AFFORDABLE HOUSING BOND FINANCE PROGRAM

RENTAL HOUSING GUIDE

Housing Authority of Prince Georges County

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Housing Authority of Prince George's County

Rental Housing Guide

I. About HAPGC

The Housing Authority of Prince George's County (HAPGC) was established in 1969 to provide Prince George's County, Maryland residents with low to moderate incomes with safe, decent, and affordable housing. Most of this housing is in the form of rental units that must meet rigorous housing quality standards. HAPGC also provides its residents with programs that promote self-sufficiency, potentially leading to homeownership opportunities. Pursuant to the Annotated Maryland Code, HAPGC is empowered to provide financing for the acquisition, rehabilitation, or new construction of affordable rental housing throughout the County.

Affordable Housing Bond Finance Program

HAPGC is seeking to provide construction and permanent financing for rehabilitation and new construction of multifamily rental housing for low- and moderate-income County residents. Plan 2035 for Prince George's County states that "as the County works to capture a greater share of regional forecasted job growth, housing development will need to increasingly concentrate on the development of higher density, multifamily housing, transit oriented, mixed-use communities comprised of well designed, mixed income in higher density transit oriented, mixed-use communities with easy access to jobs." HAPGC intends to use its authority to finance the construction of such housing to further this goal.

The Rental Housing Guide contains the materials that must be submitted, as well as other related requirements, for HAPGC tax-exempt bond financing. Sponsors that have obtained other Federal, State or County assistance for the development of affordable rental housing are also welcomed to apply for construction and permanent financing.

- Rental housing developments that adhere to the requirements for financing under the criteria for tax-exempt bonds pursuant to Section 142 of the Internal Revenue Service code are also eligible for 4% Low Income Housing tax credits allocated by the Community Development Administration (CDA) of the Maryland Department of Housing and Community Development. HAPGC will use its annual allocation of tax-exempt bond authority on a first-come-first-served basis, however, it will give priority to projects that promote the County's development priorities including projects in:
    a) **Inner Beltway Communities** (Older communities inside the beltway where dollars may be needed for acquisition/rehab projects)
    b) **Regional Transit Districts** (Transit Oriented Development projects adjacent to, or within ½ mile of Metro stops)

c) **Opportunity Zones** (Projects in census tracts designated as Opportunity Zones)
d) **Designated Development Areas** (Projects in areas designated by the County for future development e.g., Westphalia)

HAPGC will finance projects rated AA or higher by one of the major rating agencies e.g., Standard & Poor's or Moody's, with credit enhancement from bond insurers, the Federal Housing Administration, or the Government Sponsored Enterprises (Fannie Mae and Freddie Mac). It will also finance unrated transactions where the financing is "privately placed" with major institutional investors. In all cases, it is the responsibility of the Sponsor to obtain and pay for credit enhancement for proposed projects.

If you are interested in pursuing financing for multifamily rental projects in Prince George's County, please contact…

II. Definitions

Affordable Housing:	Rental units in which at least 20% of the apartments are leased to residents earning no more than 50% of the Area Median Income (AMI) or 40% of the units are leased to residents earning no more than 60% of AMI and rents do no exceed 30% of tenants' Adjusted Gross Income adjusted for family size.
Inducement Resolution:	An action taken by the HAPGC Board acknowledging its intention to provide tax-exempt bond financing and enabling the Sponsor to recoup certain development and related costs at closing.
Multifamily Housing:	Structures designed principally for residential use comprised of not less than five (5) dwelling units in the same, or contiguous buildings, or parcels in the case of new construction.
TEFRA Hearing:	A public hearing required by Section 103 of the Internal Revenue Service Code alerting the public that tax-exempt bonds will be issued within the jurisdiction for the financing of an affordable rental housing development.
Regional Transit Districts:	Regional Transit Districts are areas around Metro stops at Largo Town Center, New Carrollton, Prince George's Plaza, Branch Avenue and Suitland.

Inner Beltway:	Inner Beltway communities are those incorporated and unincorporated areas of the County between the District of Columbia and Interstate 495.

III. Types of Bonds

General

HAPGC may issue either tax-exempt or taxable Bonds, or both. Taxable Bonds do not require an allocation of tax-exempt bond authority ("volume cap").

Bonds issued by HAPGC for developments shall be limited liability, non-recourse conduit obligations in which HAPGC shall not be responsible for the repayment of the debt from any sources other than revenue from the project or sponsor pledged therefor.

