GUIDELINES FOR CEDAC DEVELOPMENT ASSISTANCE PROGRAMS

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Updated January 2012

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CEDAC

The Community Economic Development Assistance Corporation (CEDAC) is a quasi-public corporation established under Chapter 40H of the Massachusetts General Laws in 1978. CEDAC is the state's technical assistance provider for non-profit, community-based development organizations. CEDAC has also received a determination from the Internal Revenue Service (IRS) as a 501 (c) (3) tax-exempt organization. CEDAC's nine member Board of Directors, composed of public and private development professionals appointed by the Governor, sets overall corporate policy and approves the commitment of funds to non-profit developers for specific projects.

CEDAC's mission is to promote the development of a network of community-based, non-profit development organizations in Massachusetts, and to provide those non-profit partners with the technical expertise and financial backing they need to carry out significant real estate and economic development projects to benefit low and moderate-income households in their neighborhoods and communities. CEDAC provides its non-profit partners with two key technical assistance resources: professional expertise, and equity capital for the predevelopment costs of their real estate projects.

These guidelines for CEDAC's Development Assistance Programs outline the purpose and structure of the agency's programs. CEDAC encourages prospective borrowers to contact the agency's staff early in the process of project development. Even at the concept stage, CEDAC development staff are available to help assess the preliminary feasibility of a project, strategize about alternative development programs for a site, and help prospective borrowers evaluate and secure other professional services. CEDAC's development staff has considerable experience in non-profit real estate development and management, and can bring that experience, and their knowledge of public and private financing programs, to our non-profit partners' benefit.

GENERAL GUIDELINES FOR PREDEVELOPMENT ASSISTANCE

Developers of real estate, whether for-profit or non-profit, need access to equity capital in order to advance real estate development projects, before construction financing can be secured. Developers need a source of predevelopment equity to cover the costs of architectural design, cost estimating, legal services, market studies, appraisal fees, site surveys, engineering services, application fees, and down payment or option expenses to secure control of a site.

Since access to this type of equity requires extremely high risk capital for projects that initially have only preliminary assurance of eventual success, its investment entitles the developer to exercise control over major decisions regarding the project, and to receive financial proceeds generated by the project. Non-profit developers typically do not have liquid net worth available to provide that equity, and external sources of equity are scarce because of the risk attached. The objective of CEDAC's predevelopment assistance program is to provide non-profit community-based development corporations with a sufficient supply of predevelopment equity to enable them to maximize their control over, and the community benefits resulting from, the real estate development activities in which they are engaged, and to successfully complete their projects.

I. ELIGIBLE ORGANIZATIONS

CEDAC's predevelopment loans are available to non-profit corporations, limited equity cooperatives, and public agencies. Non-profit corporations must be incorporated under Chapter 180 of Massachusetts General Laws.

All recipients of CEDAC's predevelopment loans must show evidence that they devote a substantial part of their efforts to activities intended to contribute to redevelopment and economic well being of target areas (defined as a geopolitical area with median family income below $58,163 by 2000 federal census data), or intended to create new affordable housing units or preserve existing affordable housing units, if the location is not within a target area as defined above. Specifically, to qualify for such assistance, they must propose to implement a project located in such target area, or designed to create or preserve affordable housing.

The CEDAC Board has also established a conflict of interest policy to which borrowers must adhere. The policy states that:

No staff person, officer, or director, whether paid or unpaid, of the Borrower, or any family member of the foregoing, presently has, and no such person shall acquire (a) any interest, direct or indirect, beneficial or legal, in any funds disbursed pursuant to a CEDAC Loan Agreement, (b) any financial interest, direct or indirect, beneficial or legal, in the Project assisted, or (c) any interest, direct or indirect, in any agreement or understanding connected with or arising out of the Project assisted. As used herein, the term "family member" includes all persons related to an individual by blood or marriage.

In addition, prospective recipients of CEDAC assistance must be current on any financial obligations to CEDAC arising from prior assistance, or have negotiated an acceptable repayment plan. In evaluating new loan requests, CEDAC will take into consideration the past repayment history of prospective borrowers for new projects.

