

GUIDELINES AND POLICIES FOR BOND FINANCING



Section I - Background and Purpose

The Richmond Redevelopment and Housing Authority (RRHA) was established on October 3, 1940, under the Virginia Housing Authority Law of 1938 by the Richmond City Council as the official agency charged with the responsibility of eliminating blight and developing affordable housing in the city of Richmond. As such, the RRHA has as one of its primary functions the responsibility of alleviating the shortage of decent, safe and sanitary housing that can be afforded by persons of low and moderate income. RRHA provides quality housing for low- and moderate-income families, the elderly and the disabled. Our fundamental reason for our organization's existence is to be the catalyst for quality affordable housing and community revitalization while encouraging our families to achieve economic independence and self-sufficiency.

RRHA has the statutory power to issue bonds and to provide grants, loans, interest supplements and other programs of financial assistance. RRHA's authority to issue bonds is found under Virginia Housing Authorities Law, Chapter 1, Title 36 of the Code of Virginia of 1950, as amended. Such bonds may be issued for any of RRHA's corporate purposes. Bonds may be issued on a taxable or tax-exempt basis (Virginia Code, Section 2.2-5002). The Authority has issued and will continue to issue its bonds and other obligations to finance development projects in the city of Richmond and the Commonwealth of Virginia.

Section II - Application

Developers requesting that RRHA issue its bonds or other obligations to provide financial assistance for a qualified residential development must apply in writing to the Executive Director of the Richmond Redevelopment and Housing Authority, 901 Chamberlayne Parkway, Richmond, Virginia 23220. The application form (Exhibit A) and fees are described below:

A. Application Form.

The application (not including attachments to the application) consists of eleven (11) sections covering the following matters: 1) a description of the applicant or developer; 2) benefits to the locality where the project will be located; 3) identification and description of the project; 4) financial information about the project; 5) a miscellaneous section; and 6) agreement by applicant to pay all of RRHA's fees and costs for the particular project. Additional application requirements are outlined in the RRHA application cover letter and application form. A glossary of application terms is attached (Exhibit B) for the applicant's convenience.

B. Application Fee.

A non-refundable application fee is required at the time the application is submitted for consideration in the amount of \$3,500. Application fees are subject to revision at any time with the approval of the RRHA

Board of Commissioners.

C. Application Review.

After the application is submitted to the Authority, RRHA staff will review the application within five (5) business days for completeness and consistency with the Authority's policies and guidelines. A copy of the application will also be forwarded to RRHA bond counsel to determine if the application meets applicable state and federal laws. Upon a reasonable determination that the application meets RRHA guidelines and all applicable laws, the application and initial inducement resolution will be referred by the Executive Director of RRHA to the RRHA Real Estate Committee and Board of Commissioners for further action.

Section III - Bond Fees

RRHA Bond fees are subject to revision at any time with the approval of the RRHA Board of Commissioners.

A. Application Fee (All Issues)

An initial, non-refundable fee of \$3,500 (see above)

B. Standard Origination Fee (New Issues)

Based on the amount of bonds issued:

- 1% of amount up to and including \$5,000,000, plus;
- .5% of amount in excess of \$5,000,000 up to and including \$10,000,000, plus;
- .25% of amount in excess of \$10,000,000 up to and including \$15,000,000, plus;
- .125% of amount in excess of \$15,000,000.

C. Re-funding Administrative Fee (Refundings)

Fee of \$15,000 for all bonds refinanced through a new RRHA bond inducement

D. Annual Administration Fee (All Bonds)

1/8% of bond issue on the declining balance beginning on the anniversary date of the bond issuance.

E. Additional RRHA Fees

- a. Construction Bond Fee (Maturity 2 years or less): \$15,000
- b. Prepayment Penalty for bonds paid off prior to maturity: \$25,000
- c. Other Administrative Fees:
 - i. Changing or modifying existing documents - \$1,500
 - ii. Change the name of owner entity - \$750

F. Counsel and Other Fees.

The borrower will be responsible for all fees and expenses of counsel to the Authority, bond counsel and all other advisors and consultants involved in the bond financing.

Section IV – Bond Issuance Process and Policies

A. Bond Counsel.

The Authority selects the bond counsel, using internal, contracted, legal services. The Applicant will be responsible for all bond counsel and legal fees, expenses and costs.

B. Public Hearing.

Before the RRHA Board of Commissioners considers an inducement resolution, a public hearing is held to hear citizens' opinions for or against the proposed bond financing. The applicant shall be responsible for coordinating with bond counsel the preparation and publishing of the appropriate notice of hearing. A report of the hearing will be given to the Richmond City Council who will be asked to give the required public approval.

C. Resolutions.

After the inducement resolution is adopted by RRHA, Richmond City Council must approve RRHA's assistance with the financing and the RRHA Board of Commissioners must adopt a final bond resolution approving substantially final forms of the bond documents and the maximum principal amount, term, and interest rate on the bonds. The applicant shall work with bond counsel, RRHA staff and representatives of the City and City Council to arrange for these required additional appraisals.

D. Required Low to Moderate Income Tenancy.

Generally, a portion of the project shall be held for low and moderate-income tenants as follows:

- i) Twenty percent (20%) or more of the residential units must be occupied by individuals whose income is 50% or less of the area median gross income; or
- ii) Forty percent (40%) or more of the residential units must be occupied by individuals whose income is 60% or less of the area median gross income.

Income limits are published and modified from time to time by the U. S. Department of Housing and Urban Development.

