HOUSING
TRUST FUND
VENTURA COUNTY
Everyone deserves a home

Revolving Loan Fund Program Guidelines

Housing Trust Fund Ventura County

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Introduction & Background

Mission

The mission of the Housing Trust Fund Ventura County (HTFVC) is *to support more housing choices, by generating and leveraging financial resources, working in partnership with the public, private, and nonprofit sectors throughout Ventura County.* The HTFVC provides a regional solution to the insufficient supply of housing that is affordable to local workers and residents throughout Ventura County – facilitating a fundamental building block of healthy communities.

By creating innovative partnerships and new sources of private and public revenue, the HTFVC will help to expand the supply of affordable housing for extremely low-to-moderate-income residents of Ventura County. The HTFVC supports housing developments that enhance the quality of life and preserve the long-term affordability of housing as a community resource.

History

High housing costs in Ventura County affect families and individuals across a broad range of income and socio-economic levels. A housing trust fund is a tool for enhancing the affordability of housing by attracting and leveraging public and private funding sources for the creation of new housing opportunities. The concept of a Housing Trust Fund for Ventura County was introduced at the First Annual Ventura County Housing Conference in 2001, as one of the *tools* in the *toolbox* of potential solutions to the deficiency of housing that is affordable to Ventura County residents.

At a subsequent Conference, Housing Opportunities Made Easier (HOME) invited Mary Brooks, a national housing trust fund expert, to lead a workshop. Once again, the response was overwhelmingly clear: housing professionals and advocates desired a housing trust fund to help create affordable housing in Ventura County. HOME proceeded with a detailed feasibility analysis. The results indicated that a countywide housing trust fund was possible and desirable. At the 2008 HOME Housing Conference, Ventura County asked HOME to create the Housing Trust Fund Subcommittee as a special initiative of HOME, a 501(c)(3) nonprofit corporation. In 2011, the Ventura County Housing Trust Fund separated from HOME, after receiving its own 501(c)(3) nonprofit status.

When California voters passed Proposition 1C, creating The Housing and Emergency Shelter Trust Fund of 2006, VCHTF applied for matching funds under the *New Local Housing Trust Fund Program* of Proposition 1C and in 2012 was awarded a $2,000,000 grant from the California Department of Housing & Community Development. These funds were fully matched with contributions local cities, County of Ventura, businesses and financial institutions, community and nonprofit organizations, and individuals. By 2018 all ten cities had contributed to the Revolving Loan Fund at a minimum $50,000.

With its first loan in 2013 VCHTF launched its *Revolving Loan Fund* to provide below-market interest rate gap, predevelopment and construction loans, to qualified Applicants of affordable housing developments.

In 2016 VCHTF was designated as a CDFI (Community Development Financial Institution) under the California COIN program (California Organized Investment Network). In 2018, VCHTF was designated as a federal CDFI under the U.S. Department of Treasury.

Today

In August 2019 the organization's name was changed to Housing Trust Fund Ventura County (HTFVC) and included a new logo. With the passage of Proposition 1 (the Veterans and Affordable Housing Act) in 2018,

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HTFVC is poised to grow its Revolving Loan Fund to $50MM. Under this program, the California Department of Housing and Community Development will match dollar-for-dollar all funds raised and loaned on eligible projects up to $25 million over five years.

From the first loan in 2013 to today, HTFVC has loaned almost $10 million to create 598 affordable housing units. These homes include rental apartments as well as single-family for-sale homes.

2021 Board of Directors

Chief Executive Officer
Linda Braunschweiger

About the Revolving Loan Fund

Program Purpose

Established in collaboration with community lenders, private foundations, and the local jurisdictions, the HTFVC *Revolving Loan Fund* is designed to provide bridge/gap financing, predevelopment and construction loans to support new housing developments which expand Ventura County's affordable housing stock. Loan funds are used to support the production and acquisition/rehabilitation of affordable housing developments by experienced public, non-profit, or private developers. Loans are structured as short-term, below-market loans that are repaid from construction or permanent financing and revolve back into the Fund. Additionally, grants maybe available in the future for the production of extremely low income units.

Developments funded by the *Revolving Loan Fund* provide needed housing for low and moderate income individuals and families, with priority for veterans, persons experiencing homelessness, transitional-age foster youth, farm workers and their families, and those with extremely low income. In evaluating applications, projects serving these targeted populations will receive priority in fund allocation.

