

# LOAN SUPPLEMENT FORM

## IMPORTANT

The following must be included with your application at submission to be considered complete:

- Uniform Application (Sections A, B and C)
- Application Fee
- Narrative describing development and management plan
- Loan Supplement Application (Sections A, B, and C )
- Exhibit A and Exhibit B-1 or B-2
- All appendices required by Uniform Application
- All appendices required by Loan Supplement

The cover page of the "Loan Supplement Application" gives a detailed list and the required order of an application being submitted. Please use this sheet and the cover sheet of the supplement as a check list to assure that you have included all material needed to meet the requirements of the program.

## LOAN SUPPLEMENT FORM

### INSTRUCTIONS

The following instructions are to be used in completing the Loan Supplement Form. Unless otherwise specified, fill in all blanks (if the question is not applicable, type NA or use a zero in the appropriate space). Please note: this application form was developed using spreadsheet software and automatically calculates totals, etc. If you are manually completing the application, you will need to calculate and enter these figures.

### SECTION A -- GENERAL PROJECT INFORMATION

#### Part I: Amount of Loan Requested

Enter the Amount of the loan being requested.

Indicate from which loan program the project is requesting a loan.

#### Part II: HUD Project Numbers

If the project is an existing HUD and/or Section 8 project list projects numbers for both.

### **Part III: Bond Minimum Low-income Threshold**

Mark the appropriate Bond Minimum Low-income Threshold that the project is electing. This election is to show the project is eligible to use tax exempt bonds. The actual project beneficiaries are often much more restrictive and should be indicated in Section A - Part XI of the uniform application.

### **Part IV: Number of Floors**

Enter the number of floors in the tallest building and if an elevator will be provided.

### **Part V: General Public**

Indicate if the project will be available to the general public. All projects must be available to the general public and can not be restricted for a particular group (i.e. employees of a specific company). Projects can serve a particular type of tenant as long as they are a recognized group such as the elderly. As always, fair housing laws must be followed. If this is not the case, an explanation must be attached.

### **Part VI: Decent, Safe and Sanitary**

Indicate if the proposed project will be decent, safe and sanitary. All projects are required to be decent, safe, and sanitary. If this is not the case, an explanation must be attached.

### **Part VII: Site Size**

Indicate the site size in square feet.

### **Part VIII: Supportive Services**

Indicate if supportive services will be provided to the tenants. If they are, indicate if the services are mandatory to live in the project and if the services are included in the tenant paid rent listed in Section C - Part IV of the Uniform Application. Describe the services that will be provided and how they will be paid for if not a part of the tenants normal rent.

### **Part IX: Special Amenities**

List the special amenities that will be provided to the project. This will include everything that would make the project desirable to a prospective tenant such as laundry facilities, community rooms, yards, tot lot, security, etc.

### **Part X: Environmental Issues**

List all environmental issues that may effect the project such as slope, erosion, soils, floodplain, water quality, wildlife or fish habitat, wetlands, air quality, historic structures, farmland, noise, hazardous facility, airport clear zone, etc.

### **Part XI: Existing Structures**

If the project consists of existing structures indicate the building address, date last placed in service (for any type of use), and date the structures were or will be acquired. Documentation of the date each structure was last placed in service must be attached. Also, if structures have already been acquired, documentation of this acquisition must be attached.

### **Part XII: Applicant, Developer and Owner Information**

List all information requested for the above parties.

### **Part XIII: Project Participation**

Describe what roles or responsibilities that the applicant, developer, owner, and each member of the development team will assume for this project. If the applicant or developer will not retain ownership, describe the process and timing for disposition of this project.

### **Part XIV: Identities of Interest**

Does any member of the development team have any direct or indirect financial or other interest with any of the other project team members (including owner's interest in the construction company or sub contractors)? If yes, describe the level of participation and/or relationship of each.

### **Part XV: Defaults, dispositions foreclosures or non-compliance issues**

Does any member of the development team have any defaults, disposition of or status of default, foreclosure or findings of non-compliance for any of the projects in which they have been involved? If yes, describe situation.

