

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH FOR-SALE DEVELOPMENT PROGRAM (FSDP)

I. PROGRAM OBJECTIVE

The purpose of the For-Sale Development Program (FSDP) is to provide construction financing to nonprofit or for-profit 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 (HOF);
- B. Funds received by for-profit, government, and/or non-profit agencies/companies/philanthropy that choose to invest in the HOF;
- C. Funds received by the URA under the Community Development Block Grant (CDBG) Program administered by the U.S. Department of Housing and Urban Development (HUD);
- D. Funds received by the Urban Redevelopment under the HOME Investment Partnership Program administered by HUD;
- E. Funds received by the URA from the Commonwealth of Pennsylvania; and
- F. Other local sources identified by the City of Pittsburgh.

FSDP funding sources to be utilized for each project shall be determined by URA staff.

III. ELIGIBLE BORROWERS

Any for-profit or non-profit developer is eligible to borrow under the FSDP provided they meet the following requirements:

- A. Entity is in good standing and is qualified to borrow within the Commonwealth of Pennsylvania.

- B. Entity has the legal capacity and all necessary legal and corporate authorizations to incur the obligations of the loan.
- C. Entity agrees in writing to assist with the relocation of tenants displaced as a result of the rehabilitation or new construction.
- D. Entity agrees in writing to pay Davis-Bacon Prevailing Wages and/or Pennsylvania Prevailing Wages to the extent required by the Federal Government and/or the Commonwealth of Pennsylvania.
- E. Affordable housing land trusts are eligible applicants.
- F. Entity agrees to execute a FSDP Agreement which ensures compliance with URA programs, policies, and procedures as well as compliance with the requirements attached to FSDP funding source(s).
- G. Entity agrees in writing to abide by all requirements of Title VI of the Civil Rights Act of 1964, Title VIII of the Civil Rights Act of 1968, Executive Order 11246, Section 3 of the Housing and Urban Development Act of 1968, Section 504 of the Rehabilitation of 1973, and Section 109 of the Housing and Community Development Act.
- H. If the total development cost of the project is greater than or equal to \$250,000, entity agrees to submit and use good faith efforts to follow an URA-approved Minority/Women's Business Enterprise (M/WBE) Plan.
- I. If the project involves new construction to be financed (in part or in full) with federal funds, the project must be sponsored by an eligible organization, as defined by HUD under 24 CFR § 570.204.
- J. Note: For-profit applicants may be eligible for HOF funding for their project.
 - 1. To be eligible for HOF funding, a for-profit developer must enter into a Memorandum of Understanding and/or Letter of Intent with the nonprofit entity which describes the relationship between the nonprofit applicant and the for-profit developer.

IV. **ELIGIBLE PROPERTIES**

- A. Each property constructed under FSDP must be a permanent structure within the City of Pittsburgh primarily for year-round, owner-occupied residential use.
- 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 that is acceptable to the URA and consistent with prudent lending practices.
- D. Upon project completion, properties financed under FSDP must be sold to owner-occupants who are at or below 80% of the Area Median Income (AMI).

- E. Dependent on the availability of funding sources (i.e. funds other than HOF, CDBG, and HOME) that allow for higher levels of affordability, properties financed under FSDP may be sold to owner-occupants who are between 80% and 115% of the AMI.
- F. For properties being rehabilitated under FSDP, rehabilitation costs must equal at least 20% of the total development cost of the project.
- G. Eligible housing types include detached, semi-detached and townhouse units. Multiple unit structures developed as condominiums or cooperatives are also eligible.
- H. Each property must comply with Environmental Review regulations and procedures to the extent they are required by the Federal Government and/or the Commonwealth of Pennsylvania.

V. **ELIGIBLE AREAS**

The property must be located inside of the City of Pittsburgh.

VI. **ELIGIBLE ACTIVITIES**

FSDP funds 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 eligible single family for-sale housing.

Program funds are used to finance activities which aid in the prevention or elimination of slums or blight as defined by HUD under 24 CFR 570.901 (b) (2). OR under 24CFR 570.208(b).

VII. **PROGRAM BENEFIT**

All loans and grants made available under the FSDP must be used to construct and/or rehabilitate for-sale housing to be sold to households at or below 80% AMI. Dependent on the availability of funding sources that allow for higher levels of affordability, some loans and/or grants made available under the FSDP can be used to develop for-sale housing for households between 80% and 115% AMI.

