

# HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA

## POLICIES, PROCEDURES AND PROCESS FOR LOAN APPLICATIONS USING SURPLUS FUNDS

### I. INTRODUCTION

The Housing Finance Authority of Palm Beach County (the “Authority”) is authorized under the Housing Finance Authority Law encoded in Part IV, Chapter 159, Florida Statutes (the “Act”) to use its surplus funds, if any, for certain purposes in furtherance of the intent of the Act. The Authority will consider providing financing for those projects that meet the goals of the Authority and comply with applicable state and local law.

The Authority has adopted the following guidelines to set forth the general requirements and procedures which apply to the financing of eligible projects (the “Guidelines”). The Authority may elect to provide financing for any project only if the party requesting such financing (the “Applicant”) has satisfied the general requirements set forth in these Guidelines, provided, however, that the Authority may, in its sole discretion, waive specific provisions of these Guidelines where good cause is shown. The Authority may amend these policies to be consistent with any changes in the Act or other applicable law, without further approval from the Board of County Commissioners of Palm Beach County. In addition, these Guidelines may be amended, revised, repealed or otherwise altered by the Authority, at any time, with or without notice, at any regular or special meeting of the Authority. The Authority reserves the right to impose additional requirements with respect to any particular project. **Compliance with these Guidelines by an Applicant does not create any right by an Applicant to a commitment or any assurance that the Authority can or will provide the requested financing.**

### II. POLICY

In accordance with the Act, it is the policy of the Authority to make loans of surplus funds:

- A. To:
- (i) Lending institutions (as defined in Section 159.603(5), Florida Statutes). (Section 159.608(5), Florida Statutes)
  - (ii) Low income persons or families (income does not exceed 80% of the median income for Palm Beach County, adjusted for family size). (Sections 159.608(2) & (8), Florida Statutes)
  - (iii) Not-for-profit corporations under 501(c)(3) of the Internal Revenue Code of 1986, as amended. (Section 159.608(10)(a), Florida Statutes)

- (iv) For-profit corporations  
(Sections 159.608(3) & (10)(b), Florida Statutes)

B. To be used by borrowers who are eligible for loans pursuant to Section II(A) for:

- (i) *With respect to lending institutions:* making new mortgage loans (to for-profit or not-for-profit developers) for the acquisition, construction, reconstruction or rehabilitation of “qualifying housing developments” (which include improvements, buildings and other real and personal property designed or intended for the primary purpose of providing safe, decent and sanitary residential rental housing for four or more families, at least 60% of which occupants are (a) elderly (65 or older) and/or (b) have incomes that do not exceed 150% of the median income for Palm Beach County).  
(Sections 159.603(6) & 159.608(5), Florida Statutes)
- (ii) *With respect to low income persons or families:* to finance the purchase, construction or rehabilitation of, or to refinance, single-family residences; provided that (a) the purchase price of such residence does not exceed 90% of the median sales price for single-family residences in Palm Beach County and (b) the loan be secured by a first or subordinate mortgage made to the Authority.  
(Section 159.608(8), Florida Statutes)
- (iii) *With respect to not-for-profit and for-profit corporations:* for the development of affordable housing.  
(Sections 159.608(3) & (10), Florida Statutes)

The borrower cannot subsequently loan the proceeds to another party for the development of affordable housing. A joint venture comprised of a combination of not-for-profit entities and for-profit entities is eligible for a loan of surplus funds for the development of affordable housing.

As used herein, “affordable housing” shall mean:

- Ownership or rental residential units
- For households with incomes from 60% to 150% of area median income (“AMI”)
- Maximum purchase or rental price of a residential unit shall be as set forth in the current Palm Beach County’s “Workforce Housing Program Sale and Rental Prices” available from the Planning Division.

- C. Only for use in connection with projects located within Palm Beach County, Florida, in an area where the Applicant has demonstrated, to the Authority's satisfaction, a need exists for the project as proposed.

### III. PROCEDURES

Prospective Applicants are encouraged to contact the Authority's Executive Director prior to submission of an application to discuss the Applicant's proposed project and related financing, and to obtain current policy and procedure directives.

#### A. NOT-FOR-PROFIT/FOR-PROFIT DEVELOPER APPLICANTS:

- (i) **Application Submission:** Not-for-Profit and for-profit developers applying for a loan shall complete the Developer Application form attached hereto as **Exhibit A** (the "Developer Application") and submit three (3) copies of a written proposal to: Housing Finance Authority of Palm Beach County, Florida, 100 Australian Avenue, Suite 410, West Palm Beach, FL 33406, Attn: Executive Director. In addition, a PDF file copy of such application shall be sent via e-mail to the Authority's Executive Director at "dbrandt@pbcgov.com". Developer Applications must be submitted by the first day of the month to be considered at the Authority's meeting for that particular month.
- (ii) **Application Review & Screening by Professional Staff:** The Authority's professional staff will review the Developer Application to ascertain whether (i) the Applicant has supplied a complete Developer Application and (ii) the Developer Application is in compliance with applicable state and local (if applicable) laws and regulations and Authority requirements as set forth in these Guidelines.