### **Part XVI: Lawsuits**

Does any member of the development team have any pending lawsuits or adversely settled lawsuits against them or with any of the projects in which they have been involved? If yes, describe situation.

## **Part XVII : Development Team Qualifications and Past Projects**

Attach documentation showing development team qualifications and all past projects in which team members have participated.

## **SECTION B -- COST LIMITATIONS AND REQUIREMENTS**

### **Part I:**

Part I is to be used to gather the amounts being proposed for each category that has a limit or requirement as defined in the Program Guidelines. This part will also calculate the basis by which each limit is determined.

Indicate "Yes" or "No" if there is an Identity of Interest between the developer and contractor. An Identity of Interest is defined as a financial, familial, or business relationship that permits less than arms length transactions. This includes, but is not limited to, existence of a reimbursement program or exchange, common financial interests, common officers, directors, or stockholders, or family relationships between officers, directors, or stockholders.

Enter total number of units in project including low income units, market rate units and manager units.

Next, transferred from the Uniform Application, Section C - Financial, Part II - Uses of Funds the amounts that have a limit or requirement. These are general requirements, contractor overhead, contractor profit, developer fees, operating reserves and replacement reserves.

The Total Construction Cost Calculation is calculated by adding together the line items listed. These numbers should be transferred from the Uniform Application, Section C - Financial, Part II - Uses of Funds. This will then be used as the basis to calculate the requirement for general requirements, contractor overhead and contractor profit.

The Total Adjusted Project Cost is calculated by reducing the Grand Total Project Cost by Administration, Existing Structures, Contractor Profit and Developer Fees. These numbers should be transferred from the Uniform Application, Section C - Financial, Part II - Uses of Funds. This will then be used as the basis to calculate the requirement for the developer fees.

The Total Operating, Replacement Reserve and Debt Service Cost is calculated by adding together the line items listed. These numbers should be transferred from the Uniform Application, Section C - Financial, Part I - Sources of Funds and Part V - Annual Operating Expenses. This will then be used as the basis to calculate the requirement for the operating reserve and replacement reserve.

## **Part II:**

Part II will determine if the General Requirement limit is met. Transfer the General Requirement and Total Construction Costs from Part I of this section. Then reduce the Total Construction Costs by the General Requirements. Divide the General Requirements by the Adjusted Total Construction Costs and compare this percentage to the Maximum Cost Limit. If the project is not equal to or less than the maximum limit, the application should be adjusted to correct the situation.

## **Part III:**

Part III will determine if the Contractor Overhead limit is met. Transfer the Contractor Overhead and Total Construction Costs from Part I of this section. Divide the Contractor Overhead by the Total Construction Costs and compare this percentage to the Maximum Cost Limit. If the project is not equal to or less than the maximum limit, the application should be adjusted to correct the situation.

## **Part IV:**

Part IV will determine if the Contractor Profit limit is met. Transfer the Contractor Profit and Total Construction Costs from Part I of this section. Divide the Contractor Profit by the Total Construction Costs and compare this percentage to the Maximum Cost Limit. If the project is not equal to or less than the maximum limit, the application should be adjusted to correct the situation.

## **Part V:**

Part V will determine if the Developer Fee limit is met. Transfer the Total Adjusted Project Cost, Developer Fees(new const & rehab) and Developer Fees(acquisition) from Part I of this section. Divide the Developer Fees(new const & rehab) and Developer Fees(acquisition) by Adjusted Project Cost and compare these percentages to the Maximum Cost Limit. If the project is not equal to or less than the maximum limits, the application should be adjusted to correct the situation.

## **Part VI:**

Part VI will determine if the Operating Reserve requirement is met. Transfer the Total Annual Operating, Replacement Reserves and Debt Service Cost and well as the Operating Reserve from Part I of this section. Divide the Total Annual Operating, Replacement Reserves and Debt Service Cost by three (3) and compare this to the Operating Reserve amount. If the project does not meet the minimum requirement, the application should be adjusted to correct the situation.

