

*LEON COUNTY  
HOUSING FINANCE AUTHORITY*

**MULTI-FAMILY  
BOND PROGRAM**

**APPLICATION PROCEDURES &  
PROGRAM GUIDELINES HANDBOOK**

Revised \_\_\_\_\_, 2014

**LEON COUNTY  
HOUSING FINANCE AUTHORITY  
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**I. Overview**

The Leon County Housing Finance Authority (the "Issuer") provides below market rate loans of bond proceeds for construction, rehabilitation and permanent financing of multifamily housing developments (the "Multifamily Program"). The funds are made available by the Issuer's issuance of revenue bonds (the "Bonds"). The Bonds are secured solely by the credit enhancement provided by the borrower and/or by revenues from the development. In no event shall public revenues ever secure the Bonds. The Issuer is merely a conduit and shall not be liable on any Bonds. From time to time the Issuer may approve other financing structures to the extent permitted by law.

The Multifamily Program has been undertaken by the Issuer in order to alleviate the shortage of affordable housing through new construction, rehabilitation and preservation for persons and families in Leon County, Florida (the "County"), to generate affordable multifamily rental capital for investment in the County, to stimulate economic development and to create jobs.

The Issuer will consider providing revenue bond financing for qualified multifamily housing developments which meet the goals of the Issuer and comply with applicable federal and state law. The Issuer has adopted the following guidelines to set forth the general requirements and procedures that apply to the financing of multifamily housing developments.

The Issuer will not issue obligations to provide financing for any development unless the applicant has satisfied the general requirements set forth in these guidelines. The Issuer reserves the right to impose additional requirements on any particular development. Compliance with these guidelines does not and shall not create any right by an applicant to a commitment or assurance that the Issuer will provide the requested financing.

**II. Definitions**

All terms in capitalized form that are defined in this Section shall have the same meanings as are ascribed to those terms herein, unless a different or additional meaning is given to those terms specifically. Unless the context shall otherwise indicate, words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons. The following terms shall have the meaning indicated below unless the context clearly requires otherwise:

(A) "*Applicant*" means the entity that makes application to the Issuer for the debt, sponsors the project, and provides the repayment funds. Notwithstanding the use of a conduit issuer and any credit enhancement, the Applicant is the entity whose credit is reviewed by the investors or credit enhancers as the underlying source of repayment funds.

(B) "*Bond Counsel*" means Bryant Miller Olive P.A. or any other firm of attorneys

selected by the Issuer that is experienced in matters relating to the issuance of obligations by states and their political subdivisions that is listed as municipal bond attorneys in The Bond Buyer's Municipal Marketplace.

(C) "*County*" means Leon County, Florida.

(D) "*Credit Rating*" means a professional assessment of creditworthiness from either Fitch, Moody's, or S&P, or such other firm as may reasonably attain a similar role in the future.

(E) "*Financial Advisor*" means a properly licensed firm retained by either the Issuer or Applicant with a fiduciary responsibility to their client under the rules and procedures of the National Association of Securities Dealers, the Municipal Securities Rulemaking Board, Securities and Exchange Commission, and the Florida Statutes.

(F) "*Fitch*" means Fitch Ratings, a nationally recognized credit rating agency.

(G) "*Investment Grade Credit Rating*" means a Credit Rating of BBB- or higher from Fitch, Baa3 or higher from Moody's, and BBB- or higher from S&P, and such other similar minimum rating level from another similar nationally recognized Credit Rating firm as may reasonably attain a similar role in the future.

(H) "*Issuer*" means the Leon County Housing Finance Authority as conduit issuer of the debt.

(I) "*Moody's*" means Moody's Investors Service, Inc., a nationally recognized credit rating agency

(J) "*S&P*" means Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, a nationally recognized credit rating agency.

(K) "*Sophisticated Investor*" means a "qualified institutional buyer" as that term is defined under Rule 144A of the Securities and Exchange Commission or an "accredited investor" as that term is defined in Regulation D of the Securities and Exchange Commission.

### **III. Summary of Process**

A variety of collateral techniques may be explored. The financial structure is subject to approval by the Financial Advisor and Bond Counsel. The term of the bond issue is subject to negotiation. Interest rates cannot be determined until the Bond sale. The Bond issue is accomplished via the following steps:

(A) Selection Stage. Applicants submit an application package for the Financial Advisor to review. The Financial Advisor performs a development feasibility analysis. The Issuer will consider public purpose and financial feasibility of the development (including site control) and will select from all Applicants which Applicants will be invited into credit underwriting and subsequent stages of the process.

(B) Official Action (Subsequent to Written Application).

