

**Fall 2020  
CITY OF ST. LOUIS  
AFFORDABLE HOUSING TRUST FUND  
FOR-SALE HOUSING PRODUCTION PROGRAM  
GUIDELINES**

# **CITY OF ST. LOUIS**

## **AFFORDABLE HOUSING TRUST FUND**

### **FOR-SALE HOUSING PRODUCTION PROGRAM**

The information enclosed contains the Program Guidelines and eligibility requirements for the Affordable Housing Trust Fund For-Sale Housing Production Program administered by the City of St. Louis' Affordable Housing Commission (AHC).

AHC's funding applications for development projects (For-Sale and Rental Housing) are in the form of an Excel workbook found at: **[www.affordablehousingcommissionstl.org](http://www.affordablehousingcommissionstl.org)**. Download the file and complete the following worksheets in the order corresponding to their numbering: 1) Application, 2) Development Budget, 3) Construction Costs, 4) Sources & Uses, 5) Priorities, 6) UD (Universal Design), 7) Living Wage, 8) SIS (Sustainability Impact Statement), and 9) 1099.

#### **How to Assemble & Submit**

Submit **three (3) copies** of the completed Excel workbook and include all documents and exhibits listed in the Application Checklist (Tab 1, Section VIII).

- 1) **One copy** must be in a three-ring binder with tabs corresponding to each number in the Application Checklist.
- 2) **Two copies** must be assembled without tabs and secured with a binder clip.
- 3) **A complete copy** of the application and all exhibits on: a labeled USB flash drive.
- 4) **Email** the entire file to: [hinerl@stlouis-mo.gov](mailto:hinerl@stlouis-mo.gov).

#### **Help is Available**

If you have any questions about your project, AHC's funding requirements or procedures, or the Excel workbook, please call Loretta Hiner at 314-657-3883 well before the deadline. Incomplete applications will be rejected.

**Applications must be submitted to the Affordable Housing Commission offices at 1520 Market Street, Suite 2080, St. Louis, Missouri, 63103 by 4:00 p.m. of November 6, 2020.**

Early proposal submissions are encouraged.

# **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.

#### **Priorities for 2020 Fall Funding Round**

The Affordable Housing Commission will provide priority consideration for high quality applications that:

- Propose housing, shelter, or housing services for persons and families with incomes at or below 20% of the area median income.
- Provide assistance for initiatives that prevent homelessness for households or individuals earning at or below 80% AMI.
- Provide affordable housing services (grant program) while advancing ten or more objectives outlined in the City's Sustainability Plan, or create affordable housing units (loan program) while advancing fifteen or more objectives outlined in the City's Sustainability Plan.
- Develop affordable housing within one half-mile of a: 1) light rail station, or, 2) frequent service bus line (running every 30 minutes).
- Comprehensively retrofit or rehabilitate housing units (for-sale & rental) to a national green building standard (LEED, Enterprise Green, NGBS, etc.), or have an energy audit with a HERS of 85 or less.

#### **APPLICATION THRESHOLD REQUIREMENTS**

- The proposed project must conform to the Housing Trust Fund's Household Income Guidelines that are listed on page 5, 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.
- 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, 301 West High Street, Jefferson City, Missouri 65101, telephone 573-751-4962 or visit their web site at: [www.ded.mo.gov](http://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.
- AHC encourages developers rehabilitating housing to exceed energy efficiency standards by installing EnergyStar appliances and to utilize as many energy-saving features and sustainable construction practices as possible.
- All new construction projects must be designed and built to a national green building standard (LEED, Enterprise Green, NGBS, or EnergyStar with a RESNET energy auditor). The development is not required to receive formal certification.
- The development shows a commitment to recycling and waste reduction during construction and for residents after completion.
- 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 Affordable Housing Commission may provide forgivable funding to cover fully documented costs, in excess of regular construction costs, directly attributable to making units universally designed. The forgivable UD funding will not count toward the leveraging ratio.

The Universal Design Requirements are available in hard copy from the Commission and also on the Internet at: [www.affordablehousingcommissionstl.org](http://www.affordablehousingcommissionstl.org).