Applications that are complete, meet the Authority's requirements as set forth in these Guidelines and are in compliance with state and local laws and regulations will be forwarded to the Authority for consideration. A report on the Developer Application may be prepared by the Authority's professionals for inclusion in the agenda package for any meeting during which the Developer Application will be considered by the Authority. A favorable recommendation by the Authority's professional staff does not ensure Authority approval of such Developer Application.

**THE AUTHORITY IS UNDER NO OBLIGATION TO ACCEPT ANY APPLICATION OR TO MAKE LOANS TO ANY APPLICANT.**

(iii) Authority Consideration:

(a) At one or more regularly scheduled meetings, the Authority will review and consider applications and make a determination based on any and all factors it deems relevant, with an emphasis on the following factors:

1. Readiness to proceed, including site control, governmental approvals and financial commitments.
2. Amount requested.
3. Term of loan requested.
4. Interest rate requested for loan.
5. Repayment structure.
6. Lien Priority
7. Leveraging of Authority funds, including other private lending sources and other governmental soft funding (such as FHFC PLP, SAIL, SHIP, HOME, CWHIP, RRLP, CDBG, county/city/CRA commitments applied for or received).
8. Geographic targeting -- such as priority to unincorporated County, County designated target areas, Glades area.
9. Neighborhood impact of proposed development, including other redevelopment/infrastructure improvements by others.

(b) The Applicant may also be asked to submit additional information or materials that the Authority or its professionals think will be helpful to the Authority in making its determination on the Developer Application.

(c) The Authority reserves the right to implement a formal scoring process at any time to review and rank Developer Applications using whatever factors the Authority deems appropriate.

(d) Credit Underwriting Process: If the Authority determines that an Application warrants further consideration, the Authority may require that the Applicant undergo a credit underwriting process. Any and all expenses incurred by the Authority in connection with such credit underwriting process shall be borne by the Applicant, regardless of whether the Applicant's Application is approved.

(iv) Authority Decision on Application: Upon making its decision, the Authority will notify the Applicant of its determination on the Developer Application. If the Authority determines to submit the Developer Application to credit underwriting or to make a loan to the Applicant, the

Applicant may be required to enter into a Memorandum of Agreement with the Authority pursuant to which the parties will agree to move forward with the loan process or, if applicable, credit underwriting process, in accordance with the terms and provisions set forth therein.

- (v) Good Faith Deposit: Pursuant to the terms of the Memorandum of Agreement, if required by the Authority, the Applicant must, within five (5) days of execution thereof, submit a “Good Faith Deposit” of \$10,000 to the Authority to cover expenses of the Authority related to credit underwriting and the preparation and finalization of a loan agreement, mortgage and promissory note in connection with the loan. The “Good Faith Deposit” will be held by the Authority until either (1) loan closing at which time it will, at the Applicant's option, be returned to the Applicant or applied to the Authority's costs as more particularly described in paragraph (vi) below, (2) there has been an abandonment/withdrawal by the Applicant, of its Developer Application or (3) the Applicant and the Authority have determined that they cannot agree on mutually acceptable terms governing the loan. If any of the events in (2) or (3) shall have occurred, the Authority shall be entitled to the “Good Faith Deposit” to pay actual expenses incurred by the Authority. Any amount remaining after the payment of these costs will then be returned to the Applicant, however, if the actual expenses incurred by the Authority exceed the amount of the “Good Faith Deposit,” the Applicant will be responsible for payment of the excess.
- (vi) Loan Documents: Applicants who's Developer Applications have been accepted shall enter into a loan agreement and other related documents with the Authority with terms mutually acceptable to the Applicant and Authority.
- (vii) Fees and Expenses: On or prior to the disbursement of funds for any loan granted, Applicants shall pay all expenses of the Authority relating thereto, including, but not limited to, fees of its Credit Underwriter and General Counsel.

## B. LENDING INSTITUTIONS

- (i) Proposal Submission: Lending institutions interested in obtaining loans from the Authority for the making of loans to for-profit and not-for-profit developers for development of qualified housing developments should submit three (3) copies of a written proposal to: Housing Finance Authority of Palm Beach County, Florida, 100 Australian Avenue, Suite 410, West Palm Beach, FL 33406, Attn: Executive Director. In addition, a PDF file copy of such proposal shall be sent via e-mail to the Authority's Executive Director at “dbrandt@pbcgov.com”. Such proposals must be

submitted by the first day of the month to be considered at the Authority's meeting for that particular month.

