

CITY OF TOLEDO
DEPARTMENT OF NEIGHBORHOODS
HOUSING DEVELOPMENT FUND

Underwriting Guidelines

Financing is limited to gap financing. Financing will be in the form of loans for rental projects and owner-occupied housing projects developed by private developers. Grants may be provided to owner-occupied housing projects or rental projects when the owner, general partner entity that owns at least 51% of the general partnership or the managing member or managing partnership is a community housing development organization (CHDO) certified by the City of Toledo or an established non-profit organization with an IRS issued 501(c) 3 designation for certain HUD projects.

A subsidy layering review will be performed on each project to ensure that no more than the necessary amount of HOME Program funds is invested in any one project to provide affordable housing.

All City HOME funds must be used to fund construction costs.

Prevailing wage must apply to all projects with 12 or more units.

The project's total sources must always equal the total project cost.

All non-City HOME construction and permanent financing, grants and equity sources must be conditionally committed at the time of application. A letter of conditional commitment for all sources must be submitted:

1. An executed conditional commitment letter from each financing source must be included at the time of application that states the amount of financing, the interest rate of the loan, the term of the loan, the amortization period and the contact person's name and phone number.
2. In the case of a conditional equity commitment, the letter must include the amount of the Housing Credit equity – net and gross, the pay-in schedule for the equity, the cents per Housing Credit dollar factor used and the amount of historic equity, if any.

The project eligible basis will be used in calculation of the maximum allowable developer and consultant fees and the maximum allowable general requirement, contractor's overhead and contractor's profit costs. The project eligible basis will be determined by subtracting land, land broker, off-site improvements, commercial hard construction, hard construction fee item, permanent loan, housing credit application, housing credit reservation, compliance monitoring, rent up/marketing, organizational, syndication, operating reserves, and replacement reserve costs/fees from total project costs. For acquisition Hard construction fee item costs include expenses for things that tenants must pay a fee to use, including garages, carports, pools, recreation rooms, etc.

Developer's Fees and consultant fees may not to exceed the total of 15% of first \$5 million of the project eligible basis, 10% of any project eligible basis between \$5,000,000 and \$10,000,000, 5% of any project eligible basis over \$10,000,000 and 5% of the acquisition costs.

The total amount of General Requirements, Contractor Overhead and Contractor profits line items may not exceed 14% of project eligible basis.

All line-item costs must be reasonable, usual and customary.

Soft costs may not exceed 35% of total costs. Total soft costs means the sum of general requirements, contractor overhead, contractor profit, architectural fees, survey costs, engineering fees, permanent loan fees, cost of tax-exempt bond issuance, taxes, appraisal, market study, environmental report, rent-up/marketing costs, title & recording fees, non-syndication legal fees, accounting fees, developer fees & overhead, consultant fees, organizational fees and syndication fees.

For rental projects, there must be positive and adequate debt service:

1. Hard debt coverage ratio must be at least 1.15 and may not drop below this for the period of affordability.
2. Total debt coverage ratio may not exceed 1.30 in the first year of stabilization and for remaining period of affordability.
3. Project must maintain positive cash flow for the period of affordability or provide a written explanation describing the strategies to overcome any shortfalls.
4. Project's annual operating expenses per unit, may fall within a 10% range of \$3,900 for non-elevator units and \$4,200 for elevator units. Exceptions may be made after the Department of Neighborhoods' approval based upon review of acceptable evidence provided by the owner
5. The City of Toledo has adopted minimum and maximum annual replacement reserves standards.

Project Type	New Construction	Rehabilitation
Minimum	\$250 per unit	\$300 per unit
Maximum	\$350 per unit	\$400 per unit

6. The City of Toledo requires adequate operating reserves with a maximum of four months.
7. The City of Toledo will assume an annual increase in income of 2% and expenses of 3%.
8. The vacancy rate must be that identified in the market study. No vacancy rate greater than 10% is allowed.
9. The utility allowances published by the Lucas County Metropolitan Housing Authority shall be used in calculating gross rents.

The per unit development cost (total project cost minus cost of land, commercial hard construction, bridge loan interest, operating reserves and replacement reserves) may not exceed the HUD 221(d)(3) mortgage limits by bedroom size.

The project must conform to the City of Toledo's Consolidated Plan.

