URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH
DEPARTMENT OF HOUSING
PITTSBURGH DEVELOPMENT FUND

I. PROGRAM OBJECTIVE

The Pittsburgh Development Fund (PDF) provides a flexible source of funding to non-profit and for-profit developers for the new construction of rental and for-sale housing and for the acquisition and rehabilitation of rental and for-sale housing.

II. PROGRAM FUNDING

The issuance of taxable bonds and the repayment of PDF loans will provide the source of funds for the PDF.

III. ELIGIBLE BORROWERS

Any for-profit or non-profit developer is eligible to receive funding under the PDF providing that the following requirements are met:

1. The developer is in good standing and is qualified to transact business and borrow within the Commonwealth of Pennsylvania.

2. The developer has the legal capacity and all necessary corporate authorizations to incur all obligations of the PDF loan.

3. The developer can demonstrate the capacity to construct, operate, and maintain the development successfully.

4. The developer can demonstrate the financial capacity to develop the property or properties successfully.

5. The developer must submit an Affirmative Fair Housing Marketing Plan.

6. The developer must submit a Minority/Women's Business Enterprise Plan, and the plan must be approved by the Minority/Women's Business Enterprise Plan Review Committee of the City of Pittsburgh.

7. The developer must agree to pay prevailing wages to the extent required by the U.S. Department of Housing and Urban Development or the Commonwealth of Pennsylvania.

8. The developer must not be delinquent or in default on federal, state, or local taxes or any existing private or publicly financed loan.

9. The developer, any partners in the development, or any director of the corporation or partnership must not have been convicted of a felony nor other serious criminal offense.

10. The developer, any partners in the development, or any director of the corporation or partnership must satisfy the policies established by the Pennsylvania State Ethics Commission.

IV. **ELIGIBLE PROPERTIES**

To be eligible for the PDF, the property must meet the following requirements:

1. The property must be located in the City of Pittsburgh.

2. The total cost of the development must equal at least $1.5 million.

3. The property must be appropriately zoned or will be appropriately zoned at the time of loan closing.

4. The borrower must own the property prior to or at the time of the PDF loan closing. The borrower must provide evidence of ownership acceptable to the URA and consistent with prudent lending practices.

5. The borrower must not occupy, except for management offices, the property to be constructed or rehabilitated.

6. The property must comply with environmental and historic review requirements, as applicable.

7. The URA Board of Directors must deem the development to be feasible.

V. **ELIGIBLE ACTIVITIES**

Funds under the program can be used for the costs associated with the development of residential property including acquisition, site analyses, site preparation, rehabilitation and/or construction costs, and soft costs associated with the property development. Refinancing of existing indebtedness is prohibited unless the refinancing involves the property to be improved. The amount to be refinanced cannot exceed the amount of existing indebtedness.

VI. FUNDING TERMS, LIMITS, AND REQUIREMENTS

A. Maximum Loan Amount

The maximum loan amount per development cannot exceed 30 percent of the total development cost or $5 million, whichever is less.

B. Minimum Loan Amount

The minimum loan amount is $450,000.

C. Equity

The borrower is required to provide equity equal to or exceeding 10 percent of the total development cost. The equity can take the form of cash contributed to the development, syndication proceeds, the value of the property free and clear of any indebtedness if owned by the Borrower at the time of PDF loan application, or guarantees securing the financing for the development.

D. Interest Rate

The interest rate on PDF loans will equal three percent to 75 percent of prime as published in the **Wall Street Journal** depending on the ability of the real estate after development to repay the loan.

E. Loan Terms and Amortization Period

1. For rental properties, the maximum loan term shall not exceed the term of the first mortgage loan or 20 years from the date of the completion of construction whichever is longer. For for-sale properties, the maximum loan term shall not exceed the term of the first mortgage loan or three years from loan closing, whichever is shorter.

2. Payments of principal and interest may be deferred. The maximum length of the deferral shall be three years, subsequent to the completion of construction.

3. At the end of the deferral period, if any, the loan principal plus any interest accrued during the deferral period will be amortized over the remaining years of the term of the loan.

F. Loan Repayment

1. For rental properties, after the expiration of the deferral period, the loan will be amortized. A monthly payment will be charged which

will be applied to accrued interest and principal in that order.

2. For for-sale properties, the loan will be repaid as units are sold after the repayment of any lender financing secured by a mortgage in a superior lien position or at the end of the term of the loan, whichever occurs first.