II. ELIGIBLE PROJECTS

Eligible organizations may request CEDAC assistance for predevelopment costs associated with the acquisition, rehabilitation, or new construction of specific real estate projects. Applications will also be considered to convert existing residential rental property to a form of non-profit or resident ownership, if the conversion is controlled by, or principally benefits, existing residents, and if the property's deed will incorporate limited equity appreciation and resale covenants.

Applicants must also demonstrate compliance with the statutory and policy requirements for project approval used by the CEDAC Board of Directors. CEDAC's enabling legislation requires that assisted projects primarily benefit low and moderate income families and individuals, and that CEDAC must give preference to projects that will be owned by non-profit community-based organizations.

Therefore, affordability and community control characteristics are key elements in CEDAC's evaluation of all projects.

The CEDAC Board will also look for clear evidence that its provision of funds is likely to leverage substantially increased public benefits, enhanced neighborhood participation in financial proceeds from the project, and effective neighborhood control within the project's ownership and decision making structure.

III. ELIGIBLE USES

CEDAC development assistance loans may be used to pay for mortgageable predevelopment costs, including initial feasibility and market studies; architectural and engineering services; legal services; development consultant services; the costs of survey, environmental testing and appraisals; historical certifications; application fees; financing and zoning application fees; option payments, or to make down payments on a purchase and sale agreement, on privately-owned sites; and related project expenses, including project management costs of the borrower. Project management costs are only eligible for a CEDAC loan if CEDAC is disbursing its funds directly to the borrower, are included in the project’s capital budget, and will be reimbursed at construction loan closing.

IV. LOAN LIMITS

CEDAC typically entertains development loan requests for maximum amounts based on the project financing. Maximum loan amounts rarely exceed the following limits:

Project Financing	Maximum amount
Tax Credit Equity Financed	$400,000
Non-Tax Credit Equity Financed	$200,000

A project's actual financial needs may exceed this guideline because of factors other than project financing. CEDAC will therefore entertain larger requests, but such applications will be subject to particularly rigorous review with respect to the applicant's ability to secure other technical assistance resources, project feasibility, and the expected public benefits. Applicants should prepare the budget forms in their CEDAC application based on the full loan amount desired, if known, but CEDAC reserves the right to phase its approval and disbursement of pre-development loan funds in accordance with the project's immediate needs, and its continuing ability to demonstrate feasibility.

V. APPLICATION PROCESS

The applicant should complete and submit CEDAC's standard Application for Development Assistance form. This form requests information about the organization developing the project, a description of the target area, a detailed project profile, a description of the technical assistance being requested and its estimated cost, and a proposed process for how the organization will select service providers. If the project is at a very early conceptual stage, the applicant will be expected to at least provide CEDAC with a preliminary development and operating proforma, data about the site and the status of efforts to secure site control, projections concerning the affordability of the housing units to be developed, a project financing plan, borrower eligibility for CEDAC assistance, and project consistency with CEDAC policies.

If the information is available because the project is more advanced when it first approaches CEDAC for a loan, applicants should demonstrate evidence of site control; preliminary commitments for a portion of the required financing; complete development team; and market analysis sufficient to document marketability. Applications should include sources and uses of funds statements for both the construction and permanent financing. Applicants should submit a comprehensive budget for predevelopment expenses, clearly identifying the line items for which the loan is requested. Sources, proposed or confirmed, for any required front money costs not requested of CEDAC, should be identified.

A borrower fills out the full application form only once for a particular project, at the very inception of its request to CEDAC for assistance. As is explained later in these Guidelines, CEDAC lends funds incrementally, so each loan to a borrower takes the form of a series of approvals and fund disbursements as the project progresses. However, after the initial application and approval, subsequent requests only require an update memo to CEDAC staff as documentation.