- A. For developments where FSDP funds are loaned, the affordability period will be for a minimum of 15 years. A deed restriction will be recorded on the property.
- B. For developments where FSDP funds are granted (in whole or in part), the affordability period will be for a minimum of 15 years but not more than 99 years. The FSDP grant funding sources below are subject to the following affordability periods, which will be recorded by a deed restriction on the subject property:

1. Funds received under the HOME Investment Partnership Program (HOME) of the U.S. Department of Housing and Urban Development are subject to a 15-year restrictive term.
2. Funds received under the Neighborhood Stabilization Program of the U.S. Department of Housing and Urban Development are subject to a 15-year restrictive term.
3. Funds received under the Community Development Block Grant (CDBG) Program of the U.S. Department of Housing and Urban Development are subject to a 15-year restrictive term.
4. Funds received from the Commonwealth of Pennsylvania are subject to a 15-year restrictive term.
5. Funds received under Housing Opportunity Fund are subject to a 99-year restrictive term.

VIII. **FORM OF FINANCING**

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 housing unit(s).
- B. Construction grant to bridge the difference (or a portion of the difference) between the total development cost and the forecasted sales price(s) of the housing unit(s).
- C. Predevelopment loan to a non-profit developer made (i) prior to the developer taking title to the property to be developed or (ii) prior to the construction loan closing. FSDP predevelopment loans may be used for costs necessary to determine the feasibility of the proposed development project 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.

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

All loans under 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 applicant(s) providing evidence that all other funds needed for the pre-development and/or construction/permanent phases of the development are secured.

B. Maximum FSDP Investment

1. The maximum amount of FSDP funds per *rehabbed* unit cannot exceed \$70,000.00. FSDP funds may be conveyed in more than one form (e.g., loan, grant); however, the total FSDP investment shall not exceed \$70,000.00 per *rehabbed* unit.
2. The maximum amount of FSDP funds per *newly constructed* unit cannot exceed \$100,000.00. FSDP funds may be conveyed in more than one form (e.g., loan, grant); however, the total FSDP investment shall not exceed \$100,000.00 per *newly constructed* unit.
3. If FSDP funds are conveyed in the form of a construction loan, the maximum loan amount will be limited to 30% of the post-appraised value of the project for for-profit developers.
4. If FSDP funds are conveyed in the form of a grant, the maximum grant amount cannot exceed the difference between the total development costs and the total proposed sales price(s) for the project unit(s).
5. If FSDP funds are conveyed in the form of a predevelopment loan, the maximum amount of the FSDP pre-development financing cannot exceed the lesser of (i) 50% of the URA-approved pre-development budget, (ii) \$33,000.00 per housing unit, or (iii) \$100,000.00 where the project occurs on multiple properties.

C. Interest Rate

1. All FSDP construction loans made to for-profit developers will bear an interest rate between 2% and 4%.
2. All FSDP predevelopment loans and/or construction loans made to non-profit developers will bear an interest rate of 0%.

D. Maximum Loan Term

The maximum term of a FSDP loan is eighteen (18) months. With prior URA approval, a FSDP loan note may be extended for an additional six to twelve (6 - 12) months term.

E. Eligible Costs

FSDP loans and grants may cover property acquisition costs; site development costs; hard costs associated with the construction of the project; and soft costs associated with the project, such as appraisal fees, architectural and engineering fees, legal fees, construction interest, insurance during construction, financing fees and closing costs. Prior to FSDP closing, all project development budgets are subject to approval by the URA.

Funds provided through the CDGB and HOME programs may be used for the items listed in IX.Q.2, the costs of construction the unit(s), and the soft costs associated

with the construction provided that appropriate income eligibility requirements of the buyer are met.

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 FSDP property from the future homeowner if/when the homeowner decides to sell the house. In these situations, the URA would offer the property's appraised value to the homeowner. 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, as permitted by law.
2. Loans shall be deemed in default to the extent that:
 - a. Any payment required by the loan documents is thirty (30) days late.
 - b. There is a default under any other term or condition of the loan documents.
 - 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:
 - a. Recast the loan at an interest rate not exceeding prevailing conventional interest rates;
 - b. Accelerate the loan to maturity; and/or

- c. Foreclose on the property.