G. Late Charges

Late charges, as permitted by law, will be charged on delinquent loans.

H. Loan Security

All loans will be secured by a mortgage in a form acceptable to the URA which shall be recorded in the Office of the Recorder of Deeds of Allegheny County. The URA may also require loan guarantees from the Borrower or other appropriate guarantors.

I. Loan Delinquency and Default

1. Loans shall be deemed delinquent if payment is not received within 15 days of the payment due date. Delinquent loans will be subject to late charges.

2. Loans shall be deemed to be in default to the extent that:

   a. Any payment required by the documents evidencing the loan is 30 days delinquent.

   b. There is a default in any other term or condition of the loan documents evidencing the loan.

   c. Any representation made in any document submitted to the URA in connection with the loan is determined to have been false or misleading in any material respect when made or anytime thereafter.

3. In the event of any default by the borrower, the URA may, after giving the required notice to the borrower:

   a. Recast the loan at an interest rate equal to the prime interest rate as published in the **Wall Street Journal** plus two percent.

   b. Accelerate the loan to maturity.

   c. Foreclose on the property.

J. Loan Disbursement

1. All proceeds from the URA loan will be escrowed at the URA. All Borrower's equity to the extent possible will be escrowed at the participating lending institution. All funds for the development will be governed by a disbursement agreement among all participating funders and the Borrower.

2. The disbursement of development funds will occur as follows:

   a. Borrower's cash equity will be disbursed first or in accordance with the equity provider's pay-in schedule.

   b. Borrower's conventional loan financing may be released prior to the disbursement of the URA loan proceeds, after the disbursement of URA loan proceeds, or on a pro-rata basis with the URA loan proceeds.

3. All proceeds shall be disbursed in accordance with a URA approved draw schedule. The draw schedule shall be based upon completion of specified work items or a percentage of construction completed. To disburse funds for non-construction costs, invoices and/or copies of canceled checks must be submitted to document the costs and must be approved by the URA. Borrower's profit and overhead will be released in proportion to the percentage of construction completed, in accordance with the equity provider's pay-in schedule, or in accordance with a schedule to be agreed upon by all funders that participate in the development and the Borrower.

   Loan funds will not be disbursed if there is a default on any term or condition of the loan documents.

K. Refinancing

Refinancing of existing debt on a property during the PDF loan term is not permitted without the prior written consent of the URA. In general, a Borrower will not be able to increase the amount of conventional or other debt in a superior lien position to the PDF loan.

L. Change of Ownership

Borrower may not sell, lease, assign, transfer, or dispose any or all of the property financed with proceeds of the PDF loan during the term of the PDF loan without the prior written consent of the URA.

M. Insurance

1. The Borrower shall maintain hazard and liability insurance at the Borrower's expense in an amount not less than the sum of the PDF loan and any other prior and subordinate indebtedness secured by the property. During the project construction period, the Borrower shall maintain a builder's risk insurance policy in an amount acceptable to the URA.

2. For properties located in a floodplain, the Borrower must maintain special flood insurance in an amount not less than the total indebtedness secured by the property.

3. All required insurance policies shall:

   a. Be written by a company authorized to transact business in the Commonwealth of Pennsylvania.

   b. Be written by a company which is reputable and financially sound as determined by the URA.

   c. Be in force at the time of loan closing.

   d. Name the URA as a loss payee in a standard mortgagee clause attached to or printed in the policy.

   e. Contain terms and coverage satisfactory to the URA.

N. Title Insurance

The Borrower shall provide a policy issued by a title insurance company acceptable to the URA for an amount equal to the maximum principal amount of the PDF loan. The title insurance policy must name the URA as a mortgagee and must provide evidence that the title to the property on the date of closing is vested in the Borrower and is free and clear of all liens and encumbrances, except to taxes not yet due and payable. Approved prior mortgages and any other items that are required by or specifically determined to be acceptable by the URA may be included.

O. Appraisals

The URA may require an appraisal of each property showing the value of the property as-is and after construction. All appraisals shall be performed by appraisers acceptable to the URA and shall be in an approved format.

VII. LOAN APPLICATION PROCESSING

The URA shall establish written application processes and procedures that will facilitate the application process and will best serve the objective of the PDF. The procedures may be amended from time to time and shall be binding upon all applicants. An application fee of $1,000 per development will be charged. The loan application fee cannot be financed. The application fee is non-refundable.