501(c)(3) Bonds

HAPGC may issue Bonds described in Section 145(c) of the Code on behalf of qualified nonprofit organizations. The interest on 501(c)(3) Bonds is tax-exempt but is not subject to any volume cap (and cannot be used with the Low-Income Housing Tax Credit Program).

Refunding Bonds

HAPGC will consider the issuance of Bonds to refund outstanding bonds subject to the following conditions:

a. The project Sponsor agrees to cover all costs of HAPGC, including, without limitation, costs for the issuer's municipal advisor, bond counsel, and trustee (if applicable).

b. The affordability restrictions of the existing bond regulatory agreement will be subject to extension as required under the Code. HAPGC reserves the right to impose additional requirements on a case-by-case basis. All specifics of refunding proposals must be approved by HAPGC.

c. Default refunding applications require a default refunding analysis (to determine the eligibility for a default refunding). HAPGC shall choose the firm to conduct the analysis. The project applicant will deposit the cost for the study with HAPGC before the study begins.

IV. Checklist of Initial Requirements and Submissions

Required Submissions

Prior to any action taken by the HAPGC staff or Board the Sponsor must submit the following information for review and approval:

1. A complete application to HAPGC (CDA form 202)
2. Resumes and experience of the key development partners including the Sponsor, General Contractor, Architect and Property Manager.
3. Site location map showing proximity to schools, public transportation, shopping, and other neighborhood amenities.
4. Market data showing comparable rental developments in the area including rent levels, amenities provided, vacancy rates etc.
5. Evidence of applicable zoning or actions to receive appropriate zoning.
6. Title report disclosing all liens, easements, and other encumbrances.
7. Evidence of the availability of utilities to the site.
8. Evidence of site control via title, option, partnership agreement etc. which extends for at least six (6) months after application submission.
9. Form of credit enhancement (or private placement) contemplated.
10. Site, building and unit plans.
11. MAI appraisal performed within the six (6) months preceding the application.

12. Personal financial statements for principals of the ownership entity.

13. A non-refundable application fee of $5,000.

Feasibility Review/Inducement Resolution

Upon receipt of the complete application and related submissions, HAPGC staff will begin its review of the information to determine the economic feasibility of the project, creditworthiness of the ownership entity, credentials and experience of the key partners and desirability of the site. The following are the steps in the application approval process:

1. A Credit Underwriting team comprised of HAPGC staff will review and underwrite the application and related submissions to determine if the project is one that HAPGC wishes to finance.

2. Upon the completion of a review and underwriting of the financing request, the Underwriting team will submit a "Credit Memo" to the HAPGC Credit Committee with their recommendations. The Credit Committee will review the credit memo and approve (or decline) the financing request and submit their recommendations to the to the Development and Finance Sub-Committee of the HAPGC Board of Commissioners for review and approval.

3. Should the HAPGC Development and Finance Sub-Committee concur with the recommendation of the staff to approve the financing request, it will direct the staff to prepare an Inducement Resolution for the full HAPGC Board of Commissioners. It should be noted, the Inducement Resolution is not a commitment by HAPGC to finance the project but will allow, under tax law, the ability to recoup certain development and related costs at the bond closing.

4. After the full HAPGC Board of Commissioners have approved the Inducement Resolution, staff will prepare a Resolution to be approved by the Prince George's County Council authorizing it to proceed with the financing and evidencing local support for the project and prepare for the TEFRA hearing.

5. Prior to closing on the bonds and mortgage loan the HAPGC Board of Commissioners will pass a Final Bond Resolution.

V. Loan Processing and Commitment

Following passage of the Inducement Resolution by the HAPGC Board, staff will work with the Sponsor and development team to fulfill all the requirements for issuance of tax-exempt bonds to finance the project. During this stage of loan processing HAPGC staff and the development team will discuss various aspects of the project including whether the issue is to be a public offering or private placement, the form of credit enhancement contemplated, whether the Sponsor will pursue Low Income Housing or Historic Tax Credits, necessary secondary financing or "soft debt" etc.

Typical Underwriting Standards

Property Type:	Five (5) or more unit primarily residential structure in garden, mid-rise, high-rise or scattered (contiguous) site configuration. Either new construction or substantial rehabilitation.
Property Location:	Prince George's County, Maryland with priority given to projects located in, Inner Beltway Communities, Regional Transit Districts or Opportunity Zones; also projects to preserve existing affordable housing.
Public Purpose:	Project must serve residents at either 50% of AMI (20% of units) or 60% of AMI (40% of units) with rents not exceeding 30% of the residents' income adjusted for family size.
Loan to Value:	HAPGC will use the loan-to-value ratio acceptable to the credit enhancement provider or the entity with whom the bonds are privately placed.
Debt Service:	Generally, debt service coverage should be 1.15x, subject to the requirements of the credit enhancement provider or entity with whom the bonds are privately placed.