Eligible Housing Type and Tenure

Housing types may include, among others:

- new construction of affordable rental housing and conversion of non-residential buildings to housing
- acquisition and rehabilitation of existing market-rate residential units into affordable units
- single family residential and condominium developments for first time homebuyers
- SRO (single-occupancy room) developments
- affordable residential portion of mixed-use developments
- group homes, transitional housing with support services, and assisted living developments
- co-housing and self-help housing developments

Housing tenure may be rental or ownership, including cooperative ownership.

Use of Funds [1]

Funds will be used to make short-term loans up to a maximum of 72 months for the development of new affordable housing and rehabilitation and/or conversion of existing units throughout Ventura County. All assisted units must be structured with long-term affordability provisions for a minimum length of 30 years.

Eligible uses include:

- Bridge loans
- Predevelopment expenses (architecture, engineering, environmental reports, financial consultants, etc.)
- Acquisition of property and rehabilitation expenses for the Conversion of market-rate homes or non-residential property to affordable residential homes.
- Construction and Development expenses (site preparation, materials).
- Land Acquisition – HTFVC will consider short term land acquisitions (maximum five years). Land acquisition loans are expected to be re-paid through a consolidated construction loan or through long-term permanent financing.

[1] Applicants should be aware that the *Revolving Loan Fund* selection criteria are subject to change as the Fund develops.

- Mini-perm – HTFVC will consider doing 15-17 year residual loans as funds allow.

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

Qualified Applicants

Eligible borrowers (Sponsors) include qualified nonprofits, private sector developers, public agencies, social service agencies, faith-based & other community groups, and partnerships between a private sector developer & qualified 501(c)(3), where the exempt purposes of the development are protected through legal agreements.

The HTFVC may also fund developments sponsored solely by private developers provided that:

1. Loans to developments will only assist units within a development that serve residents meeting the affordable income requirements;
2. Loans are not available from conventional sources to provide the needed financial assistance and the HTFVC 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, and/or certifications.

Affordability Requirements

Eligible developments must serve households that meet federal income level definitions for housing affordability, with incomes (adjusted for household size) between:

- 0-30% of the County Area Median Income (AMI) - extremely low-income
- 31-50% - very low-income households
- 50-80% - low-income households
- 80-120% - moderate-income households

To be funded by the HTFVC, the proposal must contain affordable housing units within the development. **The HTFVC will give priority to developments with a higher percentage of affordable units or which better serve the need of the targeted clientele, and may assist developments in achieving a greater degree of affordability**. The HTFVC assistance will apply only to the affordable units serving a **restricted** class within each development.

Developments 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. When using State or Federal funding sources that require 55-year affordability, or other compliance requirements, HTFVC loans will adhere to this affordability standard. Applicants must agree to execute a Regulatory Agreement restricting the affordability of the development for the applicable period of time.

Funding Availability

HTFVC continuously seeks additional capital for the *Revolving Loan Fund* from public and private sources. As of January 2015, HTFVC moved to an open funding process. Applicants can apply anytime during the year and if funds are available applications will go through the underwriting progress.

Selection Criteria[2]:

Funding Priorities

Funding decisions will be made based on evaluations of developments, funding streams, and committed permanent source of takeout financing. Generally, eligible developments that meet threshold requirements will receive equal funding consideration and priority. The overriding priority for selection shall be development quality and value. However, funding decisions by HTFVC and priority may take into account:

- Geographic dispersion;
- Developments with a higher percentage of affordable units for veterans, homeless, extremely low-income individuals and families, transitional-aged foster youth, and farm workers, or which better serve the needs of these clientele, based on location, adjunct services, etc.;
- Development readiness;
- Proposed accelerated loan repayment, to enable Fund monies to quickly return to the market.

Geographic Area to Be Served

The HTFVC *Revolving Loan Fund* is restricted to assisting developments located within Ventura County, and it is the intention of the HTFVC to encourage developments across the entire County. Funds acquired through the State's various funding sources may only be awarded to developments within jurisdictions which have an adopted housing element deemed in compliance by the State at the time of development application.

In the event that two or more competing developments from separate participating jurisdictions have overall equal point totals, the award shall be made to the development in the participating jurisdiction which had not previously been awarded a development. Further, in the event that all participating jurisdictions have previously received at least one development award, the award shall be given to the jurisdiction experiencing the longest time period between awards.