All loan applications shall be made using URA forms. The Borrower shall submit any information that the URA requires, including any documentation needed to establish the eligibility and credit worthiness of the Borrower, Borrower's principals and guarantors, if any, and the feasibility of the development.

A. Loan Approval and Disapproval

1. The URA may approve or disapprove loans in accordance with these guidelines.

2. The Applicant must meet URA deadlines for submission of documents at each stage of the application process. The Applicant's failure to meet the stated deadlines may result in the cancellation of the application and/or the applicant's loss of a priority position in loan processing.

3. Approval shall be evidenced by a written commitment to the applicant. Further action may not be taken toward closing the PDF loan until the applicant executes and returns to the URA a copy of the commitment letter. No construction activity can occur prior to loan closing unless authorized by the URA prior to the commencement of construction.

4. If a loan application is disapproved, the URA shall notify the applicant in writing. The rejection letter shall state the reason for the rejection of the loan application.

B. Withdrawal of Application

Any applicant may withdraw the loan application at any time before closing by giving written notice to the URA. The applicant shall bear any costs incurred for items including, but not limited to, credit reports, appraisals, and application fees.

C. Loan Closing

1. The loan closing will be scheduled at a time acceptable to the URA and to the Borrower.

2. The URA may charge the Borrower for the following items which may be financed:

   a. Recording fees and other charges incidental to the recordation;

   b. Required survey charges and appraisal fee;

   c. Title examination and title insurance;

   d. A construction services fee based on the number of units to be constructed or rehabilitated. The fee may be financed as a part of the PDF loan.

   e. Other reasonable and customary charges or fees authorized by the URA.

3. A loan commitment fee equal to one percent (1%) of the PDF loan will be charged to the Borrower. The fee may be financed.

D. <u>Taxes and Assessments</u>

All taxes and assessments against the property which are due and payable shall be paid before or at closing.

E. <u>Assumption</u>
Loans may be assumed if approved by the URA prior to the assumption. The URA may charge an assumption fee. Loans that are not assumed are due on the sale of the property.

VIII. CONSTRUCTION STANDARDS

All properties to be constructed or rehabilitated under the PDF must comply will all applicable health and building codes of the County of Allegheny and the City of Pittsburgh.

IX. CONTRACTOR REQUIREMENTS

A. All building contractors shall:

1. Meet all licensing requirements necessary to perform the construction.

2. Be of good reputation, financially sound, and fully qualified to perform the required work outlined in the specifications as

evidenced by previous professional construction experience.

3. Provide insurance coverage in forms and amounts required by the URA.

4. Perform all work covered by the URA approved plans and specifications in conformance with the contract, construction documents, and all applicable laws, codes, and URA construction standards, and in a competent, workmanlike manner at least equal to the standards of the industry.

5. Comply with all applicable laws, ordinances, and regulations relating to the protection and safety of persons and property.

6. Comply with all applicable laws pertaining to the removal of hazardous materials.

7. Furnish all labor, materials, and equipment and obtain all licenses, permits, and privileges required to construct or rehabilitate the property in accordance with the construction documents.

8. Not assign the contract without the prior written consent of the Borrower and the approval of the URA.

9. Agree to complete construction according to the specifications of the approved construction documents within the specified completion date.

10. Agree not to commence any construction activities prior to the closing of the PDF loan without the prior written consent of the Borrower and the URA.

11. Indemnify and hold the URA harmless from all liability and loss due to injury or death of any person or damage to any property which may occur or be alleged to occur during performance of the contract as a direct or indirect result of any act or omission, whether intentional, negligent, or otherwise, by the contractor, subcontractors or their agents and employees. The contractor shall defend all suits and claims involving the above at his or her sole cost and expense.

12. Execute a No-lien Agreement with the Borrower.

B. <u>Minority Contractors</u>

The URA encourages the use of minority and women contractors in all developments and requires compliance with the City's Minority/Women

Business Enterprise Ordinance for all developments funded through the PDF.

C. Identity of Interest

Borrowers may act as general contractors provided that they meet the provisions of Section IX. A. of these guidelines and only with the prior written approval of the URA. All Borrowers acting as the general contractor must provide cost certification in a form acceptable to the URA within 60 days after the date of the final construction stage payment.

