of submission requirements, see Exhibit 4A 6-9, 4B "Development Quality Base Level Energy Standards Certification", and 4C "Development Quality Base Level Green Standards Certification", .

Exhibit 4A: Development Quality Criteria

The Development Quality Scoring is divided into two sections: "Sustainable Development Criteria" 1 through 5 with 28 possible points; and "Amenities and Design Criteria" 6 through 9 with 27 possible points.

Sustainable Development: Criteria 1 – 5

(The requirements in this section are further explained in Project Evaluation Criteria Section 4.6.1)

1. The Layout of the building(s) and the improvements, on the site, is well thought out and complements the surrounding environment. (6 points)

☐ *The building(s) and the other improvements on the site are located to provide superior accessibility, traffic flow, storm water drainage, recreation, noise mitigation, green space and energy conservation. (5-6 points)*

☐ *The building(s) and the other improvements on the site are located in such a way that they provide reasonable accessibility, traffic flow, storm water drainage, recreation, green space and energy conservation. (3-4 points)*

☐ *The building(s) and the other improvements on the site are located on the site such a way that is (are) not conducive to better living and may contribute to additional costs in long run. (1-2 points)*

Please consider the following criteria in assessing points in this category; the first two criteria should receive greater weight than the remaining five.

- The building, parking areas and other improvements thoughtfully utilize the site with a practical layout where transit, parking and exterior facilities can be conveniently accessed.
- The building parking areas and other improvements take advantage of existing topography. Excessive grading resulting in steep slopes or construction of large retaining walls is not anticipated nor is excessive erosion or sedimentation control expected. Driveways and entrances do not require excessive engineering.
- For existing and urban structures, the setback and parking provided is consistent with nearby buildings and local requirements. On new structures, in addition to the above, there is sufficient setback to provide walkways and a buffer from adjoining properties.
- There are green space areas, courtyards or exterior seating areas which provide privacy, recreational opportunities, and a feeling of spaciousness.
- The site has adequate usable space for project needs as proposed and does not have significant under-utilized or unused areas subject to ongoing maintenance. There are no areas that will require significantly higher than normal maintenance.
- Meets the accessibility needs of individuals with disabilities through integration of universal design standards with the site design.
- The project is connected to the local neighborhood by sidewalks.

2. **Material selections are of better than builder grade quality, environmentally friendly, and designed for durability and long term performance with reduced maintenance. (6 points)**

Please Note: For rehabilitation projects, failure to completely replace or upgrade aging finishes, fixtures, equipment or systems and site conditions which are nearing the end of their useful life or show signs of excessive wear, deterioration, are in need of repair, are obsolete or inefficient may result in a deduction of one to four points.

☐ *Building materials, furnishings and equipment are of superior quality from reputable manufacturers offering proven long-term performance and significant savings in maintenance costs. (6 points)*

☐ *Building materials, furnishings and equipment are expected to provide better performance than standard and longer than normal durability with normal maintenance. (4-5 points)*

☐ *Materials, furnishings and equipment are expected to provide normal performance and durability with normal maintenance. (2-3 points)*

☐ *Major materials, furnishings and equipment are expected to provide minimum performance and limited life with normal maintenance. (1 point)*

Projects may be able to satisfy the goals of this category and receive full points in a variety of ways. Points will be awarded based on the number of Criteria Credits present in the project. A list of the items which are eligible for Criteria Credits and their value is provided below. The first four items in this list will receive additional Criteria Credits.

To score in the top box above (i.e. 6 points), a project must also have a total of at least 12 Material Selection Criteria Credits from the list below. To score in the second box above (i.e. 4-5 points) a project must have a total of 8 to 11 Material Selection Criteria Credits from the list below. To score in the third box (i.e.2-3 points), a project must have a total of 4 to 7 Material Selection Criteria Credits from the list below. To score in the fourth box (i.e. 1 point), a project will have a total of 2 to 3 Material Selection Criteria Credits from the list below

Material Selection Criteria Credits

Material Selection Criteria Credits	***Item Description***
1 to 3	Building exterior is at least 75 percent masonry or other highly durable materials such as cement fiber siding, stucco, stone, etc. For rehabilitation projects, needed repairs and cleaning must be specified for existing finishes to receive partial or full points.
2	Heavy-duty paving selected through-out with specifications provided. Paving section to equal local requirements for standard duty residential roadway or provide specifications which indicate a stone base of 8 inches or greater with the combination thickness of the asphalt base and top coat being at least 5 inches.
1 to 2	Improved resident comfort and convenience through installation of central or split HVAC systems for community area(s) and units. Packaged HVAC units which have duct work serving all major room and providing adequate air return capacity will receive one point.
2	High performance roofing specified for durability. Warranties should equal or exceed 20 years for flat roofs and 30 years for pitched shingled roofs.
1	Exterior trim is upgraded to composite or select materials or exterior trim will be rehabilitated to meet historic standards. Interior finish elements meet historic standards as applicable. Architectural accessories such as decorative door, window, corner eave, cornice and column details or other special features provided.
1	Cement fiber siding, stucco, EIFS or significant use of masonry or highly durable material exterior selected as an alternative to vinyl siding. *(These points are not available if project receives points in the first item above for 75 percent or more masonry or other highly durable materials.)*
1	The plumbing and electric fixture package is upgraded for improved functionality, appearance, low-cost maintenance and durability. The architect must clearly show then products selected are better quality than base builder grade selections. Identify manufacturer, product line and provide a narrative or literature supporting higher quality. Residential electric fixtures must be Energy Star rated except incandescent light fixtures where CFL light bulbs are provided. Product specifications are provided in the application submission.

1 The interior door/trim package has been upgraded to panel doors, grade 2 or better quality hardware, wood trim or additional treatments. Information must be provided to confirm the quality of each of these items.

1 Heavy (i.e. 18 to 20) gauge metal, solid core wood, or top quality foam filled fiberglass entry doors unit entrance doors with durable frames and hardware selected.

1 The cabinetry is upgraded with plywood boxes and durable finishes and hardware.

1 Floor coverings are upgraded to significantly higher quality longer lasting products. Carpet is 26 oz. high density nylon yarn or heavier with a recognized stain resistance treatment. Hard finish flooring is upgraded to products with a verifiable 10 year or longer warranty.

1 Ceramic tile bathrooms with sealed grout are provided. Bathrooms with ceramic tile flooring and better quality fiberglass shower or tub surrounds, preferred. Alternately, ceramic tile tub surrounds with ceramic tile floors or sheet goods flooring having a ten year or longer warranty are acceptable. Cementitious backer board required for all new tile installation.

1 Framing/decking system significantly upgraded over minimum design standards for increased insulation and durability.

1 Identifiable, project specific significant upgrades which provide increased performance, better appearance, durability, and lower maintenance.

3. **Design features provide comfort and energy efficiency over the extended period of the project life. (Maximum 5 points)** Rehabilitation projects which are required by the current version of the International Existing Building Code to meet requirements of the current International Energy Conservation Code submission of an Energy Improvement Report is required by threshold. Other projects, which are gut rehabilitation of existing buildings and include the following scope of work, may request a waiver of the Energy Improvement Report requirement: installation of new insulation and draft stopping of the entire exterior building envelope; new windows and doors in non historic buildings; and installation of all new HVAC system including duct work.)

