Maryland Department of Housing and Community Development

MULTIFAMILY RENTAL FINANCING PROGRAM GUIDE

~~July 24, 2003~~January XX, 2004

Attachment to the ~~2002~~ 2004 Qualified Allocation Plan

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EQUAL HOUSING OPPORTUNITY

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Mission

Maryland Department of Housing and Community Development

The Department of Housing and Community Development is dedicated to improving the quality of life in Maryland by working with partners to revitalize communities, expand homeownership and affordable housing opportunities and preserve historic sites and traditions.

Housing Development Programs

Housing Development Programs revitalizes communities and promotes economic diversity by providing financial resources to complement those available in the private sector to build and rehabilitate community infrastructure and quality affordable rental housing.

1. ~~Section 1 -~~ Introduction

The Department administers financing programs for the construction, acquisition and rehabilitation of multifamily rental housing. Housing Development Programs (HDP) within the Division of Development Finance (the Community Development Administration or CDA) administers these programs for the Department. With the exception of the Office and Commercial Space Conversion Program, which provides market rate housing, these programs provide affordable rental housing for lower and moderate-income families and individuals.

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 and replaces the Department's former Housing Development Programs Handbook. This Guide, 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: Exhibits

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 or "Bond Financing")
- Rental Housing Fund (RHF)
- Federal Low-income Housing Tax Credit Program (Tax Credits)

The RHF includes all of the following state and federally funded loan programs: Rental Housing Production Program (RHPP), Elderly Rental Housing Program (ERHP), Nonprofit Rehabilitation Program (NRP), Maryland Housing Rehabilitation Program (MHRP) and the federal HOME Investment Program (HOME). 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 an RHF award. Resources for the Tax Credit and the RHF are allocated to projects during scheduled rounds of competition. The Partnership Rental Housing (PRHP) and Office and Commercial Space Conversion (OCSC) programs are not covered by this Guide and have separate materials.

Applicants only requesting MBP or OCSC financing, tax credits approved with Bond Financing (non-competitive credits that are not allocated from the state's tax credit ceiling) and/or PRHP funds are not subject to the competitive process. Applications requesting Bond Financing with non-competitive tax credits, while not subject to the competitive process, must still meet the threshold criteria and obtain a minimum score of ~~195~~ 180 under the selection criteria in this guide. For more information on the special requirements relating to evaluation and underwriting requests for bond financing, please refer to the Section "Multifamily Bond Program: Public Purpose Requirements" below. Additional information on MBP or bond financing is provided in highlighted boxes throughout the Guide.

Like PRHP, funding in the Office Space Conversion Program is also not competitive; however, applications must be submitted through the local jurisdiction. An abbreviated application form is used for this program. Applicants for these programs may apply at any time during the year. With the exception of the OCSC program, requests for funding must use the same application form and are subject to departmental underwriting and construction reviews.

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

1.2. ~~1.1~~ Vision for Affordable Rental Housing in Maryland

The Department promotes the production and preservation of housing by providing financial assistance that is complementary to funds available in the private sector. This goal is accomplished through a variety of homeownership, rental, historic preservation and neighborhood revitalization programs. A major component of this effort is the financing of affordable rental housing. The Department has structured its threshold and evaluation criteria to target projects that meet the following objectives.

1.2.1. ~~1.1.1~~ *Production of Quality Development*

Development teams must demonstrate the capacity to develop quality affordable rental housing in a timely and comprehensive manner. In order to ensure that 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 and costs. Projects that can proceed with the least delay upon funding are preferred.

1.2.2. ~~1.1.2~~ *Public Purpose*

Projects should promote a holistic view of housing, including a focus on coordinated community efforts, tenant services and resident empowerment. The Department supports projects that serve the lowest income levels feasible for the longest time and that meet locally identified needs for affordable housing. Projects that promote and encourage local nonprofit and minority or women owned businesses in the development of affordable housing are also encouraged.

1.2.3. ~~1.1.3~~ *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.

1.2.4. ~~1.1.4~~ Revitalizing Neighborhoods and Targeting Growth Areas

~~Development in Maryland is being focused on existing communities and targeted growth areas.~~ The State's ~~Smart~~ Priority ~~Growth~~ Places Initiative applies to all projects seeking funding under this guide. This initiative requires all newly constructed developments to be in priority funding areas, which are described in this Guide under the subheading Project Location and Marketability in Section 3 – Project Threshold Criteria. ~~To promote neighborhood revitalization, evidence of other significant, ongoing investment of resources in the area is preferred.~~ Targeted revitalization also is encouraged through a preference for projects in designated revitalization areas or neighborhoods with community revitalization plans ~~or involve~~ involving rehabilitation of existing structures. ~~Applications must demonstrate a strong need for the proposed housing along with evidence that the housing will contribute to, and not detract from, revitalization of the community and the operation of other properties or businesses in the community.~~

~~Serving High Public Purpose~~

~~Projects should promote a holistic view of housing, including a focus on coordinated community efforts, tenant services and resident empowerment. The Department supports projects that serve the lowest income levels feasible for the longest time and that meet locally identified needs for affordable housing. Projects that promote and encourage local nonprofit and minority or women owned businesses in the development of affordable housing are also encouraged.~~

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~~Production of Quality Development~~

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2. ~~Section 2 -~~ Overview of the Funding Process

~~Exhibit B provides an overview of the major steps associated with obtaining financing through the Department's competitive rental housing programs. A more detailed description of each step is provided in this Section.~~

For projects requesting bond financing and non-competitive tax credits only, some of the following steps may not apply, but more information for those programs may be found in the highlighted text boxes throughout this ~~guide~~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 these guidelines, that are submitted by eligible sponsors, and that have complete applications submitted no later than the application deadline will be rated and ranked in any competitive round.

Sponsors 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 HDP at 410.514.7446 to schedule a meeting.

Applications must be submitted on 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. Copies of the application submission ~~kit~~ package for the RHF program, Tax Credits, and Bond Financing, are available through the Department's website at:

http://www.dhcd.state.md.us/rhfunds/rentapps.asp

2.2 Threshold Review

This is a screening process that is intended to eliminate projects that do not meet basic guidelines. Department ~~staff review~~staff reviews~~s~~ applications and supporting documentation to determine compliance with the Department's criteria. If projects satisfy all threshold criteria they will then be evaluated against the project selection criteria. Incomplete applications or projects that do not meet the threshold requirements will not be rated against the project selection 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 Selection Review

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

An internal departmental committee will also evaluate applications subject to the competition. Recommendations for ~~approval~~ reservations of loan funds or tax credits will be based on the rating and ranking of the projects 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, at his or her discretion, approve projects for a reservation of funds and further processing.

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.

2.4 Processing 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.

2.4.1 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 effect 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 reduction in the original score of more than 5%;
  - a significant change in the project's design, financing or amenities;
  - a material reduction in the project's income targeting;
  - a change of the project's sponsor or ~~developer entities~~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.

2.4.2 *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 should also be present at this meeting. Other Departmental staff that may need to attend the kick-off meeting include the Deputy Director for Multifamily Housing, Development Assistance program staff, Equal Opportunity Officer, the Department's attorney and~~/or Special Loan Programs~~, 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 Deputy Director or Team Leader 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.

2.4.3 *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~~ for new construction~~, viability and commitment reviews~~, and three phases for rehabilitation~~. A third phase~~ for rehabilitation projects~~, preliminary review, may be added before viability review at the discretion of the Department for particularly complicated new construction or rehabilitation projects~~ or waived for relatively straightforward rehabilitation projects~~.

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 processing system. Documentation requirements for this review period will be included in the attachment to the reservation.

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. More specifically, the requirements are outlined in the AIA document B162a.

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 letters.

2.4.3.1 Preliminary Review ~~(Rehabilitation Projects Only)~~

During this phase sponsors will submit updated application forms along with schematic design drawings, as specified in the submission kit to be supplied at the kick-off meeting. Staff will review the material and issue a preliminary progress report to the sponsor. The progress 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 preliminary review.

2.4.3.2 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 preliminary review.

2.4.3.3 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 sponsor, working with the underwriter, must confirm the business terms to be included in the commitment letter and identify any remaining issues to be resolved within seven days of the date of the draft commitment letter. The Department's attorney will finalize the commitment letter and begin preparing the loan documents.

