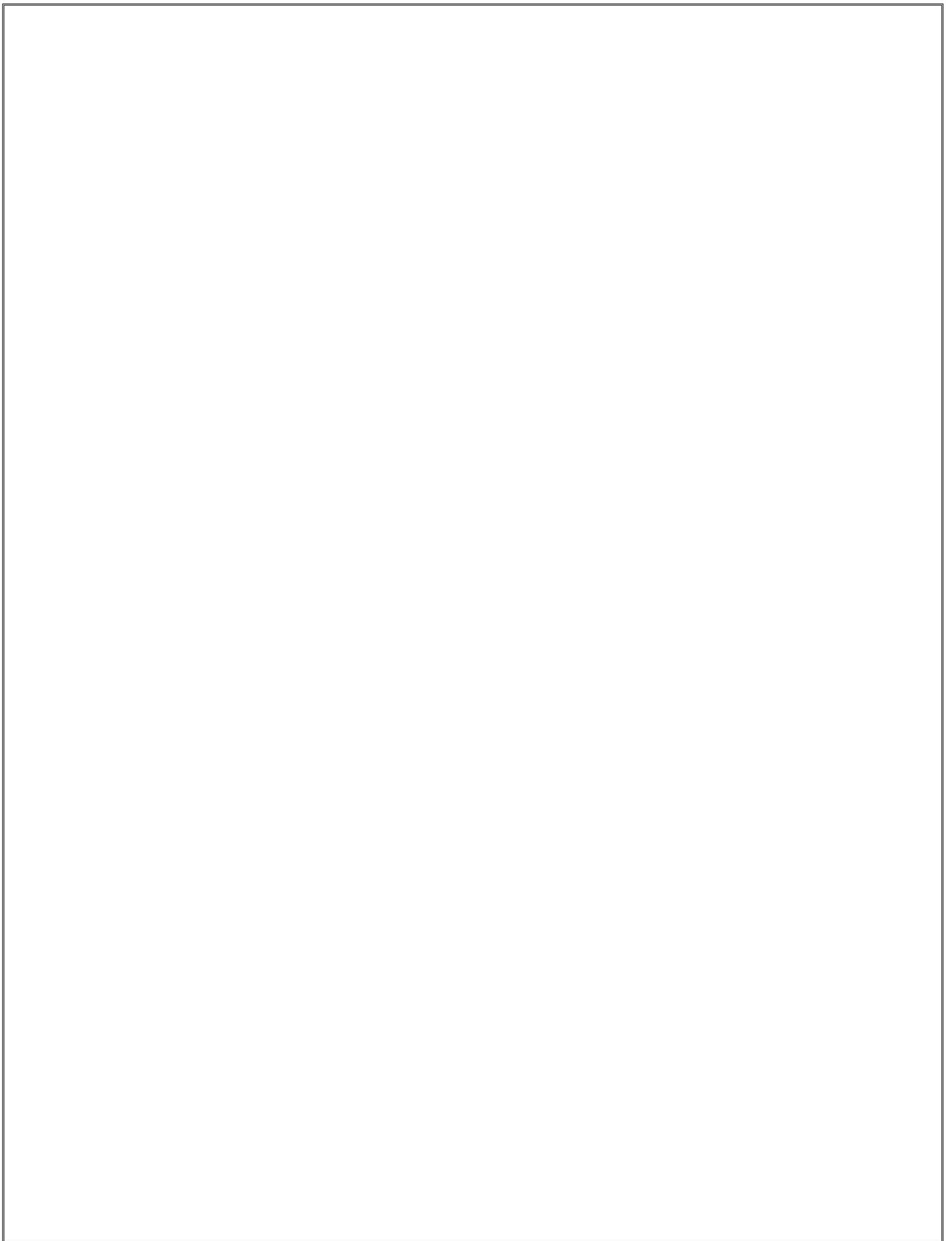


**Fall 2010
CITY OF ST. LOUIS
AFFORDABLE HOUSING TRUST FUND
FOR-SALE HOUSING PRODUCTION PROGRAM
GUIDELINES
AND
APPLICATION INSTRUCTIONS**



CITY OF ST. LOUIS AFFORDABLE HOUSING TRUST FUND FOR-SALE HOUSING PRODUCTION PROGRAM

The information enclosed contains the Program Guidelines and Application Instructions for the Affordable Housing Trust Fund For-Sale Housing Production Program administered by the City of St. Louis Affordable Housing Commission (the “Commission”). Please refer to the Program Guidelines for eligibility requirements.

Four (4) copies of the application with all related documents and exhibits must be submitted: One in a three-ring binder, with tabs corresponding to each number shown on the Application Checklist and three without tabs and secured with a binder clip only (do not staple or attach paper clips.)

Each form and exhibit must be accurately completed and include all requested information. Be sure to complete all sections and submit all forms required. Incomplete applications will be rejected.

If you have questions regarding the application or your proposal, please call the Affordable Housing Commission before the submission deadline at 314-622-3400 ext. 329 or TDD 314-622-3400 ext. 0. Early proposal submissions are encouraged.

Applications and required exhibits must be submitted to the Affordable Housing Commission offices at 1015 Locust Street, Suite 914, St. Louis, Missouri 63101 by 4:00 p.m. of November 10, 2010.