Please Note: The base level standards are described on the Base Level Energy Standards Certification in the Exhibits section to this Guide. The Base Level Energy Standards Certification must be completed and included in the application to be considered for any criteria points in the section. Failure to submit an Energy Improvement Report on rehabilitation projects will result in a 5 point deduction from the overall development quality score in addition to receiving no points in this scoring category.

The building design features and selection of equipment are clearly specified to maximize energy efficiency and sustained performance while minimizing tenant and property utility costs. Up to Five (5) points may be awarded to projects which submit the fully executed Base Level Energy Standards Certification and fit the following point categories:

5 criteria points Building will follow Energy Star design, verification, and commissioning process resulting in a 20 percent or greater improvement over code energy efficiency levels, or buildings with design prediction exceeding code energy efficiency requirements by 30% or more and not following the Energy Star certification process.

4 criteria points	Buildings will follow Energy Star design, verification, and commissioning process resulting in a 15 percent or greater improvement over code energy efficiency levels; or buildings will provide design projections resulting in a 25 percent improvement over code energy efficiency levels without the Energy Star certification process, or Rehabilitation buildings not achieving this level of energy efficiency but completing all energy improvements identified on the Energy Improvement Report as having an SIR of 1 or more.
3 criteria points	Buildings with design projections exceeding code energy efficiency requirements by 20 percent or greater without the Energy Star certification process; or Rehabilitation buildings not achieving this level of energy efficiency but completing all energy improvements identified on the Energy Improvement Report as having an SIR of 1.25 or more up to 1.0.
2 criteria points	Buildings with design projections exceeding code energy efficiency requirements by 15 percent or greater without the Energy Star certification process; or Rehabilitation buildings not achieving this level of energy efficiency but completing all energy improvements identified on the Energy Improvement Report as having a SIR of 1.5 or more up to 1.25.
1 criteria point	Buildings with design projections exceeding code energy efficiency requirements by 10 percent or greater without the Energy Star certification process; or Rehabilitation buildings not achieving this level of energy efficiency but completing all energy improvements identified on the Energy Improvement Report as having a SIR of 1.75 or more up to 1.5.

Please Note: Code is defined as the current IECC, or ASHRAE 90.1 as applicable to the type of building.

Please Note: Verifications of construction installations, performance, and commissioning listed in the 4 and 5 point categories above are to be completed by a certified rater of RESNET or the Building Performance Institute, or another rater recognized by Energy Star or the Maryland Energy Administration.

Please Note: Overall, building energy performance code projections must be completed or approved by RESNET or Building Performance Institute; or be in the form of REScheck or COMcheck code compliance certifications; or be in the form of a comprehensive analysis from a qualified building engineer or architect.

Please Note: In the 4 and 5 point categories above, certain buildings not eligible for the present Energy Star certification program may elect to follow an equivalent process to the Energy Star pilot program (Multifamily Performance with Energy Star) which is designed for buildings 4 stories or greater.

4. **Design features contribute to a sustainable healthy environment over the extended period of the project life. (5 Maximum points)** (Failure to submit the fully executed Development Quality Base Level Green Standards Certification, will result in zero (0) points in this category. For rehabilitation projects, in addition to submitting the fully executed Development Quality Base Level Energy Standards Certification, an Energy Improvement Report must be submitted to receive any points in this category.)

Please Note: The base level standards are described on the Base Level Green Standards Certification in the Exhibits section to this Guide. The Base Level Green Standards Certification must be completed and included in the application to be considered for any criteria points in the section.

The project demonstrates environmental sustainability through conservation of resources and providing healthier living conditions. Up to Five (5) points may be awarded to projects which submit the fully executed Base Level Green Standards Certification and fit the following point categories:

5 points	Project achieves a high level of sustainable and healthy living features with 15 or more **Green Feature Criteria Credits**.
4 points	Project achieves a high level of sustainable and healthy living features with 12-14 **Green Feature Criteria Credits**.
3 points	Project achieves a high level of sustainable and healthy living features with 9-11**Green Feature Criteria Credits**.
2 points	Project achieves a moderate level of sustainable and healthy living features with 6-8 **Green Feature Criteria Credits**.
1 point	Project achieves a basic level of sustainable and healthy living features with 5 or less **Green Feature Criteria Credits**.

Green Feature Criteria Credits

Green Feature Criteria Credits	***Item Descritption***
5	Applicant agrees to make application for green certification from the group of nationally recognized sustainable development programs identified in Section 4.4.1, Subcategory I of this Guide.
2	Reduction of Impervious Cover - On rehabilitation projects the existing impervious surface is physically reduced by 20 percent or more; or
2	On new construction through the use of innovative planning, a detailed written statement from the civil engineer shows a 20 percent or greater reduction in impervious surface area over conventional design through the use of permeable paving, efficient narrower compact road design, reduction in local parking ordinances to a level where the project needs will still be met, permeable spill over parking areas, angled parking, shared parking and driveways, narrower sidewalks, and greater permeable open space adjacent to impervious cover. (Please note that implementation of certain listed examples may face local jurisdiction obstacles and must be compliant with accessibility codes and standards. While MDE supports progressive designs which are highly suitable for specific projects, approval from local jurisdictions may require waivers or special processes.)
1	Site Work Management - Utilize the 2007 or current version of the Maryland Stormwater Design Manuals to select Best Management Practices (BMP) for collection and treatment of stormwater captured on site through maximizing permeable surfaces. Identify and utilize low impact treatment methods such as open channel design in conjunction with open section paving, rain gardens (bio retention devices) urban BMP devices, disconnection of roof or non roof runoff, collection and reuse of water for irrigation or other approved domestic use. Criteria points awarded for projects utilizing methods identified or recognized by the Maryland Water Management Administration as Stormwater Credits for Innovative Planning:

Natural area conservation
Disconnection of rooftop runoff
Disconnection of non rooftop runoff
Sheet flow to buffers
Open channel use
Environmentally Sensitive Development

1	Ventilation - Install Energy Star qualified, hard ducted to exterior exhaust fans in bathroom and kitchen with spot ventilation to balance exhausted air; and install whole dwelling fresh air ventilation system which provides approximately 15 cfm per person. See ASHRAE 62.2
1	Recycled/Renewable/ Biodegradable Materials- Project uses at least 2 of the following: recycled paving products, recycled concrete aggregate or binders; recycled framing lumber, trim or deck materials with recycled content; mulch obtained from chipping of trees removed during on site clearing operations; donations of material from demolition such as kitchen cabinets or appliances to non profit organizations or other significant use of recycled materials. Projects makes use of renewable and biodegradable materials such as lumber, plywood flooring and coating, derived from sustainable forestry and agricultural methods.
1	Construction Waste Recycling/Deconstruction - The project will implement a construction waste recycling plan in which construction waste materials are collected, separated and recycled instead of being sent to a land fill. The plan shall include a record keeping function that shows the weight, type and disposition materials processed.
1	Local Material Procurement-The project makes use of locally available construction materials thereby reducing associated transportation costs. Submit a plan consistent with the local construction material procurement sections of any of the recognized sustainable development programs identified in Section 4.4.1, Subcategory I of this Guide.
1	Interior Air Quality – The project makes primary use of all of the following: Green Label carpeting, low toxic, low volatile organic compound (VOC) paint, primer, sealers and adhesives. Architect to reference national standard such as Green Seal, South Coast Air Quality Management District; Bay Area Air Quality Management District, or equivalent standard. In addition, unsealed engineered or composite wood products to be free of added urea formaldehyde. See ANSI A203. The architect will verify compliance of green products during the submittal review and construction verification process.
1	Reflective Roofing – Install light colored/high albedo roofing Energy Star rated. On flat roof surfaces application to be at least 75 percent reflective roofing. On pitched roofs, reflective shingle roofing will be considered if a suitable product showing dirt and stain resistance is selected.
1	Reflective Paving –Install light colored/high albedo materials with a minimum solar reflective index of 0.6 (60 percent) or open grid paving on at least 75 percent of site paved areas.
1	Exterior Lighting – Install Energy Star qualified exterior lighting which has dark sky features for parking area and site.