Application Process

Applicants interested in receiving funding from the HTFVC *Revolving Loan Fund* must follow the application process outlined below. All development applications will be screened and reviewed based on the Program eligibility requirements and priorities established by the HTFVC Board of Directors and HTFVC Underwriting Committee. The HTFVC Underwriting Committee will make preliminary loan decisions, underwriting determinations and forward a formal recommendation to the Board of Directors. HTFVC's Board of Directors will make the final funding decision. HTFVC staff is available at (805) 407-2455 or email: Linda@HousingTrustFundVC.org to answer questions and clarify development and sponsor eligibility requirements, funding standards and development evaluation criteria.

Initial Development Review

1. Applicants should first contact HTFVC to discuss the eligibility of the development for loan funding, the development need, and the current availability of funding.

[2] A cash-flow projection shall be requested for rental developments.

2. If the request is fairly typical of previously funded HTFVC loans, meets the program requirements, and adequate funds are available, the applicant will be invited to submit a Full Application. Invitation will be documented via written correspondence (hard copy or email) from HTFVC. If a Full Application is not received in 30 days applicant must reaffirm eligibility and availability of funds.

Development Application

Upon invitation, applicants can submit a Full Application along with documents and analysis required for loan underwriting. An original hard-copy of the full application should be delivered to the HTFVC office along with the $500 application fee. Loans being matched under Prop 1 LHTF Match will not pay an application fee. A digital version of the full application should be provided to HTFVC. The formal loan application is available on-line for completion. A completed loan application will include some or all of the documents in the Full Application Check list. (See Exhibit A)

Underwriting

The application will be reviewed by an independent evaluator. The Underwriting Committee will review the application and the independent underwriter's evaluation and recommend to the HTFVC Board of Directors to approve or decline the loan application. A $750 underwriting fee is charged for this evaluation process. Loans being matched under Prop 1 LHTF Match will not pay an underwriting fee. Provided all information is submitted, the Board of Directors can make a final decision in 60 days. If the loan is approved, a funding commitment letter will be issued and funds will be reserved for the development.

Closing and Funding

Following loan approval, loan documentation will be completed. Applicant will be notified of date and location to obtain requisite signatures. A loan origination fee of 1% of the total loan amount will be due at this time along with any other previously identified fees (e.g. documentation, underwriting, etc.). Loan closing and funding disbursement procedures will vary depending on the type of loan (e.g. predevelopment, construction, gap). Normally, loan fund dispersal shall occur in one lump payment. HTFVC will consider up to three incremental payments if requested; this should be noted in the loan application.

Eligibility

Sponsor Eligibility: Current nonprofit 501(c)(3) agency or public agency status; or private developer; or a nonprofit/private partnership 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 instrument. (The HTFVC recognizes issues of timeliness involved in land transactions and is willing to work with applicants to evaluate the feasibility of *Revolving Loan Fund* financing.) For acquisition/rehab developments proof of site control must be demonstrated prior to award of HTFVC funding.

Land Use: Ability of the Sponsor to develop the development under current local land use regulations;

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

Local Support: Demonstration of local support for the development (such as other funding or a letter from the jurisdiction stating that the development is in compliance with their consolidated plan).

Development Affordability and Targeted Incomes: Number of units and percentage affordable; targeted income levels for extremely low, very low, low and moderate-income households.

Term of Affordability: Commitment to maintaining the affordability of the development for a minimum of 30 years. Developments with longer affordability requirements of 45-55 years are encouraged.

Development Capacity: Indication of the capacity and ability of the development Sponsor and proposed Development Team to complete the development, including payoff financing, in a timely manner.

Proposed Ownership and Management Structure: Ability of the Sponsor/ownership entity to manage the asset and maintain development affordability over time.

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

- Preliminary Title Report
- Appraisal
- Phase I Environmental Report
- Identification of barriers to development (e.g. required relocation assistance, environmental issues, etc.)
- Preliminary development estimate and proposed sources of funding
- Unusual site conditions

* Updated reports may be required.

Loan Terms

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

In general, the terms for HTFVC *Revolving Loan Fund* loans are outlined below. The HTFVC Underwriting Committee, in consultation with its participating lenders, may at its discretion consider any exceptions or refinements to the loan terms.

Maximum Loan Amount[3]:
Loan amounts for bridge, predevelopment, construction, acquisition/ rehabilitation will be determined by development need, the availability of funding and requirements of participating lenders. The minimum loan amount is $50,000. Typically, the per-development loan is $500,000 for predevelopment and maximum of $4M for construction and acquisition/rehabilitation. No one loan, or the total of all loans to a single project, will exceed $4 million dollars.