2.4.4 Initial Closing

Along with the loan commitment letter, the sponsor will receive a loan closing ~~submission kit or~~ checklist. The ~~kit or~~ checklist specifies the pre-closing documents that the sponsor must provide and the closing documents the sponsor's attorney 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. When all of the documents identified in the kit have been submitted, reviewed and approved, the Department's attorney will schedule an initial closing date. The Department will move expeditiously to initial closing. The initial closing can usually be scheduled within two weeks of receipt, in acceptable form, of all closing documents. However, the initial draw must be submitted to HDP at least 1~~0~~5 business days prior to initial closing. Accepting the Department's form closing documents without modification also will expedite the closing process.

Following the closing, Department staff will schedule a servicing meeting with the sponsor to discuss 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 other conditions of the commitment are met.

2.4.5 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 HDP construction staff responsible for the project, including the HDP Engineer and Finance Manager. 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.

Early Start

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 HDP. 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.

2.4.6 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 by HDP staff 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.

2.5 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 specific requirements for the tax credit program are set forth in detail in the *Plan for the Allocation of Low Income Housing Tax Credits in Maryland* (the Qualified Allocation Plan or QAP). The following information is a summary only and applicants should review the Qualified Allocation Plan prior to submitting an application for tax credits.

2.5.1 Reservations

Following approval, sponsors will, depending on the timing of the funding round, receive either tax credit reservation letters or allocations. 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.

2.5.2 Allocations

Sponsors either must place projects in service within the year in which the tax credit is allocated or qualify for a binding conditional commitment to carryover the tax credit for up to two years (a Carryover Allocation). To qualify for a Carryover Allocation, sponsors must meet all conditions in the reservation. Sponsors also must incur at least 10% of the reasonably expected basis at the later of October 1 of the year the Carryover Allocation is made or within five months of the date of the Carryover Allocation. If applicable, 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.

At the time buildings are placed in service and all required post-completion documentation is received and reviewed, 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 credit for any building in the project. Before the IRS Form 8609 will be issued, the Department must receive and review the current organizational documents for the owner and a recorded extended low-income housing covenant (in form and substance determined by the Department) and additional documentation concerning placed-in-service dates, project costs, eligible basis and syndication of the project. If a cost certification is required for the project, the Department will not issue Form

8609 until it has completed its review of the cost certification and a final determination of mortgage proceeds has been signed and returned by the sponsor.

Prior to issuance of the Form 8609, the Department also will undertake a final evaluation of projects to determine the amount of tax credit needed to make developments feasible. Only the amount needed for financial feasibility and viability as a qualified low-income housing project throughout the compliance period will be allowed. Any additional tax credit previously allocated to projects will be recaptured

Bond Program: Processing Applications

Applicants requesting only Bond Financing and the non-competitive Tax Credits (not allocated from the State's Tax Credit ceiling) should apply using the ~~MBP~~ Application Submission Package. All requests for Bond Financing are subject to Department underwriting and construction reviews. Applicants also are advised that the process described here applies only to bonds issued by CDA under its parity Bond Resolution. A parity Bond Resolution means that all bonds issued under the Bond Resolution are equally and ratably secured, unless otherwise provided by the Administration. Applicants seeking to finance projects through "stand-alone indentures" should expect differences in processing and should contact HDP for terms before applying.

Applications for Bond Financing will be subject to an initial Threshold Review (see Section 3 of the Guide) and also must score at least 180 points as described in Sections 1 and 4 of the Guide. ~~Prior to the issuance of the preliminary official statement, applicants must deposit with the Administration a Non-Usage fee in the amount of 2% of the expected loan amount (as estimated by CDA). This fee should be paid in cash. The Non-Usage fee may be credited toward the costs of issuance (estimated at 2% of the final loan amount) or released at loan closing. Applicants are also responsible for posting a letter of credit to meet any negative arbitrage requirements~~MBP processing is subject to certain fees that are subject to change. For current fee information, please consult the Department's website at www.dhcd.state.md.us. A reservation package will be issued upon issuance of conditional approval by the Department's Housing Finance Review Committee (HFRC). As part of the reservation package, sponsors will be given the opportunity to exercise a 90-day rate lock (for loans less than $20 million) and detailed schedule and closing checklist covering all of the required due diligence necessary to close the loan. Longer rate lock periods are available upon request and payment of an additional fee. CDA will close and fund loans within the rate lock period provided all due diligence materials are submitted and approved.

Tax-exempt Bond Financed projects 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 must elect to lock in the tax credit ~~rate~~ applicable percentage in the month the bonds are issued or in the first five days of the following month [see Internal Revenue Code §42(b)(2)(A)(ii)]. ~~A deposit of $1,000 on the tax credit reservation fee is due prior to initial loan closing; the balance of this fee is due upon issuance of IRS Form(s) 8609.~~ Projects receiving either mortgage insurance or subsidies from HUD may also be subject to subsidy layering review under §911 of federal Housing and Community Development Act of 1992.

Bond Financed projects must meet Federal and State income-targeting requirements. Federal minimum income-targeting election requirements for Bond Financing are identical to the requirements of the Low Income Housing Tax Credit program. ~~State~~ In addition, State income targeting requirements mandate that a minimum of 51% of all units at the project must be rented to families with incomes of 85% of statewide median income or less.

Applicants proposing to rehabilitate currently occupied properties must provide evidence that the minimum Federal and State occupancy set-aside requirements are met prior to initial loan closing. Current tenant income certifications must be received and approved by the Department before a commitment will be issued for currently occupied properties.

Special Procedures for Expedited Processing

Eligible projects requesting only tax exempt financing ~~with no additional State loan funds~~ may~~will~~ be processed under an expedited system. To be eligible, applications ~~projects~~ must request only tax exempt financing, pass threshold review, score at least 180 total points, and ~~achieve a~~ score ~~of~~ at least ~~70~~ 55 points for Development Team Experience and Financial Capacity, ~~45~~ 35 points ~~for Location and Marketability~~on its market study and ~~50~~ 45 points for Development Quality. If these requirements are met and subject to conditional HFRC approval, the project can expect to receive its inducement approval~~, conditional Housing Finance Review Committee (HFRC) approval of the loan,~~ and a reservation of bond financing 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).

3.0 ~~Section 3 -~~ Project Threshold Criteria

To be evaluated against the project selection 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 Departmental 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 program's governing statutes and as otherwise noted below, the threshold requirements may be waived at the Department's discretion for compelling reasons that are not inconsistent with the applicable authorizing legislation. 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 ~~three~~ two (2) complete copies of the application form including all attachments and exhibits. ~~Fees must be paid simultaneously.~~ 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 and all required exhibits must be included. Incomplete or late applications will not be considered for funding under any program. No new application material concerning the project will be accepted after the application deadline date. However, CDA, at its discretion, may request applicants to submit clarifying data. Documents submitted with the applications, such as market studies and agreements should be less than one year old. However, letters of support from local government should 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 $1,000 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.

~~***Waivers of Threshold Criteria***~~

~~Under certain circumstances, the Department may consider granting waivers of non-statuory Threshold criteria where the applicant can provide clear and compelling justification for the waiver. In mostcertiancertain cases to be considered for a waiver of threshold requirements, requests must be submitted in writing to HDP at least 90 days in advance of the application deadline. Prospective applicants are urged to discuss possible waivers in advance with Housing Development Program staff in advance of submitting any formal requests.~~

3.2 Development Team

3.2.1 *Previous Project Performance*

Members of the applicant's team may not:

- Have participated as an owner or manager in the development or operation of a project that has defaulted on a Department or other government or private sector loan in the previous five years.
  ~~In connection with Department loans, waivers of this limitation may be granted for 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. In all cases to be considered for a waiver of these limitations, requests must be submitted in writing to HDP at least 90 days in advance of the application deadline. Among the factors HDP may consider in granting a waiver are;~~
  ~~1.Reasons for the default;~~
  ~~2.The applicant's role in the defaulted property and responsibility for guaranties or operations of the defaulted property; and~~
  ~~3.Performance of other properties in the applicant's portfolio;~~

- 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); or
- Be debarred, suspended or voluntarily excluded from participation in any federal or state program.

Failure to disclose required information on the application may subject the applicant to penalties under Maryland law. 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);
- Architect;
- General Contractor; or
- Management Agent~~Consultant~~.