(1) Once it has been ascertained that the Applicant understands and agrees to

comply with state, federal, local and Issuer requirements and has supplied all documentation required by the Issuer, an intent resolution for a proposed development will be placed on the agenda of a regularly scheduled meeting. After adoption of the intent resolution, the Issuer may authorize execution of a memorandum of agreement specifying the terms under which the Issuer will issue the Bonds and inducing the Applicant. The date of the intent resolution will evidence "Official Action" by the Issuer. Under the IRS Code, expenses incurred by the Applicant more than 60 days prior to the date of Official Action may not be reimbursed from proceeds of bonds.

(2) The Issuer will submit to the Board of County Commissioners of the County for approval pursuant to the Tax Equity and Fiscal Responsibility Act ("TEFRA"), which requires that the Board of County Commissioners of the County approve tax-exempt bond financing for each development following a public hearing held after at least 14 days published notice in an appropriate publication approved by Bond Counsel. Notice of the TEFRA hearing will be published in community newspapers servicing the affected area, if any, prior to the hearing.

(3) Following County approval, the Issuer will make submission to the State Board of Administration's (the "SBA") Division of Bond Finance for private activity bond volume cap (the "Private Activity Bond Volume Cap Allocation"), with priority designated by the Issuer, unless the Applicant is a 501(c)(3) not-for-profit company. Private activity bonds must be issued by the Issuer within 155 days of receiving an award of Private Activity Bond Volume Cap Allocation from the SBA.

(C) Pre-Financing Stage. If the development is in the planning stage, the site plan is developed and submitted to appropriate authorities and other development approval processes are put in motion, pending approval of a proposed timetable by Issuer. Review of site plan, architectural design, and final construction contract is performed by a construction analysis/engineering firm. By dates established by the Issuer, the Applicant shall enter and complete credit underwriting. Credit underwriting is to be performed by firms under contract with the Issuer at the expense of the Applicant. Validation proceedings, if required, are commenced and the financing structure (credit enhancement, etc.) is finalized. Applicant then contacts Bond Counsel for commencement of documentation.

(D) Pre-Closing Stage. Ratings and insurance, as appropriate, are obtained and documentation is finalized. The preliminary and final credit underwriting report will be delivered to the Issuer for review and approval. Upon receipt of the reports, the Issuer may establish conditions and timetables for the financing. In addition to any conditions established by the Issuer, the Applicant shall comply with all conditions established by the credit underwriter within the preliminary and final credit underwriting reports. Failure to comply with such conditions shall result in rejection of the application. Such conditions will include, but are not limited to, personal guaranties by the principals of the general partner and development entity (and the related corporate entities) of construction completion, operating deficits, environmental indemnity, and non-recourse obligations. The Issuer may elect to not move forward with the financing due to information included in the credit underwriting report. Prior to closing, the Issuer must be in receipt of a letter from the Applicant that all deal points have been resolved and that documents are in substantially final form. Adoption by the Issuer of a Bond Resolution approving documents and authorizing the issuance of the Bonds will then be

placed on the agenda for a regularly scheduled meeting. The Bonds may then be underwritten and sold to purchaser(s), subject to all conditions precedent to closing being accomplished.

(E) Closing. Closing shall be held at a time and place acceptable to the Issuer. Any and all costs and expenses of the Issuer incurred in connection with the issuance of the Bonds, including, but not limited to, the fees and expenses of Bond Counsel, Issuer's Counsel, if any, the underwriter(s), credit underwriter and Financial Advisor shall be paid at closing, or such earlier time as outlined herein. The proceeds raised will be deposited with the Trustee for the bondholders in accordance with bond documents. THE ISSUER WILL NOT CLOSE BONDS IN ESCROW.

#### **IV. Application**

(A) Filing Application. Application for the issuance of Bonds shall be made in the form attached hereto as "Leon Housing Finance Authority, Multifamily Mortgage Revenue Bond Program, 2014 Application." The application must be submitted to the Issuer at the addresses contained therein, and by the deadline established by the Issuer, within a Notice of Funding Availability ("NOFA"). The submission must be an original application and ten copies. The application and NOFA are available at the Issuer's website: <http://cms.leoncountyfl.gov/Home/Departments/Office-of-Human-Services-and-Community-Partnership/Housing/Housing-Finance-Authority>, and attached hereto as Exhibit A.

(B) Expense and Indemnity Agreement. In conjunction with the filing of the application, the Applicant will be required to execute an Expense and Indemnity Agreement, in the form attached hereto as Exhibit B, whereby the Applicant agrees to pay all Bond issuance expenses, including, without limitation, the fees and disbursements of the Bond Counsel, Financial Advisor, underwriters and any other administrative charges or out-of-pocket expenses which relate to the issue, and to indemnify the Issuer and its members, officers, agents, attorneys and employees against any and all claims and liability arising out of the issuance of the Bonds.

(C) Timely and Complete Filing. The Applicant will be required to file a complete application by the time and date noticed in the NOFA. Failure to comply will result in a rejection of the application.