X. CONSTRUCTION PAYMENT PROCEDURES

A. Draw Schedule
Progress payments shall be made in accordance with a draw schedule approved by the URA.

B. Payment Eligibility
Payments for construction shall be made on the basis of work completed. Payments may be made for materials delivered to the site with prior approval from the URA provided that:

1. Adequate anti-theft insurance coverage is in place;

2. The storage area is located on the project site or in a location agreed to by all parties, and the area is secured;

3. An invoice from the supplier is submitted; and

4. An inventory of the materials is submitted and verified.

C. Progress Payments

1. Progress payments shall be made either in the name of the Borrower or in the name of both the Borrower and the general contractor unless the URA agrees to an alternative arrangement. Progress payments require on-site verification by the URA or its designated agent. If a request for payment is refused in part or in whole, the URA shall notify the borrower. The determination by the URA of the percentage of work completed shall be final.

2. Payment for 10 percent of the work determined to be in place will be withheld from each stage payment until the final payment is disbursed. Once 50 percent of the work is verified to be complete and in place, the retainage amount may be reduced with the approval of the Borrower, architect, other providers of development funding, and the URA and other participating funders.

D. Final Payment

The final payment shall be disbursed as follows:

1. The Borrower shall submit a final request for payment to the URA.

2. Upon final inspection and approval, the final payment will be processed.

3. The Borrower must submit proof that the Bureau of Building Inspection, the Allegheny County Department of Health, and all other appropriate agencies have approved the work performed.

4. The Borrower must submit a Release of Liens for the general contractor and all subcontractors.

5. If, in the opinion of the URA, the contractor has satisfied the contract and the Borrower refuses to request or release the final payment, the URA may require the Borrower to explain in writing within 10 days why the URA should not make direct payment to the contractor. The URA shall refer the case to the governing body responsible for arbitrating construction disputes.

E. Retainage

If the Borrower or the URA is given notice that subcontractors, materialmen, or suppliers have not been paid for the work completed or for materials supplied to the development, the URA shall retain amounts sufficient to satisfy the claims until sufficient evidence of satisfaction and release by the subcontractors, materialmen, or suppliers is presented. The contractor shall promptly pay or bond any liens established.

F. Changes

Changes in the scope of work covered by the contract must be made prior to the implementation of the changes and only by written change order signed by the Borrower, contractor, and architect and approved by the URA. Changes that result in cost increases will be approved only if the Borrower escrows funds in the amount of the increase with the URA or an approved financial institution unless the increase is offset through budget adjustments or the URA approves a loan increase.

G. Closeout Procedures

After the final payment is made for either construction or related soft costs, the URA shall reconcile all receipts and disbursements and adjust the project budget accordingly. Any funds remaining in the URA loan account shall be applied to the principal balance of the loan or be placed in an escrow account for the benefit of the development as determined at the discretion of the URA. Within 60 days of the final construction payment, the Borrower must provide cost certification in the form of a report prepared by an independent Certified Public Accountant. If the report evidences that an amount less than the amount of the PDF loan proceeds that were disbursed were needed to complete the development, the Borrower will be asked to repay to the URA the portion of the PDF loan that was not needed.

XI. MONITORING

The development will be inspected annually to ensure that the property is being properly maintained. Other procedures to monitor compliance with the loan documents between the Borrower and the URA will be established.

XII. LOAN APPROVAL

All loans must be approved by the Board of Directors of the URA at the recommendation of the Director of the Department of Housing. The Real Estate Loan Review Committee of the URA shall recommend approval or disapproval of the loan to the Director.

Any loan increase equal to 10 percent or less of the loan amount approved by the Board of Directors, upon recommendation of the Development Committee and the Director of Housing, are subject to the approval of the Executive Director and the Chairman of the Board of Directors. Any loan increase in excess of 10 percent of the Board of Directors previously approved loan amount must be approved by the Board of Directors.

XIII. NOTIFICATION

The URA will notify appropriate community based organizations of applications received for developments in their neighborhoods.

XIV. APPEALS

Any appeals or exceptions to these guidelines must be submitted in writing to the URA and are subject to review and approval by the URA Board of Directors.

XV. NON-DISCRIMINATION CERTIFICATION

The URA does not discriminate on the basis of age, race, sex, religion, national origin, physical handicap, including impaired vision or hearing, or political or union affiliation. No person, solely on the basis of the above factors, shall be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under the loan and grant programs operated by the URA.

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