If a letter of credit or developer guarantee will be used to met this requirement, it should be noted in this section with supporting documentation being attached.

## **Part VII:**

Part VII will determine if the Replacement Reserve requirement is met. Transfer the Annual Replacement Reserve and the Number of Units from Part I of this section. Divide the Annual Replacement Reserve by the Number of Units and compare this to the minimum requirement. If the project does not meet the minimum requirement, the application should be adjusted to correct the situation.

## **Part VIII:**

Part IX defines how Project Costs and Operating Expenses will be evaluated. Per unit costs, cost per square foot, operating expenses and vacancy rates will be evaluated for reasonableness, taking into account the type of housing, unit sizes, intended target group and area of the state and community where the project will be located. They will be compared to existing and proposed projects with similar characteristics.

## **SECTION C -- APPLICATION; INDEMNIFICATION; CERTIFICATION**

This page must be reviewed, signed and notarized and submitted with the application.

## **EXHIBIT INSTRUCTIONS AND REQUIREMENTS**

### **Exhibit A - Information Release Form**

All information must be completed and authorized signatures must be obtained from each participant. A list of all principal owners or officers for each entity with social security numbers for each must be attached. This may be used to obtain credit bureau reports for each principal.

### **Exhibit B-1 -- Rental Market Statistics (less than twelve 12 units)**

Each project submitting an application with less than twelve (12) units must complete Exhibit B "Rental Market Statistics" which provides raw information concerning the rental market in the area of the proposed project. This form will gather market information without requiring a full market study for each project. A project must have demonstrated community support which is project specific and addresses how the project meets the needs of the community. The combination of these two sources will be used to document how a project meets the needs of the community.

Refer to Exhibit B-1 for Rental Market Statistics requirements.

### **Exhibit B-2 -- Market Study Requirements (twelve 12 units or more)**

Each project submitting an application with twelve (12) units or more must attach a "Market Study". A project must have demonstrated community support which is project specific and addresses how the project meets the needs of the community. The combination of these two

sources will be used to document how a project meets the needs of the community and will assist in determining the overall feasibility of the project.

If the project is targeting special needs housing, the Board may waive the market study requirement on a case by case basis. However, the sponsor will still need to demonstrate need.

This analysis must establish a market for housing at the rent levels proposed, and the sponsor must be able to document the market needs and demand for the target group to the MBOH. If sponsors are also using Public Housing Authority (PHA) waiting lists to establish market needs, unit types and rents for the project must meet the needs of those tenants on the waiting lists. Other housing provider waiting lists can also be used to substantiate need, if in fact the project addresses those specific needs. The sponsor will be required to pay for any market analysis performed.

Refer to Exhibit B-2 for Market Study requirements.

### **LOAN SUPPLEMENT**

#### **EXHIBIT B-1 -- RENTAL MARKET STATISTICS (less than 12 units)**

For projects with more than twelve (12) units see Exhibit B-2 - Market Study.

Each project submitting an application with less than twelve (12) units must complete Exhibit B "Rental Market Statistics" which provides raw information concerning the rental market in the area of the proposed project. This form will gather market information without requiring a full market study for each project. A project must have demonstrated community support which is project specific and addresses how the project meets the needs of the community. The combination of these two sources will be used to document how a project meets the needs of the community.

The rental market in the area of the proposed project will include the community in which the project is located but could also include surrounding areas if they will have an impact on the project. This will need to be determined on a case by case basis. An explanation should be attached explaining what area is being considered as the rental market that will effect the proposed project and how this was determined. Please be specific including taxing jurisdiction number, school districts, cities, etc.