(D) Site Control. The Issuer is not involved in site selection, but rather finances developments that are proposed by Applicants. However, location of the proposed development may be a factor utilized by the Issuer in its determination of whether to finance a development. The Issuer only considers a request for Official Action of a proposed development when the Applicant can demonstrate control of the real estate. Control of the real estate can be evidenced by proof of ownership or by an executed purchase contract, deed or option agreement. Such instrument should clearly state the time period for which the instrument is effective, the purchase price to be paid and the cost of any extensions in the contract period, if applicable. However, the purchase price of real estate can be reimbursed from bond proceeds only if paid no more than 60 days before Official Action, or as otherwise permitted by the IRS Code.

#### **V. Application Review**

(A) Initial Review. Upon receipt of an application, the Issuer or designee shall

determine whether an application is complete. No further processing of an incomplete application shall be done until the application is determined to be complete. The Issuer's staff, Financial Advisor or credit underwriter will review and have performed a development and financial feasibility analysis to be completed by an independent financial feasibility consultant of recognized competence at the Applicant's expense. The financial feasibility analysis shall include, but not be limited to, a review of a developer's ability to proceed, public purpose and other selection factors. Prior to the Issuer's consideration, Bond Counsel and Issuer's Counsel, if any, will provide a preliminary review of an application to ensure compliance with federal and state laws, regulations, court rulings and other mandates in effect at the time. The Issuer will prepare a written report to the Issuer's board with respect to the issue.

(B) Preliminary Selection by the Issuer. The Issuer may: (1) recommend the development move forward into the remaining process to determine the amount of private activity bond allocation to be requested and the total amount of bond financing to be considered for the development; (2) reject the application; or (3) request additional information, including whether the Applicant may make a presentation to the Issuer. Such initial selection is contingent upon the Applicant fulfilling all statutory requirements, the requirements of these Guidelines, and any other requirements the Issuer may deem appropriate depending on the circumstances, including any conditions and timetables established by the Issuer related to the financing. The initial selection by the Issuer does not bind the Issuer to finance any or all of the proposed development. Instead, it allows the Applicant to move forward into the remaining process that will determine if the Issuer elects to finance any or all of the proposed development.

(C) Items to be Considered by the Issuer. Set forth below are various criteria the Issuer may use in evaluating proposed multifamily housing developments. This list is not exclusive and many of the factors are necessarily subjective. Furthermore, the order in which the criteria is listed below shall not be deemed to be of more or less importance as each of the criteria may be of more or less value depending on the circumstances.

(1) The financial soundness of the Applicant and the development, including the experience of the Applicant and other development team members.

(2) Conformance of the development with legal restrictions governing the issuance of the Bonds.

(3) The impact of the development upon the County's housing shortage, and on any neighborhood development or redevelopment plan of the County.

(4) The relative affordability of the housing to those persons in the County of middle, moderate and lesser income or, if the development is for elderly housing, the relative affordability of housing to those persons in the County of constituting the elderly.

(5) Ability of the Applicant to complete financing and development on a timely basis, including the status of a commitment for credit enhancement or private placement of the bonds, a commitment from the purchaser of any low-income housing tax credits associated with the financing, and the status of the Applicant in the permitting process.

(6) Economic impact of the development, including the impact of jobs created by substantial rehabilitation and new construction.

(7) Applicant's formal agreement to abide by the loan conditions established in the credit underwriting report.

(8) Applicant's agreement to provide resident income set-asides in excess of those required by State and Federal law.

(9) Applicant's agreement to agree to extended low-income compliance periods.

(10) Applicant's agreement to serve residents with incomes at levels below the maximum "low income" levels established by Federal law.

(11) Applicant's agreement to provide services to the residents relevant to the needs of the residents, such as day care, financial and credit counseling, or other services approved by the Issuer.

(12) Appropriateness of the development design, including the number of bedrooms per unit in developments targeted to family occupancy.

(13) Development design and amenities that provide enhanced quality of life, energy efficiency, increased security, handicapped accessibility, or other features.

(14) The proposed financing structure, including the proposed credit enhancement or private placement and its related bond rating and term.

(15) Leveraging of the Issuer's tax-exempt bond allocation by providing a portion of the financing from non-County sources, including, but not limited to taxable bonds, and state or city loans or grants.

(16) The location of the development, relating to the surrounding community, including work places, shopping, transit, open space, schools, etc. In addition, a site that demonstrates accessibility to social services, proximity to mass transit and employment opportunities will be favorably considered.

(17) Use of a financing structure that is efficient in its use of tax-exempt bond allocation.