- (ii) Proposal Content: Proposals should contain information, to the extent available, regarding:
  - a. The lending institution (including, but not limited to, type of institution, institution's capitalization/size, experience, services offered)
  - b. Requested loan terms (including, but not limited to, amount, interest rate, maturity, repayment structure, security, restrictions on use of loan proceeds)
  - c. Potential projects to be financed with loan proceeds and/or proposed criteria therefore (including, but not limited to location, type, size, development status)
  - d. Potential borrowers of such loan proceeds and/or proposed criteria therefore (including, but not limited to, type of entity, prior experience, creditworthiness)
- (iii) Proposal Review: The Authority and its professional staff will review such proposals on a case-by-case basis and make determinations as to whether to grant such loans based on various factors, including, but not limited to availability of funds, feasibility of proposed loan program and timeliness of program. **The Authority is under no obligation to accept any proposal or to make loans to any lending institution regardless of the nature of the proposal.**

#### C. INDIVIDUAL PERSONS OR FAMILIES

The Authority reserves the right to further develop its policy on the application process for individual persons or families seeking loans for the financing of the purchase, construction or rehabilitation of or refinancing of single family residences. In the interim, persons interested in such loans may contact Authority to obtain information regarding the Authority's then-current policy.

### IV. TIME FRAMES FOR MEETING MILESTONES

In connection with the making of Surplus Fund Loans pursuant to the Surplus Fund Regulations, the Authority has determined that the following timeframes represent reasonable deadlines for the indicated milestones:

- 1. Application Submission/Review: Applications for Surplus Fund Loans ("Applications") are to be submitted by the first day of the month to be included on the agenda for consideration at the Authority's meeting for that month. All applications received after the first of the

month will be included for consideration on the Authority's agenda for the meeting for the following month. If for some reason the meeting at which the Application is to be considered in accordance with the preceding sentences is cancelled, Applications will be considered at the next regularly scheduled Authority meeting.

2. Approval for Credit Underwriting/Assignment of Credit Underwriter:  
The Authority anticipates that a preliminary determination on an Application ("Preliminary Approval") will be made at the meeting during which it is first considered and, if Preliminary Approval is given, such Application will be submitted for credit underwriting and a credit underwriter will be assigned.
3. Memorandum of Agreement ("MOA") provided to approved Applicants:  
Applicants will receive a Memorandum of Agreement from the Authority's General Counsel within 7 days from the date of Preliminary Approval.
4. Credit Underwriter Engagement Letter:  
The Credit Underwriter assigned on the date of Preliminary Approval will receive a Credit Underwriter Engagement Letter from the Authority's General Counsel within 7 days from the date of Preliminary Approval.
5. Executed Credit Underwriter Engagement Letter:  
The Credit Underwriter shall submit an executed Engagement Letter to the Authority within 30 days from the date of Preliminary Approval.
6. Submission of Executed MOA and Good Faith Deposit:  
Applicants shall submit an executed MOA, accompanied by the good faith deposit, to the Authority within 30 days from the date of Preliminary Approval.
7. Credit Underwriting Commencement:  
The Applicant shall provide the Credit Underwriter with the Credit Underwriter's required up-front payment/deposit, if any, and the credit underwriting process shall commence, within 45 days from the date of Preliminary Approval.
8. Due Diligence Items:  
The Applicant shall provide all due diligence items as requested from the Credit Underwriter in a timely matter so that the Credit Underwriting Report can be delivered to the Authority but in no event later than 365 days from commencement.
9. Final Determination:  
Once a final determination has been made by the Authority as to whether it will commence with negotiation of loan documents ("Loan Approval") the Applicant shall have 120 days to conclude such negotiations and close on the loan, including meeting any conditions or requirements (example: pre-sale/lease requirements) of

closing. In addition the borrower must begin making substantial draws on the loan within 60 days following loan closing.

A graphic depiction of the above-described timeline is set forth on Exhibit B attached hereto. Applicants who fail to meet the deadlines set forth in items #5 through #9 above risk termination of their Preliminary Approval or Loan Approval, as the case may be, and rejection of their Application.

It is entirely within the Authority's discretion to modify or revise any of the above deadlines with respect to any Applicant, either by accelerating such deadline or extending such deadline, as it deems appropriate with respect to the circumstances of each Applicant.

The credit underwriting process will be completed approximately 30 days from receipt of the last to be received of all third party reports such as appraisals, environmental reports, pre-construction analysis, financials, etc. It is the responsibility of the Applicant to pay for and provide all third party reports requested by the Credit Underwriter. Upon notification to the Authority by the Credit Underwriter that an Applicant has not provided requested items in a timely manner the Authority may determine to terminate Preliminary Approval of the Application and reject the Application.

