

Policies and Procedures

for the

Housing Development Fund

Of

Berks County HealthChoices Program

Administered by

The Berks County

Redevelopment Authority

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1. GENERAL PROVISIONS

1.1 Purpose

The County of Berks through the Mental Health/Mental Retardation/ HealthChoices Program (the “County”), in coordination with the Commonwealth of Pennsylvania’s Department of Public Welfare’s Office of Mental Health and Substance Abuse Services (OMHSAS), is committed to creating affordable supportive housing opportunities for its priority consumers, in accordance with the Permanent Supportive Housing Reinvestment Plan attached as Exhibit “A” and incorporated herein by reference (the “Plan”), which Plan was approved by OMHSAS. In order to encourage the development of these supportive housing opportunities, the HealthChoices Program has created a Housing Development Fund in the amount of One Million Five Hundred Thousand and 00/100 Dollars (\$1,500,000.00) (the “Housing Development Fund”) for use by developers and property owners willing to set aside affordable rental units for use as permanent affordable housing for the priority consumers of the HealthChoices Program. The County has chosen the Redevelopment Authority of the County of Berks (BCRA) to promote, administer, and oversee the use of the Housing Development Fund and will work closely with BCRA to ensure that the available funds result in the creation of additional housing units for the priority consumers of the HealthChoices Program.

1.2 Objectives

The County expects that the Housing Development Fund will support the development of between 30 and 35 units of affordable permanent supportive housing targeted to priority consumers of the HealthChoices Program. Units funded with monies from the Housing Development Fund shall be required to remain affordable for at least fifteen (15) years. BCRA will work with the County through its HealthChoices Program to strategically use the resources of the Housing Development Fund to supplement other affordable housing development funding including discretionary supportive housing programs, state and locally controlled affordable housing funding, and other funds available for affordable housing developments.

The Housing Development Fund is intended to be a resource that will promote the creation of safe, decent, affordable housing units for the priority consumers of the HealthChoices Program within an integrated community setting. At no time will the Housing Development Fund be used to assist in the creation of housing that segregates priority consumers from the general population or restricts access to individuals with specific forms of disabilities. The Plan and the Housing Development Fund is designed to promote the Permanent Supportive Housing (PSH) model that links affordable, integrated, housing to supportive services that are available, but not required. The Housing Development Fund is available to those developers interested in creating PSH that is safe and secure, affordable to consumers, and permanent, as long as the consumer pays the rent and performs his or her obligations under

the terms of their lease for such PSH. These units will be linked to supportive services that are optional and flexible. Individualized services are made available when the consumer needs them and where the consumer lives.

1.3 Defined Terms

All capitalized terms used and not otherwise defined herein shall have the meanings set forth in Section 1.1 of the Agreement to which this Exhibit “B” is attached or as defined in the Plan.

2. ADMINISTRATION

2.1 Role of BCRA

BCRA was selected by the County because of its experience and expertise in administering publicly funded affordable housing development resources and its knowledge of the development activities within Berks County, Pennsylvania. It is expected that BCRA will work with the County through its HealthChoices Program to strategically use the Housing Development Fund resources to supplement other affordable housing development funding.

2.2 Role of Berks County HealthChoices Program

The County through its HealthChoices Program will provide support and assistance to BCRA in order to ensure the successful implementation of the Plan and the Housing Development Fund.

2.3 Records

BCRA is responsible for establishing and maintaining all required records of funds made available from the Housing Development Fund and for tracking and recording all disbursements made for development and administrative activities. BCRA shall comply with all County and State audit requirements.

3. ELIGIBILITY

3.1 Eligibility Requirements of a Developer

In order to be eligible to receive funding from the Housing Development Fund, a Developer must satisfy the requirements set forth below:

- a. The Developer shall provide BCRA with evidence of Developer’s ability to perform the requirements set forth in the Redeveloper Agreement, including but not limited to:
 - (i) The Developer’s track record in developing affordable housing, including verifiable references.