## **VI. Process After Initial Selection**

### **(A) Official Action.**

(1) *Intent Resolution; Memorandum of Agreement.* Once it has been ascertained that the Applicant understands and agrees to comply with state, federal and Issuer requirements and has supplied all documentation required by the Issuer, an intent resolution for a proposed development will be placed on the agenda of a regularly scheduled meeting of the Issuer. Prior to adoption of the intent resolution, the Issuer may decide to reject the application for any reason, including, but not limited to changing

market conditions or financial assumptions that render the proposed development financially infeasible. After adoption of the intent resolution, the Issuer may authorize execution of a memorandum of agreement specifying the terms under which the Issuer will issue the bonds and inducing the Applicant, contingent upon the applicant's execution of such agreement within ten calendar days. The agreement will include any conditions established by the Issuer as part of the initial selection process. The agreement will also include the ability to recapture the bond allocation if the Applicant does not meet all conditions in a timely manner. The Official Action of the Issuer should not be construed as indicating the marketability of the Bonds or a guarantee that the Bonds will be issued. Rather, it is an indication that the Issuer will issue its Bonds if a willing and suitable purchaser can be found by the applicant, and all conditions precedent to issuance occur or are met.

(2) *Termination of Official Action.* After execution of the memorandum of agreement, it is the Applicant's responsibility to commence the development. The Bonds must be issued the earlier of (i) the deadline established in the initial approval by the Issuer; (ii) prior to the expiration of the bond allocation associated with the financing; or (iii) within 12 months of the effective date of the agreement, subject to an extension granted in the sole discretion of the Issuer. The Issuer will consider extending the Official Action upon submission of a written notice, that the Applicant wishes to seek an extension and a status report providing tangible evidence satisfactory to the Issuer of the progress of the financing the development. Such written notice and status report shall be submitted to the Issuer no less than 30 days prior to the end of the above referenced 9 month period. The Issuer reserves the right to terminate an Official Action at the end of the 12 months, or any earlier time as noted herein. The Issuer shall deem the Official Action terminated in the event that the Applicant fails to meet the foregoing requirements.

(3) *Agenda Scheduling.* Official Action will be taken only at duly noticed meetings of the Issuer or, in cases deemed exceptional by the Chairman or any three members of the Issuer, at specially scheduled meetings of the Issuer. Official action shall only be taken if a quorum is present. All documentation requiring Issuer Official Action must be received for review by the Chairman, Bond counsel, Financial Advisor and Issuer Counsel at least 10 working days in advance of the meeting in which the requested action is to be taken.

(B) TEFRA Approval. TEFRA requires that the Board of County Commissioners of the County approve tax-exempt bond financing for each development following a public hearing held after published notice. Notice of the TEFRA hearing will be published in an appropriate publication approved by Bond Counsel and in community newspapers servicing the affected area, if any, prior to the hearing. The notice setting forth the location and description of the development, the principal amount of the Bonds, the owner of the development, and other relevant data about the proposed financing and containing the date, time and location of the public hearing must be published at least 14 days prior to the public hearing. At the hearing, the development will be discussed and the public will be invited to be heard with regard to the development. The Issuer staff will be responsible for all arrangements with respect to the holding of the public hearing and obtaining TEFRA approval. Following the holding of the public hearing, the development and the financing must be approved by the County. Failure to

obtain TEFRA approval from the County shall result in termination of the financing with no liability to the Issuer. Blanket (statewide) TEFRA hearings will not fulfill a local TEFRA hearing requirement.

(C) Application to SBA. Following County approval, the Issuer will make submission to the State Board of Administration's (the "SBA") Division of Bond Finance for private activity bond volume cap (with priority designated by the Issuer for competing developments, if any). Private activity bonds must be issued by the Issuer within 155 days of receiving an award of Private Activity Bond Volume Cap Allocation from the SBA. The Issuer has no control over the bond volume cap allocation and, therefore, accepts not liability for the final determination rendered regarding the availability of bond volume cap by the SBA. No assurance can be given that a requested private activity bond volume cap allocation will be received.

(D) Credit Underwriting. By dates established by the Issuer, the Applicant shall enter and complete credit underwriting. Credit underwriting is to be performed by a firm acceptable to the Issuer (and may include firms under contract with Florida Housing Finance Corporation), at the expense of the Applicant. Failure by the Applicant to meet such deadlines will result in rejection of the application. A preliminary and final credit underwriting report will be delivered to the Issuer for review and approval. Upon receipt of the reports, the Issuer may establish conditions and timetables for the financing. The Issuer may elect to not move forward with the financing due to information included in the credit underwriting report. In addition to any conditions established by the Issuer, the Applicant shall comply with all conditions established by the credit underwriter within the preliminary and final credit underwriting reports. Failure to comply with such conditions shall result in rejection of the application.

(E) Validation. The Bonds of the Issuer may be required to be validated in the manner provided by section 159, Florida Statutes, and by chapter 75, Florida Statutes. The determination as to whether bond validation is required shall be made by the Issuer upon advice of its attorneys. If a bond validation is necessary, Bond Counsel will prepare validation pleadings for filing in the Circuit Court in and for the County. The Applicant shall bear any fees and expenses (including legal fees of the Issuer's Counsel and Bond Counsel) relating to any bond validation.