3.2.2 *Financial Capacity*

In addition, members of the development team acting in the role of sponsor, developer, guarantor, or owner will not be considered for funding with unpaid state or federal income, payroll or other Maryland taxes as of the application date or a record within the past five years of:

- ~~chronic~~ Chronic past due accounts;~~,~~
- ~~substantial~~ Substantial liens or judgments;~~,~~
- Three or more instances of unpaid taxes (even if cured prior to the application date); ~~state or federal , payroll Maryland~~ or
- ~~foreclosures~~ Foreclosures or bankruptcies ~~within the past five years will not be considered for funding~~.

This evaluation will be based on mandatory disclosures by development team members as well as a review of Department records, personal credit histories, commercial credit reports and other available data.

3.2.3 *Previous Participation*

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

For tax credits, this includes entities that:

- Received a reservation but were unable to place their projects in service in the year of their reservation or 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; or
- Received a Carryover Allocation or other Allocation but could not place their projects in service within the time required by the tax credit program.

For loan programs, this includes entities that received a reservation or commitment of loan funds but were unable to close the financing.

3.2.4 *Fees and Other Obligations Due to the Department*

Development team members are also ineligible to participate in the program if they have unpaid fees, loan arrearages or other obligations due to the Department on other projects.

3.3 Local Government Support and Contribution

Applications must include a resolution or letter of support from the local government executive, council or manager and evidence of a local contribution for the project. The resolution or letter must indicate its support of the project in the current round of competition, and an interest in providing a local contribution that satisfies the Department's policy. A letter of support should indicate the signing official's favorable support of the project application in the current funding round and the intent to submit the project for a local resolution. 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.

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. A resolution must be provided and contribution ~~must~~ be committed or provided prior to loan closing, or in the case of tax credits, prior to the issuance of the IRS Form 8609.

Bond Program: Local Support

Bond financed projects that do not have other State sources of funding do not need a contribution from the local government. However, bond financing, including projects financed by tax-exempt local-issues, requires that a local resolution supporting the project be provided prior to initial closing of the loan or issuance of the §42(m) eligibility letter. In addition for projects receiving tax credits, HDP cannot issue an eligibility letter pursuant to §42(m) of the Internal Revenue Code until this resolution is received and accepted.

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 180 days after the application deadline date (including extension options) with an option to continue the control for another 180 days. Acceptable evidence of site control includes deeds, contracts of sale, leases, purchase options or other forms 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.

3.4.3 *Zoning*

Properties should 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 (Form 202).

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. Please see Exhibit ~~B~~ G of the Application Submission Package for more information.

3.4.5 Exceptions

The requirements for site control, availability of utilities, and environmental and zoning compliance 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 ~~– Smart Growth~~

All projects involving any new construction must be located in a Priority Funding Area under Maryland's ~~Smart~~ Priority ~~Growth~~ Places Initiative. Priority Funding Areas 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;
- Designated neighborhoods under the Maryland Department of Housing and Community Development's Neighborhood Business Development Program;
- Federal and State enterprise zones; and
- All areas designated by county governments as Priority Funding Areas, 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 Priority Funding Area (PFA). If the project is located in an area designated by a county government as a PFA, the Maryland Department of Planning must also confirm the area in writing in as being consistent with the local comprehensive plan. The PFA's described in the first four bullets above are designated by State government as PFA's, and applications for projects located in these areas do not require confirmation letters from the Department of Planning. ~~Sponsors of r~~Rehabilitation projects ~~that~~ are not ~~in Priority Funding Areas may apply for a waiver of~~subject to this requirement. ~~Sponsors should submit a detailed explanation of the reasons that the project still fits the goals of the Smart Growth Initiative. Waivers will be evaluated on a case-by-case basis and must be approved by the Secretary of DHCD.~~

3.5.2 Market Study

Applications must include a market study prepared by an independent professional that has experience with multifamily rental housing and/or tax credit housing in Maryland and is on the list of acceptable market analysts maintained by the Department. Market studies should not be ~~not less~~ more than one year old as dated from application submission and should conform to the requirements set forth under the Market Study paragraph in the Project Evaluation Criteria section of this Guide. A list of acceptable market analysts may be obtained from the Department's website at http://www.dhcd.state.md.us/rhfunds/index.cfm.

Bond Program: Market Studies

For projects that are seeking bond financing from the Department, the study must be prepared in accord with the evaluation criteria in the following section. Market studies must demonstrate a need for the project; that the project will be competitive in the area market; and that the project will not harm the marketing or operation of other projects the Department has funded or insured in the market area.

3.6 Occupancy and Rent Restrictions

3.6.1 *Minimum Occupancy Restrictions*

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

~~***Maximum Rent Levels***~~

~~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. For this analysis, the actual tenant-paid rent will be evaluated rather than the gross rent received resulting from the rental assistance. If any rental assistance is not project-based, the assisted portion of the rent should not be included in the project's income projections. In these cases, the gross rent will be evaluated and not the amount actually paid by the tenants.~~

~~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 limit will be based on 1.5 persons per bedroom for units with one or more bedrooms and 1.0 person for efficiency units. Rent levels including tenant paid utilities must be supported by the market study. Rents should also 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 rents. For elderly projects, the imputed household size may not exceed three persons regardless of the number of bedrooms. Area median income limits adjusted for household size may be found on the Department's website at:~~

~~http://www.dhcd.state.md.us/downloads/IL2003.pdf~~

3.6.2 *Relocation and Displacement*

For existing and occupied buildings, the applicant must submit a draft of the relocation plan for projects that result in the temporary or permanent displacement of current occupants. 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 may be found on the Internet at:

http://www.fhwa.dot.gov/environment/teas/10.htm

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 projects appear feasible and show the amount of anticipated funding, general repayment terms and any conditions. If financing will be subsidized or insured by another institution 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 a FHA-insured first mortgage, the lender must include a letter of intent with the application. This letter of intent must detail the lender's proposed schedule for Multifamily Accelerated Processing (MAP). This schedule must correspond with the developer's schedule as set forth on the Application Form (202).

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 tax credit expected, investor type, expected net proceeds, syndication costs and pay-in schedule.

3.7.2 *Rental Housing Fund*

In general, RHF loans must be fully repaid on an amortizing basis at an annual rate of 4% for a term of up to 40 years. If the development cannot support the loan at a 4% interest rate, the rate may be reduced to as low as 2% at the Department's discretion. The maximum loan per project is the lesser of $1.5 million or the total development cost of the project multiplied by the percentage of income-restricted units. Funding requests in excess of $1.5 million will be considered on a case-by-case basis.

While~~To the extent possible,~~ the ~~Department's~~ Department encourages repayment of its funds ~~must be repaid~~ on an amortizing basis, ~~. At~~ the Department, at it~~'~~s discretion, may permit loans funded by the Rental Housing Fund or a portion thereof, ~~may~~ to be repaid ~~to the Department~~ on a cash flow basis. The ~~specific amount~~ proportion of the loan that may be repaid on a cash flow basis and the terms for repayment will be determined by a Departmental review of the project's net operating income. The Department expects to receive 100% of the cash flow although the Department may agree to share up to 25% of cash flow with the borrower. ~~The sponsor must request waivers of this requirement for 100% of cash flow in writing with detailed and specific reasons for the waiver request. Requests for waivers must be received at the time of application or, if the need for the waiver arises after application, no later than submission of the viability kit. Waiver requests will be evaluated on a case-by-case basis.~~ -All cash flow loans must be repaid at the end of the loan term.

Multifamily Bond Program: Terms and Conditions

Loans provided under the Multifamily Bond Program (MBP) must be amortized at an interest rate ~~that is based on the cost of the bonds to~~set by the Department~~ plus an override of 0.25% to cover administrative and servicing costs~~. ~~The override may be increased at the Department's sole discretion. During the processing of these loans, the Department will make estimates of the expected interest rates and bonds will be sold only if the interest rate needed to make the project viable can be achieved.~~ The term of the loan may be up to 30 years for taxable bond funded loans or 40 years for 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. Private

3.7.3 *Prepayment Requirements*

In addition, loans derived from the Department's RHF are, by regulation, subject to the prepayment, tenant notice and relocation requirements of the Maryland Assisted Housing Preservation Act, Art. 83B, §§9-101, Annotated Code of Maryland, and COMAR 05.05.04, 05.05.01, 05.05.07 or 05.05.08, depending on the RHF program source of funding and COMAR 05.05.02 for bond financed loans.