Loan Commitment Check List

The following items are to be submitted as part of the loan commitment review process. This list may be modified in certain cases, at HAPGC's discretion, where HAPGC is either not the mortgagee or in a private placement scenario.

1. Updated financial proforma

2. The appraisal report must be satisfactory to HAPGC and other parties involved with the financing, including any credit enhancement providers, and cannot be dated more than six (6) months from the time of its submission. For certain

transactions, HAPGC may also require an independent market study to demonstrate sufficient market depth to support the proposed project.

3. Credit reports are required for all principals of the Sponsor and/or General Partnership seeking financing.

4. A Phase I environmental report is required. Where unfavorable environmental issues are found, e.g., underground storage tanks, further testing and remediation may be required.

5. Where any secondary or "soft debt" is included in the financial proforma, letters of commitment must be submitted with application.

6. An updated title report and survey, reflecting all easements and encumbrances must be submitted.

7. HAPGC requires that Sponsors demonstrate good faith efforts to use minority and women-owned businesses, locally based businesses and meet Section 3 requirements in all aspects of the development process including construction. Additionally, Sponsors must agree to abide by all affirmative action and fair housing requirements in the leasing of rental units.

8. Sponsors are to submit financial statements for the previous three (3) years for the borrowing entity, plus interim financial statements to the end of the most recent operating quarter. Balance sheets for the previous three (3) years and an interim balance sheet to the end of the most recent operating quarter must also be presented. For existing properties, a list of major capital expenditures for the last five (5) years must accompany the financial statements. Partnership or corporate tax returns, with all schedules attached, for the past two (2) years are also to be submitted.

9. A schedule of income producing real estate owned by each principal, including the property name, address, number of units or square feet, vacancy rates and outstanding mortgage balance(s) and due date(s) are to be presented. Where current mortgages with balloon payments are due within one (1) year, a plan for payment or refinance must be submitted.

10. Each principal is to certify as to whether they have been involved with a defaulted loan, loan workout, foreclosure, tax liens (e.g., on related properties),

deed-in-lieu of foreclosure or personal or corporate bankruptcy in the past five (5) years. If so, they are to provide documentation as to the circumstances and disposition of the action.

11. The General Contractor must submit a description of its experience in the type of construction to take place for the proposed project including a list of similar properties completed in the last five (5) years. Key staff members, and their resumes, should be attached.

12. The General Contractor is also to present its most recent audited financial statements and balance sheet(s) along with evidence, to the satisfaction of HAPGC, that it has sufficient insurance and bonding capacity for the successful completion of the proposed project.

13. The Architect must submit a description of its experience in the design and supervision of projects similar to the proposed project, including a list of properties showing the property's name, address, number of units, total construction costs etc., for the past five (5) years. Key staff to be involved with the design and supervision of the project, along with their resumes, are to be included.

14. The Property Manager must submit a detailed management plan for the lease-up, operation and maintenance of the proposed project including administrative and maintenance staffing. Resumes of key property management staff are to be included. The plan should describe any services to be provided to the residents along with rent collection policies and procedures, income verification procedures and marketing and advertising plans demonstrating compliance with all fair housing laws. Whether the Property Manager is affiliated with the Sponsor or is an independent third party, the property management contract must be submitted along with a description of experience managing properties similar to the proposed project for the past five (5) years. The management plan and contract, along with the hiring or dismissal of the property management firm, is subject to the review and approval of HAPGC.

15. Evidence of compliance with applicable zoning laws and regulations, or evidence that actions haven been initiated to obtain the project's compliance with all necessary zoning laws and regulations, and can reasonably be expected to be successfully concluded by the time of closing of the financing, is to be submitted.

16. The Sponsor must submit evidence that all required utilities are available to the site, or in the case of new construction, will be available at or before completion of the proposed project.

17. The Sponsor must submit a relocation plan if either temporary or permanent relocation of current residents is anticipated.

18. Project plans and specifications should be at least 80% complete at the time of loan commitment. Final plans and specifications, along with a cost estimate, must be submitted and approved prior to loan closing.