CEDAC derives the monies it lends from a variety of sources including Home Funders LLC, the John D. and Catherine T. MacArthur Foundation (MacArthur) the Massachusetts Housing Partnership Fund (MHP), the Massachusetts Life Insurance Community Investment Initiative, DHCD’s Housing Stabilization Fund (HSF) and the City of Boston Department of Neighborhood Development (DND). Not all projects will qualify for all sources of CEDAC's funds. Depending on the program area and the funding source, some funders may impose additional requirements to qualify for CEDAC-managed loan funds. For example, to access Home Funders capital, at least 20% of the units in the project must support extremely low income families. MacArthur and DND funds are reserved for the preservation of governmentally assisted multifamily developments. DND supported projects must be located in the City of Boston. CEDAC staff will inform prospective borrowers of any additional requirements at the time of application.

The CEDAC Board of Directors meets approximately every six weeks to review requests for assistance. A schedule of board meetings is available upon request. Applications for assistance are due at CEDAC three weeks prior to the board meeting at which consideration is requested. CEDAC's staff will review the application for financial feasibility, public benefits, and funding requirements, and prepare a recommendation for the board's action. The board must approve all commitments of funding by CEDAC, except for the Initial Feasibility Assistance Program in which only organizational eligibility for assistance from CEDAC is reviewed by the board.

VI. TERMS OF ASSISTANCE

CEDAC loans are evidenced by a loan agreement between the borrower and CEDAC, and are secured by a promissory note. CEDAC uses a standard form of loan and note agreement. As much as possible, CEDAC closes its loans in-house, thereby avoiding legal fees. Should an outside attorney be required to assist with the closing or review borrower proposed edits, those legal costs will be borne by the borrower.

CEDAC typically makes multiple funding awards to the borrower for each project as the project progresses. The initial loan agreement, promissory note, and authorizing votes of the borrower's board reflect the maximum loan amount the project might qualify to receive from CEDAC. Thereafter, loan increases are simply documented by a loan increase commitment letter, which, when signed by the borrower, serves as an amendment to the loan agreement. **The "maximum loan amount" identified in the loan agreement is not a board approved amount and therefore does not reflect a commitment by CEDAC to lend that amount. Rather it reflects the maximum amount the borrower might eventually qualify to borrow for the project.**

CEDAC charges a one percent (one point) commitment fee for each loan commitment. The commitment fee is due when the executed loan documents are returned to CEDAC. The borrower has the option of paying the commitment fee by check, or authorizing CEDAC to draw the funds from the CEDAC loan commitment.

CEDAC loans bear a simple fixed interest rate, calculated as disbursements are made. Rates for new loans are modified from time to time and are specified on a current term sheet. CEDAC's loans are repayable from the proceeds of the project's construction financing, at the earliest date on which those funds become available to the borrower. Loans not repaid at that time are considered to be delinquent under the terms of CEDAC's loan agreement. Interest accrues on delinquent loans at a rate equal to the greater of (a) the prime rate reflected in the money section of the *Wall Street Journal*, plus three percentage points or (b) CEDAC's currently stated interest rate plus three (3) percentage points, but in no event greater then 20% per annum (the “Default Rate”), to be immediately due and payable to CEDAC.

Each loan agreement executed by CEDAC incorporates mutually agreeable standards for the level of affordability expected from a given residential development project. If a project fails to meet these objectives, additional interest will be charged on these disbursements retroactively to the date of CEDAC’s initial loan disbursement. If a non-profit borrower plans to use funds from CEDAC for the benefit of a partnership or joint venture it has formed to carry out the project for which funds have been lent, CEDAC will require the development entity, as the recipient of the construction loan, to guarantee repayment from the construction loan proceeds. The borrower or the development entity is required to give CEDAC a mortgage on the site, if either takes title prior to repaying CEDAC's loan.

VII. GENERAL LOAN UNDERWRITING POLICIES

To best manage the risks inherent in this type of lending, CEDAC phases the approval and disbursement of its funds to insure that expenses correspond to identifiable milestones in a proposed development program. Site control is not required to be eligible for a loan from CEDAC. CEDAC will lend funds initially for expenses which are required to gain control of a site, analyze the financial feasibility of a proposed project, and perform initial architectural and engineering services.

