



# RDA LOAN

RDA LOAN PROGRAM

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PROGRAM POLICIES & GUIDELINES

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PO Box 145518  
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[www.slcrda.com](http://www.slcrda.com)

# 1. PROGRAM MISSION & GOALS

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The RDA loan program provides critical gap financing for projects that advance the RDA’s goals and objectives outlined in its Strategic Plans. We work with project developers and lenders to bridge the funding gap between a project’s economics and market realities. In support of the RDA’s mission, we can assume a higher level of risk than traditional lenders to ensure that transformative projects get built. While our approach is flexible, we incentivize projects that achieve the RDA’s goals for affordable housing, placemaking, sustainability, high quality urban design, and economic development.

# 2. THRESHOLD REQUIREMENTS

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To be eligible for the RDA Loan Program, applicants must meet the following requirements:

## ELIGIBLE COSTS

The RDA Loan Program provides funding to facilitate various development projects, including new construction, building rehabilitation, and energy efficiency upgrades. Funding is made available for construction costs, or hard costs. Loan funds may also be used for site improvements associated with a development project and short-term land acquisition for affordable housing development. Use of funds for environmental remediation or demolition will be considered on a case-by-case basis. Refinancing of existing debt is ineligible. Funding is provided on a reimbursement or construction draw basis.

## APPLICANT REQUIREMENTS

Applicants must be the title owner or have site control of the property. Property taxes and special assessments must be current, with no judgments or liens outstanding against the applicant(s). In addition, the applicant must provide sufficient evidence of their capabilities to successfully complete the project. The applicants’ credit history must demonstrate prompt payment of past obligations.

## PROJECT OBJECTIVE REQUIREMENTS

Loans approved through the RDA Loan Program must meet either 1) Project Area *or* 2) Affordable Housing requirements. Requirements are as follows:

### 1. Project Area Development:

Project must be located within an eligible RDA Project Area. Eligible RDA Loan Program project areas include the following:

- Central Business District
- Central City
- Depot District
- Granary District
- North Temple
- West Temple Gateway
- Block 70

In addition, projects must meet at least one Project Area Objective as provided in the most recent Project Area Strategic Plan as adopted by the RDA Board of Directors.

## 2. Affordable Housing Development:

Projects must be located within Salt Lake City municipal boundaries and include housing units affordable to households earning 80% of area median income (AMI) or below. Loans for mixed-income and/or mixed-use projects located outside of RDA project areas may be sized in proportion to the number of affordable residential units.

## FINANCING STRUCTURE REQUIREMENTS

The RDA Loan Program is intended to provide gap funding to supplement existing, secured financing. Under specific circumstances, the Program will provide primary loans for projects that demonstrate a high level of community benefit. Requirements are as follows:

### 1. Gap Financing:

The applicant must provide sufficient evidence that the amount of funds requested from the RDA is necessary for the project to succeed. The applicant must demonstrate that borrowing capacity is inadequate, future revenues are inadequate or cannot accommodate the timeliness necessary to complete the project, or costs would place an undue financial burden on the applicant. A loan commitment should be secured (evidenced by a letter of interest and term sheet) from a private lending source at the best possible rate and terms and in the maximum size available, based on the economics of the project. Proof of a loan commitment, in the form of a term sheet or letter of intent, must be included as an application attachment.

### 2. Primary Financing:

Under limited circumstances, the RDA will consider acting as a primary lender. Applicants must demonstrate that traditional financing is either unavailable or severely cost-prohibitive to the project. In addition, the applicant must demonstrate that the project will meet one of the following Primary Financing Criteria:

- **Small Loans:**

The project's loan amount totals \$500,000 or less.

- **Significant Public Benefit:**

The project will provide significant public benefit by meeting *six* or more of the Public Benefit Criteria. See pages 4-5 for more information on Public Benefit Criteria.

- **RDA Innovative Project:**

The project, which involves the redevelopment of RDA-owned property, is innovative in nature and lacks the market comparables necessary to receive adequate traditional financing. Financing is either unavailable or limited and cost-prohibitive to the project.

- **Short-Term Affordable Housing Land Acquisition:**

Loans that provide short-term funding to permit strategic acquisition of sites for affordable and mixed-income housing development. Loans will assist developers to purchase property prior to securing commitments from all project funding sources.