## **VII. Process after Final Approval of Financing.**

(A) Preparation of Bond Package. After appropriate review and approval by the Issuer, the Issuer shall consult with Bond Counsel and initiate appropriate steps leading to the preparation of bond documents for the sale of the Bonds.

(B) Bond Counsel and Preparation of Bond Sale Documents. It is the policy of the Issuer that Bond Counsel act as bound counsel for all multifamily housing revenue bond issues of the Issuer. Following the execution of the memorandum of agreement, Bond Counsel will prepare all documents necessary for the sale of the Bonds and submit them for review and approval by the parties thereto.

(C) Sale of the Bonds.

(1) The act of the Issuer in entering into a memorandum of agreement with

the Applicant for the issuance of Bonds shall not be construed as an indication of the marketability of the Bonds, but rather, that the Issuer will issue its bonds only if appropriate and willing purchasers can be found and upon the execution of bond sale documents mutually agreeable to all parties thereto.

(2) The Bonds issued and sold by the Issuer shall not be deemed to constitute a debt, liability, or obligation of the Issuer, the County, the State, or of any political subdivision thereof, or a pledge of the faith and credit or taxing power of the Issuer, the County, the State or of any such political subdivision, but shall be payable solely from the revenues and other resources pledged to the payment of the Bonds.

(3) In general, prospective Bond issues without an Investment Grade Credit Rating may be sold only at private sale or by limited public offering to Sophisticated Investors in bond denominations of not less than \$100,000 each. Prospective Bond issues with an Investment Grade Credit Rating may be sold at public or private sale in bond denominations of not less than \$5,000 each. For purposes of this paragraph, the term "limited public offering" shall be defined as an offering made only to Sophisticated Investors, not more than 35 in number. The intent of this paragraph is applicable not only to the initial sale of the Bonds, but also to resales, if any, in secondary markets and shall be incorporated in the Bond sale documents.

(4) Unless held by the Applicant or a credit enhancer, or an affiliate of either of them, Bonds without credit enhancement and without a rating in one of the three highest rating categories by a nationally recognized rating service (currently at least A3 from Moody's or A- from Fitch Ratings or Standard and Poor's) (i) shall not be held in a book-entry only system; (ii) shall only be sold and subsequently transferred to a Sophisticated Investor(s); and (iii) shall comply with the conditions set forth below, as determined prior to the issuance of the Bonds:

(a) The Bonds shall be sold in minimum denominations of \$100,000; and

(b) The Bonds shall be sold only to Sophisticated Investors who have executed and delivered an "investor's letter", in form and substance satisfactory to the Issuer including, among other things, (A) stating that the purchase of the Bonds will be solely for its own account, (B) stating that such Sophisticated Investor can bear the economic risk of its investment in the Bonds, (C) stating that such Sophisticated Investor has such knowledge and experience in financial business matters in general and tax-exempt obligations in particular, that it is capable of evaluating the merits and risks of purchasing the Bonds, (D) stating that such Sophisticated Investor has made the decision to purchase the Bonds based on its own independent investigation regarding the Bonds, the borrower and the project and if a disclosure document has been prepared, it has reviewed such disclosure document, and has received the information it considers necessary to make an informed decision to invest in the Bonds, and (E) acknowledging that the Issuer, its counsel and its advisors bear no responsibility for the accuracy or completeness of information with respect to the borrower and the project contained in any disclosure document related to the Sophisticated

Investor's purchase of the Bonds; and

(c) The Bonds shall bear a legend restricting subsequent transfers to other Sophisticated Investors who have executed and delivered an "investor's letter" complying with the preceding paragraph.

Alternatively,

(i) The Bonds shall be sold in minimum denominations of \$250,000; and

(ii) The Bonds shall be sold initially only to Sophisticated Investors who have executed and delivered an "investor's letter", in form and substance satisfactory to the Issuer including, among other things, (A) stating that the purchase of the Bonds will be solely for its own account, (B) such Sophisticated Investor can bear the economic risk of its investment in the Bonds, (C) stating that such Sophisticated Investor has such knowledge and experience in financial business matters in general and tax-exempt obligations in particular, that it is capable of evaluating the merits and risks of purchasing the Bonds, (D) stating that such Sophisticated Investor has made the decision to purchase the Bonds based on its own independent investigation regarding the Bonds, the borrower and the project and if a disclosure document has been prepared, it has reviewed such disclosure document, and has received the information it considers necessary to make an informed decision to invest in the Bonds, and (E) acknowledging that the Issuer, its counsel and its advisors bear no responsibility for the accuracy or completeness of information with respect to the borrower and the project contained in any disclosure document related to the Sophisticated Investor's purchase of the Bonds; and

(iii) The Bonds shall bear a legend restricting subsequent transfers to investors who by their purchase of the Bonds represent that they (A) are purchasing the Bonds solely for their own account, (B) can bear the economic risk of their investment in the Bonds, (C) have such knowledge and experience in financial business matters that they are capable of evaluating the merits and risks of purchasing the Bonds, and (D) have made the decision to purchase the Bonds based on their own independent investigation regarding the Bonds and have received the information they consider necessary to make an informed decision to invest in the Bonds.

