

Housing Trust Fund of Santa Barbara County

Revolving Loan Fund Program Guidelines



Revised October 2006

Revolving Loan Fund

Program Purpose:

The HTF Revolving Loan Fund is designed to provide seed capital, construction and bridge loans to support rental projects and homeownership opportunities that create, maintain, preserve, or expand the County's affordable housing stock. Loan funds are used to support the initiation of affordable housing projects by community groups that might otherwise not proceed, to facilitate projects sponsored by experienced developers, and to help reduce project development costs.

Established in partnership with community lenders and private foundations, the HTF Revolving Loan Fund lends funds to eligible affordable housing sponsors for site acquisition, predevelopment costs, project construction and bridge financing. Loans are structured as short-term, below-market loans that are repaid from project construction or permanent financing and revolve back into the fund.

Projects funded by the short-term Revolving Loan Fund provide needed housing for working families, single parents, minimum-to-moderate wage earners, farmworkers, senior citizens, homeless individuals and persons with special needs.

Qualified Applicants:

Eligible borrowers include qualified non-profit and private developers, public entities, non-profit organizations, faith-based and other community groups. Applicants may not have more than one active HTF Revolving Loan Fund application under this program at one time.¹

HTF loan funding may be made to projects sponsored by nonprofits, public agencies or community groups or to a partnership between a private developer and qualified 501(c)(3) where the project's exempt purposes are protected through legal agreements.

HTF may also fund projects sponsored solely by private developers provided that: 1) Loans to projects must be made to assist units within a project that serve residents that meet the requirements of a charitable class; 2) Loans are not available from conventional sources to provide the needed financial assistance and the HTF loan does not compete with conventional lenders; and, 3) The long-term affordability of the assisted housing is maintained through executed legal contracts, deed restrictions, covenants, certifications or other servitude.

Eligible Projects & Targeted Clientele:

Housing project types can include new construction rental and homeownership projects, acquisition and rehabilitation projects, conversion of non-residential buildings to housing, SRO (single-occupancy room) projects, mixed-use projects, group homes, assisted living projects, homeless facilities (shelters and transitional housing), co-housing and self-help housing developments.

¹ HTF will not receive another application from the same applicant until the first application for a loan has either been funded or declined.

Projects may serve a variety of needy households, including families, single parents, local employees, farmworkers, senior citizens, handicapped and disabled persons, homeless individuals and other persons with special needs.

Affordability Requirements:

Eligible projects must serve households that meet federal definitions of poverty and housing affordability, with incomes between 0-80% of the County Area Median Income (AMI), for very low and low-income households and 80-120% AMI for moderate-income households, adjusted for household size². All assisted units must be structured with long-term affordability provisions.

A minimum of 25% of the project units must be in the affordable category to be eligible for HTF funding. HTF will give priority to projects with a higher percentage of affordable units and may assist projects to achieve a greater degree of affordability. HTF assistance will apply only to the affordable units serving a charitable class within each project. Projects must be structured so that their affordability is maintained for the longest feasible period, with the minimum standard being 30 years. Longer periods of affordability between 45-55 years are encouraged.

Under certain conditions and only with the concurrent of its community lending partners, Revolving Loan Fund resources may also serve needy households with incomes between 120-200% AMI for "homeownership" opportunities³, provided:

- Homes are initially priced substantially below the private market;
- 30-45 year 'rollover' resale controls are instituted that protect the long-term affordability of the housing units;
- Homebuyers must be unable to afford to purchase a home in their respective community (relative to the local housing submarket); and,
- Homebuyers must meet income eligibility standards, qualify for the loan program and comply with all long-term housing affordability deed conditions, restrictions and requirements.

Use of Funds:

Funds will be used to make short-term loans for the acquisition, new construction and rehabilitation of affordable housing throughout Santa Barbara County. Eligible uses include:

- Site acquisition
- Project predevelopment expenses (architecture, engineering/soils, environmental reports, financial consultants, etc.)
- Construction and rehabilitation (site preparation, construction, materials)
- Bridge loans (not available at this time)⁴

Loans will not be made for agency operating expenses, social services or project reserves.

² The County Area Median Income (AMI) as published annually by the U.S. Department of Housing and Urban Development (HUD) is \$65,800 for a family of four in 2005.

