

Bond Application Frequently Asked Questions

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Frequently Asked Questions for Bonds

What is Eligible?

Section 3.1.

Qualifications of Project

In order for any rental housing facility to qualify as a Project, it shall meet the following requirements:

It shall consist of multifamily residential units and other facilities defined herein as a Project, acquired, rehabilitated or constructed with proceeds of the Bonds or as a result of the issuance of the Bonds; and

It shall be operated in a manner such that the interest on the Bonds shall continue to be exempt from federal income taxation under Sections 141-150 of the Internal Revenue Code of 1986 ("Code"), as amended [including any regulations promulgated heretofore or hereafter from time to time which are applicable to the Project], including specifically [but without limitation] the following:

- a. Either at least twenty percent (20%) of the completed dwelling Units in the Project at all times shall be rented to and occupied by individuals whose income is fifty percent (50%) or less of the Median Gross Income for the Memphis SMSA most recently established by HUD as determined in the latest published distributions; or at least forty percent (40%) of the completed dwelling Units in the Project at all times shall be rented to and occupied by individuals whose income is sixty percent (60%) or less of the Median Gross Income for the Memphis SMSA most recently established by HUD as determined in the latest published distributions.
- b. Except for those Units rented to elderly and/or handicapped persons or families, the remaining Units must be rented either (i) to persons or families earning not more than one hundred fifty percent (150%) of the Median Gross Income for the Memphis SMSA most recently established by HUD as determined in the latest published distributions; or, (ii) at a rental rate, including utilities, not more than thirty percent (30%) of an amount equal to one hundred fifty percent (150%) of the Median Gross Income for the Memphis SMSA most recently established by HUD as determined in the latest published distributions.

c. At least ninety-five percent (95%) of the proceeds of the Bonds shall be used in connection with the acquisition of land or the acquisition, rehabilitation, construction or improvement of the Project, including payment of amounts which are, for federal income tax purposes, chargeable to the capital account of the Project or would be so chargeable either with a proper election by the Developer (for example, under Section 266 of the Code), or but for a proper election by the Developer to deduct such amounts.

The required covenants of the Developer as set forth in Section 4.1 to comply with the restrictions of Section 3.1(2) shall be deemed to constitute covenants of the Developer running with the land and an equitable servitude for the benefit of the holders of the Bonds and shall be binding upon any owner of the Project until such time as such expire under their own terms, or the Trustee consents to the release of such restrictions in the event that the Trustee and the Issuer are provided an opinion satisfactory to both the Issuer and the Trustee by counsel knowledgeable in such matters to the effect that the requirements set forth in the above mentioned subsection and section need no longer be complied with in order to maintain the exemption from federal income taxation of the interest to be received on the Bonds.

What are the steps involved in the bond process?

Pre-submittal conference Applications must be submitted twenty days (20) before a regular Board meeting to be considered.

Section 2.4.

Board Consideration Board consideration of any particular bond proposal will be conducted as follows:

At the next regular board meeting or at a special meeting following receipt of a properly filed Application, the Board will make a preliminary review as to the proposed bond issue. Preliminary approvals may be made at that time and may be subject to receipt of further information by the Board or to other conditions which the Board may require.

The Board will make a determination as to whether a particular proposed bond issue is to be approved. If a project is approved, the Board will take official action in the form of an Inducement Resolution and Memorandum of Agreement with the Applicant, in which the Board agrees to issue its bonds to finance the proposed Project, subject to drafting of documentation in form satisfactory to the Board and other appropriate contingencies.

Final approval of an Issue and passage of a Bond Resolution will occur after documentation has been prepared by Bond Counsel and reviewed by the Board Counsel, and after receipt of approvals of the Issue by the City governing authority.

In specific cases, the Board may choose to take more than one of the actions described above in a single meeting.

What fees are involved?

Application Fees

A bond Application Fee computed according to the following schedule must accompany the Application. This fee will be non-refundable except in cases where the Board rejects the Application prior to hearing for non-compliance with its Policies.