CITY OF ST. LOUIS

AFFORDABLE HOUSING TRUST FUND

FOR-SALE HOUSING PRODUCTION PROGRAM

GUIDELINES

PROGRAM DESCRIPTION

The City of St. Louis Affordable Housing Trust Fund (the “Trust Fund”) was created by Ordinance Number 65132 for the purposes of encouraging the development and preservation of affordable and accessible housing. Under this ordinance, the Affordable Housing Commission (the "Commission") is charged with the authority to establish and provide funding for a development loan program. The Commission is authorized to make both low interest and forgivable loans to housing developers for the rehabilitation, modification, construction and preservation of affordable and accessible housing in the City of St. Louis.

Private builders, property owners, developers and not-for-profit community groups are eligible to apply for financing. Applicants must demonstrate that they have appropriate housing development experience and sufficient financial capacity to undertake the development.

Developers may apply for a forgivable and/or low interest construction loans and/or second mortgage loans for prospective income-eligible homebuyers (forgivable, deferred payment or amortized). The purpose of this program is to expand homeownership opportunities for low- and moderate-income families. This may be accomplished by bridging the gap between the development cost of the home and its appraised market value (development gap financing) or by providing second mortgage loans to prospective income-eligible homebuyers, thereby making the home affordable by reducing the size of the first mortgage loan for which they must qualify (affordability gap financing), or by a combination of these two approaches.

APPLICATION THRESHOLD REQUIREMENTS

- The proposed project must conform to the Housing Trust Fund’s Household Income Guidelines that are listed on page 8, and Sales Price Limits listed on page 5.
- The application must be complete with all required exhibits.
- All applications must include a letter of support dated within the last six (6) months from the alderman representing the area in which the facility to be assisted is located or where services to be provided will be delivered. The applicant must submit evidence that representatives of the neighborhood in which the project will be located have been contacted. This includes elected officials, neighborhood/community organizations and/or social service providers in order to make them aware of the proposed project, and to seek their suggestions and support.
- The applicant must show evidence of site control and ability to keep site control over the property (ies) that is/are proposed for development for 180 days from application date.

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- The applicant must show evidence regarding the property's current zoning designation and what, if any steps are in process to obtain proper zoning and/or site plan approval for the proposed development. The application must contain minutes of any public hearing on zoning considerations
- The application must contain enough financial information including financing commitments to assess the probability of economic feasibility.
- If the project is located in a Local or National Register Historic District, the developer is expected to apply for Missouri Historic Preservation Tax Credits to leverage potential Trust Fund financing. A copy of the preliminary application to the Missouri Department of Economic Development should be attached to the completed Trust Fund application when submitted. For more information, contact the Missouri Department of Economic Development, P.O. Box 118, Jefferson City, Missouri 65102, telephone 573-751-4962 or visit their web site at: www.ecodev.state.mo.us www.ded.mo.gov

GENERAL PROJECT REQUIREMENTS

Each project eligible for funding must be sponsored by a housing or neighborhood organization operating in the immediate project area. All Trust Fund financing must be used for approved eligible construction or homebuyer loan costs actually incurred and not for administrative project costs such as developer overhead, development fees or other expenses.

DEVELOPMENT FACTORS AND QUALIFICATIONS

Construction projects will be evaluated by the Affordable Housing Commission and commission staff, using a variety of criteria, including but not limited to: need for the type of development to be constructed, community support, costs, amount of AHC subsidy requested, feasibility, and anticipated impact. The following is a more extensive but not exhaustive list of criteria that will be used in the analysis:

- Development leverages the Trust Fund investment with other sources of funding (both private sector and other public sector funding commitments will be considered). Projects located in local or National Register historic districts are expected to apply for applicable historic preservation tax credits.
- Community development potential of the proposed project. Will the proposed development anchor an otherwise stable block? Will the selected site(s) for redevelopment have a significant impact on the immediate area in which the proposed development is located? Does the proposed development have the potential to leverage additional community investments?
- Suitability of the site or building for development, including site control, proper zoning, and availability of utilities.

- Proximity of the proposed development to employment opportunities and other amenities such as accessible shopping, transportation, parks and recreational facilities, health care and day care.
- Developments that create mixed-income housing environments.
- Development team experience and qualifications including the experience and financial capacity to undertake, complete and market the proposed development.
- Satisfactory evidence the development is ready to proceed as indicated by debt and equity commitments.
- Development application indicates that materials and construction standards exceed standard energy efficiency requirements.
- Lowest intermediary (soft) costs. Development budget contains a lower percentage of soft costs to total development cost, as compared with other similar types of developments. Intermediary (soft) costs are considered to be, but are not limited to, developer fees, attorney fees, engineering fees, architect fees and contractor fees.
- Participation of Local Tax-Exempt Neighborhood or Housing Organization. Development will include a nonprofit developer or sponsor.
- All projects recommended for funding by the Commission must also receive approval by the Community Development Administration (CDA).

DEVELOPMENT REQUIREMENTS

ELIGIBLE PROPERTIES

Only units receiving Trust Fund monies are considered "Trust Fund Assisted Units." Trust Fund for-sale developments may be:

- One or more units in a single-building;
- One or more buildings on a single site that are under common ownership and financing during development;

— OR —

- Scattered on more than one site as long as the sites are within 4 blocks of each other, are under common ownership and financing during development, and receive Trust Fund assistance as part of a single undertaking.

PROPERTY STANDARDS

All developments to be funded by the Trust Fund must at the time of completion, at a minimum, comply with all local building codes, rehabilitation and lead-safe standards, ordinances and zoning. The goal is to provide "decent, safe, sanitary and accessible" housing at an affordable cost to lower income families. Beyond these minimum standards the Trust Fund expects developments to be

built with the same quality and amenities as traditionally financed market rate developments within the same market area.