³ The Internal Revenue Service has acknowledged that the HTF may serve moderate-to-middle income households who are unable to purchase homes in Santa Barbara County's expensive housing market areas as an eligible charitable class, provided that the homes are initially priced below market and are structured with long-term resale controls.

⁴ HTF does not contemplate the funding of bridge loans at this time. Future consideration of bridge loans will depend upon the availability of loan funds. Bridge loans would be limited to a maximum term of 5 years.

Funding Availability:

The Housing Trust Fund of Santa Barbara County has an initial \$2.7 million in capital reserved for the Revolving Loan Fund. HTF will receive and process eligible applications until all current funding is exhausted. HTF will seek to develop additional capital for the Revolving Loan Fund.

Selection Criteria⁵:

Funding Priorities: Funding will be available on a rolling, first-come, first-served basis. Generally, eligible projects that meet threshold requirements will receive equal funding consideration and priority. However, funding decisions by HTF may take into account geographic dispersion and any lender or donor restrictions or requirements. And, HTF will give priority to projects with a higher percentage of affordable units. HTF will also consider project readiness as well as the timeliness in repayment of loan proceeds, so that the Revolving Loan Funds recycle in an optimum manner.

Geographic Dispersion: It is the intention of the HTF to support projects throughout Santa Barbara County. HTF will fund eligible projects located with the five (5) distinct county housing market areas that include the South Coast, Santa Ynez Valley, Lompoc Valley, Santa Maria and Cuyama Valley. Projects located in jurisdictions that contribute to the HTF may receive funding priority due to the requirements of the contributing entity. The HTF Revolving Loan Fund is restricted to assisting projects located within Santa Barbara County.

Lender/Donor Requirements: HTF may also give priority to projects that meet the requirements of participating lenders and donors. Such conditions may include project affordability and household income targeting as well as the geographical location of projects.

Application Process:

Applicants interested in funding from the HTF Revolving Loan Fund will follow the application process outlined below. All project applications will be accepted, screened and reviewed based on the program's eligibility requirements and priorities established by the HTF Board of Directors and Loan Committee. All loan decisions and underwriting determinations will be made at the discretion of the HTF Loan Committee. HTF staff is available at (805) 685-1949 to answer questions and clarify project and sponsor eligibility requirements, funding standards and project evaluation criteria.

Initial Project Review:

- Applicants should contact HTF staff by telephone or email to discuss the eligibility of the project for loan funding, the project need, and the current availability of funding.
- If the request appears to be eligible and meets the program requirements, the applicant will be invited to submit an Initial Project Review form, along with a cover letter.
- HTF will conduct an initial review of the project and indicate to the applicant whether a formal project loan application will be considered.

⁵ Applicants should be aware that the Revolving Loan Fund selection criteria may change as the fund develops.

Project Application:

- Applicants whose projects meet the threshold requirements will be invited to submit a full application along with documents and analysis required for loan underwriting. The formal loan application will include:
 - Project description and experience narrative
 - Development team experience, resumes and references
 - Project pro forma that shows proposed project development or acquisition/rehab costs, proposed funding sources & uses, a 15-year cashflow projection for rental projects or proposed sale prices for homeownership projects⁶.
 - Construction or Rehabilitation work: A description of the proposed construction or rehabilitation work required for the project, if applicable
 - Environmental questionnaire provided by the participating lender(s)
 - Project development timeline indicating major project development dates (e.g. site control; funding application dates; local review; construction start and completion, occupancy, etc.)
 - Most recent audited financial statements and a current agency or firm financial statement.
 - Board of Directors list with a brief indication of Boardmember background and experience if a non-profit; company profile if a private developer.
 - Statement of good standing certification, provided by the HTF Loan Committee
 - Copies of required appraisals, environmental reports, rent rolls, market studies, construction estimates and other documentation, as appropriate for the loan type.
 - Additional documentation as may be required to evaluate the project.
- Loan committee reviews and either approves or rejects the loan application.
- Issuance of funding commitment letter and reservation of funds.
- Completion of loan closing documentation.
- Closing and funding disbursement⁷

Eligibility Thresholds:

Sponsor eligibility: current non-profit 501 (c)(3) agency or public agency status; if a non-profit/private partnership or private developer, legal or ownership structure of the entity.