1 Healthy Flooring – Install non- vinyl, non-carpet hard surface floor coverings in all rooms. Architect to review the need for adding sound attenuation elements where hard surface flooring is selected.

1 Innovative Lumber Conserving Practices – Use engineered lumber or manufactured framing methods which conserve materials and do not rely on the use of full dimensional lumber and also reduce site originated waste. Identify systems to be used. Provide documentation that at least 25 percent (by cost) of the project wood products and materials are certified in accordance with the Forest Stewardship Council (FSC), American Tree Farm System (ATFS), Canadian Standards Association (CSA) and Sustainable Forestry Initiative (SFI). Innovative practices such as Optimal Value Engineering (OVE) or other system conserving materials or increasing energy performance over conventional framing practices also qualifies for receiving points.

1 Recycled Water - The project utilizes site run-off water, roof run-off or recycled gray water for irrigation or other code permissible uses. Water is effectively and practically stored and distributed to reduce the need for treated domestic water.

1 Geothermal Heat Pumps - The project will utilize geothermal heat pumps for common area or apartment HVAC.

1 Solar Energy - The project will utilize solar energy for any of the following: water heating; heat and cooling systems; lighting; or electric generation.

1 Integrated Pest Management - Implement an integrated pest management program equivalent to the HUD Healthy Homes Initiative.

5. The building and the project site, including the nearby surroundings, provide opportunities for recreation, education, convenient access to mass transit or rail systems and community activities. (6 points)

☐ *Ample opportunities for recreation, use of public transportation, education and community activities are available on the project site and nearby vicinity. (6 points)*

☐ *Moderate opportunities for recreation, use of public transportation, education and community activities are available on the project site and nearby vicinity. (4-5 points)*

☐ *Limited opportunities for recreation, use of public transportation, education and community activities are available on the project site or nearby vicinity. (2-3 points)*

☐ *Recreational, public transportation, educational and community activities are unavailable on the project site or are minimal or nonexistent in the vicinity. (0-1 points)*

Please consider the following in assessing points in this category:

- The proximity of parks, schools, cultural centers and other public facilities used by the residents.
- Shopping is convenient to the project. Basic services such as grocery and drug stores are located nearby.
- Public transportation is located near the project. Regularly scheduled public transportation is available at the site or within a short walking distance.
- Depending on whether it is a family or age-restricted project, there are recreational, educational and medical facilities within a short distance.
- The project is not located in a high traffic or congested area; or an area which is non-residential in character.
- The on-site community space and common areas are suitable for the size and targeted occupancy of the project.

Amenities and Design: Criteria 6 – 9

(The requirements in this section are further explained in Project Evaluation Criteria Section 4.6.2)

6. Building design and uses are compatible with the surrounding environment and existing neighborhood. (7 points)

☐ *Building exterior design features, finishes, height and uses are compatible with the immediate neighborhood and highly suitable for residential use and are significantly improved from their existing condition if a rehabilitation project. (6-7 points)*

☐ *Building exterior design features, finishes and height and uses are not closely compatible with the immediate neighborhood, but, also are not distinctly different from or complement the surrounding larger community or, if a rehabilitation project, are moderately improved from their existing condition and are highly suitable for residential use. (4-5 points)*

☐ *Building exterior design features and finishes are attractive but pose significant contrast with the surrounding environment and neighborhood and are generally suitable for residential use. (2-3 points)*

☐ *Building exterior design features and/or finishes are not compatible with the surrounding community and are less suitable for residential use. (0-1 points)*

Please consider the following criteria in assessing points in this category:

- The architectural design is consistent with or complements the existing neighborhood;
- The exterior finish materials are consistent with those found on other buildings nearby or there is an adequate buffer from other buildings to introduce different finish materials;
- The building height and mass are consistent with nearby structures and are not overly imposing, particularly to existing owner-occupied housing, but an adequate buffer from other buildings will be a mitigating factor;
- There are exterior architectural elements which add interest, functionality and generally improve the appearance and quality of the building;
- For rehabilitation projects, the scope of work includes significant exterior renewal or cleaning of finishes to provide a positive visual impact on the neighborhood;
- The building is located in an area that is residential, appropriate mixed use area with businesses or uses highly compatible with a residential neighborhood; and
- The building(s) is (are) located in a recognized planned residential growth or revitalization district.

7. Individual unit sizes are spacious and the floor plans well designed. (7 points)

☐ *Individual units are spacious and well designed with generous space dedicated to living and working areas and ample closets and storage space.* (*More than 650 nsf area for predominant 1-BR units and 20% more area for each additional bedroom unit, preferably with the smallest bedroom not less than 10'x11' in clear size. For SROs, efficiencies and other approved special needs housing, more than 542 nsf per unit.* (6-7 points)

☐ *Individual units are well designed for comfortable living and working, with adequate closet and storage space. (600 - 650 gsf. area for predominantly 1-Br units and 20% more area for each additional bedroom unit, preferably with the smallest bedroom not less than 10'x10' in clear size.) (4-5 points)*

☐ *Individual units are less than 600 nsf (1-Br) but adequately laid out for living and working with adequate closet space. (2-3 points)*

☐ *Individual unit sizes are restrictive and or have an overall non-functional floor plan or undesirable arrangement. (0-1 points)*

Please consider the following in assessing points in this category:

- If the closet space is significantly inadequate but the size and lay-out is reasonable, deduct 1 point.
- If the floor plan is not efficient, has poor proportions, does not have a practical traffic flow or provides inadequate space for furniture placement, but the size of the units and closet space are reasonable, deduct 1 to 2 points.
- Failure to provide a second bathroom in 3+ bedroom units will result in the loss of 1 point.