## DESIGN REQUIREMENTS

Projects approved for funding must support the RDA's Design Guidelines and comply with all applicable Salt Lake City building codes and ordinances. An RDA appointed Design Review Committee will review each application. Additional information on design requirements can be found at [www.slcrda.com](http://www.slcrda.com).

## 3. LOAN TERMS & PROVISIONS

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### TERM & AMORTIZATION

- **Project Area Loans:**

The standard loan term is up to 5 years. An option to extend the overall loan term to 10 years may be available through a preauthorized extension that provides an interest rate increase of 2% at the 5-year extension. The standard amortization period is up to 20 years. Amortization periods outside of this standard will be considered on a case-by-case basis.

- **Affordable Housing Loans:**

The standard loan term is up to 5 years. An option to extend the overall loan term to 10 years may be available through a preauthorized extension that provides an interest rate increase of 2% at the 5-year extension. Projects may qualify for an amortization period equal to the length of the affordability restrictions on residential units, up to 30 years.

For short-term land acquisition loans, the maximum loan term is generally two years. To ensure that the proposed development is built as specified, an interest rate increase, retroactive to closing, will be imposed at the United States Treasury Yield Curve Rate plus 800 basis points if the developer does not record the appropriate restriction providing the specified affordable units.

### STANDARD INTEREST RATE

Interest rates are fixed at 300 basis points (3%) plus the United States Treasury Yield Curve Rate at loan closing. For example, if the United States Treasury Yield Curve Rate is 1.5% at the time of closing, the RDA Loan Program standard interest rate is 4.5%. Loans are eligible for interest rate reductions in accordance with Public Benefit Incentives. Interest shall begin to accrue with the first draw of funds. In an event of a default, the interest rate will increase to 14% on the unpaid sum.

### PUBLIC BENEFIT INCENTIVES

A reduction to the standard interest rate is available if the project meets one or more of the following Public Benefit criteria. For each criterion fulfilled, the project will receive a 50 basis points (one half of one percent) reduction from the standard interest rate, with a maximum reduction of 300 basis points. For each interest rate reduction received, compliance and reporting requirements will be triggered to ensure that standards are being met.

PUBLIC BENEFIT	DESCRIPTION	CRITERIA
Sustainability	To promote a built environment that assists with protecting resources and promoting greater resiliency.	The project demonstrates a commitment to an industry-recognized certification program, including but not limited to, Passive House, Enterprise Green Communities, Energy Star, LEED, and Salt Lake City Project Skyline.
Public Amenities	To promote community amenities that provides opportunity for social interaction; support cultural events; promote neighborhood identity; and reinforce neighborhood character.	The project includes one of the following public amenities that reinforces neighborhood character and scale: <ul style="list-style-type: none"> <li>• Includes a significant open space or other publicly accessible amenity, or</li> <li>• Includes a significant public art amenity.</li> </ul>
Adaptive Reuse	To promote the revitalization of underutilized buildings that preserve the character of neighborhoods while promoting new land uses.	The project will preserve or repurpose a building through the conversion of existing structures into new land uses that contribute positively to its surrounding neighborhood.
Historic Preservation	To promote the historic character of the city's neighborhoods through preservation of existing and historic architecture, buildings, and landmarks.	The project will preserve and rehabilitate architecturally or historically significant buildings or landmarks. Structures must be deemed to be historically significant and rehabilitated as according to historic preservation or equivalent standards.
Permanent Job Creation & Retention	To promote neighborhoods with a balanced economy that produces quality jobs.	The project will attract employers as permanent occupants that provide or retain jobs at or above a living wage. Project will create or retain at least one job per \$50,000 received in program funding. Jobs must be projected to pay a living wage of at least \$15.00 per hour to qualify.
Architecture & Urban Design	To promote high quality and enduring architecture, developments, public spaces and neighborhoods.	The project will participate in a more thorough design review allowing the further refinement of design. Design review will promote developments that are constructed with high-quality materials, respond to the surrounding context, and enhance the public realm.
Transit Alternatives	To promote a multimodal transportation network and ensure convenient and equitable access to a variety of transportation options.	The project meets one of the following standards: <ul style="list-style-type: none"> <li>• Includes a car sharing, bike sharing, or transit pass program that is widely available to employees/residents, or</li> <li>• Is a commercial project that includes employee shower, locker, and bicycle facilities.</li> </ul>
Economic Impact	To foster redevelopment, neighborhood services, and locally-owned businesses.	The project will catalyze economic impacts through one of the following: <ul style="list-style-type: none"> <li>• The project will remove blight through the rehabilitation/ replacement of a vacant and distressed building, or construct a new building on vacant and underutilized land, or</li> <li>• The project will provide essential services that are currently lacking in the neighborhood.</li> <li>• The project will prioritize space for locally owned businesses.</li> </ul>
Affordable Housing: AMI Targets	To expand the housing stock affordable to low-income households.	The project meets one of the following standards: <ul style="list-style-type: none"> <li>• 20% of the units of a project be occupied by tenants with annual income of 50% or less of the AMI, or</li> <li>• 40% of the units of a project must be occupied by tenants with annual income of 60% or less of the AMI.</li> </ul>
Affordable Housing: Special Needs Populations	To expand the housing stock for extremely low-income persons with special needs.	The project will include a minimum of 25% of residential units set aside for households at or below 50% AMI as one of the following: <ul style="list-style-type: none"> <li>• Permanent Supportive Housing</li> <li>• Transitional Housing</li> <li>• ADA Accessible Housing</li> </ul>
Affordable Housing: Neighborhood Opportunity	To expand housing choice and mobility for low-income households by providing affordable housing in high opportunity areas of the city.	The project will promote the geographic dispersion of affordable housing by being located in a low-poverty census tract. A low-poverty census tract is defined as having an individual poverty rate of 10% or below.