K. Loan and Grant Disbursement

1. All proceeds from FSDP loans and grants will be escrowed at the URA. The URA may also ask that the borrower's cash equity contribution be escrowed at the URA. Proceeds from a non-FSDP 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; and
 - 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 an 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 approved by the URA following its determination that refinancing will ensure the project's financial integrity and affordability.

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 the property during the loan term without the prior 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/or grant 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/or grant 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 and/or grant closing;
- d. Name the URA as loss payee in a standard mortgage clause attached to or printed in the policy; and
- 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 on the date of closing the title to the property 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 project property showing the value of the structure and/or land before and after the proposed development. 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 (RFP) and receive proposals either on a rolling basis or by a specified due date included in the RFP. The RFP will clearly outline the review and evaluation process of the received proposals.
- B. A developer must submit a complete response to the RFP. URA staff will review and evaluate each response and then submit summary documents from all submittals to the appropriate advisory and governing boards based on the proposed funding source(s) and the amount of FSDP funding.
- C. Projects recommended for funding shall be presented to the URA Board where the total FSDP investment exceeds \$250,000.00.
- D. Upon approval of the project, a commitment is sent to the applicant for execution. The URA may establish pre-sale requirements as a condition to any funding commitment. A commitment for funding is not binding unless and until both the URA and the developer approve the commitment in writing.
- E. An applicant may withdraw its application/RFP response at any time before closing by written notice to the URA. The applicant 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 FSDP loan and/or 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 FSDP loan and/or grant:
 - 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. An URA construction services fee in an amount of \$500 per unit in a maximum amount of \$15,000.00;
 - a. No construction services fee will be charged on FSDP loans or grants funded through the HOME Investment Partnership Program (HOME) of the U.S. Department of Housing and Urban Development.
 - 5. An URA origination fee equal to 2% of the total FSDP loan and/or grant proceeds.
 - a. No origination fee will be charged on FSDP loan or grants funded through HOME.
 - 6. An URA legal fee in the amount of \$500 per unit; and
 - 7. Any 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 FSDP 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, the City of Pittsburgh, and the Commonwealth of Pennsylvania.

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 perform the work in a competent, workmanlike manner consistent with 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 requirements pertaining to the removal of lead-based paint, if and 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 project documents;
8. Not assign the contract without the prior written consent of the borrower and 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 and/or grant;
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 project 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; and
13. Execute a COVID-19 Waiver of Liability and Indemnity Agreement with the URA.

B. Minority Contactors

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 \$250,000.00 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 meet the provisions of Section XIV hereof and receive prior written approval of the URA. Identity of Interest forms will be provided to borrowers upon request and shall be submitted and approved by the URA before borrower's submission of a proposal. URA 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(s) 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 work 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 of satisfactory completed work by the URA or its designated agent. If a request for payment is refused, the URA shall notify the borrower within five (5) business days. The determination by the URA of the percentage of work completed in relation to original project scope shall be final.
2. Payment for 10% of satisfactorily completed work will be withheld from each progress payment until the final payment is disbursed.

D. Final Payment

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 project documents.
2. Upon final inspection and receipt and approval of the Certificate of Completion by the URA, final payment will be processed.

3. If, in the opinion of the URA, the contractor has satisfied the contract terms 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 sufficient FSDP proceeds to satisfy the claims until satisfactory evidence of payment to the subcontractors, materialmen or suppliers is presented to the URA. 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. For FSDP loans, any funds remaining in the escrow account shall be applied to the principal balance of the loan.

XVI. **LOAN APPROVAL**

All FSDP loans, regardless of funding source, are subject to the review of the URA Real Estate Loan Review Committee. All FSDP loans and grants to be sourced by Housing Opportunity Fund (HOF) proceeds are subject to the review of the HOF Advisory Board. FSDP awards in excess of \$250,000.00 must be presented to and approved by the URA Board of Directors. FSDP awards equal to or less than \$250,000.00 must be approved by the URA's Director of Residential & Consumer Lending and Executive Director. Any increase to a FSDP loan or grant that is less than or equal to 10% of the originally approved loan or grant amount is subject to the approval of the URA's Executive Director and Chairperson of the URA Board of Directors. Any increase to a FSDP loan or grant increase that exceeds 10% of the originally approved loan or grant amount must be approved by the URA's Director of Residential & Consumer Lending and the URA 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 URA 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 URA.