(iv) Each indenture related to the Bonds that are subject to the restrictions, as set forth above, shall provide that the trustee and the paying agent shall not authenticate or register a Bond unless the conditions of these policies have been satisfied.

(5) Unless held by the Applicant, or an affiliate of the Applicant, Bonds without credit enhancement, but with a rating in one of the three highest rating categories by a nationally recognized rating service (currently at least A3 from Moody's or A- from Fitch Ratings or Standard and Poor's):

- (i) Shall not be held in a book-entry only system;
- (ii) Shall be sold in minimum denominations of \$100,000;

(iii) In the event that the initial rating on the Bonds is withdrawn or is downgraded to a rating lower than one of the three highest rating categories by a nationally recognized rating agency, transfers of the Bonds shall be restricted to Sophisticated Investors; and

(iv) The Bonds at issuance and, thereafter, shall bear a legend stating that in the event the initial rating on the Bonds is withdrawn or is downgraded to a rating lower than one of the three highest rating categories by a nationally recognized rating agency, transfers of the Bonds shall be restricted to investors who by their purchase of the Bonds represent that they: (a) are purchasing the Bonds solely for their own account, (b) can bear the economic risk of their investment in the Bonds, (c) have such knowledge and experience in financial business matters that they are capable of evaluating the merits and risks of purchasing the Bonds, and (d) have made the decision to purchase the bonds based on their own independent investigation regarding the Bonds and have received the information they consider necessary to make an informed decision to invest in the Bonds.

(6) Applicants can petition the Issuer for a waiver to issue in smaller denominations than required within this Section. The Applicant must demonstrate a compelling public purpose for smaller denominations. The demonstration of a compelling public purpose may require a formal presentation at the discretion of the Issuer. Any waiver granted by the Issuer may only be granted prior to submission of TEFRA materials to the County.

#### **VIII. Process After Sale of Bonds.**

(A) Following the sale of the Bonds, the proceeds raised will be deposited with the trustee for the Bondholders in accordance with the Bond documents.

(B) In accordance with the Bond documents, the Issuer will be concerned with the use of the proceeds to the extent that they are used only for purposes allowed by the governing statutes and provisions of the development as authorized in the memorandum of agreement and bond sale documents. To this end, the Issuer requires that all construction and other disbursements and certain other matters related to the development be approved by its construction servicing agent.

#### **IX. Fees and Expenses.**

The Applicant will be responsible for all fees and expenses in connection with an application for inducement and the subsequent issuance of the Bonds. Such expenses, where eligible under the Code, may be financed with Bond proceeds. The Code provides that no more than 2% of the proceeds of a tax-exempt bond issue may be used to pay "Costs of Issuance." The Applicant hereby commits to pay from other sources any costs of issuance not payable from Bond proceeds. The following fees are payable at the times and in the amounts as described

below. EXCEPT AS OTHERWISE PROVIDED HEREIN, ALL FEES ARE NON-REFUNDABLE.

(A) Each application submission shall include a non-refundable application fee in the amount of 0.1% (ten basis points) of the requested Bond amount, but not less than \$7,500, payable to the Issuer in the form of a cashier's check.

(B) Each application submission shall include a non-refundable Development Feasibility Analysis Fee in the amount of \$5,500, payable to the Issuer in the form of a cashier's check.

(C) If invited to credit underwriting, the Applicant must submit a non-refundable credit underwriting fee in the amount specified in an agreement between the Issuer and the credit underwriter. Such fee should be payable to the credit underwriter and must be paid prior to commencement of credit underwriting. The Applicant is also responsible for other costs of credit underwriting, including appraisals, pre-construction analysis and engineering studies.

(D) Prior to the drafting of bond documents, the Applicant must execute a memorandum of agreement with the Issuer and submit to the Issuer a commitment fee equal to \$25,000. If the Issuer meets its obligations under the memorandum of agreement and the Bond closing does not take place, this fee shall be non-refundable. However, if the sale and closing does not take place for any other reason, the fee is refundable, but only to the extent that any of it remains after the Issuer pays all hourly and out of pocket costs of the Issuer, Bond Counsel, Underwriters and the Financial Advisor. The out of pocket costs of the Issuer may include, but are not limited to, costs of printing the Bonds and official statement, drafting and distribution of Bond and loan documents, review of Bond and loan documents, travel and rating agency fees. If the Bond issue closes, this fee will be credited against the total costs of issuing the Bonds, all of which the Applicant is required to pay.