## SUPPORT SERVICES

Trust Fund assistance may include provisions for support services 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 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 in the MHDC 2020 Qualified Allocation Plan for MHDC Multifamily Programs found at: <http://www.mhdc.com/notices/FY2020%20Draft%20QAP%20Red-Lined%20Commission%20Meeting.pdf>

The Developer Fee is the sum of the developer fee plus consultant fees. The following consultant fees are included in the Developer Fee: development and/or credit, application, historic, MBE/WBE, and Section 3 consultants. Development costs paid by a previous owner are not considered when calculating the developer fee, even if the cost of the previous work is included in the sales/purchase contract

Developer Fee + Consultant Fee for New Construction – is limited to the lesser of: a) 15% of total replacement costs for the first \$4,000,000 of total replacement costs and 10% for any additional amount of total replacement costs, or (b) the per-unit calculation from the chart below.

Developer Fee + Consultant Fee for Acquisition/Rehab and Historic Preservation – is limited to the lesser of: (a) the sum of 8% of acquisition costs for the first \$2,000,000 of acquisition costs, 6% of any additional acquisition costs, 15% of the first \$4,000,000 of non-acquisition total replacement costs and 10% of any additional non-acquisition total replacement costs, or (b) the per-unit calculation from the chart below.

Maximum Per-Unit Developer Fee

First 40 Units	\$20,000 per unit
Units 41-100	\$17,500 per unit*
Units 101-150	\$15,000 per unit*
Units 151+	\$12,500 per unit*

\* Refer to the Development Characteristics section under MHDC's Selection Criteria for additional information on developments which contain more than sixty (60) affordable units in the MHDC 2020 Developer's Guide.



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 (2<sup>nd</sup> 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, SAFETY, AND ENVIRONMENTAL REQUIREMENTS**

All recipients of loans from the Trust Fund must comply with all applicable Federal, State and local laws relating to health and safety, and the environment. Developers must comply with all laws, ordinances, and requirements concerning occupational safety, zoning, building codes, hazardous materials, product safety, and the City's Lead Safe requirements. Landmarks and projects in historic districts must observe historic preservation standards. For more information regarding historic preservation standards, contact the Cultural Resources Office at: 314-657-3865.

### **New Construction Projects Must Build to a National Green Building Standard**

All new construction projects must build to a national green building standard (LEED, Enterprise Green, NGBS, or EnergyStar with a RESNET energy auditor). The development is not required to receive formal certification.

### **Energy Saving Features are Encouraged in Rehabilitated Homes**

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.

### **EMPLOYMENT REQUIREMENTS**

Although not-for-profit agencies are exempt from the Living Wage Ordinance 65597 Subparagraph (A)(iv), all applicants to the Trust Fund must complete and sign the Living Wage Acknowledgement and Acceptance Declaration. If your not-for-profit agency is a previous Trust Fund recipient and no material changes have affected your: 1) IRS Tax-Exemption Status Determination; 2) Articles of Incorporation, and 3) By-Laws, then please sign the Living Wage No Change Affidavit. Both of these forms are attached to this application.



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 \$13.57 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.

#### **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 an ALTA 2006 Form B mortgagee's title insurance policy in the amount of the Loan and in favor of AHC. It must be written by a title company licensed to do business in Missouri and in all respects satisfactory to AHC, subject only to permitted encumbrances and containing only those exceptions acceptable to AHC.

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.

## **DUE DILIGENCE**

From design to permitting, construction projects require significant steps, details, requirements and approvals called due diligence. Requirements vary by the type of project, (new construction, rehabilitation, for-sale housing and rental housing), size, location, and funding sources. Below is a list of the Commission's standard due diligence. Keep in mind, some projects will have more detailed requirements.