UNIVERSAL DESIGN (UD) REQUIREMENTS

All new construction proposals submitted must adhere to the Commission's Universal Design Requirements. In general, universal design means the new construction includes a variety of features that allow the unit to be used optimally by the greatest number of people (young and old, short and tall, with and without physical limitations), and allow the unit to be accessible to, and used by, people with mobility limitations.

The Commission's requirements extend beyond traditional accessibility features designed to assist people with mobility limitations. When preparing your proposal, **please take the UD requirements into account and incorporate them into all new construction units to be funded with Trust Fund dollars.**

The Universal Design Requirements are available in hard copy from the Commission and also on the Internet at: stlouis.missouri.org/affordablehousingcommissionwww.affordablehousingcommissionstl.org.

SUPPORT SERVICES

Trust Fund assistance may include provisions for support services *where appropriate* to promote the development and preservation of affordable and accessible housing in the City of St. Louis.

RELOCATION ASSISTANCE

Developments financed by the Trust Fund must, where applicable, comply with all Federal, State and local real property acquisition and relocation requirements, and, at a minimum, must comply with the real property acquisition and relocation requirements of the City of St. Louis Relocation Policy adopted by Ordinance Number 62481, a copy of which is available upon request.

CONTRACTOR PROFIT AND DEVELOPER FEE STANDARDS

Contractor profit and developer fees may not exceed the standards set by the Missouri Housing Development Commission under its current Low Income Housing Tax Credit Qualified Allocation Plan, except that the Affordable Housing Commission will apply the Substantial Rehabilitation standard to both Substantial Rehabilitation and New Construction.

The guidelines for the Contractor Fees and Developer Fees are as follows:

Aggregate Contractor Fees may not exceed 18% of construction costs. Construction costs do not include Builder's Profit, Overhead, and General Requirements. General Requirements **must** include the cost of builder's risk insurance and all bonding costs.

Aggregate Developer Fees, (including Overhead and Profit) Construction Management Fees for services provided by the developer or a related entity, and Consultant Fee Limits as a Percent of Certain Development Costs:

DEVELOPMENT TYPE	DEVELOPER FEE ALLOWED
Substantial Rehabilitation	<i>SUM OF</i> 8% of Acquisition Cost PLUS 15% of the Balance Total Estimated Replacement Costs
New Construction	8% of Acquisition Cost PLUS 15% of the Balance Total Estimated Replacement Costs

The Commission reserves the right to eliminate ineligible costs for the definition of "replacement cost" and to negotiate the amount of the award.

MAXIMUM ALLOWABLE SALES PRICES OF TRUST FUND ASSISTED UNITS

All units rehabilitated or constructed with Trust Fund assistance must be sold to low and moderate income home purchasers at prices that do not exceed the HUD Section 203(b) single-family maximum mortgage limits. The Affordable Housing Commission single-family maximum mortgage limits in the City of St. Louis are currently:

- 1-Family Bldg. \$172,500
- 2-Family Bldg. \$192,600
- 3-Family Bldg. \$234,000
- 4-Family Bldg. \$270,000

Source: AHC Mortgage Limits, AHC 9/2010

INCOME OF HOME BUYERS UPON OCCUPANCY OF TRUST FUND ASSISTED UNITS

All units rehabilitated or constructed with Trust Fund assistance must be occupied by homebuyers with annual household incomes that are 80% or less of the area median income adjusted for household size.

Refer to the enclosed Table: “Maximum Qualifying Household Incomes,” page 8.

DEFINITION OF INCOME OF HOME BUYERS

The Trust Fund uses the same definitions of annual income as the Section 8 Housing Programs. Section 8 definitions are found in the Code of Federal Regulations, Title 24, Part 813 (24 CFR 813). Annual income is the gross amount of income anticipated to be received by all adults in a family during the twelve months following the effective date of the determination.

Buyer Subsidy Repayment Terms

All For-Sale projects will be structured with a Forgivable Developer Subsidy (Forgivable Loan) and Repayable Buyer Subsidies. The number of Buyer Subsidies must correspond to the number of AHTF funded homes. The application requests the developer/neighborhood organization (applicant) propose feasible terms. The Repayable Buyer Subsidies are in the form of a second

deed of trust at zero percent interest, and are subordinated to the homebuyers' first mortgage. As repayable loans, the Repayable Buyer Subsidies are returned to the Commission to fund future developments that benefit low to moderate income households.

The Affordable Housing Commission does not expect payment from the homebuyers during the period the homebuyers are paying their first mortgage. The Buyer Subsidies are to be repaid immediately after the successful payment of the first mortgage, and at the same rate as principle and interest payments were made on the (retired) first mortgage. The Buyer Subsidies are also to be paid in full upon: 1) sale of the home; or 2) if the home is refinanced and cash is taken out by the buyer (except to pay closing costs on the refinance).

Equity Sharing of Homes Receiving Commission Subsidies

Due to AHC's significant investment in For-Sale homes, and the possibility of the homes' strong appreciation, terms are structured to allow the Commission to share in the accrued equity during the homes' first five years. This means, if an AHC-funded home sells, or is refinanced, within five years of its initial purchase, owner profits will be shared equally between the original owner and the Affordable Housing Commission (50% of profits directed to original owner and 50% of profits directed to AHC). This policy is intended to stabilize neighborhoods and maintain mixed income communities by encouraging buyers to stay in their homes at least five years. In cases where homes must sell, the shared equity enables the Commission to provide more affordable housing.