## LIMITS TO ASSISTANCE

Maximum loan amounts are determined as follows:

- **Gap Financing:**  
Loan maximums are limited to the demonstrated gap in available financing to cover project costs. Loan amounts will be sized to cover the gap in financing to meet the lower of a debt coverage ratio (DCR) of 1.1 or a loan to value (LTV) of 95%.
- **Primary Financing:**  
On a limited basis, the RDA will consider acting as the primary lender – refer to *Financing Structure Requirements* on page 3 for more information. In instances where the RDA is the primary lender, a debt coverage ratio (DCR) of 1.2 must be met.

Loan maximums shall be based on fixed price construction bids.

## COLLATERAL STANDARDS & GUARANTEES

Sufficient collateral and guarantees shall be provided through the following:

- All loans must be secured by the property under construction with a standard form RDA Trust Deed. Loans may be subordinate to other commercial lenders involved in the project.
- The Borrower shall provide a personal guaranty to the RDA guarantying full and unconditional completion of the proposed improvements and repayment of loan.
- Other acceptable forms of collateral include:
  - Standby Letter of Credit. Borrower provides a letter of credit from an approved financial institution. Prior written notice is required for any cancellation or non-renewal.
  - Other Real Estate. Borrower provides the RDA with a first or second trust deed priority on property located in Salt Lake County.
  - Pledge Account. Borrower enters into an agreement with the RDA to pledge an approved account for the term of the loan. The RDA would require written consent for all fund withdrawals. Approved types of pledge accounts include certificates of deposit, savings accounts, and bonds.
- Appraisals must be conducted by a Member of the Appraisal Institute (MAI).
- Intercreditor agreements may be required.

## SUPPLEMENTAL DOCUMENTATION REQUIREMENT

The borrower must provide financial projections which demonstrate the viability of the project with detailed budgets and demonstrated repayment capacity.

## FEES

Closing costs and legal fees associated with a loan shall be borne by the Borrower including, but not limited to, the cost of title search and insurance, credit reports, and attorney fees. Fees will be payable at loan closing for approved projects.

## EXCEPTIONS

The RDA Board of Directors, by a majority vote of those present, may waive requirements or make exceptions to the foregoing criteria and procedures with a finding that the goals of this program will be furthered by such waiver or exception. RDA staff will prepare a written recommendation and statement regarding the waiver or exception. The statement will be placed in the loan file.

## 4. APPLICATION SUBMITTAL & PROJECT SELECTION

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### APPLICATION & PROJECT SELECTION PROCESS

Steps in the application process are as follows:

#### 1. Application Submission – Part A

Interested applicants must first submit the Part A application for an initial determination of eligibility, including applicant qualification, project qualification, and project viability. Within 10 business day of submission, RDA staff will notify the applicant as to whether or not RDA Loan Program preliminary threshold requirements have been met and the Part A application is approved.

#### 2. Application Submission – Part B

Once the Part A application is approved, RDA staff will provide the applicant with the Part B application. The applicant will then submit the Part B application and supporting documentation within 30 days.

