

**URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH
HOUSING OPPORTUNITY FUND DEPARTMENT
FOR-SALE DEVELOPMENT PROGRAM (FSDP)**

I. PROGRAM OBJECTIVE

The purpose of the Housing Opportunity Fund (HOF) For-Sale Development Program (FSDP) is to provide construction financing to developers with non-profit applicants for the substantial rehabilitation or new construction of for-sale housing. The FSDP provides low interest rate construction financing and/or grants for the purpose of increasing the supply of affordable housing for homeownership and to eliminate substandard housing by ensuring compliance with applicable codes and standards.

II. PROGRAM FUNDING

The following funding sources are available to provide below market construction financing for single family owner-occupied housing.

- A. Funds received by the Urban Redevelopment Authority of Pittsburgh (URA) from the City of Pittsburgh through the Housing Opportunity Fund.
- B. Funds received by for-profit, government, and/or non-profit agencies/companies/philanthropy that choose to invest in the Housing Opportunity Fund.

III. ELIGIBLE BORROWERS

Any for-profit or non-profit developer provided the following requirements are met:

- A. The applicant must be a Non-Profit. The applicant may partner with a for-profit developer and/or enter into a Memorandum of Understanding and/or Letter of Intent which describes the relationship between the applicant and the for-profit developer.
- B. Be in good standing and qualified to borrow within the Commonwealth of Pennsylvania.
- C. Have the legal capacity and all necessary legal and corporate authorizations to incur the obligations of the loan.
- D. Agree in writing to assist with the relocation of tenants displaced as a result of the rehabilitation or new construction.

- E. Agree in writing to pay Davis-Bacon Prevailing Wages and/or State Prevailing Wages to the extent required by the Federal Government and the Commonwealth of Pennsylvania.
- F. Affordable housing land trusts are eligible applicants.

IV. **ELIGIBLE PROPERTIES**

- A. Each property constructed under FSDP must be a permanent structure used primarily for year-round residential use within the City of Pittsburgh.
- B. Each property must comply with local zoning requirements.
- C. An eligible borrower must own the property prior to or at the FSDP closing. The borrower shall provide assurance of title or evidence of ownership acceptable to the URA and consistent with prudent lending practices.
- D. Upon completion, properties financed under the program must be sold to owner-occupants who are at or below 80% of the Area Median income (AMI).
- E. For properties being rehabilitated, rehabilitation costs must equal at least 20 percent of the total development cost.
- F. Eligible housing types include detached, semidetached and townhouse units. Multiple unit structures developed as condominiums or cooperatives are also eligible.
- G. Each property must comply with Environmental Review regulations and procedures to the extent required by the Federal Government and/or the Commonwealth of Pennsylvania.

V. **ELIGIBLE AREAS**

The property must be located inside the City of Pittsburgh.

VI. **ELIGIBLE ACTIVITIES**

Funds under the program may be used for the acquisition of property, site preparation

and development, as well as the hard and soft costs associated with the rehabilitation and new construction of single family for-sale housing.

VII. **PROGRAM BENEFIT**

All loans and/or grants made available under the FSDP must be used to foster for-sale housing development that will be sold to households at or below 80% AMI.

- A. For developments where the FSDP funds are used as a loan, the affordability period will be for a minimum of 10 years. A deed restriction will be recorded on the property.
- B. For developments where the FSDP funds are used for a grant only or for both a loan and a grant, the affordability period must be for either the life of the house or 99 years. A deed restriction will be recorded on the property.

VIII. **FORMS OF FINANCING**

The FSDP financing can be lent/granted in one or more of the following forms:

- A. Construction loan to be repaid by the sale of the house.
- B. Construction grant to bridge the difference or a portion of the difference between total development cost and the forecasted sales price.
- C. Predevelopment loan to a non-profit developer prior to the developer taking title to the property to be developed or prior to construction loan closing. The funding may be used for costs necessary to determine the feasibility of the proposed development including, but not limited to, site control (option or sales agreement), design development, geo-technical analysis, environmental analysis, engineering, and reasonable costs of obtaining additional sources of pre-development financing.
- D. Deferred second mortgage to the future purchaser of a pre-identified house.

IX. **FUNDING TERMS, LIMITS AND REQUIREMENTS**

All loans under the FSDP shall be made in conformance with requirements set forth below:

A. **Evidence of Permanent Financing**

Approval for funding under the FSDP is contingent upon the Borrower(s) providing

evidence that all other funds needed for the pre-development and/or construction/permanent phases are secured.

B. Maximum FSDP Amount

1. The maximum FSDP amount per unit cannot exceed \$70,000. FSDP could be used in more than one form, such as a loan, grant, and deferred mortgage commitment; however, the total of all forms of FSDP financing cannot exceed \$70,000 per unit.
2. If FSDP funds are used in the form of a construction loan the maximum FSDP construction loan will be limited to 30 percent of the post-appraised value of the project for for-profit developers.
3. If FSDP funds are used in the form of a grant, it cannot exceed the difference between the total development costs and the proposed sales price for the unit.
4. If FSDP funds are used in the form of a predevelopment loan, the maximum amount of the FSDP pre-development financing cannot exceed the lesser of one-half of the URA approved pre-development budget, \$33,000 per unit, or a total predevelopment cost for a multiple property development of \$100,000.
5. If FSDP funds are used as deferred second mortgages, they will be underwritten in accordance with the URA's Housing Rehabilitation Program . Development (HRP-D) Guidelines and/or the URA's Neighborhood Housing Program (NHP) Guidelines.