3.7.4 *Tax Credits*

The tax credit reservation or allocation for any single project is limited to $1,000,000. Reservations or allocations approaching this amount may be split over two or more calendar years. Additional conditions and restrictions on tax credit reservations and allocations are provided in the Qualified Allocation Plan, which is available on the Department's web site at http://www.dhcd.state.md.us/rhfunds/download/2002qap.pdf. Financing from the Transitional Housing Grant and Partnership Rental Housing programs ~~will be in the form of a grant and~~ may not be included in ~~tax credit~~eligible basis if competitively allocated credits are used.

In order to balance the demand for RHF and Tax Credits, the Department reserves the right to ~~decrease~~ adjust the amount of tax credits as well as State loan funds requested in the application. ~~Generally any such decrease will be accompanied by an increase in loan funds equal to the amount of the decrease in expected equity~~The Department also may substitute other sources of funds for those requested.

3.7.5 *Construction or Rehabilitation Costs*

The construction or rehabilitation costs for projects must be within a reasonable range for the scope of work proposed. If the proposed costs per gross square foot exceed the maximum limits outlined below, sponsors must submit a request for waiver in accordance with Section 5 of this Guide that includes a detailed explanation of the reason construction or rehabilitation costs are outside of this range. Staff will evaluate waiver requests for reasonableness on a case-by-case basis to determine compliance with the threshold requirements. Construction or rehabilitation costs include all work, including site development, associated with the physical development of projects. The projects' costs are obtained by dividing the amount of the construction or rehabilitation contract by the gross square footage of the buildings to be constructed or renovated. The construction contingency should not be factored into this equation.

Maximum Construction Costs per Gross Square Foot			
Type of Building	New Construction	Substantial Rehabilitation	Moderate Rehabilitation
Townhouses	$85	$89	$29
Cottage, Single Family and Semi-detached Dwellings	85	89	29
Garden Apartments	67	51	24
Elevator Buildings (≤5 floors)	72	56	29
Mid-rise Buildings	85	64	32
High-rise Buildings	91	67	32

3.7.6 *Moderate Rehabilitation*

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 of this Guide. ~~This minimum may be waived upon application for projects that can demonstrate:~~

~~A strong need for preservation of affordable housing in the market area;~~

~~Affordable housing units will be lost if the project is not financed using Department funds; and~~

~~Adequate reserves based on a capital needs assessment performed by an engineer or other qualified professional will be available to the project.~~

~~This minimum may be waived for projects that can demonstrate both a strong need for preservation of affordable housing in the market area and that affordable housing units will be lost if the project is not financed using Department funds.~~

3.7.7 *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, Procedures for Abating Lead Containing Substances in Buildings). All abatement contractors or subcontractors must be certified and accredited by MDE. For information on MDE abatement requirements, please refer to http://www.mde.state.md.us/health/lead/index.html or call ***1-800-776-2706*** for the MDE Lead Hotline.

3.8 Development Budget

3.8.1 *Acquisition Price*

For projects involving acquisition and rehabilitation of existing buildings or the purchase of raw land, the acquisition price may not exceed the standards set forth below.

- For an arms length transaction, the maximum acquisition price may not exceed the lesser of the contract sales price or the appraised value of the property.
- For transactions involving a change in use, appraisals will 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 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 appraised value of the property.
- For school and other sites owned by local governments or religious institutions, CDA loan funds may not be used to purchase these sites for conversion to housing.

For purposes of this section, acquisition is defined as 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.

3.8.2 *Syndication 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.

~~*Operating Reserves*~~

~~Operating reserves shall range from three to six months of projected operating expenses plus all required debt service payments and monthly replacement reserve payments. For projects with proposed operating reserves that are outside of this range, sponsors must submit a request for a waiver that includes a detailed explanation of the reasons operating reserves for the project should be set at a different level. Staff will evaluate waiver requests for reasonableness on a case-by-case basis to determine compliance with the threshold requirements. 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 a fiscal year confirmed by its annual audit and has reached 90% occupancy for 12 consecutive months. Then 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 should be used to reduce any State loan.~~

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 subject to federal subsidy layering requirements have the same limitations under a Memorandum of Understanding between the Department and HUD. See the Department's Qualified Allocation Plan for further information.

Category	Limitation
Builder's Profit	5% to 10% of the net construction costs
Builder's Overhead	2% to 3% of the net construction costs
General Requirements	5% to 10% of the net construction costs
Architect Design	2% to 5% of the construction contract
Architect Administration	1% to 3% of the construction contract
Developer's Fee	10% to 15% of total development costs not to exceed $2.5 million
Please see below for additional information.	

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 Profit*

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 departmental 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 *Builder's Overhead*

Allowable builder's overhead may range from 2% to 3% of the net construction costs with the lower percentage applicable to larger projects and the higher percentage to projects of lesser amounts.

3.9.4 *General Requirements*

The allowable general requirements are determined based on the size of the project. General requirements may range from 5% to 10% of net construction costs.

3.9.5 *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%.

3.9.6 *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 based on the table below. The developer's fee may not exceed $2.5 million. ~~For projects with proposed developers' fees in excess of $2.5 million, sponsors must submit a request for a waiver that includes a detailed explanation of the reasons for increased developer's fee. Staff will evaluate waiver requests for reasonableness on a case-by-case basis to determine compliance with the threshold requirements. Any fee in excess of $2.5 million must be recommended by HFRC and approved by the Secretary of the Department. Increasing the fee to increase the tax credit basis is not a valid justification for a waiver.~~

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

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 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. 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.

3.10 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.

~~***Operating Expenses***~~

~~Estimated annual operating expenses, including real estate taxes and excluding reserve for replacement deposits, should range from $2,500 to $4,500 per unit. For projects with proposed operating expenses that are outside of this range, sponsors must submit a request for waiver that includes a detailed explanation of the reasons operating expenses are expected to be outside the range and support these estimates by the market analysis submitted with the application. Staff also will evaluate, where possible, waiver requests for reasonableness on a case-by-case comparison basis against similar properties in the CDA portfolio to determine compliance with the threshold requirements.~~

~~*Reserve for Replacement Deposits*~~

~~Proposed reserve for replacement deposits must not be less than the minimum standards for the scope of work proposed.~~

- ~~For new construction or substantial rehabilitation projects a minimum annual deposit of $250 per unit.~~
- ~~For moderate rehabilitation projects a minimum annual deposit of $300 per unit.~~

~~For rehabilitation projects, a capital needs assessment or comparable engineering report will be required before 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 reserve for replacement amount based on a new capital needs assessment every five years.~~

3.10.1 *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.

~~*Debt Service Coverage Ratios*~~

~~Projects must have a minimum debt service coverage ratio of 1.1 to 1 by the first year of sustaining operations after considering all required debt service payments, including bond financed mortgage payments. A debt coverage ratio of 1 to 1 will be required for other amortizing debt service on State financing provided through the Department. The Department will work with the sponsor to meet more stringent requirements imposed by other lenders or equity providers.~~

3.10.2 *Project Phasing*

Applications for subsequent phases of projects already in receipt of a reservation of loan funds or tax credit allocations must show evidence that the original phase(s) of the project achieved sustaining occupancy. HDP defines sustaining occupancy for this purpose as a minimum of 3 months of break-even operations and 90% or above occupancy. The Department may waive this requirement upon specific request in accordance with Section 5 of this Guide.~~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.~~

3.11 Project Schedule

3.11.1 *Application Schedule*

Sponsors must submit a detailed project completion schedule consistent with the Department's loan submission kits. Sponsors are expected to meet the development schedules as proposed if projects are approved for reservations of funding. 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.

3.11.2 Post Reservation Scheduling

The Department must approve any significant deviations from project schedules. In these cases, sponsors must submit updated schedules, including an explanation for the delays, 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 loan 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 Departmental resources are in jeopardy of being lost to the State due to nonperformance by sponsors. Failure to meet Departmental processing schedules also may also affect future scoring (see also Section 4, "*Development Team Experience*" below).

For projects requesting loan funds, 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. Typically, this means that the sponsor must incur a minimum of 10% of the reasonably expected basis in the current year. For forward reservations of future year tax credits, the applicant must meet the 10% test at the earlier of the date set forth in the application schedule or within five months of receiving a Carryover Allocation from the Department, and place the project in service by the end of the second year following the Carryover Allocation. Please refer to the Qualified Allocation Plan for more information.