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#### Instructions for Application Submittal:

Completed applications (Part A initially, and if Part A is accepted, then Part B) must be submitted to the Redevelopment Agency of Salt Lake City, 451 South State Street, Room 418, PO Box 145518, Salt Lake City, Utah 84114.

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Incomplete applications will not be considered. The RDA's acceptance of an application does not constitute loan approval.

#### 3. Underwriting

Once a completed application and supporting materials have been received, RDA staff will carry out an underwriting process to evaluate the following:

- Is the request for funds in accordance with RDA Loan Program Guidelines?
- Is the project financially feasible to complete development?
- Are there any undue financial benefits to the applicant, or is the owner's projected return on equity unreasonably high?
- Are the capital sources for financing identified and reasonable?
- Are RDA funds necessary and appropriate to the development?
- Are the developer's capabilities and strength of collateral identified and reasonable?

#### **4. RDA Loan Committee Evaluation**

Once underwriting standards have been met, applications will be forwarded to the RDA Loan committee for evaluation. The RDA Loan Committee will evaluate applications, supplemental materials, and underwriting reports to determine if the application shall be selected for conditional loan approval. An interview with the applicant will be conducted as part of the RDA Loan Committee evaluation.

#### **5. Conditional Loan Approval**

The RDA Loan Committee provides conditional loan approval for standard loans totaling \$500,000 or less. Loans that exceed \$500,000 or that involve an adjustment from standard loan terms must be provided conditional loan approval by the RDA Board of Directors.

#### **6. Post-Conditional Loan Approval**

Once an applicant is selected for conditional loan approval, RDA staff will work with the applicant(s) to finalize an award letter and proceed to closing with the completion of required closing items. In addition, an appraisal will be completed and shared between the primary lender, if applicable, and the RDA. If the appraisal does not support the underwritten rents and the overall as-completed value for the approved loan size, the loan will be reevaluated and possibly adjusted in size.

## **5. LOAN REPAYMENT, DISBURSEMENT, & OVERSIGHT**

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### **REPAYMENT**

Repayment terms are as follows:

- Investment: The first payment shall be due at the beginning of the fourth (4th) month after receiving a Certificate of Occupancy.
- Homeownership: The RDA shall be paid an amount equal to one hundred percent (100%) of the net sales proceeds for each unit after the payout to the primary lender has been accounted for.
- Loans made under this program shall be non-assumable and will be due in full on sale.
- Loans may be prepaid in whole or in part at any time without penalty.

### **DISBURSEMENT PROCEDURE**

- Borrower shall submit draw requests on an AIA Document G702, Application and Certificate of Payment or some other form acceptable to RDA staff. Borrower shall provide copies of invoices for the completed work, and copies of inspection reports prepared by the Department of Building Services, when applicable.
- All developer equity must be utilized prior to RDA funds being drawn.

- A representative of the RDA will inspect the property to verify the work described in the submitted invoices.
- The Borrower will be responsible for obtaining executed lien waivers from the contractor or materialmen when payment is made and to deliver the lien waivers to the RDA for its records.

## OVERSIGHT

- The RDA shall verify that each loan is serviced in accordance with normal procedures used in prudent loan servicing.
- All loans shall have sufficient controls to protect the RDA's interest in the underlying property, including but not limited to release of lien claims concurrent with payment.
- The RDA requires general liability insurance with a “combined single limit” of not less than One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) aggregate, and an endorsement naming the RDA as an additional insured. Proof of such insurance will be required in advance of closing and updated annually until loan is repaid in full.
- The RDA requires Property insurance coverage in an amount equal to the total outstanding debt on the secured property, including the loan from the RDA, with the Redevelopment Agency of Salt Lake City named as loss payee to the extent of its interest. Proof of such insurance will be required in advance of closing and updated annually.
- Flood insurance is required for properties located within the 100 year flood plane. Proof of such insurance will be required in advance of closing and updated annually until loan is repaid in full.
- Borrower shall provide to the RDA a copy of the contractor's business license and appropriate insurance certificates.
- Borrower will be required to obtain a Performance and Payment Bond or equivalent.
- Borrower is responsible for maintenance and upkeep of the property as well as insurance.
- Borrower is responsible for annual compliance and reporting requirements for each Public Benefit interest rate reduction received.