8. The site is suitable for the proposed development and limited or no extraordinary or unanticipated geotechnical, environmental or utility infrastructure costs are indicated. (6 points)

☐ *Site improvement costs are reasonable (no more than 18% of the net construction cost unless the land* *acquisition cost was proportionally discounted to reflect the increased site development cost) with required development costs included in the budget. All necessary investigative reports do not reveal any significant issues at the site, and the Department's experience indicates limited risk of unanticipated costs in the construction budget. (5-6 points)*

☐ *Site improvement costs exceed the reasonable standard (more than 18% of the net construction cost), and all necessary investigative reports and the Department's experience indicates moderate risk of unanticipated costs in the construction budget. (3-4 points)*

☐ *The site improvement costs exceed the reasonable standard and limited investigative reports are submitted with the application, or the submitted reports or the Department's experience indicates considerable risk of unanticipated costs unaddressed in the construction budget. (1-2 points)*

Depending on the severity of the condition and its potential for construction period risk, deductions of 1-3 points will be made for each potential condition which could result in unbudgeted site costs related to the following:

- Unsuitable soils;
- Extensive haul-in/haul-off changes for earth removal related to an unbalanced site;
- Steep slopes;
- Rock removal;
- Wet conditions, dewatering;
- Asbestos or lead removal;
- Oil or chemical contamination;
- Unidentified utility expenditures; or
- Other site specific conditions.

9. Unit amenities are consistent with or better than amenities in other similar projects in the market area. (7 points)

☐ *Varieties of unit amenities are available which are substantially better than the amenities provided by comparable projects in the competitive market area. (6-7 points)*

☐ *Unit amenities are moderate and either retained or replaced, but are somewhat better than the amenities provided in the similar projects in the competitive market area. (4-5 points)*

☐ *Unit amenities are moderate and either retained or replaced, which are about the same or similar to the amenities provided in the similar projects in the competitive market area. (2-3 points)*

☐ *Unit amenities are limited or none, either retained or replaced, and are less than the amenities provided in the similar projects in the competitive market area. (0-1 points)*

The following should be considered unit amenities in scoring this category:

- Appliances including
    - refrigerator,
    - range or stove,
    - dishwasher,
    - garbage disposal,
    - microwave oven,
    - washer and/or dryer;
- Secure electronic building entry features under individual resident control;
- Walk-in closet or additional storage area;
- Ceiling fans;
- Bathroom heaters;
- Upgraded window and door security features including deadbolts, security bars, electronic alarms;
- Reasonable kitchen cabinet and counter space;
- Window and patio door treatments;
- Balconies or patios;

- Incorporates universal design features in common areas and dwelling units in order to better integrate individuals with disabilities into the community. Some examples of basic universal design features includes: no-step entry; one-story living; doorways 32-36 inches wide; hallways 36-42 inches wide; extra floor space; floors and bathtubs with non-slip surfaces; thresholds that are flush with the floor; good lighting; lever door handles and rocker light switches.

Exhibit 4B: Development Quality Base Level Energy Standards

CERTIFICATION

The undersigned applicant hereby makes application to the Department for a loan and/or tax credits pursuant to one or more of the Department's Rental Housing Programs and certifies that the following development Base Level Energy Standards will be incorporated into the project design and final work product:

1. Energy Improvement Report submitted for existing buildings.
2. Energy Star qualified heat pump, furnace, boiler, air conditioning or ventilation equipment all with Energy Star qualified thermostats for equipment requiring thermostats.
3. Energy Star appliances.
4. Energy Star qualified lighting, or Energy Star label compact fluorescent lamps in conventional fixtures the combination of which make up 70 percent of the interior lighting.
5. Insulation for new construction, substantial rehabilitation construction or adaptive reuse construction to meet Energy Star recommended levels or be 15% or more above code prescriptive levels.
6. A building draft stopping and air sealing scope of work to be included in the project specifications with minimum verification completed by sampling 10% of the units with a blower door tester. See Energy Star or the Department of Energy *Building America Best Practices*, Volume 4.
7. A building duct sealing scope of work included in the project specifications with minimum verification completed by sampling 10% of the units with a duct blaster test. See Energy Star or the Department of Energy *Building America Best Practice*, Volume 4.
8. Energy Star qualified windows, or windows rated by the National Fenestration Rating Council having a U-factor ≤ .340 and SHGC ≤ .55 except Garrett and Allegany Counties where the U-factor must be ≤ .35 and the SHGC is not considered.

1. *Please Note: Moderate rehabilitation will be subject to the base level energy standards unless the Energy Improvement Report (Audit) determines compliance with the standards is not cost effective as determined by the savings to investment ratio and cost effective ratio (CRE) established as program minimums. All Energy Conversation Measures (ECM) with a SIR of 2 or greater and a CER of 10 or greater are required to be included in the project scope of work unless the ECMs are determined to be unfeasible due to space limitation, access or other valid reason as determined by the energy auditor or project architect.*

2. *Please Note: Historic projects will be subject to the base standards except where state or federal renovation standards do not allow or recommend specific work tasks, the energy improvements compromise the historic character of the project, or the work is not cost effective or feasible as listed in the proceeding paragraph.*

3. *Please Note: On rehabilitation projects, a qualified energy auditor, RESNET or Building Performance Institute certified rater or other building energy professional skilled in evaluating similar multifamily buildings will submit a preliminary analysis of the existing building conditions and identify cost effective energy improvements by preparing a preliminary Energy Improvement Report which minimally addresses the predominate building and unit types within the project. Projects approved for funding will submit a comprehensive Energy Improvement Report with or before the viability submission package. Energy Auditors must be approved by the MEEHA program or MEA. The energy audit must include a SIR and CER calculator schedule. Information on the required audit format can be obtained through this link*[R4],

4. *Please Note: The Energy Improvement Report will take into account the current and projected energy performance of the building. Energy improvements with a SIR of 2 or greater and a CER of 10 or greater must be included in the project scope of work. The goal is to make existing buildings as energy efficient as possible while taking into account practical financial and construction limitations. Rehabilitation projects which fail to submit at a minimum a preliminary Energy Improvement Report with the application not be considered for funding. THE ENERGY IMPROVEMENT REPORT IS A THRESHOLD EVALUATION ITEM FOR REHABILITATION PROJECTS.*

IN WITNESS WHEREOF, the applicant has caused this document to be duly executed in its name on this ________________ day of ____________________________, ______.

____	____
(Full legal name of Sponsor)	(Full legal name of Architect)

Signature:___________________________________

Name:______________________________________

Title:_______________________________________

Signature:___________________________________

Name:______________________________________

Title:_______________________________________

Exhibit 4C: Development Quality Base Level Green Standards

CERTIFICATION

The undersigned applicant hereby makes application to the Department for a loan and/or tax credits pursuant to one or more of the Department's Rental Housing Programs and certifies that the following development Base Level Green Standards will be incorporated into the project design and final work product:

1. Demolition Plan – On projects where demolition will occur, submit a demolition plan which identifies sound practices for managing waste and hazardous materials. Specify methods which are environmentally sensitive and create less pollution. Identify opportunities for recycling.
2. Chlorofluorocarbons (CFC) – Where new HVAC equipment is specified, there will be no use of CFC refrigerant. Where CFC refrigerant equipment is being removed, specify standards for capturing and disposal of CFC materials. For retained CFC refrigerant equipment, include a comprehensive inspection, maintenance and phase out or conversion plan.
3. Site work – Employ MDE 1994 Standards for Soil Erosion and Sediment Control during construction. Limit area of disturbance to immediate work area. Site work anticipated in non-optimum conditions such as wet, freezing or poor drying periods must be completed with the approval and direction of the geotechnical engineer. In addition to reviewing the cost and schedule benefits of such work, the engineer must consider the potential for adverse environmental impact. Limit access to the site when vehicles or construction activity environmentally degrade the site.
4. Landscaping - new plantings shall utilize at least 50 percent native plantings. Select native, highly suitable, drought /disease tolerant plantings suitable for the project soil and microclimate. Where there are healthy large existing trees, make considerations for preserving mature trees in the site plan. Utilize shade, windbreak and screening benefits of plantings in the project design. Protect trees during construction.
5. Moisture and Mildew – Correct all observed areas of mold, mildew and moisture infiltration within the building. On existing structures, the Building Evaluation Report or environmental report will identify these areas. Identify remedies and accepted practices for treatment.
6. Radon Gas – For Projects located in EPA Radon Area Zone 1 install a passive radon gas reduction pipe system with vertical venting convertible to mechanical venting unless testing indicates there is no radon gas hazard as determined by EPA standard. This requirement is only for projects where radon gas poses a legitimate hazard.
7. Recycling Plan, post completion – Provide space and containers or site for household recycling. Encourage resident to recycle. Address recycling in management plan.
8. Water Conserving features – Project water fixtures and faucets conserve water. Toilets – 1.6 gallons or less per flush, shower heads – 2.0 GPM. Bath and kitchen faucets 2.0 GPM or less.
9. Smoking Areas – Designate permitted smoking areas. Locate outside smoking areas at least 25 ft. away from entry air intakes and residents' windows. No smoking in building interior common areas.
10. Site Location – New Construction projects are not located in FEMA Flood Zone Areas except zones C or X which are minimal risk areas.
11. Habitat Protection – Where development of the project removes prime habitat for a protected or endangered species, the developer must provide an offsite conservation lease or easement for replacement habitat which is a minimum of two times the area of habitat lost in the development of the project. The conservation lease or easement shall be perpetual or a minimum of 50 years.

IN WITNESS WHEREOF, the applicant has caused this document to be duly executed in its name on this ________ _______ day
of ___________________________, ______.

____ _______ ______________________________________

(Full legal name of Sponsor) (Full legal name of Architect)

Signature:______________________________________ Signature:______________________________

Name:____ Name:__________________________________

Title:____ Title:__________________________________

5.0 Waivers

5.1 Waivers – General

In general and unless specified elsewhere in this Section, Multifamily Housing may grant waivers of the criteria and procedures in this Guide based on the factors for considering waivers. In addition, the Code of Maryland Regulations (COMAR) allows the Secretary of the Department to waive or vary particular program regulations to the extent that the waiver is consistent with the governing statute if, in the determination of the Secretary, the application of a regulation would be inequitable or contrary to the purposes of the governing statute. The standards for each RHF program vary slightly, so applicants should consult COMAR Title 05 and Regulations .05.01.32 for the Elderly Rental Housing and the Rental Housing Production Programs; 12.01.22D for the HOME Program; and 05.02.16B for the Multifamily Bond Program.

In general and unless specified in Section 5.2 below, Multifamily Housing requires applicants considering a request for a waiver of the Threshold or Evaluation Criteria in this Guide to submit such requests in writing to the Deputy Director, Multifamily Housing Development Programs, at least 90 days in advance of the application submission deadline.

This provision for waivers applies only to state funded programs and state-imposed threshold and competitive criteria for Tax Credits, HOME, and the Multifamily Bond Program. Federal regulations affecting Tax Credits, HOME and the Multifamily Bond Program may not be waived by the State, and applicants should consult their attorney or tax advisor on the possibility of waivers of Federal requirements.

5.2 Waivers of Threshold or Competitive Criteria

Previous Project Performance (see 3.2.1 above) – for defaults involving Department loans, waivers of the restriction on participation in funding rounds may be granted for development team members that were not involved in the defaulted loan for at least one year prior to the default. In the case of other defaulted loans, waivers may be granted based on the circumstances surrounding the particular default. A waiver under this section must be approved by the Secretary. Among the factors considered in granting a waiver are:

- Reasons for the default;
- The applicant's role in the defaulted property and responsibility for guaranties or operations of the defaulted property; and
- Performance of other properties in the applicant's portfolio.

Previous Participation (see 3.2.3. above) – the Department may grant waivers for development team members unable to meet Department processing requirements based on the justifications for requesting waivers based on the factors for considering waivers under Previous Project Performance set forth above. A waiver under this section must be approved by the Secretary.

Construction or Rehabilitation Costs (see 4.5 above) – requests for waivers of the per square foot maximum new construction or rehabilitation costs or per unit costs must be submitted to the Department at least 30 days prior to the application submission deadline. The Department may grant waivers based on staff evaluation of the project's conformance with other application criteria, extenuating circumstance of the adaptive reuse of existing structures, the need to meet the Secretary of the Interior's Standards for Historic Rehabilitation (if applicable), the amount of equity and other financial resources leveraged, unusual site conditions, public infrastructure requirements, and the experience of the design professionals and the general contractor for the proposed project.

Rehabilitation (see 3.7.5 above) – requests for waivers of the $15,000 per unit cost minimum may be submitted to the Department with the application for projects that can demonstrate:

2. A strong need for preservation of affordable housing in the market area;
3. Affordable housing units will be lost if the project is not financed using Department funds; and
4. Adequate reserves based on a capital needs assessment performed by an engineer or other qualified professional will be available to the project.

Acquisition of Schools or School Sites (see 3.8.1 above) - waivers of this policy may be granted only if the following conditions exist:

1. All other potential sources of funds have been sought and are clearly unavailable, and it is not feasible to undertake the project without benefit of Department funds for acquisition; and
2. The project has particularly high public purpose such as serving an unusually high percentage of very low income persons or location in a market area not otherwise served by Department programs.

Developer's Fees (see 3.9.6 above) - for projects with proposed developer fees in excess of the $2.5 million limit, requests for waivers may be submitted to the Department with the application. Applicants must include a detailed explanation of the reasons for the increased developer's fee with the request for a waiver. Staff will evaluate waiver requests for reasonableness on a case-by-case basis to determine compliance with the threshold requirements. Increasing the fee to increase the Tax Credit eligible basis is not a valid justification for a waiver.

Project Phasing (see 3.9.9 above) – a request for a waiver of this restriction may be submitted to the Department with the application provided that such requests include a market study meeting the criteria of this Guide and demonstrating that the subsequent phase(s) will not adversely affect the leasing and operations of the initial phase.

Previous Participation and Project Financing and Underwriting (see 4.1.2.1 and 2 above) – a request for a waiver of the provisions for negative Development Team Capacity points may be submitted to the Department with the application. Applicants seeking waivers must provide a detailed written request including, if necessary, independent studies or analyses by qualified professionals (market analyses, capital needs assessments, etc.) that back their request. Staff will evaluate waiver requests for reasonableness on a case-by-case basis to determine compliance with the evaluation requirements.

Definition of Elderly Housing (see 3.6.4 above) – a request for a waiver of this definition must be submitted to the Department prior to the application deadline and include a discussion of the reason why the project is most feasible with the targeted elderly population and a market study meeting the criteria of this Guide and demonstrating the public purpose of the waiver request.