19. Where the financing is a public offering requiring credit enhancement, evidence of the commitment from a credit enhancement provider, acceptable to HAPGC and achieving a credit rating of AA or higher by a major rating agency, must be submitted.

20. A copy of the organizational documents of the Sponsor, along with all attachments, and evidence that the organization is in good standing in the state where it is domiciled, must be submitted.

*In the case where there is an identity-of-interest between or among the Sponsor and any of the other key partners involved in the project (e.g., General Contractor or Property Manager), HPAGC reserves the right to ensure that all costs and fees are "usual and customary" for the services provided.

Loan Commitment

Upon review and approval of the required documents and related submissions above, the Executive Director of HAPGC or his/her designee, will issue a Commitment Letter describing in the detail the nature and requirements of the financing and any credit enhancement if involved.

Closing Preparation

1. Bond Closing: In the case of a public offering an Official Statement will be prepared by Bond Counsel and Underwriters allowing the bonds to be placed on the market. Bonds may be offered in a competitive bid process or a negotiated sale. In the case of a private placement, a Private Placement Memorandum, or some similar document, will be prepared in cooperation with the purchasing entity.

2. Mortgage Loan Closing: Subsequent to, or in some cases simultaneous with, the bond closing, HAPGC will work with the Sponsor, credit enhancement provider, tax credit purchaser and respective counsels to execute the loan closing documents that have been prepared and reviewed previously.

Agreements

At the mortgage loan closing, in addition to the financing documents, several Agreements will be executed between the borrower and HAPGC. These Agreements are recorded in the County land records and their terms and conditions shall survive until the end of the specified period, usually thirty (30) years.

A. Regulatory Agreement: The Regulatory Agreement will contain all the covenants, restrictions and requirements relative to the public purposes of HAPGC.

B. Land Use Agreement: A Land Use Agreement will be executed that delineates the restrictions and requirements of the Internal Revenue Service Code for tax-exempt bond financing including the following:

    1. The property must remain in affordable rental use for at least fifteen (15) years.

    2. In the selection of tenants there shall be no discrimination of persons in protected classes including race, color, religion, national origin, sex, or marital status or by reason of the fact there are children or handicapped individuals in the family.

    3. In the selection of employees to work at the project, there shall be no discrimination against any applicant for employment because of race, color, religion, national origin, age, sex or marital status.

    4. At least 20% of the units in the development shall be rented to households whose income does not exceed 50% of the Area Median Income, adjusted for family size or, at least 40% of the units must be rented to households whose income do not exceed 60% of Area Median Income adjusted for family size.

    5. Units targeted to serve low- and moderate-income households must be proportionally representative of the mix of units by bedroom size in the entire development and shall not be clustered in any single portion or floor of the development.

6. The maximum basic annual rent, including utilities, for a particular unit size, cannot exceed 30% of the Area Median Income adjusted for family size.

7. All units in the property must be maintained in compliance with the County Code, including any energy conservation requirements.

8. The borrower will annually submit Audited Financial Statements for the previous operating fiscal year prepared by a Certified Public Accountant acceptable to HAPGC.

9. Prince George's County Department of Housing and Community Development shall have the right of first refusal in the event of a sale or transfer of the property for as long as the bonds are outstanding.

Post-Closing

Upon closing of the bonds and the mortgage loan construction/rehabilitation, marketing and lease-up shall proceed. There are specific conditions that must be adhered to and satisfied during these stages as required by HAPGC, mortgage lender, credit enhancement provider and tax credit purchaser.

1. <u>Construction Monitoring, Review and Reporting:</u> All construction/rehabilitation will be monitored to ensure that the work is progressing as scheduled. A full construction/rehabilitation review will be conducted prior to release of any payments pursuant to a construction/rehabilitation draw request from the borrower.

2. <u>Income Certifications:</u> Income certification forms for each tenant household will be completed at initial lease-up and at least annually thereafter. Income certification forms will be made available for inspection by HAPGC on request.

3. <u>Cost Certification:</u> Upon construction/rehabilitation completion an itemized verification of all construction and development costs must be prepared by an independent third party acceptable to HAPGC.

4. <u>Reporting:</u> During the term of the mortgage loan and/or for as long as any bonds are outstanding, the borrower will require the property management agent to file with HAPGC monthly status reports containing operating data for the property (i.e., occupancy, rent collections, evictions etc.) along with a certificate of continuing compliance with respect to income levels of tenants. Annually, a financial audit for the previous year, and an operating budget for the upcoming year, must be submitted to HAPGC.