A market study will be required for projects containing 12 or more units. The market study must be conducted by an independent / third-party market study professional and submitted with the application. The study must include all of the following:

- Provide a brief executive summary in bullet format that briefly reviews the requirements listed below.
- Provide a concise conclusion by the author that indicates a market exists for the proposed project. The conclusion must include the estimated stable year vacancy rate and the estimated time needed to fully lease-up the proposed project. If the estimated stable year vacancy rate exceeds 7% and/or the estimated lease-up time exceeds one year, provide a detailed explanation for the higher rates.
- Describe the proposed project including location, number of units, number of bedrooms (efficiency, SRO, 1, 2, 3 or 4 and up), and project rents.
- Describe and provide a map of the effective market area for the proposed project.
- Describe the number of income-eligible renter households in the proposed project's effective market area. Indicate the percentage of these households that are required to fully lease-up the project (i.e. capture rate). If the proposed project's capture rate exceeds 10%, provide a detailed explanation for the higher rate.
- Describe the public services (transportation, police, fire department, schools), infrastructure (roads, traffic) and community services (shopping, recreation, transportation, medical and services for special needs if applicable) in the effective market area. List the approximate distances to all the services.
- If the project will be serving a special needs population, then identify the number of special needs households residing in the effective market area. Indicate the percentage of these households that are required to meet the project's special needs goals. Please document the source of your information.
- Describe other developments located in the effective market area. Provide the current vacancy rate for each project. Compare the rents, amenities, unit sizes, bedroom sizes, and populations served of the competing projects to the proposed project.

- The study must have been completed or updated by the author within one year prior to the application.

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Minimum Project Standards

For all HOME assisted projects, each unit must meet City of Toledo housing or property maintenance code prior to placing the unit in service.

Each unit must meet all regulations governing the accessibility of federally assisted buildings, facilities and programs, including adherence to Americans for Disability Act, 24 CFR 100.205, Fair Housing Act and Section 504.

For projects with 5 or more units, 5% of all units must be accessible for mobility impaired and an additional 2% of the units must be meet accessible for sensory impaired.

In additional to meeting all regulations governing the accessibility of federally assisted buildings, facilities and programs, a project, including all units and buildings, must incorporate 20 universal design features. Complete attached Universal Design Features Form.

Each bedroom in a new construction or adaptive reuse units must have at least 100 square feet and have a closet in addition to the minimum square feet. Existing housing units are exempt from this criterion.

A minimum hard construction costs for rehabilitation must be equal to or greater than \$6,000 per unit. Applicable hard construction costs include residential hard construction costs, on-site improvements, construction contingency, furnishings and appliances.

All projects must meet parking requirements in accordance with City of Toledo's zoning code.

Federally prevailing wage will apply to all projects with 12 or more units.

Newly constructed or adaptive reuse units must meet Model Energy Code.

The project must meet all the federal lead-based paint requirements as identified in 24 CFR Part 35, including proper notification, lead hazard evaluation, lead hazard reduction, and ongoing maintenance requirements. The project must also meet state regulations as required as well.

All units must have energy efficient central air conditioning systems unless design issues can only provide for window units or other cooling systems for each room.

3 bedroom units must have at least 1 and ½ bathrooms. 4 and 5 bedroom units must have at least 2 bathrooms. Exceptions can be made for existing units that cannot provide the number of bathrooms without incurring excessive costs.

Owners must provide adequate security features, such as security staff, cameras, alarm systems, secure common hallways, block watch plans, etc. for all residents.

Minimum residential living space for new construction and adaptive reuse multi-family projects are as follows:

- SRO's units are to exceed 250 square feet
- Efficiency units are to exceed 450 square feet
- 1 bedroom units are to exceed 650 square feet
- 2 bedroom units are to exceed 850 square feet
- 3 bedroom units are to exceed 1000 square feet
- 4 bedroom units are to exceed 1150 square feet

Minimum residential living space for new constructed single family homes, townhouses and villas must contain include 3 or more bedrooms, provide parking pad for two cars and include washer/dryer hook-up. Exceptions will be made for the rehabilitation of existing homes.

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Development Team

The development team usually consists minimally of majority owner, secondary owner, third owner, general partner(s), developer, all co-developer(s), engineer, architect, attorney, consultant, and general contractor. Each development team member must be identified with a contact person and phone number.

Any identity of interest must be disclosed at the time of application or the application for funding will be denied.

Preference will be given to projects whose one of the general partners/owners or parent organization has had previous experience developing affordable housing. General partner/owner or parent organization must have at least 2 years of experience and completed a minimum of 20 housing units at the time of the application.

Engineer, architect and attorney must be licensed in the State of Ohio and experience with similar projects .