AHC Terms May Be Assumed by Future Qualified Homebuyers

Subsequent, potential buyers who meet the project's stated Area Median Income requirements will be permitted to assume AHC's Buyer Subsidy (2nd Deed of Trust) from the original buyer at the original terms, including maturation date. Original sellers of AHC-funded homes may also sell homes to non-income qualified buyers, so long as the Repayable Buyer Subsidy is repaid upon sale.

HEALTH AND SAFETY REQUIREMENTS

All recipients of loans from the Trust Fund must comply with all applicable Federal, State and local laws relating to health and safety, including, but not limited to, housing codes, the City's lead safe standards occupational safety codes, product codes and standards and consumer safety.

ENVIRONMENTAL REQUIREMENTS

All recipients of loans from the Trust Fund must comply with all applicable Federal, State and local laws relating to the environment. Therefore, requirements for hazardous materials, such as lead-based paint and asbestos, environmentally safe practices, safe work practices, and historic preservation considerations, will be specifically included among the project requirements. For more information regarding historic preservation standards, contact the Cultural Resources Office at 314-622-3400 ext. 206, or TDD 259-3435.

Energy Saving Features are Required in all New Construction Homes

New construction, single family, for-sale homes are required to include the following features: low-E windows, R-38 attic insulation, seal combustion furnace, caulk and seal packages, blown insulation, Energy Star bath exhaust fan with timer, and Energy Star qualified dishwasher, if any.

Energy Saving Features are Encouraged in Rehabilitated Homes, when possible

When replacing windows, furnaces, bath/showers and dishwashers, all rehabilitation projects are encouraged to utilize: Low-E windows, sealed combustion furnace greater or equal to 90% AFUE, Energy Star bath exhaust fan with timer, and an Energy Star qualified dishwasher (if a dishwasher is provided). AHC also encourages developers to provide a caulk and seal package and to make every effort to install Energy Star appliances when, possible.

All projects involving the remediation of lead paint must be performed in full accordance with the City of St. Louis' Lead Safe Requirements.

EMPLOYMENT REQUIREMENTS

All recipients of Trust Fund assistance must comply with all applicable Federal, State and local laws relating to employment including, but not limited to, minimum wage requirements, occupational safety, accident reporting requirements, etc.

The Trust Fund may give preference to funding projects that create employment opportunities for residents of low-income neighborhoods and public housing developments in the City of St. Louis. The Trust Fund may also give preference to funding projects that promote the employment opportunities of persons with low income or persons with disabilities and to funding projects that pay a living wage of at least \$11.33 per hour plus benefits, indexed to inflation, to all persons employed on the proposed project.

ANTI-DISCRIMINATION REQUIREMENTS

All recipients of Trust Fund assistance must comply with all applicable Federal, State and local laws relating to discrimination on the basis of race, national origin, gender, sexual orientation, age, disability or other prohibited classifications.

OUTREACH TO MINORITY AND WOMEN OWNED BUSINESSES

All Trust Fund assisted projects must comply with the Mayor's Executive Order on Minority and Women's Business Participation, which sets forth goals of 25% MBE and 5% WBE participation and required processes for efforts to reach these goals. Projects that exceed the goals may receive preferences.

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FUNDING AWARDS

CONDITIONAL COMMITMENT

Applications are selected for Trust Fund financing assistance through a competitive process. The Commission staff will review all applications and required exhibits and will present recommendations to the Commission for approval. The Commission reserves the right to approve or disapprove any or all applications. Each applicant will receive notification of the Commission's decision.

All decisions of the Commission regarding the selection of proposals are final. The Affordable Housing Trust Fund will issue a Conditional Commitment for Trust Fund Financing to those proposals that are selected for funding. The Conditional Commitment letter between the Trust Fund and the applicant will contain the covenants, terms and conditions upon which the Trust Fund will provide financial assistance to the proposed project. The applicant must sign and return the Conditional Commitment Letter within the time allotted.

Before entering into a Firm Financing Commitment and/or Loan Agreement with the Affordable Housing Trust Fund, no conversations with any Commissioner, employee, agent or attorney of the Affordable Housing Commission concerning the issuance or the provisions of same may be relied upon by the applicant, nor will any such conversation(s) or information submitted to the Affordable Housing Commission in response to this notice be binding upon the Affordable Housing Commission, except as may be contained in such written commitment.

FIRM COMMITMENT AND LOAN CLOSING REQUIREMENTS

For-profit sponsors must have a minimum 10% equity investment in the development. The Trust Fund does not require that eligible nonprofit sponsors provide cash equity.

The general contractor of a Trust Fund financed development may be required to assure completion of the project by posting a performance and payment bond equal to 100% of estimated construction or rehabilitation costs, or other completion security.

Sponsors of developments financed by the Trust Fund will be required to obtain a Title policy written by a title company licensed to do business in Missouri and the title company must agree to

disburse loan proceeds. The Title Policy must be written in accordance with the 1992 American Land Title Association Standards, subject only to permitted encumbrances as approved by the Commission, and must contain environmental and zoning endorsements, pending disbursement clause, mechanics lien coverage and survey coverage.

Approved applications with Conditional Commitments for Trust Fund financing will be required to provide to the Commission staff architectural plans and specifications, cost information, legal documentation and evidence of the firm commitment of other sources of financing sufficient to complete the project.

The information presented should not be construed as a complete list of the regulations and requirements governing Trust Fund financing through the For-Sale Housing Production Program. Upon filing an application, you acknowledge that you assume all risks of change in the Commission's rules and regulations or policies concerning this program, together with any adverse effects upon you there from and any resulting costs thereof.