6.0: Loan and Tax Credit Processing Procedures

6.1Processing Rental Housing Fund Loan Requests

If projects include RHF loan financing provided by the Department, the following processes and requirements apply. If projects also include Tax Credits, additional procedures, described later in this section, apply as well.

6.1.1 Reservations

Following approval of the recommended reservations, sponsors will receive funding reservation letters. These reservation letters will include the preliminary terms and conditions for the commitment of loan funds. They will also specify requirements that must be met in order for the projects to be approved for commitment, including processing documentation and time frames. The reservation is not a commitment to make a loan, and the Department is not obligated to make a loan unless it issues a commitment letter. The Department reserves the right in making a reservation to substitute sources of funds, if, in the Department's sole determination, this substitution will provide for a more efficient use of its resources.

A reservation may be canceled and an application withdrawn from processing if any of the following occur:

- The loan processing and submission kit requirements as described in this section are not met. This includes a failure to meet the time frames established in each kit.
- The project is changed substantially from the initial submission. A substantial change includes:
  - ➢ a change resulting in a score reduction of the lesser of 3% or a reduction sufficient to drop the score below the cut-off score for the round in which the project was approved;
  - ➢ a significant change in the project's design, financing or amenities;
  - ➢ a material reduction in the project's income targeting or unit count;
  - ➢ a change of the project's sponsor or other member of the development team without the prior written approval of CDA; or
  - ➢ a change of the project's site.

- The project is changed so that it no longer meets all threshold requirements.
- The project's developer, sponsor or owner, or their general partners, files for bankruptcy or is the subject of an involuntary bankruptcy.
- The project is for any reason no longer feasible.
- The project's developer, sponsor or owner submits false, misleading or incomplete information to the Department.

6.1.2 Post Reservation Scheduling

The Department must approve any significant deviations from the project schedule set forth in the application. In these cases, sponsors must submit updated schedules, including an explanation for the change, to the Department for review. Sponsors must promptly notify the Department if for any reason projects that received reservations become infeasible.

The Department will monitor the progress of projects to ensure timely completion. Tax Credit and RHF Reservations and Tax Credit Carryover Allocations will be canceled if the project falls too far behind its schedule in the Department's determination or if it is determined that Department resources are in jeopardy of being lost to the State due to nonperformance by sponsors. Failure to meet Department processing schedules may also affect future scoring (see also Section 4.1.1, Development Team Experience, below).

For projects requesting RHF, the applicant's processing schedule must be consistent with the Department's loan submission kit process. For a project requesting an allocation of current year Tax Credits, the sponsor must demonstrate that the project will meet the requirements for an allocation of the current year's Tax Credits. Please refer to the Qualified Allocation Plan (QAP) and Section 2.5 below for more information on processing of Tax Credit reservations and allocations.

6.1.3 Kick-off Meeting

Following the issuance of the reservation letter, the Department will schedule a "kick-off" meeting with the sponsor. The multifamily lending team assigned to the project, including underwriting, construction, tax credit and finance staff, will be present at the meeting. The sponsor should require representatives of the contractor and architect as well as the management agent to attend. If any of the financing for the project will require mortgage insurance, a representative of the insurer also should be present at this meeting. Other Department staff that may need to attend the kick-off meeting include the Director or Deputy Director for Multifamily Housing, Equal Opportunity Officer, the Department's attorney, and compliance and asset management staff.

The purpose of this meeting is to review the reservation letter and gain a common understanding of its requirements, terms and provisions for further processing of the application. At the kick-off meeting, the assigned team will review the requirements and time frames of the loan processing schedule and submission kit processing in detail. At the kick-off meeting, the assigned team may elect to schedule a subsequent meeting with the sponsor to conduct a detailed site visit.

6.1.4 Underwriting and Construction Review

After a reservation letter is issued, the loan application will be underwritten and detailed construction plans and documents will be reviewed before issuance of a commitment letter. The review process is generally divided into two phases, viability and commitment reviews. In its discretion, the Department may permit the submission of a combined viability and commitment package. Specific milestone dates for completing these reviews and issuing commitment letters are discussed at the kick-off meeting and set in conformance with the Department's submission kit loan process.

Detailed guidance will be provided to sponsors throughout this process to assist the development team in the preparation of construction plans and underwriting documentation. The architectural requirements for each stage of this review are those defined in the American Institute of Architect's (AIA) publication The Architect's Handbook of Professional Practice.

Additionally, other underwriting requirements will be detailed and made clear to all parties early in the process. Projects in the advanced stages of development will be able to proceed at a much quicker pace. In any event, the Department and sponsors should make every attempt to complete all review requirements within the time frames outlined in the reservation letter and kick-off meeting.

Note – Preliminary Review stage eliminated

6.1.4.1 Viability Review

During this phase of the review process, sponsors will submit updated application forms along with more detailed construction and underwriting documentation, all as specified in the viability submission kit to be supplied at the kick-off meeting. Department staff will review the material and issue a viability report to the sponsor. The viability report will include the Department's underwriting pro forma and a term sheet showing any changes in the anticipated loan terms and conditions based on the findings during the viability review.

6.1.4.2 Commitment Review

At this stage of review, sponsors will submit final application forms and complete construction and underwriting documentation. After Department staff has reviewed the material, a commitment report, including a final underwriting pro forma and updated term sheet, will be prepared. The commitment report will be sent to the sponsor and the term sheet to the Department's attorney. Based on the findings in the commitment report and the viability report, a draft commitment letter will be prepared and sent to the sponsor. The Department's goal is to complete any adjustments to the draft commitment letter within 15 days of issuing the commitment report and to issue the commitment letter not later than 70 days after the sponsor submits the commitment review package. Once all adjustments are made, the Department's attorney will finalize the commitment letter and begin preparing the loan documents.

6.1.5 Initial Closing

Along with the loan commitment letter, the sponsor will receive a loan closing checklist. The checklist specifies the closing documents that the sponsor must provide before the financing will be closed.

The Department's standard loan conditions are detailed in the commitment letter. The sponsor should also review and understand the Department's draw and requisition requirements, particularly those affecting the initial draw. Staff will be available to meet and review the draw procedures. Copies of the draw procedures also are available on the Department's website at http://www.dhcd.state.md.us/Website/programs/rhf/draw.aspx. The Department will move expeditiously to initial closing. **However, the initial draw must be submitted to Multifamily Housing at least 15 business days prior to initial closing.** Accepting the Department's form closing documents without modification will expedite the closing process.

Following the closing, Department staff will schedule a servicing meeting with the sponsor to review the terms and conditions of the loan. This meeting is intended to ensure that all parties fully understand how the loan will be repaid and that other conditions of the loan documents are met.

6.1.6 Construction or Rehabilitation Period

Construction or rehabilitation of the project will normally commence once initial closing is complete. Prior to the start of construction or rehabilitation, the sponsor and general contractor must participate in a pre-construction conference with the Multifamily Housing construction staff and Finance Manager responsible for the project. The purpose of this meeting is to review fully all construction period procedures such as inspections by Department staff, draw requisition and disbursement procedures and change order procedures and requirements. All other project lenders should be present at this meeting to ensure a smooth inspection and draw process.