Site Control: demonstration of site control through an option or purchase agreement, deed of trust or similar legal instrument⁸.

Land Use: ability of the sponsor to develop the project under current local land uses; identification of any needed changes related to the General Plan or zoning;

Funding Sources: Demonstration of committed or proposed funding sources for the project (local, state or federal government, private lenders or philanthropic);

⁶ A cashflow projection is required for rental projects. For Sale projects should include proposed sale prices by unit size, targeted family incomes, downpayment or other financing assistance and other assumptions used in calculating prices.

⁷ Loan closing and funding disbursement procedures will vary depending on whether the loan is for acquisition, predevelopment expenses or construction financing.

⁸ HTF recognizes issues of timeliness involved in land and acquisition transactions and is willing to work with applicants to evaluate the feasibility of Revolving Loan Fund financing prior to site control.

Local Support: Demonstration of local support for the project, including funding commitments or written indications of plans for future funding;

Project Affordability and Targeted Incomes: Number of units and percentage affordable; targeted income levels.

Term of Affordability: Commitment to maintaining the affordability of the project for a minimum of 30 years.

Development Capacity: indication of the ability of the project sponsor and proposed Development Team to develop the project in a timely manner.

Proposed Ownership and Management Structure: ability of the sponsor/ownership entity to manage the asset and maintain project affordability over time.

Completion of Project Due Diligence: Completion of project due diligence materials, as appropriate for the project development stage, including but not limited to:

- Appraisal
- Phase I Environmental Report
- Identification of barriers to development (e.g. required relocation assistance, environmental issues, necessary land use or zoning changes, etc.)
- Unusual site conditions

Program Loan Terms⁹:

In general, the loan terms for acquisition, predevelopment and construction loans are outlined below. The HTF Loan Committee, in consultation with its participating lenders, may at its discretion consider any exceptions or refinements to the loan terms.

Maximum Loan Amount¹⁰: The Revolving Loan Fund currently has \$2.7 million in available funding. Loan amounts for acquisition, predevelopment or construction/rehabilitation will be determined by project need, the availability of funding and requirements of participating lenders.

Use of Loan Proceeds: For acquisition loans, costs related to site or property acquisition only. For predevelopment loans, project-related predevelopment expenses only. For construction loans, construction-related costs only.

Loan to Value Ratio: The HTF loan, in combination with other funding sources, may not exceed 100% of appraised value.

Term: Generally up to 24 months for predevelopment and construction loans and up to 36 months for acquisition loans.

Interest Rate: Below-market and based on the HTF source of funds¹¹.

⁹ The following general HTF program loan terms are currently effective but may be subject to change, depending upon funding availability and the requirements of participating lenders.

¹⁰ Funding limits may be periodically revised based on the availability of loan funds.

¹¹ For example, HTF currently has available loan funding for up to 24 months that will be based on the 30-day LIBOR plus 1% adjustable monthly with a floor rate equal to the start rate. Fund funds are also

Repayment:	The take-out source must be identified and, in most cases committed. Under some circumstances HTF may rely on a guarantee from an entity that can demonstrate significant financial strength in lieu of a committed take-out source.
Collateral:	Deed of Trust, secured by real property, or other security as approved by the HTF Loan Committee. HTF is willing to subordinate its lien position to other lenders.
Fees:	A non-refundable commitment fee of \$500 is required within 30 days of the loan commitment in order to reserve the approved loan funds. The commitment fee will be applied towards the loan origination fee. An loan origination fee of .75% of the loan amount will be charged for loans with terms of 12 to 24 months and an origination fee of 1% will be charged for loans with terms greater than 24 months. The applicant will also pay a documentation fee of \$300 and other out-of-pocket expenses.
Appraisal:	Generally HTF will require an appraisal satisfactory to participating lenders with a maximum loan to value ratio of 85%. HTF will require a minimum debt coverage ratio of 1.00x based on appraised net income.
Guarantors:	The loan will be guaranteed by project principal(s) as appropriate. In some instances the HTF Loan Committee may approve loan guarantees provided by a qualified third party.
Documentation and Other Conditions:	The applicant will provide HTF and participating lenders with any other documents, records and information needed and requested in order to determine whether or not to approve the loan request. The applicant will provide the HTF Loan Committee with all appropriate project cost estimates, contracts, income/expense budgets, financial statements and tax returns as required by HTF.

available at the Wall Street Prime Rate plus 1%. Some fund funds at a fixed rate of 4-5% are also available. Loans longer than 24 months may be based on another indices. Applicants should contact HTF staff to ascertain current funding availability and interest rates.