- (ii) The financial stability and soundness of the Developer which shall include audited financial statements for the last two (2) years.
- b. The Developer shall be in good standing with and shall have complied with all obligations of any BCRA or County funded programs or projects.
- c. The Developer shall be creating PSH Set-Aside Units in a location that meets the needs of the Consumers identified in the Plan.
- d. The Developer shall be in good standing with all previous obligations to the Housing Authorities of the County of Berks or the City of Reading.
- e. The Developer is not delinquent on the payment of any taxes or assessments, including but not limited to federal or state income taxes, employee payroll taxes or contributions, local, school or county real estate taxes, etc.
- f. The Developer demonstrates to BCRA that it has adequate financial resources to complete the proposed Development.
- g. The Developer has legal title to the real property comprising the Development, or can acquire legal title at the time of closing on the funding of the Development.
- h. The Developer shall be able to obtain all necessary and appropriate consents, approvals and permits to construct, rehabilitate or renovate any improvements at the Development for the creation, use and occupancy of the PSH Set-Aside Units.
- i. The Developer shall be required, for all contracts or agreements for labor, materials or services for an Approved Development, to obtain written price quotations or bids from at least three (3) qualified and responsible vendors or contractors, and Developer shall be required to accept the lowest qualified quotation or bid.

Any other requirements which BCRA or the County shall, in their sole and absolute discretion, deem necessary to approve a Development and the allocation of any funds from the Housing Development Fund for such project.

3.2 Eligible Activities

3.2.1 The Housing Development Fund may be used for:

- a. Acquisition of real property for the development of residential rental units constituting the Approved Development;
- b. Construction and renovation of buildings containing residential rental units; and
- c. Approved soft costs directly related to the development of the Approved Development.

3.2.2 Acquisition:

The Housing Development Fund may be used for the acquisition of real property as part of an Approved Development. The Developer shall be required to comply with all terms and conditions of the Housing Development Fund loan documents, including but not limited to, the

Redeveloper Agreement. The Housing Development Fund shall not be available unless a Developer shall provide the BCRA with satisfactory evidence of sufficient equity and written loan commitment(s) for financing the development of the Approved Development.

3.2.3 Construction

The Housing Development Fund may be used for new construction, renovations, repairs or rehabilitation of an Approved Development. The Housing Development Fund shall not be available unless a Developer shall provide the BCRA with satisfactory evidence of sufficient equity and written loan commitment(s) for financing the development of the Approved Development. All funding draws shall be conditioned and contingent upon prior inspections of representatives of BCRA and/or the County. The Developer shall be required to exhaust all Developer equity and institutional lenders' financing prior to the use of any committed funds from the Housing Development Fund. BCRA and/or the County shall monitor construction, renovation, repairs or rehabilitation to the Approved Development to confirm, prior to disbursement of each loan draw, that the required work has been completed as represented by the Developer. BCRA may elect to accept the construction and completion monitoring reports of a third party commercial lender, either public or private. Alternatively, BCRA and/or the County shall have the right to engage its own construction inspector and charge the costs thereof to the Developer. Any such costs shall be paid directly by the Developer to BCRA upon thirty (30) days' prior written notice.

3.2.4 Soft Costs

The Housing Development Fund may be used for reasonable soft costs approved by BCRA which are associated with the acquisition, construction, repair, renovation and rehabilitation of Approved Developments. Soft costs shall include, but are not limited to, those types of general development costs normally incurred in developing real property such as engineering costs, accounting fees and legal fees..

3.2.5 Property Standards

Approved Developments and PSH Set-Aside Units that are constructed, renovated or rehabilitated with funds from the Housing Development Fund must meet all applicable local building and fire codes, rehabilitation standards, subdivision and land development ordinances, and zoning ordinances prior to construction or rehabilitation and at the time of completion. In the absence of a local code for new construction or rehabilitation, Approved Developments must meet one of the following: Uniform Building Code; National Building Code; Council of American Building Officials one or two family code, or housing quality standards at 24 CFR Part 982.401.

A Developer must maintain the housing in compliance with all applicable State or local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the housing quality standards at 24 CFR Part 982.401.

3.3 Rent for PSH Set-Aside Units

Housing units developed with the use of funds from the Housing Development Fund must be set aside for at least 15 years exclusively for use and occupation of Consumers referred by the County, or its designee, and with incomes no greater than 30% of the area median income as determined by the U.S. Department of Housing and Urban Development (“HUD”). The maximum payment for housing (rent and utilities) to be paid by any Consumer for any PSH Set-Aside Unit shall not exceed 30% of the household monthly gross income as defined by the County through its HealthChoices Program.