Maximum Qualifying Household Incomes

Family Size	1	2	3	4	5	6	7	8	9
20%	\$9,575	10,937	12,300	\$13,662	\$14,762	\$15,850	\$16,950	\$18,038	\$19,125
30%	\$14,350	\$16,400	\$18,450	\$20,500	\$22,150	\$23,800	\$25,450	\$27,100	\$28,700
50%	\$23,950	\$27,350	\$30,750	\$34,150	\$36,900	\$39,650	\$42,350	\$45,100	\$51,650
60%	\$28,740	\$32,820	\$36,900	\$40,980	\$44,280	\$47,580	\$50,820	\$54,120	\$57,380
80%	\$38,300	\$43,750	\$49,200	\$54,650	\$59,050	\$63,400	\$67,800	\$72,150	\$76,500

Source: HUD 2010

All for-sale housing proposals that receive Trust Fund assistance must be sold to homebuyers who have annual incomes that are 80% or less of the area median incomes.

CITY OF ST. LOUIS
AFFORDABLE HOUSING TRUST FUND
FOR-SALE HOUSING PRODUCTION PROGRAM

PROJECT SELECTION CRITERIA

&

UNDERWRITING GUIDELINES

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INTRODUCTION

It is the policy of the City of St. Louis Affordable Housing Trust Fund Housing Production Program to encourage the rehabilitation and construction of affordable and accessible housing for its residents, stabilize neighborhoods, attract new residents, and build strong, diverse and economically mixed communities. Our goal is:

To produce the maximum possible volume of decent, safe and sanitary affordable and accessible housing for low- and moderate- income households, preferably in economically integrated settings, while promoting the stabilization and long-term sustainability of our neighborhoods.

The implementation of this goal will be guided by the following principles:

1. Individually proposed housing development projects should implement at least one of the strategies of a community or neighborhood plan.
2. Housing rehabilitation and construction must be consistent with the efforts of recognized Community Development Corporations and other credible community-based groups.
3. Existing properties should be preserved in a manner that is cost beneficial and supportive of overall community and neighborhood development objectives.
4. Affordable housing should be preserved wherever feasible and alternatives sought whenever not feasible.
5. The rehabilitation and construction of affordable housing must be undertaken in a manner that is supportive of other community and neighborhood objectives, including the creation of diverse and economically mixed neighborhoods.
6. Public investment in the rehabilitation or construction of any housing must be reasonable in relation to the market value of the housing developed. Emphasis will be placed on the leveraging of public funds.
- 7.
- 8.
9. New construction housing development projects must incorporate universal design requirements.
10. All rehabilitation projects must adhere to the City's Lead Safe requirements and receive a lead Safe Clearance performed by a State Licensed Lead Inspector at the project's conclusion.
11. AHC requires all developers of new construction for-sale homes to include low-E windows, R-38 attic insulation, seal combustion furnace, caulk and seal packages, blown insulation, Energy Star bath exhaust fan with timer, and an Energy Star qualified dishwasher, (if a dishwasher is included).
12. Developers rehabilitating for-sale homes are strongly encouraged to install all Energy Star appliances when replacements are made and to utilize the following energy saving features when possible: Low-E windows, sealed combustion furnace greater or equal to 90% AFUE, Energy Star bath exhaust fan with timer, and an Energy Star

qualified dishwasher (if a dishwasher is provided). AHC also encourages developers to provide a caulk and seal package

The Universal Design Requirements are available in hard copy from the Commission and also on the Internet at: stlouis.missouri.org/affordablehousingcommissionwww.affordablehousingcommissionstl.org.

PROJECT SELECTION CRITERIA

The viability of a proposed housing development project must be assessed before considering the project's financial underwriting. This assessment will take factors such as location, intended market, developer capacity and neighborhood context into account.

MARKET FEASIBILITY

The proposal must clearly identify the target homebuyer market for the project and the proposed development must clearly demonstrate its capacity to attract and serve this market.

NEIGHBORHOOD REVITALIZATION IMPACT

Proposed projects that advance a rational, well-defined and sustainable neighborhood revitalization strategy will be given priority consideration.

CAPACITY OF ENTITIES RESPONSIBLE FOR THE PROJECT

The experience and capacity of the sponsor/developer will be taken into consideration. If the developer has not successfully completed activities of similar scope, the project will be reviewed to determine whether it is a reasonably scaled "first project." If the developer has selected a contractor, their track record will also be assessed. Consideration will be given to whether adjustments can be made or whether technical assistance is available to address deficiencies in these areas.

LEVEL OF PUBLIC SUBSIDY REQUIRED

The proposal must clearly demonstrate that, without public funding, the project is economically infeasible. The developer must affirm that, but for the public financing, the project would not be implemented.

Because funds for development subsidies are limited, priority consideration will be given to projects requiring less subsidy over projects which require greater amounts.

Consideration will also be given to whether the amount of subsidy that may be required to undertake a particular project is justified by the impact the project will have on the surrounding neighborhood.

THRESHOLD REQUIREMENTS FOR FUNDING COMMITMENT

SITE CONTROL

There must be evidence of site/location control through ownership, option, sale agreement or lease before the Trust Fund will make a Conditional Commitment for funding.

CONDITIONAL COMMITMENTS FOR TRUST FUND FINANCING

Conditional commitments for Trust Fund financing are made on the basis of the information provided in the proposal. The Conditional Commitment letter between the Trust Fund and the applicant will contain the covenants, terms and conditions upon which the Trust Fund will provide financial assistance to the proposed project. The applicant must sign and return the Conditional Commitment Letter within the time allotted.