4. ~~Section 4 -~~ 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, 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 Evaluation Criteria Score

Applications requesting MBP funding and non-competitive tax credits must still obtain a minimum score of 185 points under the evaluation criteria to be eligible for funding.

Summary of Evaluation Criteria Scoring (*~~345~~ 315 Points Total*)

Capacity of Development Team	***Total ~~100~~ 100 Points***	***Application Package Exhibit(s)***
Development Team Experience	50 points	Exhibits
Financial Capacity	20 points	Exhibit
~~MBE and WBE Participation~~		
Deductions from Team Experience Score~~Nonprofit/Housing Authority Participation~~	(up to minus 30 points)	Exhibit
Nonprofit /Housing Authority Participation	15 points	Exhibit
MBE/WBE Participation	15 points	Exhibit
Public Purpose	***Total 75 Points***	
~~Community Revitalization and~~ QCT/DDA, ~~Rehab or Replacement Housing~~Rehabilitation and Revitalization Plans	10 points	Exhibit
Income Targeting – Below 60% of Median	20 points	Exhibit, Form 202
Long Term Use Restriction	5 points	Exhibit, Form 202
~~Housing for People with Disabilities~~		
Disabled and Special Needs Housing	5 points	Exhibit, Form 202
Family Housing	5 points	Exhibit
Tenant Services	20 points	Exhibit
Link to Public and Assisted Housing	5 points	Exhibit

Waiting Lists		
Small Scale Project (30 units or less)	5 points	Exhibit
Location and Marketability	***Total 55- Points***	
Market Study	40 points	Exhibit
Other Investment in Community~~Other Investment in the Community~~	5 points	Exhibit
~~Mixed Income Project~~		
~~Small Scale Project (less than 30 units)~~		
Rural Project	10 points	Exhibit, Form 202

Development Quality	***Total 55- Points***	
Building Design Fits Community	7 points	
Site Layout Well Thought Out	7 points	
Units are Spacious and Well Designed	7 points	
Material Selections Are Good	7 points	
Design Promotes Energy Efficiency	7 points	Exhibits
Site is Suitable	7 points	
Opportunities for Recreation and Activities	6 points	
Unit Amenities Are Good	7 points	
~~LEED Green Building Standards~~		
Leveraging and Long Term Subsidies	***Total 30 Points***	
Leveraging of Non-State Resources	10 points	Exhibit
State Subsidy per Affordable Bedroom	10 points	Exhibits
Long-Term Operating Subsidies (PILOT or Sec. 8)	10 points	Exhibit

~~ortgage ong rogramFinancing~~

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.

Development Team Experience

(~~50~~ 50 maximum points)

4.1.1.

Points will be awarded based on the demonstrated relevant experience and qualifications of the members of the development team. The members of the development team include the applicant, developer, co-developer, guarantors, consultant, owner (the entity with a controlling interest), 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. For maximum points, the members with controlling interests in the developer and the owner should have previous experience in these capacities. Scoring for each entity within the team will be as follows:

Evaluation Criteria	**Developer (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.	18	12	8	12

Evaluation Criteria	Developer (18 points maximum)	General Contractor (12 points maximum)	Architect (8 points maximum)	Management Agent (12 points maximum)
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.	12	8	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.	6	4	3	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. Other Deductions from Team Experience Score (Up to 30 Points Deducted)

4.1.2.1. Previous Participation with Housing Development Programs and Asset Management

Up to 5 additional points may be deducted from the Team Experience Score for lead members (developer, co-developer, owner or property manager) of the team involved in projects currently in CDA's pipeline that are not meeting or have failed to meet the Department's loan processing schedules. These points also may be deducted for lead members (developer, co-developer, owner or property manager) that have a record of consistent failure to promptly resolve compliance matters or that have a record of:

- 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 report company performance evaluations with ratings of Below Average or Unsatisfactory;
- Failure to maintain a current Management Agreement on file with Asset Management; and
- Late payments of all types including cashflow billings.

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:

Minimum Reserve for Replacement (RfR) Deposits - must not be less than the minimum standards for the scope of work proposed:

- For new construction or substantial rehabilitation projects a minimum annual deposit of $250 per unit; or

- For moderate rehabilitation projects a minimum annual deposit of $300 per unit.

For rehabilitation projects, a capital needs assessment or comparable engineering report will be required before 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 a fiscal year confirmed by its annual audit and has reached 90% occupancy for 12 consecutive months. Then 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 should be used to reduce any State loan.

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. See Exhibit B of this Guide for further details on reserve requirements.

Annual Operating Expenses Per Unit - including real estate taxes and excluding reserve for replacement deposits, should range from $2,500 to $4,500 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. For this analysis, the actual tenant-paid rent will be evaluated rather than the gross rent received resulting from the rental assistance. If any rental assistance is not project-based, the assisted portion of the rent should not be included in the project's income projections. In these cases, the gross rent will be evaluated and not the amount actually paid by the tenants.

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 limit will be based on 1.5 persons per bedroom for units with one or more bedrooms and 1.0 person for efficiency units. Rent levels including tenant paid utilities must be supported by the market study. Rents should also 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 rents.

For elderly projects, the imputed household size may not exceed three persons regardless of the number of bedrooms. Area median income limits adjusted for household size may be found on the Department's website at:

http://www.dhcd.state.md.us/downloads/IL2003.pdf

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

Except for the Maximum Rents criterion which is statutory and cannot be waived, sponsors must submit a request for a waiver in accordance with Section 5 of this Guide that includes a detailed explanation of the reasons for failing to meet these standards. ~~Points also may be deducted for lead members (developer, co-developer or owner, and property manager) of the team involved in projects currently in CDA's pipeline that are not meeting or have failed to meet the Department's loan processing schedules. Points also may be deducted for lead members that have a record of consistent failure to promptly resolve compliance matters.~~

Financial Capacity

(~~20~~ 20 maximum points)

4.1.3.

Maximum points will be awarded to development entities and guarantors that have the financial capacity to undertake the project. 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. 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	
Over 4 %	10 Points
Between 2% and 4%	5 Points
Under 2%	0 Points

To perform this evaluation, the Department requires that operating information be submitted with the application. Please consult Exhibit O in the Application Submission Package for more information regarding this requirement.

~~Minority-owned and/or Women-owned Business Enterprise Participation~~

~~(15 maximum points)~~

~~Preference is given to projects which involve 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. Please refer to http://www.mdot.state.md.us/mbe/index.html or call the MDOT Office of Minority Business Enterprise at (410) 865-1240 for more information on certification by MDOT as an MBE/WBE.~~

~~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 15 points may be awarded when the MDOT or locally certified entity has a controlling ownership interest. Up to 10 points may be awarded for 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, the civil engineer or tenant service provider. Up to 5 points may be awarded for other important roles. In general more points will be awarded for a larger role and demonstrated capacity. A controlling ownership interest means a 51% interest in the general partner of a limited partnership or a similar arrangement for corporations and limited liability companies. Points for a lesser interest in the ownership entity will be awarded based on the extent of the risks and rewards of ownership afforded the 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.~~

4.1.4. Nonprofit or Public Housing Authority Participation and Community-based Involvement (15 maximum points)

Points may be awarded when the project involves a nonprofit organization that is tax-exempt under Sections 501(c)(3) or 501(c)(4) of the Internal Revenue Code and independent of any for-profit entity or is an eligible public housing authority. 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.

Points may be awarded when the project is controlled by a nonprofit organization that is tax-exempt under Sections 501(c)(3) or 501(c)(4) of the Internal Revenue Code. To qualify for maximum points, the entity must demonstrate that it will have a controlling interest in the ownership entity and is a Qualified Nonprofit within the meaning of Section 42(h)(5)(B) and (C) of the Internal Revenue Code. This portion of the Code requires, among other things, that the entity:

1. Materially participate in both the development and management of the project, and
2. Be neither controlled by nor affiliated with any for-profit entity.

A controlling ownership interest means an interest greater than 50% in the general partner of a limited partnership or a similar arrangement for corporations and limited liability companies. This criterion also applies to general partners or managing members that are wholly-owned subsidiaries of otherwise qualified nonprofit organizations. Tax credit allocations for applications receiving the maximum 15 points in this category will be made from the federally-mandated 10% non-profit set-aside.