At the sponsor's request, the Department may permit work on the project to begin prior to closing of the Department's financing. An Early Start of the construction or rehabilitation may be authorized only after issuance of the commitment letter. Approval for an Early Start will be evidenced by written approval issued by Multifamily Housing. Work may begin when the conditions of the Early Start letter are met and the pre-construction conference has been held. The Department will not fund any costs incurred for work performed under an Early Start unless the loan is eventually closed.

6.1.7 Developer Fee Disbursement

For transactions involving RHF, twenty-five percent (25%) of the total allowable developer's fee will be deemed "overhead" and may be disbursed at initial closing with no other disbursements until the project reaches substantial completion. After reaching substantial completion, twenty-five (25%) of the developer's fee may be disbursed.

The remaining 50% of the total developer's fee will be disbursed after the project is one hundred percent (100%) complete and cost certified

The developer's fee, including the "overhead" may only be paidfrom equity, cash flow, or other non-CDA sources of funds and may only be paid if the loan is not in default and the developer continues to perform in a satisfactory manner.

Deferred developer fees will be disbursed after all must pay debt and cash flow payments are met from net operating income. Payment of an investor service's fee will be restricted to $3,000 annually prior to payment of any Department loan payment.

6.1.8 Final Closing

After the completion of construction or rehabilitation, sponsors must complete a certification of costs incurred that has been prepared by an independent certified public accountant. The cost certifications will be reviewed within 90 days of receipt provided all construction close-out documents and change order requests have been submitted before or at the same time that the cost certification is received. A final determination of mortgage proceeds letter will be prepared and sent to the sponsor for signature.

6.2 Processing Tax Credit Requests

If projects include Tax Credits and other financing provided by the Department, the following requirements apply in addition to the processing steps previously outlined. However, if only Tax Credits are requested, only the following procedures are required. The remaining specific requirements for the tax credit program are set forth in detail in the *Maryland Low Income Housing Tax Credit Program: Qualified Allocation Plan* (the Qualified Allocation Plan or QAP). The following information is a summary only and applicants should review the QAP prior to submitting an application for Tax Credits.

6.2.1 Reservations

Following approval, sponsors will receive either tax credit reservation letters or allocations, depending on the timing of the funding round. Reservation letters are conditional commitments to allocate Tax Credits. The reservation or allocation will be for only those Tax Credits, in the sole determination of the Department, necessary for the financial feasibility of the project and its viability as a qualified low-income housing project. Each reservation will be further subject to a number of conditions. These conditions include the submission of evidence of timely completion of the project and documentation certifying compliance with federal requirements.

Owners also will be required to verify project costs as a condition for a Carryover Allocation (as defined below) and again at the time the project is placed in service. A reservation may be cancelled and the project withdrawn from processing for the same reasons discussed previously in the loan reservation section (Section 2.4.1).

6.2.2 Limitations on Eligible Basis

CDA will exercise its discretion under §42(d)(5)(B)(v) and §42(m)(2)(A) and (B) of the Internal Revenue Code to limit eligible basis to an amount it determines to be reasonable and necessary for the long term viability of the project as affordable housing. This is not a limitation on the amount of eligible basis allowable to a project under the Code, and a project whose eligible basis allowable under the Code exceeds the feasibility limit imposed by CDA may still be eligible for Tax Credits. However, the maximum amount of Tax Credits allocated to the project by CDA will be calculated based on the eligible basis limit applicable to that project as determined by the cost limitations and other restrictions contained in this Guide.

6.2.3 Allocations

Sponsors either must place projects in service within the year in which the Tax Credits are allocated or qualify for a binding conditional commitment to carryover the Tax Credits for up to two years constituting a Carryover Allocation. To qualify for a Carryover Allocation, sponsors must either:

- Meet all conditions in the reservation; and
- Incur at least 10% of the reasonably expected basis as defined in §42 of the Code within ten (10) months of the date of the Carryover Allocation; or
- For sponsors receiving a tax credit reservation for the current calendar year, sponsors must submit a certification of expenditures to date and an estimate of the project's total reasonably expected basis by December 1 of the year the Carryover Allocation is executed by the Department.

For projects also receiving a loan from the Department, the Department expects sponsors to meet the 10% test by the issuance of the Department's loan commitment.

To keep the Carryover Allocation and receive an IRS Form 8609 (as discussed below), the project must be placed in service by the end of the second year following the Carryover Allocation. Once a project is placed in service, the sponsor shall request the IRS Form 8609 from the Department no later than 3 months after the first year the credit is claimed for the first building receiving the allocation. If the sponsor elects to defer the first year of the credit period until the succeeding tax year, the Department must be notified in writing no later than 3 months after the original required placed in service deadline for the project.

At the time buildings are placed in service and all required post-completion documentation is received and reviewed and upon receipt of the request described above, the Department will prepare and issue the IRS Form 8609 (*Low-Income Housing Credit Allocation Certification*) certifying the final amount of Tax Credits allocated to each building in the project. A Form 8609 will be needed to claim the Tax Credits for any building in the project. Before the IRS Form 8609 will be issued, the Department must receive and approve certain documents including the following:

- Organizational documents for the project owner;
- Extended low-income housing covenant in form determined by the Department, recorded no later than the end of the first year of the tax credit period;
- Documentation of placed-in-service date(s) and acquisition settlement statement;
- Professionally prepared third party audit of project sources and uses and statement of eligible Low Income Housing Tax Credit basis for each building;
- An executed final determination of Department mortgage proceeds;
- Full payment of all outstanding Department loan and Tax Credit fees; and
- Registration of the project on www.mdhousingsearch.org.

It is recommended that Sponsors obtain from the Department an up to date list of the required documents pertaining to the individual project for proper and timely processing of the IRS Form(s) 8609.

Prior to issuance of the IRS Form(s) 8609, the Department also will undertake a final evaluation of the project to determine the amount of Tax Credits needed to make the project feasible. Only the amount needed for financial feasibility and viability as a qualified low-income housing project throughout the 15 year compliance period will be allocated. Any additional Tax Credits previously allocated to the project will be recaptured.

Multifamily Bond Program: Processing Applications

Applicants requesting Multifamily Bond Program financing and non-competitive Tax Credits (not allocated from the State's Tax Credit ceiling) should apply using the Application Submission Package available on the Department website. All requests for the Multifamily Bond Program are subject to Department underwriting and construction reviews.

Applications for the Multifamily Bond Program will be subject to an initial Threshold Review (see Section 3 of this Guide) and also must score at least 180 points on the Project Evaluation Criteria as described in Section 4 of this Guide. Processing is subject to certain fees that are subject to change. For current fee information, please consult Exhibit A of this Guide and, for more current updates, the Department's website at www.mdhousing.org.

Projects financed with Multifamily Bonds are eligible for non-competitive Tax Credits. The Department will issue a letter pursuant to Section 42(m) of the Internal Revenue Code reserving Tax Credits to qualified projects prior to initial loan closing. Applicants may elect to lock in the tax credit applicable percentage for the month the bonds are issued by completing the CDA certification form any time during the month the bonds are issued through the fifth day of the following month otherwise the tax credit applicable percentage will default to the month the building is placed in service (see Internal Revenue Code §42(b) (2) (A) (ii).) Projects receiving either mortgage insurance or subsidies from HUD may also be subject to subsidy layering review under §911 of the Federal Housing and Community Development Act of 1992.