## **V. LOBBYING**

**Applicants are hereby advised that lobbying of any Authority Members by a "lobbyist" concerning any project under consideration is prohibited. Violation of this prohibition shall result in rejection/disqualification of an Application. Lobbying shall mean seeking to influence the decision of an Authority Member by seeking to encourage the approval, denial or modification of an Application. "Lobbyist" shall mean any person who is employed and receives payment, or who contracts for economic consideration for the purpose of lobbying; or any person who represents an organization, association or other group for the purpose of lobbying, but shall not include an employee of the Applicant whose primary duties are not to lobby.**

## **V. ADDITIONAL GUIDELINES**

The Authority reserves the right to amend, revise, repeal or otherwise alter the aforesaid Guidelines with or without notice.

## **VI. EFFECTIVE DATE**

These Guidelines and the policies set forth herein shall be effective for applications taken after February 11, 2011.

**EXHIBIT A**

**HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY**  
**DEVELOPER APPLICATION**  
**FOR LOAN FROM SURPLUS FUNDS**

Date: \_\_\_\_\_

**A. DEVELOPER INFORMATION**

Name of Developer Entity: \_\_\_\_\_

Contact Person & Title: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone: \_\_\_\_\_

E-mail address: \_\_\_\_\_

Type of Entity: \_\_\_\_\_

**B. LOAN REQUESTED**

Amount Requested: \_\_\_\_\_

Term of Loan: \_\_\_\_\_

Proposed Interest Rate: \_\_\_\_\_

Repayment Structure: \_\_\_\_\_

Lien Priority: \_\_\_\_\_

Summary of How Funds Will Be Used: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**C. PROJECT INFORMATION**

Location: \_\_\_\_\_

(NOTE: must be in Palm Beach County)

Type of Project (circle all that apply):

- ACQUISITION
- CONSTRUCTION
- RECONSTRUCTION
- REHABILITATION

Project Description (circle one for Category I and one for Category II):

Category I:           MULTI-FAMILY  
                              SINGLE FAMILY

Category II:          FOR-SALE  
                              RENTAL

Development Mix:

| # of BR per unit | # BA per unit | # units per type | Square Footage Range | Estimated Sales/Rental Price |
|------------------|---------------|------------------|----------------------|------------------------------|
|                  |               |                  |                      |                              |
|                  |               |                  |                      |                              |
|                  |               |                  |                      |                              |
|                  |               |                  |                      |                              |
|                  |               |                  |                      |                              |
|                  |               |                  |                      |                              |

Population Served (i.e. elderly, work force, etc. and % of low income): \_\_\_\_\_

Project Specifics:

Number of units: \_\_\_\_\_  
Number of floors: \_\_\_\_\_

Number of buildings: \_\_\_\_\_  
Units per building: \_\_\_\_\_

**D. PROJECT STATUS**

Status of Project (circle current stage):

- ACQUISITION/PLANNING
- ENTITLEMENTS RECEIVED
- SITE WORK
- INFRASTRUCTURE DEVELOPMENT
- VERTICAL CONSTRUCTION/REHABILITATION
- CERTIFICATE OF OCCUPANCY

Estimated Completion/Occupancy Date: \_\_\_\_\_

% of Pre-sales on For-Sale Units: \_\_\_\_\_

% of Occupancy for Rental Units: \_\_\_\_\_

Estimated Total Project Cost: \_\_\_\_\_

Sources of Funding for Remainder of Project Cost & Summary of Terms Thereof: \_\_\_\_\_

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**E. FEASIBILITY**

Please attach a project budget including all costs of development and all sources of funding and demonstrate how borrowed funds (from all sources) will be repaid.

**F. DEVELOPER EXPERIENCE**

Please attach a description of the developer's experience, including, but not limited to, length of existence, geographic locations where work has been conducted by the developer, the number and types of projects the developer has completed, the number and types of projects currently under construction/development, and any other information the developer believes will be useful to the Authority in rendering a decision on the application.

**G. FINANCIAL STATEMENTS**

Please attach copies of the applicant/borrower/guarantors last three years audited financial statements or Form 990 if a tax exempt entity.

**EXHIBIT B**

**APPLICATION, CREDIT UNDERWRITING AND LOAN CLOSING DEADLINES**

|   |   |  |  |  |  |  |
|---|---|--|--|--|--|--|
| Application Submitted by 1 <sup>st</sup> of the Month | Application Considered & Approved at Authority Meeting (2 <sup>nd</sup> Friday of the Month); Credit Underwriter Assigned | MOA sent to Applicant; CU Engagement Letter sent to CU | CU submits Executed Engagement Letter to Authority | Applicant Submits Executed MOA and Good Faith Deposit to Authority | Credit Underwriting Deposit Paid/Credit Underwriting Commences | Credit Underwriting Report submitted and final Determination on Application; Commence Negotiating Loan Documents |
| •   | day 1   | day 7  | day 30   | day 90   | day 120  | day 480  |