Up to 10 points may be awarded when *1)* the entity has a controlling ownership interest in the project but does not qualify for an allocation of credits from the mandated 10% nonprofit set aside; *2)* if the entity does not have a controlling ownership interest but is a member of the development team, civil engineer or tenant service provider; or *3)* the entity is community based with another important role.

Up to 5 points may be awarded when the entity is not community based and has another important role. The amount 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.

Local Community Housing Development Organizations (CHDO's) are by definition community-based. Other nonprofit organizations will be considered community based if they are headquartered in the same community as the project, independent of the control of any for-profit entity, and provide services specific to that community. If the entity is not headquartered in the same community as the project, it may still receive points as a community based organization if at least one-third of its board is composed of community residents or members of organizations headquartered in the community and the organizations can show a history of involvement in the community.

A nonprofit or public housing authority (PHA) may also be considered community-based through formation of a local advisory board, composed of community members, that participates in the design, development and operation of the project. For a local advisory board, the application should document the role of the board and its level of involvement in the proposed project, through meeting notes or minutes, letters or other evidence of participation. The community will be defined by local neighborhood definitions, not on the basis of political boundaries.

4.1.5. Minority-owned and/or Women-based Business Enterprise Participation (15 maximum points)

Preference also is given to projects which involve 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. Please refer to http://www.mdot.state.md.us/mbe/index.html or call the MDOT Office of Minority Business Enterprise at (410) 865-1240 for more information on certification by MDOT as an MBE/WBE.

The amount 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 15 points may be awarded when the MDOT or locally certified entity has a controlling ownership interest. Up to 10 points may be awarded for MDOT or locally certified minority or women-owned business involvement when the entity does not have a controlling ownership interest but is a member of the development team, the civil engineer or tenant service provider. Up to 5 points may be awarded for other important roles. In general more points will be awarded for a larger role and demonstrated capacity. A controlling ownership interest means an interest greater than 50% in the general partner of a limited partnership or a similar arrangement for corporations and limited liability companies. Points for a lesser interest in the ownership entity will be awarded based on the extent of the risks and rewards of ownership afforded the MBE/WBE participant.

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 letters of intent from the organization that document the specific services or products to be provided to the project.

4.2. Public Purpose

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

~~15, Rehabilitation~~Community Revitalization Plan
~~(25 maximum points)~~
~~A maximum of 15~~ 10 points may be awarded for ~~developments in neighborhoods that have existing community revitalization plans or are officially designated as:~~
~~Certified Heritage Areas within county designated growth areas,~~
~~Community Legacy Areas,~~
~~Designated Neighborhoods under the Neighborhood Business Development Program of the Department,~~
~~Empowerment Zones,~~
~~Federal or Maryland Enterprise Zones,~~
~~Hotspots Communities,~~
~~Main Street Maryland Communities, or~~
~~Rural villages designated in county comprehensive plans as of July 1, 1998.~~

~~Five additional points may be awarded for~~ projects 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. Alternatively, 10 points also may be awarded to rehabilitation projects that contribute to a concerted community revitalization plan regardless of location in a QCT or DDA. For a listing of Qualified Census Tracts and Difficult Development Areas, please consult the HUDuser website at:

http://www.huduser.org/datasets/qct.html

~~In a revitalization area, a~~For the purpose of qualifying projects for scoring under this criterion,~~n additional five points may be awarded if the project involves the~~ rehabilitation ~~of~~ means repairs 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 ~~5 additional~~ points to a project that involves the demolition and replacement of an existing 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 Smart Growth and revitalization policies 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 must 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.

4.2.2. Income Targeting (20 maximum points)

~~Income Targeting~~
~~(20 maximum points)~~

To be eligible for State financing or a reservation of tax credits, sponsors must rent a minimum number of units to income eligible families. For tax credit projects, at least 20% of the units must be rented to families with incomes of 50% of area median or less or 40% of the units must be rented to families with incomes of 60% of the area median or less. All units financed with State funds must be rented to families with incomes of 60% of area median or less.

To the extent that restricted units will be rented to families with incomes below 60% of the area median, more points will be awarded. The lowest income level considered under this criterion is 30% of the area median income. Maximum points will be awarded for projects in which all of the low-income units will be rented to families with incomes of 30% of the area median or less. Points for projects with other income mixes will be determined based on the weighted average percent of median income per bedroom.

Income Targeting					
Wtd. Avg.	Points	Wtd. Avg.	Points	Wtd. Avg.	Points
30 – 31%	20	43%	13	50%	6
32 – 33%	19	44%	12	51%	5
34 – 35%	18	45%	11	52%	4
36 – 37%	17	46%	10	53%	3
38 – 39%	16	47%	9	54 – 55%	2
40 – 41%	15	48%	8	56 – 57%	1
42%	14	49%	7	58 – 60%	0

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 bedrooms 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 = 600
Total 9150

Step Three: Divide the result by the total number of 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.

4.2.3. Long Term Use Restriction and Homeownership Opportunities (5 maximum points)

~~Long Term Use Restriction and Homeownership Opportunities~~

~~(5 maximum points)~~

Owners must maintain compliance with the low-income occupancy provisions required under the funding program. When State financing is being provided, the minimum retention period is the longer of 15 years or the period that the mortgage is outstanding, which is generally 30 to 40 years. Under federal rules, tax credit project owners must agree to maintain low-income occupancy restrictions during the 15-year compliance period and during an additional 15-year extended use period for a total use restriction of 30 years. The owner may, however, choose to exercise opt-out provisions provided under federal law after the compliance period.

Projects will be evaluated and awarded five points in this category for agreeing to maintain the income and rent restrictions for 40 or more years and not exercise any opt-out rights. Maximum points may also be awarded for projects that will be converted to homeownership for their residents after the 15-year compliance period has expired. To qualify for full scoring under this criterion, properties intended for eventual homeownership must be physically designed to facilitate marketing for and conversion to homeownership. Applicants also must present a strategy in their applications 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 15-year compliance period.

Housing for People with Disabilities or Special Needs

4.2.4. (~~5~~ 5 maximum points)

Projects that provide integrated housing opportunities for income-qualified persons with disabilities or other special needs may be awarded points in this category. Such housing includes, but is not limited to:

- Housing targeted to the non-elderly disabled or those living on Supplemental Security Income (SSI);
- Housing that provides additional fully accessible (as opposed to adaptable) units over any minimum requirements in local or state codes; or
- Homeless shelters or transitional housing for the homeless.

~~.~~

~~Points will be awarded based on the percentage of units devoted to the targeted populations over and above any minimum requirements that may be imposed by State or federal fair housing laws. For the actual point breakdown by percentage, refer to the table under the following subheading, "*Special Needs Housing*." To receive points, the targeted units must be made available only to persons with disabilities for at least 30 days or until the prescribed percentage of residents is achieved.~~

~~***Special Needs Housing***~~

~~*(5 maximum points)*~~

~~Projects that provide housing for persons with special needs may be awarded points in this category. Special needs housing includes, but is not limited to:~~

- ~~Licensed assisted living facilities participating in a Medicaid waiver program under §1915(c) of Title XIX of the Social Security Act;~~
- ~~Homeless shelters or transitional housing for the homeless;~~
- ~~Housing for families (units with two or more bedrooms, not restricted to elderly residents);~~
- ~~Housing that provides additional fully accessible (as opposed to adaptable) units over any minimum requirements in local or State codes;~~
- ~~Housing set aside for households participating in a court-approved relocation plan, and;~~
- ~~Housing with services for families participating in a State-recognized Welfare-to-Work program (the application should include a letter from the local Department of Social Services agreeing to refer eligible Welfare-to-Work participants to the project).~~

~~"Targeted" units must be actively marketed to the targeted population through advocacy organizations or other social service organizations, and the project owner much agree to hold~~

~~such units for a minimum of 30 days~~To receive points, the targeted units must be made available only to persons with disabilities or special needs. Targeted units must be made available until the prescribed percentage of residents is achieved but no longer than 30 days beyond 80% initial occupancy. Points will be awarded based on the percentage of units ~~devoted~~ targeted to disabled or special needs populations over and above any minimum requirements that may be imposed by State or federal fair housing laws according to the following table:~~.~~

Percent of Units for Disabled/Special Needs	
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. 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

4.2.6. Tenant Services (~~20~~ 20 maximum points)

Points may be awarded for linking service programs to the project. Examples of programs that may be considered 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
- 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 or before and after school child care
- Health education and referral or health care outreach centers
- Job training and preparation 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

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 include on-site services must be designed to include the necessary physical space for the services. To be scored under this criterion, letters or agreements documenting a service provider's involvement with the project should be submitted. More points will be awarded to the extent that the services are actively linked to the residents and not simply provided to the community at large.