Projects financed with Multifamily Bonds must meet Federal income-targeting requirements. Federal minimum income-targeting election requirements for the Multifamily Bond Program are identical to the requirements of the Low Income Housing Tax Credit program: 20% of all units must be rented to households with incomes at 50% or less of area median income or 40% of all units must be rented to households with incomes at 60% or less of area median income. The Department reserves the right to impose an additional State income targeting requirement for bond projects. The Department continues to modify the Multifamily Bond Program to meet customer needs with updates posted to the Department website on a regular basis.

NOTE :90 Day Rate Lock deleted because program is closed

Expedited Processing

Eligible projects requesting Multifamily Bond Program financing may be processed under an expedited system. To be eligible, applications must request tax exempt financing without other CDA financing, meet threshold review or receive a waiver in accordance with Section 5.0 of this Guide, score at least 180 total points consisting of at least 55 points for Development Team Experience and Financial Capacity, 35 points for Market Study and, for new construction, 45 points for Development Quality. For rehabilitation projects, the Department, in its sole discretion, may permit expedited processing for projects with Development Quality scores of less than 36 points. If these requirements are met and subject to conditional HFRC recommendation, the project can expect to receive its inducement approval within 90 days of application submission.

To ensure timely processing, the construction and underwriting review will be limited to an analysis of the project's overall conformity to the construction and underwriting standards as established by the Department and conformity to federal requirements. The primary underwriting responsibilities will be delegated to the credit enhancers and their appropriate Delegated Underwriters and Servicers (DUS Lenders).

The Department is committed to the continued enhancement of the Multifamily Bond Program. Updates to the Program will be highlighted periodically on the Department's website

Exhibit A: LIHTC and RHF Application and Processing Fees

Description	Low-income Housing Tax Credit	Rental Housing Fund	Due Date
Application Fee (non-refundable)	$2, 000. Funding for these programs is requested on the same application and requires a single application fee regardless of how many programs are involved.		Fee must accompany application.
Reservation Fee (non-refundable)	$4,000. Reservation fee payments must be remitted as invoiced with the reservation letter regardless of how many programs are involved.		Fee must be remitted to CDA's Trustee per invoice.
Tax Credit Allocation Fee (non-refundable)	4% of the annual tax credit amount allocated	N/A	Varies depending on financing and sponsor type. See QAP for details.
Commitment Fee	N/A	1.5% of the loan amount. May be financed.	Due at the earlier of initial loan closing or bond closing.
10% Expenditure Test Deadline Extension Fee	$1,000 for each month the deadline is extended.	N/A	Payable with application for extension.
Tax Credit Allocation	$4,000 per project	N/A	Payable upon the filing of a request for an amended IRS

Description	Low-income Housing Tax Credit	Rental Housing Fund	Due Date
Amendment Fee			Form 8609 where the amendment is not the result of an administrative error by CDA.
Closing Attorney's Fees	N/A	Closing (first loan): $25,000 Each Additional loan: $5,000	Payable at initial loan closing.
Tax Credit Compliance Monitoring Fee	$35 per unit per year	N/A	Payable annually when billed.
IRS Form 8823 Compliance Re-Review Fee	$25 per unit per occurrence	N/A	Payable with request from the owner for issuance of an 8823 by CDA to correct a previous uncorrected 8823.

Exhibit B: Bond Application and Processing Fees

Description	Low Income Housing Tax Credit	Multifamily Bond Program (Traditional)	Multifamily Bond Program (Refinance)			Due Date
Application Fee (non-refundable)	$1,000	$0 if included with application for Low Income Housing Tax Credits. Otherwise $1,000.	Fees range between $1,000 and $5,000 or 0.015% of the loan option selected. Consult program staff for more information.			Due with application.
Tax Credit Allocation Fee (non-refundable)	4% of the estimated annual tax credit amount allocated.		None if no new allocation of credits sought.			Due in full upon issuance of the §42(m) letter by CDA, with additional fee due upon issuance of 8609 for actual tax credit amount over the estimate made at issuance of §42(m) letter.
Commitment or Origination Fee	N/A	1.5% of the first $10 million of the loan amount plus 1% of the loan amount over $10 million. May be financed.	Generally 1.5% of outstanding loan amount.			Due at the earlier of initial loan closing or bond closing.
Assumption Fee	N/A	None	1.5% of the loan amount assumed			Due at initial closing.

Exhibit B: Bond Application and Processing Fees

Description	Low Income Housing Tax Credit	Multifamily Bond Program (Traditional)	Multifamily Bond Program (Refinance)			Due Date
Costs of Issuance	N/A	the actual costs of issuance.	$100,000 plus 1% of the new loan amount			Due at initial closing for new loans and at closing for refinance.
Negative Arbitrage	N/A	To be determined on each loan after each draw. It is the difference between bond yield and investment yield on undrawn proceeds. A letter-of-credit may be required to be posted prior to closing for an amount sufficient to cover the maximum amount of negative arbitrage on the loan. Consult program staff for more information.				Billed by CDA Finance after each draw.
Non Usage Fee	N/A	2% of estimated loan amount as a deposit against costs of issuance	None			Due before the POS is issued and bonds are priced. This is generally between 30 and 60 days prior to scheduled closing. Credited to costs of issuance at initial closing.
Closing Attorney's Fees	N/A	$25,000 (First Loan) $5,000 (Each additional DHCD-funded loan)	$5,000			Due at initial loan closing
Deposits	N/A	N/A	N/A			Due at execution of Rate Set Agreement
MBP CLC/PLC Extensions Fee	N/A	CDA will bill for costs incurred in connection with extensions of the maturity and/or delivery dates of GNMA securities. These costs may include administrative charges, reasonable costs or expenses incurred by CDA and reasonable reimbursement or fees of all professionals working on the transaction in connection with any requested extension, including costs, fees, reasonable hourly reimbursement, and expenses of bond counsel, other in-house or outside counsel, any rating agency, and any financial advisor to CDA.				Due upon request.

Exhibit B: Bond Application and Processing Fees

Description	Low Income Housing Tax Credit	Multifamily Bond Program (Traditional)	Multifamily Bond Program (Refinance)	Due Date
Tax Credit Allocation Amendment Fee	$4,000	N/A		Due upon the filing of a request for an amended IRS Form 8609 where the amendment is not the result of an administrative error by CDA.
Tax Credit Compliance Monitoring Fee	$35 per unit per year.	N/A		Due annually when billed.
MBP Loan Pre-payment	N/A	CDA will bill for costs incurred in connection with redeeming bonds as permitted by the deed of trust note. These costs may include negative arbitrage for 45 days; unamortized costs of issuance and premiums, if any; and administrative charges. Consult CDA Finance staff for more information.		Due according to payoff statement sent by CDA Finance to the borrower.
IRS Form 8823 Compliance Re-Review Fee	$25 per unit per occurrence	N/A		Due with request from the owner for issuance of an 8823 by CDA to correct a previous uncorrected 8823.
Equity Redefinition Fee	N/A	1.50% of the Outstanding Principal Balance of the Loan.		Payable upon agreement of redefinition.

Exhibit C: Underwriting and Construction Review Process