Escrowed Funds

Working in concert with any other lenders and equity partners, several different types of reserves may be required including:

1. Reserve for Replacement: Reserves are required to take into the account for the need to make major capital improvements over the life of the loan. They may be either calculated as a percentage of construction costs or be a fixed amount per unit based on whether the project is new construction or substantial rehabilitation.

2. Debt Service Reserve: An amount equal to between three (3) to six (6) months of debt service payments will be funded at loan closing. These funds will be available in the event there are insufficient funds resulting from operations to meet an upcoming principal and interest payment on the bonds.

3. Operating and Lease Up Reserve: An amount equal to three (3) to six (6) months operating expenses will be funded at loan closing. These funds will be available to pay operating expenses in the event there are insufficient funds on hand due to a lease up slower than projected or vacancies higher than expected.

Secondary Financing

Secondary financing, or "soft debt", may be permitted with the approval of HAPGC and any credit enhancement provider under the following conditions:

1. The obligations of the borrower to pay secondary financing must clearly be subordinate to obligations to pay the HAPGC debt.

2. The subordinate debt must clearly state that the lender waives its right to commence lien enforcement for default on any condition of the subordinate debt, including non-payment, without the prior written consent of HAPGC.

3. Projected cash flow from operation of the property must support the total monthly mortgage payment for the primary and secondary debt while maintaining the minimum debt service coverage prescribed for the primary debt.

4. The HAPGC Deed of Trust must evidence that its mortgage is the single first mortgage and has the first priority for payment.

VI. Fees and Service Charges

HAPGC Fees

1. Application Fee: With the submission of its application, the borrower will pay a non-refundable five-thousand-dollar ($5,000) application fee.

2. Inducement Resolution Fee: Upon approval of an Inducement Resolution by the full HAPGC Board, the borrower will pay a fee equal 15 basis points (.15%) of the bond amount requested, to be credited towards the financing fee due at closing.

3. HAPGC Commitment Fee: Upon execution of the Commitment Letter between HAPGC and the borrower, the borrower will pay 25 basis points (.25%) of the bond amount requested, to be credited towards the financing fee at closing.

4. Financing Fee: A financing fee of 100 basis points (1%) the bond amount will be due at bond closing.

5. HAPGC Servicing Fee: An annual fee equal to the present value of 25 basis points (.25%) of the original bond amount will be included in the financing.

Other Fees:

1. Other Administrative Fees: The Borrower will be responsible for Bond Underwriting fee, Bond Counsel fee, Trustee Annual fee, Trustee Legal fee, Loan Closing fee, Rating Agency fee, Rebate Analyst fee, Rating Agency fee, and Financial Advisory fee. Said fees will be paid at closing. For fees that are incurred annually, Borrower will pay the first-year fee at closing with annual fees collected on specified dates. (Certain fees may be included in the Bond Financing.)

   The Housing Authority selects the Bond Counsel, using internal, contracted, legal services. The Applicant will be responsible for all Bond Counsel and legal expenses or costs.

2. Modification Fees: HAPGC, at its discretion, my charge a document modification or change related fee, not to exceed $5,000.

3. Credit Enhancement Fees: The borrower will be responsible for any fees charged by credit enhancement providers and such fees will be recognized as an expense that can be included in the mortgage.

4. Third Party Fees: The borrower will be responsible for any fees related to third party vendors whose services are required for approval of financing including, but not limited to legal costs, appraisals, market studies, environmental testing etc. (Third party fees may be included in the bond financing.)

VII. Substantial Completion/Permission to Occupy

The mortgagor shall notify HAPGC in writing when the mortgagor's supervising architect determines that substantial completion of the multifamily rental housing development has been achieved. The mortgagor shall prepare the permission to occupy form available on the HAPGC website and submit to HAPGC along with the supervising architect's punch list and a copy of the occupancy certificate.

VIII. Monitoring Compliance

HAPGC will require that a Regulatory Agreement be recorded in the land records of the jurisdiction where the project is located. The Regulatory Agreement will require the owner to obtain eligibility information from each tenant, and to provide reports at least annually (or more frequently, at HAPGC's discretion) that include, among other things, the following information:

1. The total number of low-income tenants (i.e., tenants whose income does not exceed 60% of AMI, adjusted for family size or 50% of AMI, adjusted for family size, as applicable, and as determined by the Secretary of Housing and Urban Development in a manner consistent with determinations of low-income families under Section 8(f)(3) of the United States Housing Act of 1937, as amended);

2. The number of units in the development rented and the number of units that are either occupied or available for occupancy, and the number and percentage of such units that are occupied by low-income tenants;
3. A certification that the development has met the applicable percentage of low-income tenants as required by the Regulatory Agreement;
4. Evidence that all new tenants of the development and all low-income tenants whose incomes are subject to annual verification since the date of the immediately preceding report and certification have executed an income; and
5. A rent roll designating the date of initial occupancy, the number of bedrooms, the unit number, the tenant's name, the household size (if applicable), and whether the tenant is a low-income tenant.