FIRM COMMITMENTS FOR TRUST FUND FINANCING

Although a legally binding financing commitment is not required for a Firm Commitment of Trust Funds, all other source(s) of project financing must have completed their review and underwriting of the project (including their feasibility analysis and the security that they will have on the loan). The decision makers representing the lending institution must advise the Trust Fund in writing that they have all the information they need for a decision, that they are satisfied with this information and they have committed to lend the money, subject to the Trust Fund award. If a loan committee must approve the project financing, this committee must have approved the loan subject to the Trust Fund financing.

For a Firm Commitment of Trust Funds, the project's other loan commitments cannot be conditioned on:

- Feasibility studies
- Appraisals which condition the initial commitment
- Loan committee approval
- Participation with other lenders (unidentified)
- Credit enhancement
- Additional guarantees and additional collateral

CORPORATE SELF-FINANCING AND PRIVATE EQUITY

Projects to be financed solely through private equity must meet the following:

1. The commitment is made by a senior officer of the company who has the authority to commit the company as evidenced by the appropriate certifications from the Corporate Secretary (such as Board resolutions).
2. The company has the financial capacity to fund either by virtue of a net worth of three times the committed funding or by bank lines of credit made available to the company for funding the project, where the line will be kept available through the completion of the project.
3. The commitment is not contingent on availability or terms of permanent financing or other financing and the company commits to firm start and completion dates.
4. If the company reports to a parent company, a commitment to fund the project and/or allow the subsidiary company to fund the project must be obtained.

SELF-FINANCING

When more than 50% of the project is to be financed from the developer's own resources, the following shall apply:

1. The following is to be submitted before a firm financial commitment is made by the Trust Fund:
 - a. A firm commitment from bank or other financial institution to issue an irrevocable, unconditional Letter of Credit contingent only upon Trust Fund approval; or
 - b. A Line of Credit open and available with an amount reserved equal to self-finance commitment; or
 - c. An Escrow Account with a bank officer as trustee containing cash; or
 - d. A financial statement audited by a CPA which meets the 3 times net worth policy, with a sufficient amount of liquid assets.

EQUITY COMMITMENTS

Equity, as with private debt, must be firmly committed before a firm commitment of Trust Fund assistance is made. The commitment should clearly state the amount of equity (both cash and non-cash contributions) committed from the identified participating parties to complete the project. The source(s) of equity funds should also be identified and dedicated to the project.

Where the assets are partially encumbered by debt, for equity purposes only the value of the assets minus the debt will be counted. In most instances equity will be counted in the private to Trust Fund financing leverage ratio. However, when equity consists of previously owned assets, this equity will not be counted in the private to Trust Fund financing leverage ratio.

VALUATION OF PREVIOUSLY OWNED ASSETS

Where assets for equity calculation purposes only have been purchased within the past year, the purchase price minus any indebtedness will be counted. Where assets have been purchased more than one year before the filing of the Trust Fund Application, their value will be determined by an independent M.A.I. appraisal, minus any indebtedness.

NON-ARMS LENGTH TRANSACTIONS FOR EQUITY CALCULATION PURPOSES ONLY

For properties held in excess of one year, property value will be the lesser of:

- Documented Reasonable Costs,
- Seventy-Five Percent (75%) of the Acquisition and Holding Costs

Calculation of Trust Fund Loan Amount

THE "BUT FOR" TEST

No project will be awarded Trust Fund financing unless the developer/sponsor can affirm that "but for the Trust Fund assistance, the project would not be implemented," and the project's underwriting clearly demonstrates that without Trust Fund assistance the project is economically infeasible.

In order to prove the "but for" in housing development projects, it is necessary that the private construction lender's conditional commitment be in place.

Trust Fund resources cannot substitute for private or other public funds. To make sure that Trust Fund assistance is necessary for a project, there must be statements from the developer/sponsor that the private development is contingent upon the Trust Fund assistance. The applicant's "but for" assurance is provided in the Certifications at the end of the Affordable Housing Trust Fund Housing Production Program Application. The Trust Fund's project underwriting is geared to evaluate, through financial analysis, the "but for" certification.

In order to determine the "but for" and the least amount of Trust Fund assistance necessary, the developer may be required to submit an M.A.I. appraisal, if available, or a market feasibility study.

LEAST AMOUNT NECESSARY

The least amount of Trust Fund subsidy necessary will be awarded to a project to enable it to be carried out. The least amount necessary will be determined by ensuring that the maximum feasible amount of financial commitments other than Trust Fund resources are committed to a project, the costs of the project are accurate and reasonable, and that developer profits are reasonable. Contractor profit and developer fees may not exceed the standards set by the Missouri Housing Development Commission under its current Low Income Housing Tax Credit Qualified Allocation Plan. The guidelines for the Contractor Fee and Developer Fee are as follows:

Aggregate Contractor Fees may not exceed 18% of construction costs. Construction costs do not include Builder's Profit, Overhead, and General Requirements. General Requirements **must** include the cost of builder's risk insurance and all bonding costs.

Aggregate Developer Fees, (including Overhead and Profit, and Construction Management Service Fees performed by the developer or a related entity) and Consultant Fee Limits as a Percent of Certain Development Costs:

DEVELOPMENT TYPE	DEVELOPER FEE ALLOWED
Substantial Rehabilitation	<p style="text-align: center;">SUM OF 8% of Acquisition Cost PLUS 15% of the Balance Total Estimated Replacement Costs</p>
New Construction	<p style="text-align: center;">SUM OF 8% of Acquisition Cost PLUS 15% of the Balance Total Estimated Replacement Costs</p>

The Commission reserves the right to eliminate ineligible costs for the definition of "replacement cost" and to negotiate the amount of the award.