### Standard Due Diligence

Legal Description – *AHC-assisted properties*  
Universal Design Certification - *for new construction, before and after construction*  
Certificate of Compliance w/ Lead Based Paint, Lead-Safe Verification and Lead Clearance test results – *for rehab projects*  
Disclosure of Lead-Based Paint and/or Lead-Based Paint Hazards  
Affordable Rents Schedule – *for rental housing*  
Affordable Home Price Schedule – *for-sale housing*  
Sustainability Impact Statement – *preconstruction and post construction*  
Legal Info Q form - *for creation of project legal documents*  
Loan Calculation Sheet  
Notice of Approval of Documents - *Due Diligence Checklist*  
Minority and Women's Business Enterprise (MWBE) - *anticipated & final forms*  
Certificate of Energy Standards Compliance, accompanied by Energy Star Rating/Green/Sustainable Certification - *when applicable*  
Certificate of Compliance with the EPA Indoor Radon Level Standard & Radon Clearance Test Results  
HUD Form 935 Affirmative Fair Housing Marketing Plan  
Construction Sources & Uses of Funds  
Construction Cost Breakdown - *showing acquisition, construction, development & soft costs*  
Projected Schedule of AHC Disbursements  
Proof of Equity - *Commitment letter from lender*  
Appraisal  
Proof of application for Ameren/Spire Rebate/Incentive Program  
Zoning Letter  
Building Permit  
City Business License  
Register w/ Collector of Revenue for the Earnings Tax (E-9)  
Evidence of Site Control - *Option/Sales Contract/Warranty Deed*  
Spot Foundation Survey, Plans & Specifications - *approved by AHC*  
Construction Contract - *fully executed*  
Environmental Review - *if required*  
Title Policy - *standard exceptions deleted*  
Insurance Policy-Fire & Extend. Coverage, Builder's Risk & Compr. Gen.Liability - *AHC named as additional insured*  
Notice of Final Approval  
Cost Certification/Disbursement Breakdown from Title Company  
Project Contractors and Subcontractors Information Sheet  
Building Department Occupancy Certificate  
Buyers Settlement Statement & Sellers Settlement Statement – *for-sale projects*  
AIA Certification of Substantial Completion G704  
Rental projects ≤50,000 SF - *track energy use [www.silbenchmarking.com/HowToComply/#Gathering-Requesting-Utility-Data](http://www.silbenchmarking.com/HowToComply/#Gathering-Requesting-Utility-Data)*

## **Application Submission Policy & Standards of Conduct**

All funding applicants are required to follow AHC's Application Submission Policy and to adhere to AHC's Standards of Conduct as outlined below:

1. AHC will accept applications before and until the NOFA deadline.
2. AHC does not guarantee that application support materials that are received by AHC after the NOFA deadline will be included and considered as part of the application.
3. AHC staff may use discretion regarding acceptance and inclusion of application support materials that are received by AHC after the NOFA deadline.
4. AHC staff may decline in-person meetings and limit discussions with current applicants from the time the funding round closes until the AHC voting meeting.
5. AHC staff may contact any applicant at any time during the course of a Competitive Process (before, during, or after a funding round) to clarify items submitted or to obtain answers to questions from the Commission.
6. Applicants are advised not to lobby AHC staff and Commissioners. If such activity is reported, consequences may include disqualification of the proposal(s) from the current or future funding rounds.
7. Applicants are never to approach Commissioners at their homes or their place of work. Such action will disqualify the applicant from AHC funding.
8. Commissioners are asked not to contact applicants directly to avoid repetitive inquiries and conflicting or erroneous proposal information.
9. Commissioners are asked to inform AHC staff when they are contacted by applicants or applicant representatives about: agencies seeking funding, projects competing for funding, or proposal review and consideration.
10. The general public may speak during the public comment portion of AHC meetings if time permits, as determined by the AHC Chairman.

**The information presented should not be construed as a complete list of the regulations and requirements governing Trust Fund financing through the Rental 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 therefrom and any resulting costs thereof.**

**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. New construction housing development projects must incorporate universal design requirements.
8. 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.
9. All new construction projects must build to a national green building standard (LEED, Enterprise Green, NGBS, or EnergyStar with a RESNET energy auditor). The development is not required to receive formal certification.
10. 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: [www.affordablehousingcommissionstl.org](http://www.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.

## **PRIORITY CONSIDERATION FOR PROJECTS THAT ADVANCE CITY'S SUSTAINABILITY PLAN**

Projects that create housing units while advancing fifteen (15) or more objectives outlined in the City's Sustainability Plan will given priority consideration. The City's Sustainability Plan may be found at: <http://www.stlouis-mo.gov/government/departments/planning/documents/city-of-st-louis-sustainability-plan.cfm>. All approved projects will have to submit a Sustainability Impact Statement.

## **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 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:** The Affordable Housing Trust Fund will invest a maximum of 25% of the total project cost into Single Family For-Sale projects.
- **Multi-Family Rental Projects:** The Affordable Housing Trust Fund will invest a maximum of 30% of the total project cost into Rental Housing Projects.

#### **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**

All AHC assisted development projects 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.