C. Interest Rate

1. All FSDP construction loans with a for-profit development entity will have an interest rate of 2% - 4%.
2. All FSDP predevelopment and/or construction loans to non-profit developers will bear an interest rate of zero percent.

D. Maximum Loan Term

The maximum term of a FSDP loan is eighteen (18) months. A loan note may be rolled over for an additional six to twelve (6 - 12) month term with prior approval from the URA.

E. **Eligible Costs**

Loans/grants may cover property acquisition costs, site development costs, the hard costs associated with the construction of the project as well as soft costs such as appraisal fees, architectural and engineering fees, legal fees, construction interest, insurance during construction, financing fees and closing costs.

F. **Loan Repayments**

FSDP loans shall be repaid in accordance with the terms and conditions outlined in the FSDP Agreement and Note.

G. **Loan Security**

All loans shall be secured by a mortgage in the form required by the URA, which shall be recorded in the office of the Recorder of Deeds of Allegheny County. A Deed Restriction identifying the affordability term will also be recorded.

H. **Right of First Refusal**

The URA may request the Right of First Refusal to repurchase the property from the future homeowner when the homeowner decides to sell the house. In these situations, the URA would offer appraised value to the homeowner if the URA chose to purchase the house. Additionally, the URA may assign its Right of First Refusal to a non-profit owner/developer on a case by case basis.

I. **Late Charges**

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

J. **Loan Delinquency and Default**

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

2. Loans shall be deemed in default to the extent that:
 - a. Any payment required by the documents evidencing the loan is thirty (30) days delinquent.
 - b. There is a default in any other term or condition of the loan documents including the loan agreement.
 - c. Any representation made in any document submitted to the URA in connection with the loan is determined to have been untrue 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 not exceeding prevailing conventional interest rates.
 - b. Accelerate the loan to maturity.
 - c. Foreclose on the property.

K. **Loan and Grant Disbursement**

1. All proceeds from the FSDP loan and grant will be escrowed at the URA. Additionally, the URA may also ask that the borrower's cash equity contribution be escrowed at the URA. Proceeds from a conventional loan, if any, may be escrowed with the participating lending institution provided that said institution enters into a disbursement agreement with the URA.
2. The disbursement of loan proceeds will occur as follows:
 - a. Borrower's cash equity shall be released initially.
 - b. All other funds will be released in accordance with the Disbursement Agreement prepared or approved by the URA.
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. Loan and/or grant funds may not be disbursed if there is a default on any term or condition of the loan and/or grant documents.

L. **Refinancing**

Refinancing of existing debts on a property with a FSDP loan is not permitted unless the URA determines that a refinancing will ensure the financial integrity of a project and the affordability of the project.

M. **Change of Ownership**

Borrower may not sell, lease to own, assign, transfer, dispose of or lease all or any part of the property or the borrower's interest in it during the loan term without the prior expressed written consent of the URA.

N. **Insurance**

1. The borrower shall maintain hazard and liability coverage insurance at the borrower's expense in an amount not less than the sum of the URA's loan and grant, if applicable, and any prior indebtedness secured by the property.
2. For properties located in a flood plain, the borrower must maintain special flood insurance in an amount not less than the sum of the URA's loan and grant, if applicable, and any prior 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 loss payee in a standard mortgage clause attached to or printed in the policy.

- e. Contain terms and coverage satisfactory to the URA.

O. **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 loan. The title insurance policy must name the URA as mortgagee and must provide evidence that the title to the property on the date of closing is vested in the borrower, 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.

P. **Appraisals**

The URA may require an appraisal of each property showing the value of the structure and/or land before and after the proposed construction. All appraisals shall be performed by appraisers acceptable to the URA and shall be in a MAI approved format.

X. **DEVELOPER APPROVAL PROCESS**

- A. The URA will issue a Request for Proposals for each allocation year and receive proposals either on a rolling basis or by a specified due date included in the Request for Proposals. The Request for Proposals will clearly outline the review and scoring process.
- B. A developer must submit a complete response to the Request for Proposals. URA staff will review and score each response and then submit summary documents and scoring documents from all submittals to the HOF Advisory Board for funding recommendation or non-recommendation. Projects recommended for funding will then be presented to the URA Board if the total FSDP funding exceeds \$100,000.
- C. Upon approval of the project, a Commitment is sent to the developer for execution. The URA may establish pre-sale requirements as a condition to any funding commitment. A commitment for funding may not be honored unless and until both the URA and the developer approve the commitment in writing.
- D. A developer may withdraw the application/response to the RFP at any time before closing by written notice to the URA. The developer shall bear any costs incurred for items including, but not limited to, title examinations,

credit reports and appraisals.

