

GUIDELINES FOR ISSUANCE OF BONDS  
OF THE  
HOUSING AUTHORITY OF THE CITY OF CHARLOTTE, NC

June 18, 2003

Section I - Background and Purpose

1. The Authority is a public body organized and existing under the Housing Authorities Law of the State of North Carolina, Article I of Chapter 157 of the General Statutes of North Carolina. As such, the Authority has as a principal purpose overcoming the shortage of decent, safe and sanitary housing that can be afforded by persons of low and moderate income.
2. The Authority's stated mission is to "serve those families for whom conventional housing is not affordable" and "to provide these families with safe, decent and sanitary housing while encouraging them to achieve economic independence and self-sufficiency."
3. The Authority has the statutory power to "provide grants, loans, interest supplements and other programs of financial assistance to public and private developers of housing for persons of low income, or moderate income, or low and moderate income."
4. The Authority will provide assistance only if at least twenty percent (20%) of the residential units in the development are set aside for at least fifteen (15) years for the exclusive use of persons of low income (meaning persons in households having annual income, adjusted for family size, which is not more than sixty (60%) of the local area median family income as defined by HUD).
5. The Authority from time to time has issued, and intends to issue, its bonds and other obligations to finance developments (i) in which it has a direct interest (as owner, partner, lessee, manager, or otherwise) and (ii) in which it does not have a direct interest (as a "conduit lender").
6. The following guidelines have been adopted (i) to provide procedural and substantive guidance to developers applying to the Authority for financial assistance through the issuance of Authority mortgage revenue bonds and (ii) to guide the Authority in its review and evaluation of such applications.
7. These Guidelines do not establish mandatory or exclusive standards or procedures. No person shall be entitled to maintain an action against the Authority for its actions in

approving or disapproving applications based on its adherence to or departure from the provisions hereof.

8. The cost of issuing bonds with the Charlotte Housing Authority will generally be:
  - a. A non-refundable application fee of \$2,500;
  - b. A \$10,000 fee for financial review that will be refunded if a review by a financial consultant is not directed by the Development Committee of the CHA Board of Commissioners;
  - c. An issuance fee of the greater of 1% or \$91,000 upon issuance of the bonds; and
  - d. An annual fee after issuance of the bonds equal to 0.125% of the outstanding (unpaid) principal balance.

## Section II - Application

Persons requesting that the Authority issue mortgage revenue bonds or other obligations to provide financial assistance for a qualified residential development must apply in writing to the Authority. The application form and fees are described below:

1. Application. The application consists of two forms: Financial Assistance Request (Appendix A) and the Comprehensive Pro Forma (Appendix B). All applicable information requested on the forms must be provided before the evaluation process can begin.
2. Application Fee. The application fee is required at the time the application is submitted for consideration. The fee consists of two components: a non-refundable processing fee (\$2,500) and a financial evaluation (\$10,000) fee. Should the application be withdrawn or the Development Committee of the CHA Board of Commissioners find the proposed development to be inconsistent with purposes of the CHA prior to the commencement of the financial review, the financial evaluation fee will be refunded to the applicant. The above fees may be adjusted from time to time and applicants should contact the CHA offices to obtain information on the current fee structure.

## Section III - Application Evaluation Process

The application evaluation process will be completed in three phases. In the first phase the CHA will determine the completeness of the application and its consistency with the purposes of the CHA. In the second phase a consultant will perform financial review of the proposed development Pro Forma. The third phase is consideration of the request by the CHA Board of Commissioners. The process map at Appendix C outlines the

application evaluation process.

1. Phase 1 - Completeness & Consistence Review.

a. Staff Review. The Authority's staff will review each application for completeness and then for relative merit based on how well the proposed development serves the corporate purposes and stated mission of the Authority.