4.2.7. Public and Assisted Housing Waiting Lists (~~5~~ 5 maximum points)

Points may be awarded to projects that establish a priority for households on waiting lists for public housing or other federal or State assisted low-income housing. To receive points, the applicant also must demonstrate that the entity maintaining the waiting list is willing to refer tenants to the project.

4.2.8. Small Projects (5 maximum points)

Points will be awarded to projects that consist of 30 or fewer units. Points will not be awarded for phased projects when the phases in combination contain more than 30 units. A project will not be considered phased if the second section is submitted after the first section has achieved break-even operations for one fiscal year and 90% occupancy for 12 consecutive months.

4.3. Project Location and Marketability

~~**Other Investment and Community Support**~~

~~*(10 maximum points)*~~

~~Up to 10 points may be awarded if the sponsor documents local community support and that other significant investment has recently occurred, is ongoing or is planned for the community in which the project is located. Five points will be awarded for documentation of recent (completed within the last three years) or on-going development or for awards of funds for imminent development, within close proximity to the project. Evidence should include the approximate amounts invested in the other development. For in-fill sites in established, stable neighborhoods, these five points may be awarded for documentation of recent or on-going business investment, stable or increasing property values and home ownership investment.~~

~~Five additional points may be awarded for documentation of significant community support for the project. Evidence should include letters of support, dated within 8 months of the application deadline, from local community groups, leaders and elected officials. Letters from individuals or letters from groups unaffected by the project will not be considered in the evaluation of this criterion.~~

4.3.1. Market Study (~~35~~ 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 include the following:

- Geographic definition (other than a simple radius) and analysis of the market area;
- Data regarding neighborhood or community characteristics such as crime or incompatible land uses that could negatively affect the success of the project;
- Number of renter households qualified by income and, if appropriate, age for the targeted program(s) in the market area;
- Rent levels, operating expenses, amenities, 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;
- Support for the project's proposed income targeting;
- Penetration or capture rate for the proposed project including rates at housing costs (rent plus utility allowance, if any) not exceeding 30% of gross median income for the targeted income levels; and
- A conclusion or executive summary capturing the above information.

The market study must be prepared by a third-party professional ~~that has~~ experienced with multifamily rental housing and/or tax credit housing in Maryland and is on the list of acceptable market analysts maintained by the Department on its website. The study should be detailed and provide a logical basis for all conclusions. Other projects that the Department has funded in the area should be identified, as should the impact of the proposed project on these developments and on any other existing projects.

A list of acceptable market analysts may be obtained from the Department website at http://www.dhcd.state.md.us/rhfunds/download/apprlist.pdf or by calling the Department. Current income limits also are available on the website.

4.3.2. Other Investment in the Community (5 maximum points)

Up to 5 points may be awarded if the sponsor documents that other significant investment has recently occurred, is ongoing or is planned for the community in which the project is located. Points will be awarded for documentation of recent (completed within the last three years) or on-going development or for awards of funds for imminent development, within close proximity to the project. To qualify for maximum points under this criterion, evidence must include the approximate amounts invested, committed or planned in the other developments. For in-fill sites in established, stable neighborhoods, these points may be awarded for documentation of recent or on-going business investment, stable or increasing property values and home ownership investment.

~~Mixed Income Projects~~

~~(5 points)~~

~~Up to five points will be awarded to projects where at least 20% of the residential units in the property have neither income nor rent restrictions.~~

~~Small Projects~~

~~(10 maximum points)~~

~~Points will be awarded to projects that consist of 30 or fewer units. Points will not be awarded for phased projects when the phases in combination contain more than 30 units. A project will not be considered phased if the second section is submitted after the first section has achieved break-even operations for one fiscal year and 90% occupancy for 12 consecutive months.~~

Rural Projects

4.3.3. (~~10~~ 10 maximum points)

Points will be awarded to projects that are in rural areas as designated by the Rural Housing Service or that either are 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, Somerset, Washington, Wicomico and Worcester.

Development Quality

4.4. *(~~60~~ 55 maximum points)*

Under this category, projects will be evaluated and awarded points based upon the quality of the project design, material selection and environmental and site considerations. Staff will inspect the project and associated community and will thoroughly evaluate the plans and specifications (~~see Application~~see Application for details of submission requirements).

There are ~~9~~ 8 specific criteria (see Exhibit C for details) that will be used to ascertain the scoring for development quality. These criteria and associated points are:

1. The building design and use are compatible with the surrounding environment and existing neighborhood. *(7~~7~~ points)*

2. The layout of the buildings and other improvements on the site is well thought out and complements the surrounding environment. *(~~7~~ 7 points)*

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

4. Material selections are of good or better quality, designed for normal maintenance and can be expected to perform well over the long term. *(~~7~~ 7 points)*

5. Design features promote comfort and energy efficiency over the estimated useful life of the project. *(~~7~~ 7 points)*

6. The site is suitable for the proposed development and no excessive geotechnical, environmental or utility infrastructure expenditures are needed or anticipated. *(~~7~~ 7 points)*

7. The buildings and the project site, including the immediate surroundings, provide adequate space for recreation, education and community activities. *(~~7~~ 6 points)*

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

~~9. The owner indicates through plans and specifications a commitment to seek certification under the Leadership in Energy and Environmental Design (LEED) Green Building System™ (Current Version) of the U.S. Green Building Council for the building(s). *(4 points)*~~

4.5. Leveraging and Long Term Subsidies

4.5.1. Leveraging (10 maximum points)

The extent to which Department funds are used to leverage other funds will be considered. Points will be awarded based on the percent of non-Department funds specifically identified and designated to supplement Department funds.

For purposes of this section, Department funds include the State's HOME Investment Program, Rental Housing Production Pr~~o~~gram, Maryland Housing Rehabilitation Program, Elderly Rental Housing Program, Nonprofit Rehabilitation Program, Community Legacy Program and the Partnership Rental Housing Program. ~~HOME Investment Program funds administered by participating jurisdictions will not be considered leveraged funds. However, other f~~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. Because the Department administers tax credits, equity derived from credits allocated from the State's credit ceiling will be included in Department funds for computing leverage.

In order to compare the tax credit equity fairly for all projects, an imputed raise-up amount, based on current market rates, will be used. The one exception to this rule will be for tax credits that may be awarded in connection with the 30% basis increase allowed under the Internal Revenue

Code (IRC) for projects in Qualified Census Tracts or Difficult Development Areas. In such cases, only 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 basis will be considered leveraged funds. For a listing of Qualified Census Tracts and Difficult Development Areas, please consult the HUDuser~~HUD's~~ website at:

http://www.huduser.org/datasets/qct.html

The leverage ratio will compare all Department funds to all project costs. Since total development costs, as used in this guide, does 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.

Percent of All Project Costs Leveraged with Other Funds	
65% of adjusted net costs are leveraged	10 points
61% to 64% of adjusted net costs are leveraged	9 points
56% to 60% of adjusted net costs are leveraged	8 points
52% to 55% of adjusted net costs are leveraged	7 points
49% to 51% of adjusted net costs are leveraged	6 points
45% to 48% of adjusted net costs are leveraged	5 points
40% to 44% of adjusted net costs are leveraged	4 points
35% to 39% of adjusted net costs are leveraged	3 points
30% to 34% of adjusted net costs are leveraged	2 points
25% to 29% of adjusted net costs are leveraged	1 point
Less than 25% of adjusted net costs are leveraged	0 points

Example. (Note: all figures supplied in this example are for illustrative purposes only. In particular, actual raise rates used in evaluation may vary based on HDP's analysis of the syndication market. HDP 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 $700,000, a second mortgage Rental Housing Production Program loan of $342,855, a local contribution of $425,000 ~~(not from County HOME funds)~~ and an annual tax credit award of $114,286. The imputed raise-up rate is 75 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	$114,286
Credit Period	x 10
Total Tax Credits	= 1,142,860
Imputed Raise-up	x .75
Imputed Subsidy (rounding)	=$ 857,145

Step 2. Calculate the total DHCD subsidy.