The developer must inform the Trust Fund as to the terms and conditions of all other financing that will be used in the project and must provide the necessary documents and data, such as financing pro formas and appraisals, for the Trust Fund to determine that the amount of Trust Fund assistance is the least amount necessary to make the project feasible.

RETURN ON INVESTMENT

Trust Fund awards are not intended to provide assistance so that profits are higher than industry standards. The amount of Trust Fund assistance allocated to a project will be negotiated with the goal of providing a reasonable return on investment commensurate with project risks and industry standards for similar development projects.

NO FINANCING OF EXISTING DEBT POLICY

Trust Fund assistance cannot be used to refinance existing debt or to continue payments on existing notes of any kind. Any debt refinancing will not be included in the private leveraging ratio.

LEVERAGING RATIO

- **Single Family For-Sale Projects:** Each transaction must have a minimum ratio of \$2.50 of committed private or non-Trust Fund public investment to \$1.00 of Trust Fund investment.
- **Multi-Family For-Sale Projects:** Each transaction must have a minimum ratio of \$3.00 of committed private or non-Trust Fund public investment to \$1.00 of Trust Fund investment.

ITEMS INCLUDED IN THE LEVERAGING RATIO & CALCULATION OF TRUST FUND AMOUNT

The following items are included in the leveraging ratio as countable private and other public investment:

1. **Hard Development Costs** - the costs associated with the development of real property, such as land acquisition, on- and off-site improvements and the "hard" construction and/or renovation costs, including reasonable allowances for contingencies.

Note that Land Acquisition costs are limited to: (A) the actual amount paid by the developer for the property in the last acquisition from a party with a totally arms length relationship to any member of the development entity as documented by sale or option contract or actual closing statement; plus (B) Holding costs documented by third party billings and evidence of payment for a maximum of two (2) years prior to the date of the application.
2. **Soft Costs** - "Soft" development costs, such as construction period interest and taxes, legal expenses, developer fees, architectural and engineering fees, if paid to independent third parties, and other customary and appropriate fees paid to third parties, are counted in the leveraging ratio.
3. **Direct Loans from Public Sources** - Loans made to the project from public sources, such as Farmer's Home Administration or Missouri Housing Development Commission, are counted in the leveraging ratio.

4. **Private Loans Guaranteed by Public Agencies (e.g., FHA)** – Loans guaranteed up to 90% by agencies will be counted at face value. Guarantees in excess of 90% will be discounted.

ITEMS EXCLUDED FROM THE LEVERAGING RATIO

The following private investments and/or cost items are excluded from the leveraging ratio:

1. Any costs incurred prior to the award of Trust Fund assistance that are not documented and paid to a third party within a reasonable time frame, including any contractual obligations incurred prior to award, unless they are contingent upon award of the Trust Fund assistance.
2. Working capital reserves.
3. Investment in start-up costs.
4. Expenses paid to any individual or organization that is not an independent third party to the project.
5. Research and development.
6. Refinancing of existing debt.
7. Generally, acquisition of more unimproved land than is needed to support the project is considered "excess" and is not countable in the leveraging ratio, nor is it a permitted use of Trust Fund assistance.
8. To ensure the reasonableness of costs, a current appraisal from a professional, independent appraiser, that estimates fair market value, may be required.

9. Trust Fund loan proceeds are typically disbursed pro rata during construction to reimburse developer for said costs in a draw-down ratio of Trust Fund financing to private financing.

PURCHASE MONEY MORTGAGES

A purchase money mortgage is a mortgage given by a buyer to a seller to secure all, or a portion, of the purchase price of a property. The seller is therefore financing or partially financing the transaction. A purchase money mortgage becomes a lien simultaneously with the passing of title. The lien is prior to any lien that might develop against the property due to the purchaser's actions, provided the deed and the mortgage are recorded together. Purchase money mortgages will be discounted for purposes of counting in the Trust Fund leveraging ratio, provided the terms and conditions of the loan are established. Subordination of such mortgages to other mortgages may be required.

COSTS AND FEES

In-House Services: Documented reasonable costs of in-house services by developer will be allowed in most cases only as contributed equity when such services are in lieu of those normally performed by third parties, such as architects, mechanical and/or structural engineers, attorneys, etc. Profit and overhead will be deducted from such costs.

SECURITIES AND GUARANTEES

Trust Fund loans generally will be secured by assets comprising the project, usually in a subordinate position.

COMPLETION GUARANTEES

Guarantees of completion by the development entity (and/or the parent corporation of the development entity) shall provide for the completion of the project activities as stipulated in the Trust Fund Loan Agreement.

REQUIREMENTS FOR TRUST FUND DISBURSEMENTS

Sponsors of developments financed by the Trust Fund will be required to obtain a Title policy written by a title company licensed to do business in Missouri and the title company must agree to disburse loan proceeds. The Title Policy is required to be written in accordance with the 2006 ALTA Form B Mortgagee's title insurance policy, subject only to permitted encumbrances as approved by the Commission, and must contain environmental and zoning endorsements, pending disbursement clause, mechanics lien coverage and survey coverage.

As a general rule, the Trust Fund will disburse the proceeds of its loan on a pro rata basis as the development progresses. In other circumstances, the Trust Fund assistance may be structured to flow into the project at the end of the disbursement process. Where there are pro rata draws under the general rule of thumb, the ratio of Trust Fund money disbursed on each project draw request will be determined by the ratio of Trust Fund assistance on the project to all other sources of financing. The following illustration demonstrates how this draw ratio will be determined.