(E) At the closing of the Bonds, an annual administration fee of equal to \$20,000, or twenty-five one-hundredths of one percent (25/100 of 1.00% or 25 basis points) of the principal amount of the Bonds, whichever is greater, will be due.

(F) In addition, the Issuer will charge an annual administration fee of two tenths of one percent or twenty basis points (2/10 of 1.00% or 20 basis points) on the outstanding amount of Bonds, plus the costs of any ongoing third party services provided to the Issuer in conjunction with the Bond issue, including loan servicing, development compliance monitoring, financial monitoring, trustee services, audit costs, and rebate analysis. For transactions that contemplate significant reduction in the amount of Bonds within the first five years after the Bond closing, the annual administrative fee will be based upon the original amount of Bonds issued.

(G) The Applicant shall be responsible for payment of all fees and expenses in connection with the proposed financing, including, without limitation, the fees and expenses of the Issuer's Financial Advisor, Bond Counsel, Credit Underwriter, construction servicing, compliance, monitoring agent, and financial monitoring agent, Trustee and its counsel, the Underwriters and their counsel, the credit enhancers, and the rating agencies. The Issuer reserves the right to charge fees for these services above the standard contract rate, on deals of unusual nature or with exceptionally complex structures.

## **X. Program Compliance Requirements.**

Multi-family developments qualified as exempt facilities under the Code, must comply with all federal, state and local laws relating to the use of tax-exempt bonds, including, but not limited to, the following:

(A) Ninety-five percent or more of the net proceeds of the Bonds must be used to provide exempt facilities such as a residential rental property.

(B) To qualify, the development must be classified as a resident rental property (that is, a multi-family housing development) consisting of one or more similarly constructed units which (i) must be used for other than on a transient basis; (ii) made available for rental to the general public; and (iii) satisfy the continuous rental and very low or low income occupancy requirements. Hotels, motels, fraternity and sorority houses, rooming houses, hospitals, nursing homes, retirement homes, sanitariums, or rest homes are not residential rental properties. Each rental unit must contain separate and complete facilities for living, sleeping, eating, cooking and sanitation.

(C) The Issuer has established criteria for resident selection that is based on cumulative annual household income. A minimum number of units must be set-aside for households that meet the Issuer's income criteria. The minimum set-aside determined by the Issuer is shown in Exhibit C. The Issuer may include the Applicant's willingness to set-aside units beyond the minimum requirements in its decision on whether to induce or finance the development. The set-aside requirement is based on cumulative current annual household income determined in accordance with Section 8 of the Housing Act of 1937, as amended. Each income amount associated with the number of persons per household reflects a percentage of the median gross income level for the Metropolitan Statistical Area in which the development is located, as determined by the Secretary of the United States Department of the Treasury, in a manner consistent with Section 8 of the Housing Act of 1937, as amended, including adjustments for family size.

(D) If the Applicant is a private person (not a governmental unit or a 501(c)(3) not-for-profit corporation), or if any investment in the development will be owned by private parties, the issuance will be a "private activity bond" and as such, will require an allocation of Private Activity Bond Volume Cap from the SBA. Pursuant to state law, local housing finance authorities may apply for allocations of bond volume cap on the first business day of each calendar year and until June 30 of each year. All applications that meet the threshold requirements of the Issuer will be submitted to the State of Florida Division of Bond Finance ("DOBF"). Proposals from the Issuer and other eligible entities will be randomly selected using procedures established by the DOBF. If approved, the Issuer has one hundred fifty-five (155) days from the date of approval to issue tax-exempt bonds for the intended purpose, or the allocation must be returned to the State for reallocation to other developments or requests. After June 30th of each year, allocation may be restricted until November 15th.

(E) If the application involves the sale of Bonds not subject to the unified volume cap due to the 501(c)(3) status of the Applicant, the Applicant must demonstrate at a minimum that (i) the organization is a 501(c)(3) in good standing, with affordable housing as part of their charter, it has been in existence for at least five years, and with a legal opinion relating to the

organization and its role in the transaction, (ii) the organization should have a role in the community beyond that as a conduit financing vehicle, and (iii) the organization should have a meaningful role in the development. Payment of a minimal fee with no real ongoing role would not qualify as "meaningful".

(F) If the Applicant intends to acquire an existing housing project, at a minimum, all deferred maintenance items and structural deficiencies identified in the Property Assessment/Condition Report provided by the credit underwriter must be corrected and all improvements must meet current code requirements after rehabilitation is completed. At a minimum, at least 15% of the net tax-exempt bond proceeds issued must be used for rehabilitation expenditures that have been or are completed within a two-year period of the date of issuance. Rehabilitation expenditures generally mean any actual amount properly chargeable to a capital account and incurred in connection with the rehabilitation of the development.