In consultation with the borrower, CEDAC determines the amount of assistance needed to move the project to the next step in the development process. Only funds sufficient to cover costs associated with those tasks necessary to keep the project moving along a critical path are approved and disbursed. If a project can demonstrate a reasonable degree of feasibility, CEDAC will advance more funds to prepare financing and subsidy applications. Once a project secures preliminary financing commitments, CEDAC will lend larger amounts for advanced design work, appraisals, environmental and survey costs, and the non-profit developers' project management expenses. Approval of subsequent requests depends on the developer's progress in advancing the project. This process of incrementally lending predevelopment funds tied to the progress of the project helps CEDAC manage the risk associated with its lending program.

Retroactive Payment for Expenses Incurred

It is the policy of CEDAC to only fund expenses incurred after approval of a loan by the CEDAC Board of Directors. The only circumstance under which the Board will consider an exception is when the need to incur costs has been made demonstrably necessary by circumstances beyond the borrower's control, such as deadlines imposed by other public agencies that could not be anticipated, and are out of sequence with CEDAC's Board meeting schedule. This exception is available only to borrowers that:

(a) have made all reasonable efforts to avoid the need for making a retroactive request;

(b) have made all reasonable efforts to minimize costs for which retroactive approval of funding is requested;

(c) have complied with CEDAC's consultant selection process; and

(d) have notified the CEDAC staff prior to making commitments for which the borrower intends to request retroactive payment.

Notwithstanding the above, the Board retains the right to deny any request for funding expenses retroactively.

VIII. FORMS OF ASSISTANCE

CEDAC predevelopment assistance will take one of the following forms depending on the use of funds, capacity of the borrower, and the stage of the project: (1) Initial Feasibility Assistance (IFA) for projects in the feasibility stage of development; (2) Front Money Loans (FML) for projects that can prove feasibility and for borrowers that can demonstrate well-functioning and acceptable financial systems and experience in managing consultants; this money can be used for site control and other mortgageable predevelopment costs; and (3) Technical Assistance Advances (TAA) for borrowers that cannot demonstrate the organizational management requirements for a FML. These forms of assistance are described below in further detail.

INITIAL FEASIBILITY ASSISTANCE

CEDAC's enabling statute requires CEDAC Board approval of all requests for development assistance. But the development needs of non-profit organizations are sometimes too time-sensitive, or the amount of money needed too small, to allow for a full board review. As a result, some types of CEDAC assistance are available on an Initial Feasibility Assistance (IFA) basis. This means that the CEDAC staff can review the request and approve a loan of up to $15,000.

Eligible Organizations

There are two ways an organization can qualify for IFA. First, any organization that has had a request for assistance approved by the CEDAC Board is automatically eligible to receive IFA for the next twelve months. If a subsequent request is approved, the twelve-month eligibility period begins again.

Second, an organization may submit an Application for CEDAC Initial Feasibility Assistance. This two-page form, a copy of which is available from the staff, requests basic information about the organization and the activities it is undertaking. IFA applications are reviewed at every board meeting. Organizations found to qualify are eligible to receive IFA for twelve months from that date. If no board approved assistance is granted during the subsequent year, the organization will need to submit an updated Application for CEDAC Initial Feasibility Assistance to renew their eligibility for another year.

Eligible Projects

The definition of project eligibility is the same as that for CEDAC's regular Development Assistance Loans.

Eligible Uses

In general, costs that qualify under CEDAC's regular development assistance programs are eligible IFA costs. Typically, IFA is used to address a relatively minor cost. For example, a non-profit developer might need the services of an architect to conduct a very preliminary rehabilitation cost estimate on a property prior to making a purchase offer. In other cases time may be critical. For example, an organization may need to place funds at risk to bind an agreement with a property seller until the next regularly scheduled CEDAC Board meeting, when a larger request to finance an option payment or down payment can be reviewed. IFA can be used in such cases to prevent the organization from losing the opportunity to secure site control of a development parcel.