Factors considered include:

- i. The number of new, affordable residential units the development provided for low-income families;
- ii. The mechanisms that will assure availability to low-income families;
- iii. The development's affect on patterns of minority residential concentration and compliance with adopted locational policies;
- iv. The development's compliance with zoning and permitting requirements or the ability to obtain the rezoning or variances required;
- v. The extent persons on the Authority's waiting lists will be afforded priority or other applicants;
- vi. The ways in which the development serves the purposes and mission of the Authority;
- vii. The potential adverse consequences for existing or future developments involving the Authority. This includes:
  1. The impact the request will have on the Authority's annual \$10 million allowance for "bank-qualified" or "qualified tax-exempt obligations" (traditional government and 501(c)(3) obligations) under section 265(b) of the Internal Revenue Code, thus affecting existing or future designations? The impact the request will have on allocations of the State's private activity bond volume capacity (Volume Cap) for other applications by the Authority for a Volume Cap allocation, before either the Allocation Committee or the North Carolina Housing Finance Agency;
  2. The impact of the request on the State's Volume Cap for a "qualified residential housing rental project" (with an "automatic" allocation of 4% low-income housing tax credits) for other applications by the Authority involving either the 4% or 9% low-income housing tax credits; and
  3. Other ways in which the development or the requested financial assistance may adversely affect the Authority.
- viii. The direct financial benefits the Authority will realize from issuance of the bonds or the construction and operation of the development;
- ix. The apparent quality of the proposed development with respect to function, design, location and durability;
- x. The financial capacity of the applicant and other participants in the development and their experience in the proposed development model;

- xi. The criticality of the requested financial assistance to the development's success; and
  - xii. The impact on the community served by the Authority if the development does not proceed or subsequently fails, because of the Authority's failure to issue the requested bonds.
- b. **Development Committee Review.** Once the Staff has completed its review of the application it will forward the application, with a staff recommendation, to the Development Committee of the CHA Board of Commissioners. The Development Committee can decide on one of three courses of action: (i) refer the Financial Assistance Request and Comprehensive Pro Forma for financial review, (ii) request additional information needed to complete its evaluation, (iii) denying the application or (iv) refer the application for Board action. If the:
- i. CHA staff recommends that an outside consultant conduct a financial review of the application and the Development Committee adopts the recommendation, the review will be conducted and that component of the application fee becomes non-refundable. If the CHA staff does not recommend a financial review, but the Development Committee believes an outside financial review is needed, the CHA staff will forward the Comprehensive Pro Forma to an outside consultant for review and that component of the application fee becomes non-refundable.
  - ii. Committee request additional information from the applicant, the staff will forward the request and the application.
  - iii. Committee denies the application, the staff will notify the applicant in writing of the denial and the reasons therefore and refund to the applicant that component of the application fee designed for the financial review of financial review has not been undertaken.
  - iv. Committee refers the application for Board action, the CHA staff will take the necessary action to include the application on the agenda of the next regularly scheduled Board meeting and refund to the applicant that component of the application fee designed for the financial review.

2. **Phase II - Financial Review.**

- a. **Consultant Financial Review.** The CHA will select a consult to conduct the financial review. The CHA staff will provide the Development Committee the recommendations of the financial analyst.
- b. **Development Committee Recommendation.** After the financial review is complete the committee will make a recommendation. Development Committee will consider the staff recommendation and consultant's analysis of

- the project. The Development Committee may then: (i) refer the application to the CHA Board with a recommendation to adopt an inducement resolution; (ii) refer the application to the CHA Board with a recommendation not to adopt an inducement resolution; or (iii) request the applicant make modification to the Comprehensive Pro Forma to address any noted deficiencies and/or recommendations by the CHA staff.
- c. Actions by Applicant. If the Committee requests modification to the Comprehensive Pro Forma, the applicant may choose to: (i) make the modifications requested and resubmit the Comprehensive Pro Forma to the Development Committee; (ii) submit an alternative Comprehensive Pro Forma for consideration by the Development Committee; or (iii) request that the current application be forward for consideration by the CHA Board despite any noted deficiencies.
  - d. Actions by Development Committee. At the next regularly scheduled meeting of the Development Committee, the Development Committee will generally refer the matter for consideration by the CHA Board at the Board's next regular meeting.
3. Phase III – Consideration by CHA Board of Commissioners for Inducement Resolution. The CHA Board will consider the information provided by the applicant, the consultant's analysis and the recommendations of the Development Committee in deciding whether to give preliminary approval to the requested financing. The CEO or his designee will provide the Board a proposed "inducement resolution" or "resolution of intent" approved as to form by the Authority's counsel. If the CHA Board adopts an inducement resolution or resolution of intent, the applicant will be responsible for the preparation and submission of all of the proposed implementing documents, and will reimburse the expense of Authority Counsel in negotiating the content.
  4. Applicant Representation. A knowledgeable representative of the applicant should appear at each meeting of the Development Committee and Board of Commissioners where the application is considered.