Housing Trust Fund of Santa Barbara County
Revolving Loan Fund Program - Initial Project Review

Name of Project Sponsor and Partners:

Contact Person & Information:

Name/Title: _____
Address: _____
Telephone/Fax: _____
Email: _____

Organizational Type: (Please check appropriate box):

- Non-profit organization Public Agency Non-profit/private partnership
 Private developer Other (please indicate) _____

Project Name and Location/Address:

Requested Loan Amount: \$ _____

Loan Category:

- Acquisition Predevelopment expenses Construction financing or rehabilitation

Proposed Use of Fund: _____

Summary Project Description: (Briefly describe the proposed project, including: location, project type, number of units, unit size and bedroom mix, targeted clientele, any project amenities and services, proposed ownership and management structure.)

Development Capacity: Briefly describe the sponsor organizational purpose and the development experience of the sponsor and proposed development team.

Project Affordability: Total number of project units: _____. Number of units that will be affordable to households with incomes up to 80% of Area Median Income (AMI): _____, Number of units that will be affordable to households with incomes between 80-120% AMI: _____ and between 120%-200% AMI: _____. Please complete the Table below for all project units to indicate proposed bedroom mix and affordability levels¹².

# Bedrooms	# Units	% AMI	% of Total Units	Comments

What is the proposed term of affordability for the project? _____

Total Project Development Cost:

Funding Sources: Describe committed, pending and proposed project funding sources:

HTF Funding Need: Describe why the HTF loan is needed. What other funding sources is the applicant currently seeking?

¹² Please indicate if the project does not yet have a unit breakdown and targeted affordability levels,

Land Use and Zoning: Indicate whether any General Plan, zoning change, Conditional Use Permit or occupancy permit is required for the project.

Project Timeline: Briefly describe the project timeline, key milestones (e.g. site control, local application process, funding applications, etc.) and when loan funds are needed.

Project Due Diligence: Please check the appropriate box.

Do you have site control? If so, indicate the form.

Yes No Form: _____

Has an appraisal for the property/project been completed?

Yes No

Has a Phase I Environmental Report been completed for the property?

Yes No

What development challenges exist for the project? (e.g. environmental issues, relocation assistance, required zoning changes, variances or modifications.)

Please describe any unusual site conditions (e.g. noise, groundwater levels, archeological artifacts, historic building, seismic, etc.):

Other relevant information:

You may attach a project site map and design schematics, if available.

Please submit this completed form along with a cover letter on agency letterhead summarizing your request to the address below. Applications may also be emailed or faxed:

Jennifer McGovern, Coordination
Housing Trust Fund of Santa Barbara
P. O. Box 60909
Santa Barbara, CA 93160-0909
Phone: (805) 685-1949 Fax: (805) 685-6449
Email: J.McGovern@sbhousingtrust.org

ATTACHMENT

GOOD STANDING STATEMENT

Please indicate by circling the appropriate answers to the following questions.

- | | | |
|--|-----|----|
| 1. In the past ten years, has your organization ever had its non-profit status revoked or withheld by the IRS, the Secretary of State, the State Attorney General, or the Franchise Tax Board? | Yes | No |
| 2. Has your organization or firm been sued in the last five years? | Yes | No |
| 3. Are any of your managers or staff with fiscal responsibilities presently involved in litigation that has any bearing on fiduciary trust or employee relations? | Yes | No |
| 4. In the last five years, has any court handed down any unfavorable rulings against your Executive Director, CEO or organization? | Yes | No |
| 5. Does your organization currently have any unresolved fiscal, reporting, or program issues with any of its current or past funding sources? | Yes | No |
| 6. Has your organization been a past recipient of assistance local, state or federal housing assistance programs? | Yes | No |
| 7. If you answered "yes" to #6, has your agency experienced any project or construction delay, finding or outstanding audit that local, state or federal funding sources deem serious regarding the administration of the housing assistance or program resources? | Yes | No |

Please explain any yes answers on a separate sheet and attach to this application. (A "yes" answer to #6 does not require a response other than requested in #7).