IX. Liability

Housing authority bonds shall be limited obligations of the Authority and shall be payable solely out of revenues, receipts and payments specifically pledged, therefore. Neither the commissioners, officers, agents or employees of the Authority, past, present or future, nor any person executing the bonds, shall be liable personally on the bonds by reason of the issuance thereof.

The bonds shall not be deemed to constitute a general obligation debt or a pledge of the faith and credit of the Prince George's County or any political subdivision thereon shall be personally liable thereon, nor in any event shall the bonds be payable out of any funds or properties other than the special funds and sources provided therefore, including the Authority and neither the

Prince George's County nor any such political subdivision thereof , shall be personally liable thereon, nor in any event shall the bonds be payable out of any funds or properties other than the special funds and sources provided therefore.

Neither the faith and credit nor the taxing power of the Prince George's County, or any political subdivision thereof, shall be pledged to the payment of the principal of the Bonds or the interest thereon or other costs incident thereto. The Bonds shall not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.
The applicant shall be responsible for HAPGC's fees and expenses, including the fees and expenses of Bond Counsel. The applicant shall fully indemnify the Authority and hold it harmless for all liability with respect to the bonds and the project.

X. Appendix

EXHIBIT A

Threshold Criteria

Projects must meet all the following Threshold Criteria to ensure basic program guidelines are met and the requirements of the Housing Authority of Prince George's County for projects that are viable and ready to proceed. Projects that meet these standards will be judged against the Housing Authority of Prince George's County Competitive Scoring Criteria.

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EXHIBIT B

Checklist of Initial Requirements and Submissions

Required Submissions

Prior to any action taken by the HAPGC staff or Board the Sponsor must submit the following information for review and approval:

- A complete application to HAPGC (CDA form 202)
- Resumes and experience of the key development partners including the Sponsor, General Contractor, Architect and Property Manager.
- Site location map showing proximity to schools, public transportation, shopping and other neighborhood amenities.
- Market data showing comparable rental developments in the area including rent levels, amenities provided, vacancy rates etc.
- Evidence of applicable zoning or actions to receive appropriate zoning.
- Title report disclosing all liens, easements and other encumbrances.
- Evidence of the availability of utilities to the site.
- Evidence of site control via title, option, partnership agreement etc. which extends for at least six (6) months after application submission.
- Form of credit enhancement (or private placement) contemplated.
- Site, building and unit plans.
- MAI appraisal performed within the six (6) months preceding the application.
- Personal financial statements for principals of the ownership entity.
- A non-refundable application fee of $5,000 to be applied toward the financing fee equal to 1% of the bond amount sought

EXHIBIT C

PROJECT REQUIREMENTS

A. Requirements for New Projects

To qualify as a "new project" under these Bond Policies, a project may be (i) a proposed multi-family development of five (5) or more units for which the HAPGC financing will be used for new construction, or (ii) an existing multi-family development for which the HAPGC financing will be used for acquisition and substantial rehabilitation. To qualify for bond financing through the HAPGC, new projects must, at a minimum, meet the following requirements:

1. The project must be located in priority areas designated by Prince George's County or where the applicant has demonstrated to the satisfaction of HAPGC that there is a need for affordable rental housing.
2. The project may be developed and owned by a for-profit developer, a non-profit developer, or a governmental entity.
3. The project (and the principals, syndicators, enhancers and contractors associated therewith) must comply with all applicable federal laws, rules and regulations, as amended, including, but not limited to, the Internal Revenue Code of 1986, as amended (the "Tax Code"), and the regulations promulgated thereunder. Additionally, developers will be required to comply with all disclosure requirements promulgated by the Securities Exchange Commission and/or the Municipal Securities Rulemaking Board. Projects developed and owned by for-profit developers must comply with all applicable federal laws, rules and regulations, as amended, including but not limited to, Section 142(d) of the Tax Code. Projects developed and owned by non-profit developers must comply with all applicable federal laws, rules and regulations, as amended, including but not limited to, Section 501(c)(3) of the Tax Code.
4. The project (and the principals, syndicators, enhancers and contractors associated therewith) must comply with all applicable state laws, rules and regulations, as amended, including, but not limited to, Article 44A of the Maryland Code Titles 1&4.
5. The project (and the principals, syndicators, enhancers and contractors associated therewith) must comply with all applicable laws, ordinances, rules, regulations and development requirements, as amended, including, but not limited to, those of the Prince George's County Department of Permitting, Inspections and Enforcement.
6. The project (and the principals, syndicators, enhancers and contractors associated therewith) must comply with all applicable federal, state and local fair housing laws, ordinances, rules and regulations, as amended.