Selection of the Consumers for any Approved Development shall be in compliance with the requirements set forth in Section 4 of the Plan.

4. TERMS AND CONDITIONS

4.1 Eligible Properties: The maximum number of units set aside for PSH Set-Aside Units in an Approved Development shall not exceed 25% of the total units which comprise the Approved Development. Notwithstanding anything to the contrary contained herein, the County or BCRA shall have the right to approve any increase or decrease in the percentage of PSH Set-Aside Units in any Approved Development.

4.2 Financing Available: Permanent financing of up to \$80,000.00 for each PSH Set-Aside Unit shall be available; provided, however, financing for an Approved Development shall not exceed fifty percent (50%) of the total project budget of costs, including all soft costs. The Developer shall provide to BCRA satisfactory evidence of the balance of Developer’s financing, whether in the form of Developer equity and secondary financing commitments. The Developer shall not have the right to assign any of its rights or obligations under the Redeveloper Agreement or any of the loan documents without the prior written consent of BCRA and the County, which consent may be withheld in their sole discretion.

4.3 Financing Terms: Loans with annual interest rate of at least 1% and a term of fifteen (15) years. No payments of principal and accrued interest shall be due and payable unless and until the occurrence of an Event of Default under the Redeveloper Agreement or the sale of the Approved Development within the term of the loan..

4.4 Additional Funding Sources: Loans to Developers for Approved Developments from the Housing Development Fund may be used with additional public and private financing as long as the additional financing requirements do not conflict or interfere with any of the requirements for the Approved Development or the PSH Set-Aside Units as set forth in the Plan, this Agreement or the Redeveloper Agreement.

4.5 Funding Availability Requirements: Conditions precedent to disbursing funds for a loan to a Developer for an Approved Development shall be set forth in the Redeveloper Agreement to be executed and delivered by said Developer to BCRA. The terms and provisions of the Redeveloper Agreement shall be acceptable to BCRA and its counsel and shall include the following:

a. BCRA shall have no obligation to make any loan advances under a Developer loan:

(i) until the Developer has submitted to BCRA complete plans and specifications for the improvements to the Approved Development and executed copies of the construction contracts containing provisions for payment in accordance with the terms of the Loan Agreement,

(ii) until the Developer has provided to BCRA all permits and approvals required by the appropriate authorities having jurisdiction over the Approved Development to commence construction of the improvements at the Approved Development including, without limitation:

A. the approval of the Department of Labor and Industry or the municipality in which the Approved Development is located with respect to the design and construction of the improvements at the Approved Development,

B. the issuance of all necessary building permits by the local municipal authority having jurisdiction over the Approved Development,

(iii) until the Developer has submitted to BCRA a written budget of costs for completion of construction, renovation or rehabilitation of the Approved Development.

(iv) unless:

A. all work provided for in the budget of costs to the date of a request for disbursement shall have been completed in a good and workmanlike manner,

B. all materials and fixtures shall have been purchased and installed in accordance with the plans and specifications and rules and regulations of any governmental authority having jurisdiction,

C. the work for which a request for a loan advance has been made shall have been inspected and approved by the County, BCRA, or their respective designees, and

D. no Event of Default shall have occurred and be continuing under the Redeveloper Agreement,

E. there shall be no material, adverse change in the financial or operating condition of the Developer or the improvements at the Approved Development,

F. The Developer shall be in compliance with all of the terms and conditions of the Redeveloper Agreement and any other documents referenced therein or related thereto,

G. BCRA, the County or their respective designees shall have received a satisfactory report from the inspector,

H. No mechanics' or other liens shall then exist on the Approved Development,

I. All prior work on the Approved Development shall have been performed with acceptable quality standards and no material defects shall then be known, and

J. The Developer shall present to BCRA, the County or their respective designees for their review and approval all leases for PSH Set-Aside Units.

4.6 Insurance Requirements: The Developer shall provide to BCRA original or duplicate copies of all General Liability, Builders' Risk , Casualty and Flood, if necessary, insurance policies which shall be in form and substance satisfactory to BCRA. All such insurance policies shall name BCRA and the County as additional insureds and are to be submitted prior to the closing of a loan from the Housing Development Fund. Such insurance coverage shall be maintained by the Developer in the form approved by BCRA during the entire term of the Redeveloper Agreement and evidence of insurance coverage shall be delivered to BCRA, or its designee, on an annual basis.