(G) If the application involves the sale of low income housing tax credits ("Housing Credits"), the Applicant must conform to all federal and state requirements associated with those credits, including compliance with Section 42 of the Code and compliance with the State's Qualified Allocation Plan and associated administrative rules. The Applicant should prepare the 4% Housing Credit County HFA Bonds Application Form and its Exhibits and deliver them to the Florida Housing Finance Corporation pursuant to the instructions for 4% Housing Credit County HFA Bonds Application. The form and its exhibits can be submitted to the Florida Housing Finance Corporation as early as the time the Applicant enters credit underwriting of the Bonds. The Applicant should consult with the Florida Housing Finance Corporation on its application for 4% Housing Credits.

(H) In order to insure compliance with the income targeting required under Federal, State and local law and the Issuer's requirements, the Issuer will retain an independent program compliance agent. The Applicant will be required to pay for the cost of this service. This compliance agent will be responsible for monitoring the resident income certification forms and periodic on site inspections of the books and records of the development in order to insure compliance with these requirements. The compliance agent must have experience in compliance work with similar Bond issues and must be appointed by the Issuer.

(I) In order to provide the Issuer with current information with respect to the performance of the development, the Issuer will retain an independent financial monitoring agent. The Applicant will be required to pay for the cost of this service. The services of the financial monitoring agent shall be for the sole benefit of the Issuer, and solely for the information of the Issuer. The Issuer shall have no responsibility to bondholders, credit enhancers, or others to monitor the financial performance of the development or provide information with respect thereto.

(J) The foregoing is not intended to serve as legal advice to any applicant, but merely recites the Issuer's understanding of the requirements of the Code. Bond Counsel shall preliminarily review all applications to ensure compliance with Federal, State and local laws, regulations, court rulings and other mandates in effect at the time an application is approved. Final approval of bond counsel will be required as a condition of issuance of the Bonds.



**Exhibit A**  
**Leon County Housing Finance Authority Application for Financing**

**Exhibit B**  
**Expense and Indemnity Agreement**  
**(Leon County Housing Finance Authority)**

RE: LEON COUNTY HOUSING FINANCE AUTHORITY  
MULTIFAMILY HOUSING REVENUE BONDS

Ladies and Gentlemen:

The undersigned (the "Applicant") has requested you to consider its application to have you issue the bonds referred to above (the "Bonds") for the benefit of the Applicant and as an inducement to such consideration, hereby agrees with you as follows:

Section 1. Payment of Expenses:

Whether or not the Bonds are offered, sold or issued, the Applicant agrees to pay and be liable for, and to hold you harmless against the payment of any and all expenses relating to the Bond issue, including without limitation the fees and disbursements of your financial advisor, special counsel and bond counsel, your administrative charges and out-of pocket expenses, recording charges, expense of printing offering circulars, official statements, and the Bonds, legal advertising and expenses of registering the Bonds with the securities commission of any state.

Section 2. Indemnity:

Whether or not the Bonds are offered, sold or issued, the Applicant agrees to indemnify you, and each of your members, officers, agents, attorneys, advisors and employees against any and all claims and liability of whatsoever nature arising out of or relating directly or indirectly to the Bond issue, whether caused by you or the Applicant or otherwise, including, without limitation, claims based upon actual or alleged misrepresentation, fraud or other tortious conduct, breach of contractual relationships, or violation of law or administrative rule, whether predicted upon federal or state statutes, common law, principles of equity or otherwise, excepting only claims based upon willful misfeasance or nonfeasance. In furtherance of the foregoing, the corporation agrees to pay any and all attorneys' fees and court costs incurred in the defense of any of the persons herein above indemnified shall be entitled to retain counsel acceptable to you or them to defend any such claim, but that neither you nor any such person will enter into any settlement of the same without the prior written approval of the Applicant.

Section 3. Survival of Agreement:

This Agreement shall survive the closing of the Bond issue and shall not merge into or be superseded by any other agreement other than by a written amendment hereto specifically denominated as such and executed by you and the Applicant.

If the forgoing is acceptable to you, please indicate your acceptance in the space provided below, whereupon the Agreement shall become a binding contract between us.

Dated: \_\_\_\_\_

NAME OF APPLICANT: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Accepted and agreed to as of the date above written:

**HOUSING FINANCE AUTHORITY OF LEON COUNTY,  
FLORIDA**

By: \_\_\_\_\_  
Chairperson

(SEAL)

ATTEST:

\_\_\_\_\_  
Secretary

**Exhibit C**  
**Minimum Set-Aside Requirements**

The Issuer requires the following minimum set-aside structure:

Set-aside requirements are based on cumulative current annual income per household determined in accordance with Section 8 of the Housing Act of 1937, as amended. Limits are based upon the then applicable income limitations established by federal guidelines.

20% Set-aside for households whose income is 50% or less of the applicable area median income.

-OR-

40% Set-aside for households whose income is 60% or less of the applicable area median income.

All set-aside units must meet the then applicable rent and income limitations in effect at the time of closing.