7. Each project will be subject to certain use, rental and operational restrictions, most of which will be delineated in the Land Use Restriction Agreement applicable to such project. Such restrictions, include, but are not limited to, the following: (i) the project may not be used on a transient basis and may not be leased for a period of less than one (1) year; (ii) the project may not be used as a hotel, motel, dormitory, fraternity or sorority house, rooming house, hospital, sanitarium, nursing home, rest home or trailer park as limited by applicable law; and (iii) unless designated for the elderly (55 and over), the project is required to permit children to live in the development as required by law.

8. The Land Use Restriction Agreement shall also include a provision for the payment to HAPGC of a "Compliance Monitoring Fee" in the event all the bonds are redeemed or defeased prior to the expiration of the "Qualified Project Period" (the time during which the developer is required by the Tax Code and/or HAPGC to set aside a certain percentage of the units for low- and moderate-income persons and families.

9. The requirements contained in this Section II.A. must remain in force by deed restriction for at least fifteen (15) years regardless of the term of the bonds related to the particular project.

B. Requirements for Existing Projects

Transfer of Ownership

Developers seeking to transfer ownership of a project previously financed by HAPGC must obtain prior approval by HAPGC of such transfer. Such approval shall not be unreasonably withheld subject to HAPGC requirements for transfer and assumption of ownership. HAPGC will require that, among other things, the new owner:

1. assume all obligations of the prior owner, including those created or which arose prior to the assumption;
2. pay all the fees and expenses applicable to the transfer and assumption of ownership, including the "Assumption Fee" as described in Section V hereof; and
3. pay all fees of professionals retained by HAPGC to affect the transfer and assumption of ownership.
4. in the event all the bonds are redeemed or defeased in conjunction with the transfer, the owner shall agree to the payment of the annual HAPGC "Compliance Monitoring Fee" until the expiration of the "Qualified Project Period" (the time during which the developer is required by the Tax Code and/or the HFA to set aside a certain percentage of the units for low- and moderate-income persons and families).

Refinancing and Refunding

HAPGC will consider issuing current refunding bonds to redeem its prior bonds which are subject to optional redemption. A developer requesting a current refunding will be required to comply with all requirements set forth herein, except as otherwise permitted by HAPGC. Further, HAPGC may require an increase in the public purpose requirements imposed on a project, including, but not limited to, extending the term of the deed restrictions beyond the term required either by the existing Land Use Restriction Agreement or applicable laws and increasing the number of units set aside for low-income persons.

To the extent there is no existing provision in the Land Use Restriction Agreement, HAPGC will require an amendment to provide for the payment of a "Compliance Monitoring Fee" in the event all the bonds are redeemed or defeased prior to the expiration of the "Qualified Project Period" (the time during which the developer is required by the Tax Code and/or HAPGC to set aside a certain percentage of the units for low- and moderate-income persons and families).

If HAPGC receives a request to issue current refunding bonds in conjunction with the redemption of prior bonds pursuant to a special mandatory call feature (such redemption resulting from a default under the bond documents), then the developer shall be required to provide a redemption indemnity agreement from the credit enhancement provider or surety in a form satisfactory to HAPGC prior to the sale of any refunding bonds.

In addition, the developer requesting the issuance of refunding bonds will be required to comply with all other applicable provisions relating to the original issuance of bonds by HAPGC, including the requirement to file an application with HAPGC. The developer requesting the issuance of refunding bonds shall be responsible for the payment of all applicable HAPGC fees and expenses, including, but not limited to, the "Application Fee."