Loan Limits

Under the IFA procedures, if during the previous 12 months the CEDAC board has determined that an applicant is an eligible organization, the staff can approve up to $15,000 in predevelopment assistance without additional board review.

Application Process

Once an organization has been deemed eligible for IFA by the Board, requests for IFA loans for specific projects should be made in writing, although if time does not allow, a request can be initiated verbally. The request should describe the project, financing information, site data and other information typically requested for any CEDAC loan, and should specify the time constraints which do not allow for consideration as a regular CEDAC loan. The CEDAC staff, in reviewing IFA requests, may ask for additional data or documents before making a decision. Decisions are based on the potential public benefits if the project is successfully implemented and the likelihood that the project will succeed.

Terms of Assistance

IFA loans are also due for repayment at construction loan closing. In keeping with the streamlined procedures for IFA, a simplified Loan Agreement and Promissory Note are used, unless a predevelopment loan agreement already exists between CEDAC and the borrower for the same project. In the latter case, CEDAC will prepare a loan increase commitment letter, and any other documents as CEDAC may deem necessary, for the borrower to execute. If an IFA loan is followed by a regular CEDAC loan to the project, the IFA note is discharged and replaced by a predevelopment loan agreement and promissory note for the project.

FRONT MONEY LOAN

CEDAC will disburse the proceeds of its predevelopment loan as a Front Money Loan (FML) directly to non-profit developers who have successfully completed one project with CEDAC, or can demonstrate well-functioning and acceptable financial systems, and experience in managing consultants. If the non-profit doesn't initially meet this standard, CEDAC will disburse its loan proceeds directly to the borrower, once the non-profit's first project in process secures preliminary financing commitments, and the borrower can demonstrate that it satisfies the organizational management requirements for direct disbursements. Please see section titled "Eligible Uses" for a description of the predevelopment expenses that this loan will cover.

<u>Site Control Expenses</u>

If a borrower is requesting CEDAC loan funds for the costs of an option payment on a site, or as an earnest money payment on a purchase and sale agreement, a number of specific conditions apply to CEDAC's loan for those purposes. If there is time sensitivity of negotiations to secure an option on a piece of real property, CEDAC staff can lend a limited amount to bind the option, or to bind an agreement holding a property, through the Initial Feasibility Assistance (IFA) program (see description above) until the next regularly scheduled CEDAC Board meeting when a full loan request can be reviewed. Because of the potential risk associated with these loans, site control loan funds will only be available if the agreement with the seller is reviewed by the CEDAC staff prior to the conclusion of negotiations. Therefore, potential borrowers are urged to contact the CEDAC staff as soon as they enter into negotiations**. Applicants should provide CEDAC with a draft copy of the option, or purchase and sale agreement, <u>before the document has been executed</u> by either the buyer or the seller. In addition, CEDAC must be consulted during the negotiations with the seller to insure that the resultant agreement includes the provisions required to qualify for a Site Control Loan.**

Requests to make loans to execute a purchase and sale agreement will typically receive more rigorous scrutiny than those to finance options, if the entire loan amount will be placed at risk at once, and the length of time available to secure financing and obtain the various approvals needed to proceed to construction will generally be shorter. Borrowers should seek to address these concerns by negotiating purchase and sale agreements with realistic contingencies, and an ample period to complete the packaging of the project's financing.

For an option agreement to be eligible for financing under this program, the agreement with the seller should generally contain the following provisions:

- Assignability to CEDAC without permission of the seller;

- Schedule of periodic (although not necessarily equal) option payments that are due over the term of the agreement rather than in a single lump sum payment;

- Right of buyer to terminate the agreement without penalty by discontinuation of stipulated option payments; and

- Option payments credited to purchase price.

For an earnest money payment to bind a purchase and sale agreement to be eligible for financing under this program, the agreement with the seller should contain the following provisions:

- Assignability without permission of the seller;

- A minimum of six months to close although in some cases CEDAC will require that the term be greater than six months; and

- Adequate financing, zoning, and inspection (environmental, structural and mechanical) contingencies.