For projects with 5 or more rental units, the management company must meet the following standards:

1. The company must be a member of the following organization or associations: National Assisted Housing Management Association (NAHMA), Midwest Assisted Housing Management Association (MAHMA), National Leased Housing Association (NHLA), Council for Affordable Rural Housing (CARH), Council for Rural Housing and Development of Ohio (CRHDO), American Association for Homes and Services for the Aging (AAHSA), Association for Ohio Philanthropic Homes and Housing for the Aging (AOPHA), a special needs association with a focus on housing management training for that special needs population or American Association of Service Coordinators.
2. A representative of the management company has earned a certification as a Housing Credit professional from the National Association of Home Builders (NAHB) or other nationally recognized consultant or association.
3. The company must have managed at least two federally subsidized developments of at least 10 units each for at least the last three years.

In addition the management company must demonstrate success in managing subsidized affordable housing properties by demonstrating that all properties are in compliance with applicable subsidy program and have no current or uncured non-compliance issues.

General contractor must have 2 years experience with constructing similar projects and have the financial capacity to mobilize and maintain construction progresses for a project of the project's size.

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UNIVERSAL DESIGN FEATURES FORM

A universal design feature is any component of a house or apartment that can be used by everyone regardless of their level of ability or disability. Universal features are generally standard building products or structure components that have been placed differently, selected carefully, or omitted. Manufacturers and builders who use the universal design concept will design their products and buildings to be as usable as possible by a larger population including children, older people, and people with disabilities.

Please commit to at least 20 universal design features by placing an **X** to the left of the components you choose. Please verify your commitment to incorporate the designated features by having the project architect complete the certification at the bottom of this form.

PROJECT NAME: _____

DEVELOPER: _____

ENTRANCES	Structural	Non-Structural
___ Covered entryway (<i>exterior entrances only</i>)	v	
___ 5 x 5 foot minimum maneuvering space	v	
___ Accessible route from vehicle drop off or parking		v
___ Maximum slope of 1:20 to entry door		v
___ Package shelf or bench to hold parcels, groceries, etc.		v
___ Movement sensor light controls (<i>exterior entrances only</i>)		v
___ Ambient and focused lighting (at keyhole)		v
___ High visibility address numbers (<i>exterior entrances only</i>)		v

GENERAL INTERIOR	Structural	Non-Structural
___ 32-inch minimum clear door opening width	v	
___ Flush threshold (maximum of 1/2-inch rise)	v	
___ Mixer valve with pressure balancing and hot water limiter	v	
___ Accessible route (42-inch minimum) throughout	v	
___ Light switches at 44/48-inch maximum height	v	
___ Electrical receptacles at 18-inch minimum height	v	
___ View windows at 36-inch maximum sill height	v	
___ Crank operated (casement) windows	v	
___ 5 x 5 foot maneuvering space in all rooms	v	
___ 5 lb. maximum force to open doors		v
___ 18-inch minimum space at latch side of door		v
___ Lever door handles		v
___ Adjustable height showerhead		v
___ Adjustable height closet rods and shelves		v
___ Loop handle pulls on drawers and cabinets		v
___ High contrast, glare free floor surfaces and trim		v

BATHROOMS	Structural	Non-Structural
___ Toilet centered 18 inches from sidewall	v	
___ Grab bar blocking in walls around toilet	v	
___ 32-inch minimum lavatory counter height	v	
___ Knee space under lavatory	v	
___ 18-inch maneuvering space at both ends of tub or shower	v	

	Structural	Non-Structural
___ Offset controls in tub or shower	v	
___ Integral transfer seat in tub or shower	v	
___ 30 x 48 inch area of approach in front of all fixtures		v
___ Lever-type faucets		v
___ Mirror to backsplash at lavatory		v
___ Grab bars in tub or shower		v
KITCHENS	Structural	Non-Structural
___ Knee space under sink and near cooktop	v	
___ Stretches of continuous counter for sliding heavy objects	v	
___ Full-extension pullout drawers	v	
___ Variable height work surfaces 28" - 45"	v	
___ Full height pantry cabinets for up and down storage	v	
___ 30 x 48 inch area of approach in front of all appliances	v	
___ Lever type faucets		v
___ Contrasting border treatment on countertops		v
___ Pullout shelves in base cabinets		v
___ Adjustable height shelves in wall cabinets		v
___ Front-mounted controls on appliances		v
___ Cooktops with staggered burners to eliminate dangerous reaching		v
___ Glare-free task lighting		v

To be completed and certified by a design professional for the project.

Certification of Design Professional:

Printed Name: _____ **Title:** _____

Signature: _____ **Date:** _____

Company/Firm Name: _____

Company/Firm Address: _____

Phone Number: _____ **Fax Number:** _____