REDEVELOPMENT AGENCY OF SALT LAKE CITY

RESOLUTION NO. R-7-2021

Housing Development Loan Program Policy

RESOLUTION OF THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY ADOPTING A HOUSING DEVELOPMENT LOAN PROGRAM POLICY AND REPEALING THE AFFORDABLE HOUSING NOTICE OF FUNDING AVAILABILITY POLICY

WHEREAS, Salt Lake City has an adopted housing plan that identifies housing needs, priorities, and goals on a citywide basis ("Housing Plan").

WHEREAS, the Board of Directors (the "Board") of the Redevelopment Agency of Salt Lake City ("RDA") has adopted project area plans that identify housing needs, priorities, and goals on a project area basis ("Project Area Plans").

WHEREAS, on June 12, 2018, the Board adopted Resolution R-17-2018, Affordable Housing Notice of Funding Availability Policy ("NOFA Policy").

WHEREAS, the RDA supports the implementation of the Housing Plan and Project Area Plans through various funding sources that are further described in the RDA Housing Allocation Funds Policy adopted by the Board on February 9, 2021 ("Funds Policy").

WHEREAS, through the Funds Policy, the Board may dedicate funds to be administered for the development and preservation of affordable housing.

WHEREAS, the Board desires to repeal the NOFA Policy and to establish a housing development loan program to centralize the application, underwriting, and approval process across all funding sources identified in the Funds Policy, providing a one-stop-shop for community partners to access resources for the development and preservation of affordable housing.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF SALT LAKE CITY, that the NOFA Policy adopted pursuant to Resolution R-17-2018 is repealed in its entirety and the following policy for a Housing Development Loan Program is adopted:

1. PURPOSE

The purpose of the Housing Development Loan Program ("HDLP") is to provide low cost financial assistance to incentivize the development and preservation of affordable housing within Salt Lake City municipal boundaries. The HDLP shall provide a centralized application, underwriting, and approval process regardless of the fund source.

2. INTENT

The Board intends that funds allocated through the HDLP:

a. Provide a mix of affordable housing, serving a range of households and income levels, consistent with income limits and affordability requirements for each fund source, to promote housing opportunity and choice throughout the City for household sizes ranging from single persons to families of various sizes.

b. Foster a mix of household incomes in projects and neighborhoods and to disperse affordable housing projects throughout the City to encourage a balance of incomes in all neighborhoods and communities.

c. Promote equity and anti-displacement efforts through the development and preservation of affordable housing in low-income neighborhoods where underserved groups have historic ties, including neighborhoods where low income individuals and families are at high risk of displacement.

d. Contribute to the development of sustainable, walkable neighborhoods to expand housing choice near transportation, services, and economic opportunity.

e. Support an array of scale of project types, including detached housing, accessory dwelling units, rowhouses, and small to large scale multifamily buildings, that contribute to neighborhood context and livability.

f. Incorporate green-building elements and energy efficiency to lower housing expenses, conserve resources, and promote resiliency.

g. Leverage private and non-city funding sources to ensure the greatest number of quality affordable housing units are preserved or produced.

h. Be provided as loans that are repaid over time and not grants, forgivable loans, or indefinitely deferred loans.

3. SOURCE OF FUNDS

HDLP activities shall be funded through a combination of fund sources (collectively the “Housing Funds”) as established through the Funds Policy. Funding allocations shall be administered through the HDLP to a project directly from an individual fund source with revenues, expenditures, interest, payments, and repayments accounted for from the fund source.

Each of the individual fund sources that comprise the Housing Funds operates under separate state or local laws and regulations. Laws and regulations include restrictions on the incomes of households served, maximum allowable rents, and eligible activities.

4. ANNUAL BUDGET PROCESS

As further described in the Funds Policy, the RDA shall present an Annual Housing Development Funding Strategy (“Funding Strategy”) prior to the annual budget process that shall include proposed funding priorities and revenues to be administered through the HDLP for the next fiscal year. The Board shall consider the Funding Strategy as part of the annual budget adoption process.

5. FUNDING PRIORITIES

To provide flexibility to address current needs and policies, funding priorities shall be proposed on an annual basis through the Funding Strategy, subject to approval by the Board. Funding priorities shall align with policies as adopted by the Board and Salt Lake City Council including the Housing Plan, Project Area Plans, RDA Guiding Framework, and Funds Policy.

6. FUNDS ADMINISTRATION PROCESS

Funding shall be administered through a transparent notice of funding availability ("NOFA") process and shall incorporate the funding priorities as determined annually by the Board. Funds from multiple fund sources may be combined into a consolidated NOFA or a NOFA may be issued from one fund source. NOFAs may be offered on an annual basis or multiple times per year and can be competitive or open-ended depending on availability of funds, priorities, and demand.