Total DHCD Subsidy	
Tax Credit Equity	$ 857,145
DHCD Loans	$ 342,855
Total Subsidy	$ 1,200,000

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	$ 1,200,000
Adjusted Costs	, 2,325,000
% State Funds	= 52%
Total Funds	100%
Less % State Funds	(52%
% Leveraged	= 48%

Step 6. Calculate the number of points for the percent leveraged from the chart above. 48% of all costs leveraged equal 5 points.

4.5.2. State Subsidy per Affordable Bedroom (10 maximum points)

Total State subsidies per affordable housing bedroom will be used to determine the effectiveness of the departmental funds. The amount of departmental funds, as defined in the previous criterion on leveraging, will be evaluated~~,~~. ~~h~~However, ~~in addition,~~ the amount of tax credit per bedroom will also be included in the calculation. To make this calculation comparable for all projects, an imputed raise-up rate, based on current market rates, will be used. In the case of projects that may receive an increase in basis under the Internal Revenue Code (IRC) because they are located in Qualified Census Tracts or Difficult Development Areas, only the equity derived from tax credits awarded for the original basis will be considered. Equity derived from tax credits awarded for the increased basis will not be considered. The lower the amount of all State subsidies per affordable housing bedroom, more points will be awarded.

Total Subsidy per Bedroom	
Subsidy is $25,000 or less per bedroom	10 points
Subsidy is $35,000 or less and more than $25,000 per bedroom	5 points
Subsidy is $50,000 or less and more than $35,000 per bedroom	2 points
Subsidy is more than $50,000 per bedroom	0 points

Example. Same facts as above.

Step 1. Calculate the State subsidy per affordable bedroom.

State Subsidy	
State Funds (from above)	$ 342,855
Affordable Bedrooms	÷ 40
State Subsidy Per Bedroom	=$ 8,571

Step 2. Calculate the tax credit subsidy per bedroom.

Tax Credit Subsidy	
Annual Tax Credits	$ 114,286
Credit Period	x 10
Total Tax Credits	= 1,142,860
Imputed Raise-up	x .75
Imputed Subsidy (rounding)	=$ 857,155
Affordable Bedrooms	÷ 40
Tax Credit Per Bedroom	=$ 21,429

Step 3. Calculate the total subsidy per bedroom.

Total Subsidy	
Tax Credit Per Bedroom	=$ 21,429
State Subsidy Per Bedroom	+$ 8,571
Total Subsidy Per Bedroom	=$ 30,000

Step 4. Calculate the number of points for subsidy per bedroom based on the chart above. $30,000 per bedroom equals 5 points.

~~*Other*~~ ***Long-term Operating Subsidies***

4.5.3. (10 maximum points)

Points will be awarded to projects that use long term operating or rent subsidies. The subsidies must reduce the operating expenses or rent for 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.

~~Maximum~~ For HOME Participating jurisdictions, maximum points may be awarded for projects with a subsidy of at least $~~100~~ 200 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 $100 per unit, per annum for 10 years. Fewer points will be awarded to the extent that the subsidy per unit per year is below $~~100~~200 for HOME Participating Jurisdictions or $100 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 ~~finding~~ 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.

5. Waivers

5.1. Waivers – General

The Code of Maryland Regulations (COMAR) allows the Secretary of the Department to waive or vary particular regulations to the extent that the waiver is not inconsistent with law if, in the determination of the Secretary, the application of a regulation would be inequitable or contrary to the purposes of the relevant statutes. For detail, consult COMAR Title 05 and Regulation .01.09.10 for Rental Housing Loan Processing; .05.01.29 for the Elderly Rental Housing Program; and .05.04.22 for the Rental Housing Production Program.

The Department may waive provisions of this Guide as specified in this Section. In general and unless specified in Section 5.2 below, HDP requires applicants considering a request for a waiver of the Threshold or Competitive Criteria in this Guide to submit such requests in writing to the Deputy Director, 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 the federal Low-Income Housing Tax Credits (LIHTC) Program. Federal LIHTC program criteria may not be waived at the state level, 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

For specific Threshold criteria listed below, the Department may consider requests for waivers based on the following:

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 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. Among the factors HDP may consider 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 3.2.2. above) – the Department may grant waivers for development team members unable to meet Departmental processing requirements based on the justifications for requesting waivers under 3.2.1, Previous Project Performance.

Construction or Rehabilitation Costs (see 3.7.5 above) – requests for waivers of this provision may be submitted to the Department with the application. The Department may grant waivers based on staff evaluation of the project's conformance with other Threshold criteria, the need to meet the Secretary of the Interior's Standards for Historic Rehabilitation, the amount of equity and other financial resources leveraged, or the experience of the design professionals and the general contractor for the proposed project.

Moderate Rehabilitation (see 3.7.6 above) – requests for waivers of the $15,000 per unit cost minimum may be submitted to the Department upon application for projects that can demonstrate:

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

Developer's Fees (see 3.9.6 above) - for projects with proposed developers' 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. Any fee in excess of $2.5 million must be recommended by HFRC and approved by the Secretary of the Department. Increasing the fee to increase the tax credit basis is not a valid justification for a waiver.

Project Phasing (see 3.10.2 above) – a request for a waiver of this restriction may be submitted to the Department upon 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.

Project Financing and Underwriting (see 4.1.3 above) – a request for a waiver of the provisions for negative Development Team Capacity points may be submitted to the Department upon 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 threshold requirements.

Exhibit A: Application and Processing Fees

Description	Low-income Housing Tax Credit	Rental Housing Fund	Due Date
Application Fee (non-refundable)	$1~~1~~,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 submitted with the signed reservation letter regardless of how many programs are involved.		Fee must accompany signed reservation letter.
Tax Credit ~~Reservation~~ Allocation Fee (non-refundable)	2~~4~~% of the annual tax credit amount reserved	None	~~Due in full at reservation for for-profits and at placed-in-service for non-profits and bond projects~~Varies depending on financing and sponsor type. See QAP for details.
Commitment Fee	None	1.5% of the loan amount ~~on the first $20 million and 1% on the balance~~. May be financed.	Due at the earlier of initial loan closing or bond closing.
~~Costs of Issuance~~	~~None~~	~~None~~ ~~Estimated at 2% of the new loan amount plus unamortized amount from original issue~~	~~Due at initial closing for new loans and at closing for refinance.~~
~~Negative Arbitrage~~	~~None~~	~~None~~	~~Due at initial closing for new loans and at closing for refinance.~~
~~Cost to call~~Other Costs	~~None~~$1,000 10% Test Extension Fee	None	~~Payable at closing~~Payable with application for extension.
Closing Attorney's Fees	None	Closing (first loan): $20,000 Each Additional loan: $1,000	Payable at initial loan closing.
Tax Credit Compliance	$25 per unit per year	N/A	Payable annually when billed.

Description	Low-income Housing Tax Credit	Rental Housing Fund	Due Date
Monitoring Fee			

Bond Program: Fees

Costs of issuance are due at initial closing and for underwriting purposes are estimated at up to 2% of the loan amount plus the unamortized amount, if any, from the original issue. Terms for Commitment Fees are the same as for the Rental Housing Fund. For other fees including Rate Lock, Negative Arbitrage, Cost to Call and Servicing Fees, consult the Department's website at:

http://www.dhcd.state.md.us/mbp/index.asp

However, fees for the Multifamily Bond Program are subject to change, and applicants are encouraged to monitor the website for the most up to date information.

Exhibit B: Reserve Requirements

Rental Housing Fund:

Working Capital and Lease-Up Reserve: 2% of the original principal balance of the loan for for-profit developers and 1% for non-profit developers. Funds will be released at sustaining occupancy.

Operating Reserve: Three to six months of projected operating expenses plus all required monthly debt service and replacement reserve payments. See "Operating Reserves" on pp. 25-26 for information on requirements for release of these funds.

Mortgage Bond Program:

Working Capital and Lease-Up Reserve: Same as for the Rental Housing Fund above or as required by the credit enhancer.

Operating Reserve: See page 26 for information.

Exhibit C: Detail Development Quality Criteria

[Draft Development Quality Criteria to be circulated as a separate document.]