## 6. ADDITIONAL POLICIES & GUIDELINES

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### RDA ACKNOWLEDGMENT GUIDE

Pending RDA approval, and per the RDA Logo Usage Guide and RDA Acknowledgment Guide, applicants will be required to include the RDA logo and name, and acknowledge the RDA’s contributions or assistance to the project in all printed materials describing the project including but not limited to: 1) brochures, flyers, printed materials and signage; 2) interviews with press organizations; 3) descriptions of the project in newspapers, mass emails, advertisements, and case studies; 4) on websites owned by Applicant or Applicant’s business, in which the project is discussed or described.

## CONFIDENTIALITY

While private information will be protected to the greatest extent possible under the law, any documents or records submitted to the RDA may be subject to disclosure pursuant to the Governmental Records Access and Management Act, U.C.A. §63-2-101. If the Applicant believes the information provided to RDA constitutes trade secrets or confidential commercial information, please provide a written claim of business confidentiality and a concise statement of the reasons supporting the claim of business confidentiality in letter form.

## PROGRAM RESTRICTION

Owner(s) or developer(s) who have obtained a tax increment reimbursement for the same project under the RDA's Tax Increment Reimbursement Program may not use the RDA Loan Program. The RDA Board of Directors, by a majority vote of those present, may waive this program restriction.

## 7. APPLICATION REQUIREMENTS

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Application requirements are as follows:

- **Application submission requirements: Part A Application**
  - Application completed in full
  - Attachments:
    - Sources and uses (template may be utilized)
    - Operating pro forma (template may be utilized)
    - Preliminary plans (include renderings if available)
    - Market study (if available)
    - Letters of interest and term sheets from a private lending source (for Gap Financing applicants)
    - Documentation that traditional financing is either unavailable or severely cost-prohibitive to the project (for Primary Financing applicants)
  
- **Application submission requirements: Part B Application**
  - Application completed in full
  - Financial Attachments:
    - Sources and uses, updated (template may be utilized)
    - Detailed development budget based on qualified bids (template may be utilized)
    - Operating pro forma, updated (template may be utilized)
    - Signed credit report authorization form for each owner/loan guarantor (template may be utilized)

- Signed personal financial statements for each owner/loan guarantor (template may be utilized)
- Last three years of signed IRS filings for each owner and loan guarantor
- Last three years of signed business IRS filings
- Verification of other financing sources (letter of commitment, etc.)
- Verification of mortgage or trust deeds
- Verification of deposits (if applicable)
- Business Attachments:
  - Articles of incorporation
  - Business license
  - Current list of board of directors (if applicable)
  - Resume for each owner and loan guarantor
  - Letters of interest from prospective tenants (if applicable)
  - List of business obligations (template may be utilized)
- Collateral Attachments:
  - Appraisal report - for real estate proposed as collateral
  - Preliminary title report - for real estate proposed as collateral
  - Letter of intent from an approved financial institution - for standby letter of credits proposed as collateral
  - Authorized statement of account - for pledge accounts proposed as collateral
- Construction Attachments:
  - Construction and design documents (include architectural rendering of the building, site plan, building elevation, floor plans, and materials list)
  - Status of permit/planning process, zoning approval, etc. (if applicable)

## 8. CLOSING & POST-CLOSING REQUIREMENTS

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Closing and post-closing requirements are as follows:

- **Closing Documents**
  - Loan documents from the primary lender (if applicable)
  - Representations and agreements of applicant
  - Covenants, condition, and restrictions (if applicable)
  - Liability insurance - Agency named as additional insured
  - Property insurance – Agency named as loss payee
  - Flood Insurance – 100 year flood plain (if applicable)
  - Worker compensation insurance
  - Letter of confidentiality (template included in program criteria)
  - A copy of the executed contract between the borrower and the contractor

- A copy of the contractor's business license and appropriate insurance certificates
- Performance and payment bond
- Final construction plans
- Appraisal report
- For historically significant buildings, a letter or statements from the Historic Landmark Commission, Utah State Historical Society, or Utah Heritage Foundation indicating the proposed improvements are appropriate
- **Post-Closing Documents**
  - Certificate of occupancy (issued by Salt Lake City)
  - Certificate of completion (issued by the Agency)
  - Compliance reporting for Public Benefit interest rate reductions (may be required on an annual basis)
  - Environmental reports and clearances
  - Other items as required by the RDA

## 9. ADDITIONAL INFORMATION

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For additional information on the RDA Loan Program or application process, please contact (801) 535-7240 or visit [www.slcrda.com](http://www.slcrda.com).

# 10. PROJECT AREA MAP