Use of Loan Proceeds:

- Predevelopment loans: Only development-related, pre-construction expenses such as engineering/soils, feasibility study, architecture, environmental reports, financial consultants, etc.
- Construction loans: Only construction-related costs such as site preparation, materials, labor, hard costs, etc.

[3] Funding limits may be periodically revised based on the availability of loan funds.

- Acquisition/rehabilitation: Only related costs such as property acquisition, permits, materials and hard costs, etc.
- Bridge/Gap: Only as specified in loan application.
- Land Acquisition (limited opportunity): Short-term funding of land acquisition expenses as part of a new affordable housing development; to be repaid with a construction loan or permanent financing.
- Residual Receipts (limited opportunity): 15 to 17 year residual loans as part of an overall construction or permanent financing package.
- Line-of-credit (limited opportunity): Small lines of credit to well-established affordable housing developers for use with exploratory or pre-development expenses.

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

Term:
- Predevelopment, construction, gap/bridge, and acquisition/rehabilitation, and land acquisition loans: Generally up to 36 months, but HTFVC may consider a longer term depending upon funding needs, not to exceed five years.
- Residual Receipts: Generally 15 – 17 years, not to exceed 20 years.
- Line of Credit: Subject to an annual review.

Interest Rate:
Rate will be set at time of submittal of the application[4].

Repayment:
A take-out source must be identified and in most cases committed. Under some cases the HTFVC may rely on a guarantee from an entity that can demonstrate significant financial strength in lieu of a committed take-out source. Repayment is at permanent financing unless specifically agreed to otherwise.

Collateral/Security:
Deed of Trust, secured by real property, or other security as approved by the HTFVC Underwriting Committee. The HTFVC may consider a loan guaranty from an entity that can demonstrate significant financial strength. HTFVC will consider subordinating its lien position to other lenders.

Fees:
There is an Application Fee of $500, due with submittal of the Full Application (or half ($250) due with the Pre-Application, if required). An Underwriting Fee of $750 is due at the time of loan closing. A loan origination fee of 1% of the loan amount will be charged for all loans at closing. If a loan is receiving the Prop. 1 LHTF Match the

[4] HTFVC receives funding from private banks and lenders and the cost of these funds vary. Applicants should contact HTFVC to ascertain current funding availability and interest rates.

applicant will only pay the 1% loan origination fee. The applicant will also pay any out-of-pocket expenses and legal costs associated with the loan, if incurred [5].

Loan Payments:
Loans generally will have monthly payments of interest only with principal due at maturity. Principal plus interest payment may be required in limited situations depending on loan type, terms and funding source. No prepayment penalty will apply on any loan. A 5% penalty of loan payment amount will be incurred if loan payment is more than 10-days late.

Guarantors:
In some instances, the HTFVC may require loan guarantees provided by an acceptable third party.

Regulatory Agreement:
All developments receiving HTFVC funding derived from State or Federal sources must have a regulatory agreement recorded against the title to ensure the affordability of assisted units and occupancy by income-eligible households for the required minimum.

Loan Documents:
HTFVC loans will require an executed Promissory Note, Loan Agreement, Deed of Trust, Affordable Regulatory Agreement, and other documents appropriate to the transaction.

Documentation & Conditions:
The applicant must provide the HTFVC 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 HTFVC with all appropriate development cost estimates, contracts, income/expense budgets, and financial statements as required by the HTFVC. HTFVC's underwriting guidelines and loan policies are consistent with the current California Tax Credit Allocation Committee Regulations Implementing the Federal and State Low Income Housing Tax Credit Laws, California Code of Regulations, Title 4, Division 17, Chapter 1, Section 10327 Financial Feasibility and Determination of Credit Amounts (7) A & B.

Documentation During Life of Loan:
Applicant is required to provide HTFVC at each annual anniversary of the loan with: documentation set forth in the Loan Agreement. Default previsions may apply for noncompliance.

Equal Housing Opportunity:
All developments receiving HTFVC funding from governmental revenue sources must comply with applicable Equal Housing Opportunity laws.

Prevailing Wages and State or Federal Laws:

Prevailing wages may apply depending on funding sources.

[5] Examples of other out-of-pocket expenses may include escrow settlement fees, title recording fees, lender endorsement fees, etc., as appropriate for the development. The applicant is also responsible for any legal fees that may be incurred due to negotiations on the loan documents.