E. Control by the Authority.

The Authority shall have:

- i) The right (but not the obligation) to access the project at any time, subject to the rights of the tenant;
- ii) The right (but not the obligation) to inspect the Developer's and any lender's books and records relating to the project and the loan made pursuant to the bond documents for the purpose of assuring compliance with the Guidelines;
- iii) The right (but not the obligation) to receive monthly financial reports relating to the operation of the project from the bond trustee and/or mortgage servicer as provided in the bond documents;
- iv) The right (but not the obligation) to enforce compliance by the Developer of the project with the requirements contained herein;
- v) The right (but not the obligation) at all times to act in reliance upon any authorization, representation or certification of the Developer or by the bond trustee which authorization, certification or representation may also be relied upon by counsel to the Authority and bond counsel and any liability incurred by the counsel to the Authority or bond counsel shall be included in the indemnification provided in Section VI hereof; and
- vi) The right (but not the obligation) to approve plans and specifications (to be received at least two weeks prior to bond closing and approved by the Authority's Executive Director or

designee) of any facilities for which it issues bonds and requires that plans and specifications be submitted to it prior to issuance by the Authority of its bonds and to promptly receive copies of change orders and/or addendums to the plans and specification issued before and during construction/renovation.

Section V – An Overview of How the Process Works

- A.** Developer identifies project and determines eligibility of project to be financed through RRHA.
- B.** Developer makes appointment with RRHA staff to discuss receiving assistance for the project.
- C.** Developer submits the required application and fee requesting RRHA assistance on the project and asks that RRHA undertake the public hearing and approval process required under applicable laws for the issuance of the bonds.
- D.** RRHA staff and bond counsel reviews the application for completeness and compliance with applicable laws. Additional information may be requested, or revisions requested or the application may be returned to the applicant for good reason during the review process.
- E.** A notice is published in the newspaper advising of public hearing on the project. Bond counsel prepares the notice and arranges for publication.
- F.** An “Inducement Resolution” prepared by bond counsel (Exhibit C) is presented to the RRHA Real Estate Committee and full RRHA Board of Commissioners indicating RRHA’s intent to assist the developer by issuing Bonds for the project upon the satisfaction of certain terms and conditions with a recommendation that City Council approve the issuance of the Bonds. A knowledgeable representative of the applicant should appear at each meeting of the RRHA Real Estate Committee, the RRHA Board of Commissioners, City Council and any assigned city government committee where the application is considered to respond to questions and/or present the project.
- G.** Following RRHA Board approval a package is transmitted to City Council recommending Council approval of the issuance of the bonds. The applicant is responsible for making sure the item is approved by City Council.
- H.** The City Council resolution is introduced and referred to the appropriate City Council Sub-Committee for further review and a recommendation. City Council action on the paper is taken at a later date.
- I.** Following City Council approval, RRHA and the Developer apply for an allocation of tax-exempt bond issuing authority from the Virginia Department of Housing and Community Development. The actual application for allocation is prepared by RRHA bond counsel.
- J.** Developer shores up financing, and the structure and details of bonds are negotiated and set. Draft bond documents are reviewed and finalized.
- K.** After bond documents are finalized, Developer asks the RRHA Board of Commissioners to adopt a final bond resolution.
- L.** (Bond closing) Bonds and related documents are signed by the appropriate parties.
- M.** Bonds are issued and sold.

Section VI – Liability

Housing authority bonds shall be limited obligations of the Authority and shall be payable solely out of revenues, receipts and payments specifically pledged therefor. Neither the commissioners, officers, agents or employees of the Authority, past, present or future, nor any person executing the bonds, shall be liable personally on the bonds by reason of the issuance thereof. The bonds shall not be deemed to constitute a general obligation debt or a pledge of the faith and credit of the Commonwealth of Virginia or any political subdivision thereof, and neither the Commonwealth of Virginia nor any political subdivision thereof shall be liable thereon, nor in any event shall the bonds be payable out of any funds or properties other than the special funds and sources pledged therefor. Neither the faith and credit nor the taxing power of the Commonwealth of Virginia, or any political subdivision thereof, shall be pledged to the payment of the principal of the Bonds or the interest thereon or other costs incident thereto. The Bonds shall not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The applicant shall be responsible for RRHA's fees and expenses, including the fees and expenses of bond counsel. The applicant shall fully indemnify the Authority and hold it harmless for all liability with respect to the bonds and the project.



Exhibit B

GLOSSARY OF TERMS

“Authority” means the Richmond Redevelopment and Housing Authority or RRHA

“Board” means the RRHA Board of Commissioners.

“Bond” or “Bonds” means any one or more of the bonds authorized, authenticated and delivered pursuant to a Trust Indenture.

“Code” means the United States Internal Revenue Code, of 1986, as amended.

“Committee” means the RRHA Real Estate Advisory Committee

“Counsel” means an attorney at law or a firm of attorneys (who may be an employee of or counsel to the Authority or the Lender of the Trustee) duly admitted to the practice of law before the highest court of any state of the United States of America or of the District of Columbia.

“Developer” means the owner of the Multi-family Facilities who will execute the Basic Loan Documents, including parent corporations or limited partnerships, etc. Any parent corporation of which the owner may be a subsidiary and the general partners of any limited partnership.

“Program Guidelines” or “Guidelines” means, these guidelines established by the Authority pursuant to which Multi-family Facilities bonds may be issued.

“State” means the State of Virginia

“Unit” means any separate accommodation containing complete facilities for living, sleeping, eating, cooking and sanitation. Such accommodations may be served by centrally located equipment such as air conditioning or heating. For example, an apartment containing a living area, sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, refrigerator and sink, all of which are separate and distinct from other apartments would constitute a Unit.

“TEFRA Hearing” means a public hearing that must be held by the sponsoring government agency prior to issuing private activity bonds, initially required by the Tax Equity and Fiscal Responsibility Act of 1982 of all industrial development bonds.