5. APPLICATION PROCEDURES

5.1 Applications

It is expected that most development projects funded by the Housing Development Fund will also be obtaining other public funding in order to help create the long term affordability of PSH Set-Aside Units for Consumers. However, in those circumstances where the only source

of public funds being used on an Approved Development are funds from the Housing Development Fund, the procedures for determining eligibility for funding will mirror BCRA's established procedure with minimal deviations.

If a developer expresses interest in obtaining a loan from the Housing Development Fund, a Developer shall complete and submit a loan application and any requested documentation to BCRA. Upon initial receipt of the completed application and submission of the requested documentation, BCRA shall contact the County to discuss and review the application and requested documentation.

Pertinent information that will be relevant in approval of a Development for loans from the Housing Development Fund will include:

- Location of development and its proximity to services and transportation
- Number of bedrooms in units being set-aside for HealthChoices Consumers
- Any lease conditions that would have a detrimental effect on the Consumers to be housed
- the financial feasibility of the development
- the strength and record of the Developer, and
- the long-term viability of the units created.

5.2 Review Process

BCRA will prepare all documents and descriptions normally prepared as part of their review process for general affordable housing projects for those projects that are being considered for funding through the Housing Development Fund. The County through its HealthChoices Program shall jointly review all applications made for loans from the Housing Development Fund.

6. LOAN CLOSING AND DOCUMENTS

6.1 Funding

The Redeveloper Agreement and all loan documents shall be prepared by BCRA and shall include provisions describing all Housing Development Fund covenants, restrictions and conditions. The Redeveloper Agreement and any security documents which collateralize the Developer loan shall be recorded in the Office of the Recorder of Deeds. All such restrictions, covenants and conditions are intended to run with the land.

6.2 Lien Position

A mortgage shall be executed by the Developer in favor of BCRA to securitize the Developer's obligations under the loan documents and the Redeveloper Agreement, which mortgage will constitute a recorded lien against the Approved Development for the term of the Developer loan from the Housing Development Fund.

6.3 Loan Closing Fee

A document preparation fee of \$500 will be collected by BCRA at the initial loan closing.

7. DEVELOPMENT REQUIREMENTS

BCRA shall monitor the completion of Approved Developments financed by the Housing Development Fund and shall provide construction monitoring reports with the County and keep the County apprised of any potential delays in the completion of the improvements to an Approved Development. Final disbursement of funds under the control of BCRA will be deferred until issuance of occupancy permits for the PSH Set-Aside Units and the resolution of any issues that may negatively impact the use, occupancy and enjoyment of the PSH Set-Aside Units.

8. POST DEVELOPMENT MONITORING

BCRA shall ensure that the requirements of the Housing Development Fund are being met by a Developer during the term of the loan. At a minimum, the monitoring shall consist of:

8.1 Annually, BCRA shall require Developer to submit a report indicating unit numbers, number of bedrooms, monthly rent amounts, names of Consumers, number of members in households, amount of annual household income per PSH Set-Aside Unit, date of certification or recertification of income per PSH Set-Aside Unit, effective date of leases for PSH Set-Aside Units, and Consumer paid utilities for all PSH Set-Aside Units. BCRA shall forward a copy of the said report to the County or its designee.

8.2 In order to verify compliance with the requirements of the Plan, this Agreement, the Redeveloper Agreement and any other related documentation for the Housing Development Fund and the information submitted by Developers on Consumer incomes, rents and other requirements, BCRA shall conduct on-site inspections according to the number of residential rental units in the Approved Developments as follows: (a) total number of units from 1 to 4 - inspection is required every three (3) years; (b) total number of units from 5 to 25 - inspection is required every two (2) years; and total number of units is 26 or more - inspection is required annually.

8.3 The Developer shall, at all times during the term of the Developer loan, comply with the property standards as set forth in Section 3.2.5 above. BCRA shall also have the continuous right to conduct property maintenance inspections and to verify compliance with such property standards.

Throughout the term of the loan, BCRA shall conduct additional monitoring if requested by the County due to outstanding issues or problems known by the County.