CEDAC will disburse funds according to the schedule of payments contained in the agreement between the buyer and seller when requested to do so by the borrower on a form supplied by CEDAC provided (a) that the borrower can demonstrate to CEDAC's satisfaction that it continues to make adequate progress in advancing the project, and provided further (b) that CEDAC has not determined that the project is infeasible. To secure its loan, CEDAC will physically hold in escrow the option or purchase and sale agreement and the signed assignment.

TECHNICAL ASSISTANCE ADVANCE

For non-profit developers whose organization or project doesn't meet these threshold criteria, CEDAC will make its loan available as a Technical Assistance Advance (TAA). Under a TAA, CEDAC disburses its loan funds as payments to contractors for professional or technical services on behalf of the CEDAC borrower, until the borrower or project qualifies for direct lending of CEDAC loan funds. These payments are construed as advances under CEDAC's loan agreement with the borrower. CEDAC's Consultant Selection Guidelines below spell out CEDAC's procedures and policies for solicitation of prospective consultants, and approval of their proposals, with particular attention paid to CEDAC's goals for use of Minority and Women's Business Enterprises.

<u>IX. CONSULTANT SELECTION GUIDELINES</u>

CEDAC staff work collaboratively with borrowers as they select a development team that will help the organization meet its development objectives.

Consultant Selection Process

It is CEDAC's policy to approve consultants identified by the organization being assisted whenever possible. CEDAC must be satisfied that the organization, in identifying a consultant, has followed a selection process that is reasonable and open, and one which is likely to produce the best qualified contractor. Where appropriate, such a process ought to involve the consideration of at least three potential candidates with a particular attention to identification of minority business enterprises that might be qualified to supply the needed services. If the assisted organization has not identified a consultant or has used an inadequate consultant selection process, CEDAC will help the organization design a selection process and, if desired, participate in the outreach and screening procedures.

Provided CEDAC has been satisfied with the fairness and adequacy of the organization's selection process, CEDAC will review the consultant's qualifications. CEDAC may rely on resumes, capacity statements, references and other materials submitted by the prospective consultant and interview with the consultant. In addition, CEDAC may solicit confidential references from individuals (in addition to those identified by the candidate) who are in a position to be familiar with the consultant's professional qualifications.

CEDAC reserves the right to reexamine a consultant's qualifications at any point while a borrower is using CEDAC funds if new information or performance issues come to CEDAC's attention and raise concerns about the consultant's ability to satisfy CEDAC's qualifications on an on-going basis.

Minority and Women's Business Enterprise Utilization Policy

CEDAC's standard loan agreement stipulates in Section 5. <u>Affirmative Covenants</u>, section 5.4, that the Borrower will " Use all best efforts to obtain at least five per cent (5%) and at least ten percent (10%) of the value of all construction, goods and professional services, procured in connection with the Project from Women Business Enterprises (WBE) and Minority Business Enterprises (MBE), respectively, as certified by the Massachusetts State Office of Minority and Women Business Assistance (SOMBA) pursuant to Executive Order 237, as modified by Executive Order 390, and furnish to CEDAC such reports as CEDAC may reasonably request evidencing the affirmative steps taken by the Borrower to identify and procure goods or services from such enterprises."

CEDAC seeks to encourage and facilitate the use of MBE's by its borrowers. The agency has available for use by borrowers a directory of all SOWMBA-certified and city of Boston-certified minority and women's business enterprises in relevant professions (architectural firms, development consultants, accountants, law firms, etc.) to our borrowers. Borrowers should take affirmative steps to include those firms in their solicitation of requests for professional services.

Consultant Qualifications

CEDAC expects a proposed consultant to demonstrate experience with comparable projects. By comparable projects, CEDAC means that the consultant can demonstrate:

- that they have served as a consultant to successful projects of the same type,
- that they have served as a consultant to successful projects of approximately the same scale,
- that they have served as a consultant to successful projects of similar complexity, and
- that they have played a comparable role, in terms or responsibility.