Estimated Project Cost At Time of Application	Preliminary Application Fee
\$ -0- to \$ 250,000	\$ 100
\$ 250,001 to \$ 500,000	\$ 250
\$ 500,001 to \$ 750,000	\$ 500
\$ 750,001 to \$1,000,000	\$ 750
\$1,000,001 to \$2,500,000	\$1,000
\$2,500,001 to \$5,000,000	\$1,500
\$5,000,001 to and greater	\$2,000

Fees of Board for Closing Expenses Charged on Bond Issued

The Board shall charge for each bond issue for initial financing by the Board an Issuer Fee to be paid at closing of one-tenth of one percent (10 basis points) (.0010) of the amount of the bond issue.

On any transfer of the interest of the Developer to a new entity or any refunding of the Board's bonds, the Board shall charge an Issuer Fee to be paid at closing of one-tenth of one percent (10 basis points) (.0010).

Any Developer for any Project who is a qualified non-profit entity recognized by and granted tax exempt status by the Internal Revenue Service under Section 501(C)(3) of the Internal Revenue Code may request that the Board waive its Closing Fee for the Project on written request by the Developer to the Board, and the Board shall consider such action when the Developer has presented to the Board such information as the Board may request for its review.

Fees of Board for Legal Matters Charged on Bond Issued

Issuer Counsel fees shall be fees normally and customarily charged in the industry and shall be based on the level of legal services required, complexity of the transaction and the amount of time required by counsel, and therefore, may vary by transaction. The range of fees for Issuer's Counsel, in the normal transaction shall be \$15,000 - \$25,000, with additional fees being assessed for unexpected or unusual complications. A fee quote will be set at the time that an Inducement Resolution is granted for the Project. Fees for Issuer's Counsel shall be confirmed at the time of the Final Bond Resolution. Out of pocket expenses, including long distance calls, travel expenses, express mail, fax and copying charges will be billed in addition to the above. In the event the proposed bond issue fails to close, fees will be based upon time and effort expended to date for legal and administrative services at Issuer's Counsel's prevailing hourly rate.

Annual Issuer's Fee Charged on Bond

The Board shall charge an annual Issuer's Fee which shall be billed by the Board to the Developer at the end of each fiscal year of the Board (July 31), in an amount equal to one-sixteenth of one percent (6.25 basis points) (.000625) of the amount of the outstanding bonds as of the end of said year. These fees shall be charged to bond issues for initial financing by the Board and to those bond issues in which there is a transfer of the interest of the Developer to a new entity or any refunding of the Board's bonds.

Any Developer for any Project who is a qualified non-profit entity recognized by and granted tax exempt status by the Internal Revenue Service under Section 501(C)(3) of the Internal Revenue Code may request that the Board waive the annual Issuer's Fee for its Project on written request by the Developer to the Board, and the Board shall consider such action when the Developer has presented to the Board such information as the Board may request for its review.

Fees of Board for Administrative Expenses Charge on Bond Issue

The Board shall bill to the Developer at the end of each fiscal year of the Board (July 31), the expenses of the Board in carrying on its activities allocated among the outstanding bond issues to which said Fee is allocable on a prorate basis, which prorate amount shall in no event exceed one-sixteenth of one percent (6.25 basis points) (.000625) of the amount of outstanding bonds. These fees shall be charged to bond issues for initial financing by the Board and to those bond issues in which there is a transfer of interest of the Developer to a new entity or any refunding of the Board's bonds.

Any Developer for any project who is a qualified non-profit entity recognized by and granted tax exempt status by the Internal Revenue Service under Section 501(C)(3) of the Internal Revenue Code may request that the Board waive its annual Administrative Fees for the Project on written request by the Developer to the Board, and the Board shall consider such action when the Developer has presented to the Board such information as the Board may request for its review.

Pros and Cons of Tax-Exempt Bond.

How do I decide?

Types of financings.

How do I get an Application?