XI. **LOAN AND GRANT CLOSING**

- A. The loan and grant closing will be scheduled at a time acceptable to the borrower and the URA.
- B. The URA may charge the borrower for the following items which may be financed by the loan:
 - 1. Recording fees and recording taxes or other charges incident to recordation.
 - 2. Required survey charges and appraisal fee, if applicable.
 - 3. Title examination and title insurance, if required.
 - 4. A construction services fee.
 - 5. Other reasonable and customary charges or fees authorized by the URA.
- C. All taxes and assessments against the property which are due and payable shall be paid before or at closing.

XII. **ASSUMPTIONS**

Loans may be assumed with the prior written permission of the URA. An assumption fee may be charged.

XIII. **CONSTRUCTION STANDARDS**

All properties constructed or rehabilitated under the FSDP must comply with all relevant codes of Allegheny County and the City of Pittsburgh.

XIV. **GENERAL REQUIREMENTS**

- A. All 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 work write-up as evidenced by previous professional construction experience.

3. Provide insurance coverage for comprehensive public liability, property damage liability and worker's compensation in form and amounts required by the URA.
4. Perform all work covered by the work write-up, drawings, and/or plans and specifications in conformance with the contract and all applicable laws, codes and URA construction standards, and in a competent, workmanlike manner 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. If required, comply with all applicable laws pertaining to the removal of lead-based paint as required by 24 CFR Part 35.
7. Furnish all labor, materials and equipment and obtain and pay for all licenses, permits and privileges required to construct or rehabilitate the property in accordance with the contract documents.
8. Not assign the contract without the prior written consent of the borrower and approval of the URA.
9. Agree to complete construction according to the specifications of the work write-up and in accordance with the construction schedule.
10. Agree not to begin any construction or rehabilitation activities prior to the closing of the URA loan.
11. Indemnify and hold the URA harmless from all liability and loss due to injury to 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 agent, servants and employees. The contractor shall defend all suits or claims involving the above at his or her sole cost and expense.

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

B. **Minority Contractors**

The URA encourages the use of minority and women contractors in all projects and requires compliance with the URA's Minority/Women's Business Enterprise Plan for all projects with total development costs of \$250,000 or more. Copies of the URA's plan shall be made available to borrowers and contractors.

C. **Identity of Interest**

Borrowers may act as general contractors if they can meet the provisions of Section XIV. of these guidelines and only with the prior written approval of the URA. Identity of Interest Forms will be provided upon request by the URA and shall be submitted and approved before submission of the bid proposal. Approval may be conditioned on submission of a performance bond acceptable to the URA. All borrowers acting as their general contractor must provide cost certification within sixty (60) days after the date of the final stage payment.

XV. **PAYMENT PROCEDURES**

A. **Draw Schedule**

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

B. **Payment Eligibility**

Payments shall be made based on work completed. Payments may be made for materials delivered and securely stored on the site with prior approval from the URA.

C. **Progress Payments**

1. Progress payments may be made in the name of both borrower and general contractor. Progress payments may not be made without on-site verification by the URA or its designated agent. If a request for payment is refused, the URA shall notify the borrower within five business days. 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.

D. **Final Payment**

Final payment shall be made as follows:

1. The borrower shall submit to the URA a Certificate of Completion executed by the borrower and contractor certifying that all work has been completed in accordance with the contract documents.
2. Upon final inspection and receipt and approval of the Certificate of Completion, final payment will be processed.
3. 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 ten (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 work done or for material supplied to and for the project, the URA shall retain amounts enough to satisfy the claims until satisfactory 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, if any, and approved by the URA. Changes which result in cost increases will be approved only if the borrower escrows funds in the amount of the increase with the URA or the URA approves a loan increase.

G. **Closeout Procedures**

After final payment is made, the URA shall reconcile all receipts and disbursements. Any funds remaining in the loan account shall be applied to the principal balance of the loan.

XVI. **LOAN APPROVAL**

All funding requests are subject to the review of the HOF Advisory Board. Funding awards more than \$100,000 must be presented and approved by the URA Board of Directors. Funding awards less than \$100,000 must be approved by both the HOF Director and the URA Executive Director.

Any loan increase equal to 10 percent or less of the Board of Directors approved loan amount, upon recommendation of the HOF Advisory Board, is subject to the approval of the Executive Director and Chairman of the Board of Directors. Any loan increase more than 10 percent of the Board of Directors approved loan amount must be reviewed by the HOF Advisory Board and approved by the Board of Directors.

XVII. **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.

XVIII. **CERTIFICATIONS**

In accordance with 24 CFR Part 8, the Authority certifies its compliance with the provisions of Section 504 of the Rehabilitation Act of 1973, as amended on June 2, 1988.

XIX. **NON-DISCRIMINATION CERTIFICATION**

The Urban Redevelopment Authority of Pittsburgh abides by all applicable laws and regulations regarding nondiscrimination and refrains from discriminating on the basis of age, race, color, religious creed, ancestry, national origin, sex, sexual orientation, gender identity, gender expression, political or union affiliation, and/or disability. No person shall be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination solely on the basis of any of the above factors under the loan and grant programs operated by the Urban Redevelopment Authority of Pittsburgh.

12.13.2018