The exhibit must be completed and/or certified to by an arms length party that works with housing or a related industry in the market area of the proposed project. A non arms length party is defined as having identities of interest defined as a financial, familial, or business relationship that permits less than arms length transactions which includes, but is not limited to, existence of a reimbursement program or exchange, common financial interests, common officers, directors, or stockholders, or family relationships between officers, directors, or stockholders. The arms length party completing and/or certifying the form must also work with

housing or a related industry in the market area of the proposed project. If it is not readily evident that the party is qualified to certify the form, attach an explanation of the qualifications.

The information must be valid within 1 year of tax credit application. If any major changes have occurred in the market area since the information was collected, these changes must be explained in detail in an attached letter. All sources of information must be listed. (attach additional sheets if needed)

The number of other units approved for or under construction which are entering the market in the proposed area can be obtained through the local zoning office or planning office. Include as many statistics as readily available on these units such as rent, unit size, type of housing etc. Projects will need to be contacted individually. These numbers should not include the units for this project.

### **Total Number of Rental Units**

The total number of rental units can be obtained through county tax records (at either county or state level). It will help if you have the taxing jurisdictions you are looking for available when you request this information. The records will list the number of housing units by houses, duplex units, 3-plex units, 4-plex units etc. (breakout by bedroom size if possible, if not, list total number of units for each type). However, these records do not designate how many of the units are attributed to home ownership rather than rental property.

Since most home ownership deals with houses, assume that all home ownership is attributed to single family houses. You can then determine the % of all units available in the community that are attributed to home ownership from the chamber of commerce or census information. With this information you can then back into the number of single family houses that are rental units. The following formula can be used to obtain the number of single family homes that are available as rentals:

- $\frac{\text{_____}}{\text{_____}}$  Total number of units in market area (this includes all types)
  - X
  - $\frac{\text{_____}}{\text{_____}}$  Percentage of home ownership in market area (can obtain from chamber of commerce or census information)
  - =
  - $\frac{\text{_____}}{\text{_____}}$  Units owned in market area
- then
- $\frac{\text{_____}}{\text{_____}}$

- Total number of single family houses in market area

less

- \_\_\_\_\_ Units owned in market area (from above)

=

- \_\_\_\_\_ Single family houses available for rent

This information will be found at a variety of different levels which include, but are not limited to, the local housing authority, Section 8 administrator, aging services, etc..

### **Vacancy Statistics**

This information can be obtained by counting the units available in the rental ads of the local newspaper . Also, check with the multiple listing service for their rental information and with major local property managers as well as any private or public agency that handles rental listings.

## **LOAN SUPPLEMENT**

### **EXHIBIT B-2 -- MARKET STUDY REQUIREMENTS (12 units or more)**

For projects with less than twelve (12) units see Exhibit B-1 - Rental Market Statistics.

Each project submitting an application with twelve (12) units or more must attach a "Market Study" . A project must have demonstrated community support which is project specific and addresses how the project meets the needs of the community. The combination of these two sources will be used to document how a project meets the needs of the community and will assist in determining the overall feasibility of the project.

The market study must be less than one (1) year old at the time of application. Studies older than one (1) year must be updated.

The market study must include the following at a minimum:

1. a description of the proposed site;

- physical features of site and surrounding parcels
- positive and negative attributes of the site should be discussed

- curb appeal of the site, surrounding land uses, the site's physical relation to surrounding roads, transportation, amenities, employment, services, the condition of the physical structures/neighborhoods surrounding site.
- pictures of the site
- compatibility of project with surrounding land uses and neighborhood characteristics

2. a description of the proposed project;

- bedroom mix
- target income group
- rents
- utility allowance (describe type and use of utility such as gas or electric and who will pay for each utility)

3. market area (geographic definition and analysis);

- map clearly identifying project location, closest shopping areas, schools and employment centers and other amenities
- map clearly identifying market area
- detailed justification of how market area was determined and description of methodology and reasoning used

4. market area demographic data;

- population by age cohorts
- number of households by income grouping, and household size
- past and future population growth patterns, specifically relating to the populations proposed for the development
- assessment of the overall economy including a sense of whether overall employment is expanding or contracting, labor force trends and wages