Calculating the Draw Ratio: an example of the calculation for the ratio of Trust funds that will be disbursed with other funds is:

Countable Private and Other Public Sources of Financing:	
First Mortgage Loan	\$650,000
CDBG Loan	\$150,000
Equity	<u>\$100,000</u>
Total	\$900,000
Trust Funds:	\$100,000

Calculation of Trust Fund Draw Ratio: $\$900,000 / \$100,000$ (Trust Fund Loan Amount) = 9:1. In other words, one dollar of Trust Fund money will be disbursed for every \$9.00 disbursed from other sources.

COST CERTIFICATION AND SHARING:

Prior to the final disbursement of AHTF Funds, the developer will be required to document, to the satisfaction of Commission staff, the actual 3rd party costs of the project, and the sources of funding available to permanently finance the development (sales proceeds, loans, equity, etc.)

If the total cost of the development, including the developer's fee agreed upon at the inception of the development is less than the total sources of funding available, the amount of the AHTF funding will be reduced by 75% of the excess sources.

CITY OF ST. LOUIS AFFORDABLE HOUSING TRUST FUND FOR-SALE HOUSING PRODUCTION PROGRAM APPLICATION

Applicants must submit four (4) copies of the attached application, checklists and exhibits to:

**City of St. Louis Affordable Housing Trust Fund
Office of Affordable Housing Commission
1015 Locust Street, Suite 914
St. Louis, Missouri 63101**

DEADLINE: 4:00 P.M. of November 10, 2010.

- **Proposals must be for projects that will provide housing units for households at or below 80% of the St. Louis Area's median household income, adjusted for family size (see the Maximum Qualifying Sales Prices and Income Limitations for various income levels in the accompanying Program Guidelines and Application Instructions).**
- **All For-Sale Housing Applications must be submitted on the attached For-Sale Housing Programs Application and Checklist.**
- **Applicants must answer each question and submit all documentation noted in the Application and Checklist.**
- **Applicant should not respond to any question by making reference to other sections of the proposal or other material. Each response should be concise and self-supporting.**
- **All sections of the Application must be submitted. Incomplete applications will be rejected.**

If you have any questions, please contact the Affordable Housing Commission staff at 314-622-3400 ext. 329 or TDD 314-622-3400 ext. 0.

**CITY OF ST. LOUIS
AFFORDABLE HOUSING TRUST FUND
FOR-SALE HOUSING PRODUCTION PROGRAM**

**APPLICATION CHECKLIST
(REQUIRED)**

Applicant Name: _____

Contract Name: _____

Phone Number: _____ Fax Number: _____

E-mail Address: _____

Each item listed below must be completed and enclosed for the application to be considered complete. Incomplete applications will not be considered for funding.

Applicants must submit four (4) copies of the application with all related documents and exhibits: *One* in a three-ring binder, with tabs corresponding to each number below and three *without* tabs and secured with a binder clip only (do not staple or attach paper clips).

1. **Narrative Description of Proposed Project** – please provide a brief narrative describing the for-sale housing development project that you propose to undertake with Trust Fund assistance. This narrative should give a quick overview of the project, including its proposed location, types of buildings proposed (new/rehab, multi-family/single-family, etc.), number of units, income targeting of units, any special needs populations to be served, and any other information regarding the proposed development that will give the Commission and its staff an understanding of the project that you propose to undertake. Please limit this narrative to maximum of three (3) size 8½ x 11 pages.
2. **Locator Map** – clearly indicating the location of the proposed development.
3. **Completed City of St. Louis Affordable Housing Commission For-Sale Housing Programs Application.** (All omissions must be stated on page 1).
4. Copies of **Other Applications** submitted for financing the proposed project:
 - Missouri Housing Development Commission** – Missouri Affordable Housing Assistance Program (AHAP) Tax Credits; MHDC Loan; Missouri Housing Trust Fund. *If your project has been awarded funding or tax credits, please include a copy of the applicable funding approval and/or tax credit reservation letter.*

CITY OF ST. LOUIS AFFORDABLE HOUSING TRUST FUND FOR-SALE HOUSING PRODUCTION PROGRAM

APPLICATION CHECKLIST

(PAGE TWO)

- Missouri Department of Natural Resources and Missouri Department of Economic Development** – State Historic Preservation Tax Credits. Please include Missouri Historic Tax Credit Form 1 – Preliminary Approval. *If historic preservation tax credits have been approved for your project, please include copies of the Missouri Department of Economic Development Preliminary Approval Letter(s) and corresponding Missouri Department of Natural Resources Certification(s) of Preliminary Approval.*
- City of St. Louis Community Development Administration** – CDBG and/or HOME funding. *If your project has either a conditional or firm commitment for CDBG and/or HOME funding from the City of St. Louis, please include a copy of a funding commitment letter.*
- 5. **Aldermanic Support** Aldermanic letter of support from project ward alderman.
- 6. **Letters of Support** for the proposed project from local elected officials and community/neighborhood and/or social service organizations representing the area where the project is to be located.
- 7. Copy of Applicant's **Certificate of Corporate Good Standing** (current within 6 months of the date of application submission).
- 8. **For Non-Profit Applicants/Developers/Sponsors Only:**
 - Copy of the non-profit corporation's **Articles of Incorporation**
 - Copy of the non-profit corporation's **By-Laws**
 - Copy of the non-profit corporation's **Certificate of Incorporation**
 - Copy of the non-profit corporation's **IRS Non-Profit Determination Letter (501C3 Federal Exemption Letter)**
- 9. **Evidence of Site Control** – *may be in the form of purchase option(s), purchase contract(s) or deed(s).*

10. **Evidence of Proper Zoning**