#### Section IV – Bond Issuance Process

1. Bond Counsel. The Authority will select a bond counsel to represent the Bondholder's interests in the financing along with the Authority's outside counsel. Applicant will be responsible for all Bond Counsel and Authority legal expenses and costs.

2. Public Approval. (TEFRA Hearing). If the CHA Board adopts an inducement resolution or resolution of intent and the applicant is successful in receiving a Volume Cap allocation, the Authority will hold a public hearing (the “TEFRA hearing”) pursuant to section 147(f) of the Internal Revenue Code. The applicant shall be responsible for assuring the preparation and publishing of the appropriate notice of hearing. A report of the hearing will be given to the Mayor of the City of Charlotte who, as the chief elected executive officer of the City, will be asked to give the required public approval.

3. Resolutions. After the inducement resolution or resolution of intent, the CHA Board must adopt a “findings resolution,” in which it makes certain findings required by the Local Government Commission. These are:

- a. Whether the undertaking is necessary or expedient.
- b. The nature and amount of the outstanding debt of the entity proposing to incur the indebtedness or enter the financing arrangement.
- c. Whether the entity proposing to operate the facilities financed by the indebtedness or financing arrangement and the entity obligating itself under the indebtedness or financing arrangement have demonstrated or can demonstrate the financial responsibility and capability to fulfill their obligations with respect to the indebtedness or financing arrangement. In making this determination, the Commission may consider the operating entity’s experience and financial position, the nature of the undertaking being financed, and any additional security such as insurance, guaranties or property to be pledged to secure the indebtedness or financing arrangement.
- d. Whether the proposed date and manner of sale of obligations will have an adverse effect upon any scheduled or anticipated sale of obligations by the State or any political subdivision or by any agency of either of them.
- e. The local government unit’s debt management procedures and policies.
- f. The local government unit’s compliance with the Local Government Budget and Fiscal Control Act.
- g. Whether the local government unit is in default in any of its debt service obligations.

In addition, the CHA Board will adopt a final authorizing resolution approving the issuance of the bonds and execution of the bond documents. Resolutions may be passed at separate meetings or simultaneously depending on timing considerations.

4. Issuance Fee. Upon the delivery of the bonds, the Applicant will be required to pay an issuance fee equal to the greater of 1% of the aggregate principal amount of the bonds or \$91,000 for a 30 year bond, and an annual fee thereafter equal to 0.125% of the outstanding principal amount of the bonds. This fee shall not exceed the amount allowed under Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), or any successor provision. The Authority may waive portions of these fees if there are offsetting financial benefits in the transaction.

5. Local Government Commission Approval. The Authority will seek to obtain the Local Government Commission's approval of the financing. The Authority will commence this process at the earliest practical date following Volume Cap allocation and receipt of all necessary information from the applicant.
6. Financing Documentation. All financing documents must be submitted to the CHA in hard copy and digital formats.
7. Bond Closing. The closing for the financing will be held at a convenient time and location for the Authority, the trustee of the bonds, and the Applicant.
8. Applicant Cooperation. A knowledgeable representative of the applicant should appear at each meeting of the Authority and Board of Commissioners where the application is considered or an action relating thereto is proposed. Applicant shall assist the Authority in obtaining any approvals required for the bond issuance.

## **Appendix A**

### **Financial Assistance Request**

1. Action Requested: Provide a general description of the proposed project to include location, description of the neighborhood, targeted population, description of final site design and bonding amount request.
2. Amount and Type of Loan or Investment: Describe all sources of funding for the proposed development.
3. Credit Enhancements and Guarantees.
4. Location of Development: A map of the proposed development location that includes current zoning.
5. Ownership Structure: Describe the ownership structure and participants.
6. Developer: Name the Developer or Development team.
7. Development Budget:
  - A. Funding Sources
  - B. Funding Uses
  - C. Operating Budget
8. Development Schedule: The schedule should begin with financing activities and end at the anticipated lease-up date.
9. Readiness to proceed.

**Appendix B**  
**Sample Pro Forma**

# Appendix C - Conduit Bond Process