5. project specific demographic data and demand;

- new units required (by bedroom size and total) in the market area (include explanation of how this was calculated)
- number of households in the market area which are income eligible and can afford to pay the rent (distinguish between actual project targeting i.e. 50% and 60% AMI) (assume no households are able to pay more than 35% of gross income towards total housing expense) (include explanation of how this was calculated)

- new units required (by bedroom size and total) in the market area for the households the project is targeting (i.e. 50% and 60% AMI) (include explanation of how this was calculated)
- capture rate for each bedroom size as well as the project overall area (include explanation of how this was calculated)
- absorption time schedule (estimated rent-up period)
- description of the effect of the proposed project on the market
- analysis of voucher and certificates available in the market area
- description of any barriers to entry which can be anything which makes it difficult to build such as high land and building costs, scarcity of zoned sites with utilities, difficult or extended public approval process, etc.

#### 6. comparable developments in the market area;

- must include existing projects, projects currently under construction, and projects slated to begin construction within the year
- map showing each project in relation to proposed project
- all comparable projects must be visited in person
- each project should list the following information:
  - description and location (address)
  - breakdown of unit sizes by bedroom count
  - monthly rents and what utilities are included in rent
  - project age
  - description of amenities
  - concessions given if any
  - current vacancy rates broken out by bedroom size
  - number of units receiving rental assistance and if project or tenant based
  - contact and phone number
- attach a current photograph
- federally or state assisted projects should be identified
- family projects are not comparable to elderly and vice versa
- discuss at what percent the rents for the proposed project are below market rents

#### 7. interviews;

- summarize results of formal or informal interviews with property managers, town planning officials or anyone with relevant information relating to the proposed development or market area

8. analysis of practically available operating expenses and turnover rates of comparable properties in the market area;

9. projected operating funds and expenses, when available at the time of the study;

10. market analyst qualifications;

- statement of competence
- resume and supporting documentation of qualifications
- the market study must be prepared by an arms length party. A non arms length party is defined as having identities of interest defined as a financial, familial, or business relationship that permits less than arms length transactions which includes, but is not limited to, existence of a reimbursement program or exchange, common financial interests, common officers, directors, or stockholders, or family relationships between officers, directors, or stockholders

If the above requirements are not substantively met and/or the Board determines that the market analyst is not qualified to complete the market study, the application will be denied and returned for possible submission in a future round.

If any of the above information is not practically available, this will not be cause for immediate denial. However, the market analyst must explain why such information is not available and will be considered on a case-by-case basis.

### **LOAN SUPPLEMENT**

#### **EXHIBIT B-2 -- MARKET ANALYST SIGNED STATEMENT**

(this form must be signed, notarized and attached to the market study)

"I affirm that I, or an individual employed by my company, have made a physical inspection of the market area and that information has been used in the full study of the need and demand for new rental units. To the best of my knowledge, the market can support the demand shown in the study. I understand that any misrepresentation of this statement may result in the denial of further participation in the Montana Board of Housing's programs. I also affirm that I have no interest the project and have an arms-length relationship with the ownership entity and my compensation is not contingent on this project being funded."

\_\_\_\_day of \_\_\_\_\_ 20\_\_\_\_ .

Legal Name of Market Analyst \_\_\_\_\_

By: \_\_\_\_\_

Signature \_\_\_\_\_

Title \_\_\_\_\_

State of \_\_\_\_\_ )

)ss

County of \_\_\_\_\_ )

On this day of \_\_\_\_\_, in the year \_\_\_\_\_, before me,  
\_\_\_\_\_, a notary public in the for said state,  
personally appeared \_\_\_\_\_, known to me to be the  
person whose name is subscribed to the within instrument, and acknowledged to me that s/he  
executed the same.

\_\_\_\_\_

NOTARY PUBLIC in and for the State of

\_\_\_\_\_, residing at

\_\_\_\_\_

My commission expires \_\_\_\_\_.