EXHIBIT D

Underwriting Guidelines – Developers Fee Limits

Developer's Fee Limits		
	Fee on Development Costs	***Fee on Acquisition Costs***
First $10 Million	15%	10%
Amount in excess of $10 million	10%	5%

	Large Projects	***Small Projects (up to 40 units)***
Builder's Fees - Aggregate limit % of net construction costs	New construction: 15% Rehabilitation: 17%	New construction & Rehab: 20%
Builder's Profit	10%	
Builder's Overheard	3%	
General Requirements	10%	
Civil Engineering % of net construction costs	5%	7%
Architect—Design % of construction contract	5%	7%
Architect—Administration % of construction contract	3%	4%
Developer's Fee % of aggregate basis	5%-15% as further defined below	

EXHIBIT E

QAP Requirements

Prince George's County QAP Requirements	
1.8.1 Maximum Rents	Rents for LIHTC. Units may not exceed 30% of the applicable income limit.
1.8.2 Vacancy	All projects will be underwritten with a minimum vacancy rate of 5%. Additionally, the Market Study must fully support the proposed vacancy level.
1.8.3 Operating Expenses	Annual operating expenses, including all real estate taxes but excluding replacement reserve deposits, should no less than $4,000 per unit per year and no more than $7,000 per unit per year. Waivers may be requested for small projects of up to forty (40) units, projects with master-meters (i.e. project paid) utilities, or other unusual circumstances.
1.8.4 Replacement Reserves	All projects must budget at least $300 per unit per year in reserves for replacement (RFR) deposits. Additionally, RFR deposits must be adequate to support the project as determined by a capital needs assessment (CNA) prepared by a qualified third party. DHCD reserves the right, in its sole discretion, to require a new CNA every five (5) to ten (10) years and adjust RFR deposits based upon such new CNA
1.8.5 Operating Reserves	Each project must establish an operating reserve equal to between three (3) and six (6) months of underwritten operating expenses, debt service payments, and required deposits to other reserves. At a minimum, capitalized operating reserves must remain in place until the project has achieved a minimum 1.15 debt service coverage ratio, economic break-even operations for one complete fiscal year as confirmed by the project's annual audit, and reached and sustained 90% occupancy for twelve (12) consecutive months. In the discretion of DHCD, the operating reserve may be released over the next three (3) years provided the project continues to achieve economic break-even operations and sustains 90% occupancy. Operating reserve will be held by DHCD unless held by the superior lien holder. Upon release, operating reserves generally may be used to pay any outstanding deferred Developer's Fee, reduce any State loan, fund other reserves, fund project betterments, or otherwise be applied as approved by DHCD.
1.8.6 Trending	In evaluating the long term viability of the project, DHCD requires that rents and other revenue from the project be projected to increase by no more than 2% annually. Operating expenses (including property taxes) must be projected to increase by not less than 3% annually.
1.8.7 Debt Service Coverage Ratio	All projects must be underwritten to a minimum debt service coverage ratio (DSCR) of 1.15 in the first year of stabilized operations and at least 1.00 through year 15. The DSCR will be calculated including all must-pay debt service payments. For projects with amortizing debt service on an RHFP or RHW loan, the minimum DSCR is 1.1.
1.8.8 Development Costs	Consistent with §42(m)(2) of the Internal Revenue Code and industry best practices, DHCD limits funding awards to the amount necessary to make a project financially feasible. Even if a specific line item is not being paid with LIHTC equity or DHCD funds, any excessive cost, regardless of the source of financing, increases the gap and affects the public subsidy needed by a transaction. As a result, DHCD reserves the right to require any applicant to provide a justification of any development cost line item regardless of the source of funding. The following standards will be applied to specific cost items.
1.8.8.1 Acquisition	For projects receiving acquisition LIHTC for an existing project, CDA may, as a condition for a reservation of LIHTC, require the sponsor to provide a legal or certified public accountant's opinion regarding the project's satisfaction of (or exemption under §42(d)(6)(C) of the Internal Revenue Code from) §42(d)(2)(B)(ii) of the Internal Revenue Code, i.e. the Ten-Year Rule.
1.8.8.2 Syndication Costs	For projects seeking LIHTC awards, the projected net equity from syndication should be based on current market conditions. Net equity will take into account syndication and partnership fees included in the project budget. When analyzing the LIHTC market, DHCD may adjust the equity rate for purposes of determining the appropriate award of credits.
1.8.8.3 Professional Fees	See table below.
1.8.9 Phased Projects	Applicants for subsequent phases of projects already in receipt of a reservation of RHFP funds or LIHTC allocations must show evidence that the original phase(s) of the project has achieved Sustaining Occupancy. For this purpose, Sustaining Occupancy means a minimum of three (3) months of break-even operations and occupancy at 90% or greater.

EXHIBIT F

Bond Finance Approval Process