Consultant Rates

Rates proposed by consultants must be in line with the rates charged by other consultants for the type of work, and for the consultant's level of skill and experience.

GENERAL GUIDELINES FOR ACQUISITION ASSISTANCE

The Acquisition Loan Program (ALP) will make short-term acquisition loans to non-profit developers to enable them to compete in a changing real estate market. Through careful underwriting and risk management, the program will demonstrate the need for, and feasibility of, acquisition lending to non-profits. The program is designed to allow non-profit developers to respond to development opportunities while assembling financing from the multiple public sources inevitably required for feasibility and affordability. The loan program will assume a modest level of performance risk with capable non-profit developers who demonstrate strong public support for their programs.

The Acquisition Loan Program will make short term acquisition loans to non-profit developers in three program areas: 1) loans to acquire distressed urban housing in strategically targeted neighborhoods; 2) loans to acquire property in time-sensitive tax credit transactions; and 3) loans to acquire sites for the development of community residences housing developed as part of the Facilities Consolidation Initiative. Other properties for which developers can demonstrate a clear public benefit and special market conditions requiring early acquisition will also be eligible.

The loan process will respond promptly to loan requests to allow developers to receive commitments and complete the transactions quickly. Standardized documents and procedures will control program costs and insure prompt closings. **For terms and conditions of this loan, please see the current term sheet.**

I. APPLICATION PROCESS

Standard Process

Applicants should contact a CEDAC project manager to discuss the project and schedule prior to applying in order to identify issues and expedite the processing of the application. Borrowers should submit an application at least 3 weeks prior to the CEDAC Board meeting. Staff will review the property and make a recommendation to the CEDAC Board. Preliminary due diligence to determine whether it is feasible to pursue the project should be done prior to submitting an application and Board approval. Approval may be conditioned upon receipt of additional information. CEDAC will make every effort to streamline the review, approval and loan closing process to insure timely receipt of the funds necessary to acquire property in the marketplace.

Prequalification and Expedited Process

Some of the greatest opportunities to acquire distressed urban property at realistic prices require 60 days or less turnaround time on the loan, particularly in distressed urban properties in order to get the best price. The lag time between CEDAC Board meetings may inhibit the ability of the developers to act opportunistically. Therefore a limited number of strong borrowers may be "pre-qualified" by the CEDAC Board for participation in the program and allowed to act on real estate opportunities with staff review and approval. In order to participate, non-profits must demonstrate that they have high level of municipal support, or a history of strong municipal partnerships and a clear, comprehensive strategic plan for neighborhood revitalization or preservation of affordable housing. If pre-qualified by the Board, the borrower will be authorized to access limited amounts of funding between Board meetings, based on staff approval and underwriting of specific properties on which they have to move promptly to acquire the real estate or note. In general, pre-qualification will be used for borrowers seeking to acquire distressed urban properties as part of a strategic plan. It may also be used for borrowers who have been designated by DCAM to participate in the Facilities Consolidation Initiative.

In order to be pre-qualified, the borrower must meet the following criteria:

- Track record of successful completion of projects similar in size and scope. References from lenders and public agencies with whom the borrower has worked must be submitted as part of the pre-qualification.

- Demonstration of staff or team capacity, *at this time,* to manage the project. The organization must have completed at least 2 transactions of a similar nature.

- Submit a strategic acquisition plan which is comprehensive in scope and which reflects community participation in the goals and plan. Depending on the locale, the plan may be based on neighborhood revitalization or based on a strategy to preserve affordable housing. Non-profits must demonstrate a thorough knowledge of the target market. A market study will be an essential element of the strategic plan.

- FCF borrowers must have a developer designation from DCAM and an acquisition plan and schedule.

- Strong municipal support or history of successful partnership with the municipality. Early commitment of municipal financial support for the strategy is strongly encouraged. HOME or CDBG funding for part of acquisition and holding costs is preferred.

- Strong borrower relationship with CEDAC and record of repayment of CEDAC loans.

Borrowers who meet these criteria, may be pre-qualified by the CEDAC Board for acquisition loans in accordance with their strategic plan for up to $500,000. CEDAC staff will review specific acquisition requests and apply the program underwriting standards to the loan request. Upon staff approval, the borrower may close the loan and proceed with the acquisition. Staff will inform the board at each meeting of staff approved loans.

II. UNDERWRITING AND REVIEW

CEDAC underwriting and evaluation will parallel the review and analysis that a responsible developer will undertake before acquiring property. The following are underwriting criteria and submission requirements for the **Acquisition Loan Program**.

Site	Zoning: Submit a zoning analysis to show relief required or as-of right development. Schedule for obtaining zoning approval should be attached. Site Approval: Projects for which Facilities Consolidation Funding is a takeout source, must submit a site approval letter from DMR or DMH. Condo Acquisition: Borrowers should prepare an analysis of issues related to the acquisition of condos where they have less than a controlling interest in the condo association. These issues will include a review of the condo documents and any restrictions on the proposed occupancy (owner occupancy requirements); a review of condo association annual budget for 3 years; condo inspection reports and handicap accessibility issues Neighborhood Plan: A strategic acquisition plan should accompany the applications for loans on distressed urban property. The plan should include information about revitalization or preservation goals and how the acquisition fits into a neighborhood stabilization strategy. Include letters of municipal support, particularly if municipal resources are required for the long term financing.
Environmental	Hazardous Materials: Projects with loans of over $250,000 must submit a 21E site assessment. Projects under $250,000 must submit an environmental analysis by an experienced environmental firm or individual i.e.. a transaction screen or Phase One analysis depending on the size, location and history of the property. A finding of No Hazardous Materials will be required. If hazardous materials exist an acceptable mitigation and funding strategy must be submitted. Lead Paint: If lead is present in any apartment occupied by a child of 6 or under, then that family must be relocated, the lead paint removed, or a letter of compliance must be submitted prior to disbursement of the loan. Title V: For properties subject to Title V, the borrower should indicate if the property complies with Title V requirements, or submit a plan including the cost of compliance. Water: Projects without town water must submit engineering evidence of availability of water or if a well is on site, clean well water tests.

Valuation	Appraisal/Market analysis: For loans over $250,000 an appraisal by a state certified appraiser, commissioned by MHP or CEDAC, will be required. For all other loans, either an appraisal or broker's opinion is required. An analysis of the rental market, with comparables, is required for loans to rental property. Cost Estimates: Rehab estimates from a cost estimator, contractor, architect or rehab specialist should be included. A home inspection for single family homes in good condition will be sufficient.
Development And Financing	Feasibility analysis: The borrower must demonstrate a feasible development strategy. A proforma listing potential sources of funding is required. Letters of support or commitment, when available, should be submitted. Affordability Analysis: An affordability analysis demonstrating that a minimum of 50% of the units will serve households below 80% of median income should be submitted. (FCF borrowers should substitute a certification from DMR or DMH that they will place appropriate clients) Municipal Support: The strength of the municipality's commitment will be considered when evaluating a loan request for the acquisition of a distressed urban property. Interim Operating Costs/Cash flow analysis: Borrowers must submit a plan for interim operations of the property. Include a cash flow and gap funding strategy, including source for payment of acquisition loan interest. Relocation Plan: Submit a relocation plan and budget for the construction period, if applicable. A tenant income profile should be included.
Legal	Title: Title insurance will be required at closing. A title rundown should be performed prior to application. Municipal Liens: A municipal lien certificate will be required at closing.
Borrower Capacity	Experience: The borrower must have successfully completed 2 similar projects in scale and scope or have assembled a team with adequate experience. Borrower must have staff capacity to manage the team to complete the financial packaging and rehabilitation. Financial Capacity: The borrower must submit audited financial statements for the past 2 years and the organization's most recent annual operating budget.