7. BASIC ELIGIBILITY

Projects eligible for funding through the HDLP shall at a minimum meet these basic eligibility requirements, as well as specific requirements that may be set forth in individual NOFAs as they are issued.

a. Applicant Types: Eligible applicants include entities and organizations with affordable housing development experience, as follows:
    i. For-profit corporations, partnerships, joint ventures, or sole proprietors.
    ii. Private incorporated non-profit agencies with IRS 501(c) designation.
    iii. Public housing agencies or units of local government.

b. Project Types: The new construction or substantial rehabilitation of affordable, mixed-use and/or mixed-income housing.

c. Uses of Funds: Land/property acquisition, hard construction costs, site improvements, and related soft costs.

d. Area Median Income ("AMI"): AMI requirements shall reflect the policies and regulations of the Housing Funds as defined through the Funds Policy.

e. Financing Gap: Projects shall demonstrate that RDA funding is necessary for the project to succeed and that the request is reasonable. Applicants must obtain commercial loans sized with the highest loan-to-value and lowest debt service parameters that are commercially available in the marketplace and aggressively pursue other funding sources to the fullest extent possible to minimize the HDLP funding request.

f. Site Control: Evidence of site control must be demonstrated through ownership, option, sale agreement, long-term lease, or equivalent.

g. Policies and Master Plans: Projects shall align with the Housing Plan, Project Area Plans, Master Plans, and other applicable adopted plans and policies.

h. Good Standing: Applicants and affiliated entities must be in good standing on all existing contracts administered by Salt Lake City, the RDA, Utah Housing Corporation, and other State and local entities.

i. Relocation Plan (if applicable): Displacement is strongly discouraged. However, if it is necessary and unavoidable, the developer must submit a relocation plan that complies with applicable federal, state, and local policies for temporary or permanent displacement.

j. Design: Projects shall align with applicable design guidelines and comply with all applicable Salt Lake City building and zoning codes and ordinances.

8. **UNDERWRITING STANDARDS**

Funding shall expand housing opportunities for low-and moderate-income households by reducing a project's financing cost. Flexibility shall be provided to accommodate a wide range of projects that may be dependent upon myriad of underwriting standards by outside lenders. With this flexibility in mind, funding shall generally be provided as loans pursuant to the terms and conditions outlined in Exhibit A.

9. EVALUATION & APPROVAL PROCESS

For each issued NOFA, the RDA shall evaluate and consider applications for approval as follows:

a. Eligibility Review: Funding applications shall be reviewed and evaluated in detail by RDA staff based on the requirements listed herein, specific Housing Funds requirements, and additional criteria published in the relevant NOFA.

b. Review Committee: For applications that meet the basic eligibility requirements, applications and supporting materials shall be forwarded to a review committee that shall be comprised of members with experience relevant to the affordable housing industry, and may be comprised of RDA/City staff, finance professionals, affordable housing experts, and/or real estate development professionals. The review committee shall analyze and rank applications based on the polices contained herein and the criteria published in the NOFA. Projects that the Committee finds to rank competitively compared with other proposed projects of similar type shall be recommended to the RDA Board for a funding allocation.

c. RDA Board of Directors: The RDA Board of Directors shall make the final selection of projects to receive a funding allocation.

d. Funding Commitment: The project funding process shall be carried out in two subparts as follows:

i. Conditional Commitment Period: The RDA shall issue a Conditional Commitment letter to those applications that are selected for a funding allocation by the RDA Board. The Conditional Commitment letter between the RDA and the applicant shall contain the covenants, terms and conditions upon which the RDA may provide financial assistance to the proposed project once financial, legal, and regulatory approvals are obtained.

ii. Firm Commitment & Loan Closing: Projects that successfully meet conditions shall be invited to execute a Letter of Commitment that finalizes the loan terms, subject to a set of conditions precedent to closing.

10. MONITORING AND COMPLIANCE

The RDA shall be required to monitor, or contract with a third party to monitor, the projects funded through the HDLP. Monitoring shall evaluate and ensure that projects are complying with affordability requirements and other requirements as determined in the loan agreement.

11. LOAN MODIFICATIONS

In the event of extenuating circumstances, the RDA may provide payment forbearance, payment deferment, or loan write-down. Such adjustment to loan terms shall be considered on a case-by-case basis and shall be subject to a thorough review of the project's financial standing and other relevant information. The process for providing loan modifications shall be considered and authorized as follows:

a. Forbearance/Deferment: The Executive Director of the RDA may elect to provide the Borrower a temporary forbearance or deferment of payment for up to one (1) year. For periods of forbearance or deferment longer than one (1) year, the Review Committee shall provide a recommendation that is forwarded to the Board, who shall consider and act upon all such requests.

b. Loan Write-down: The Review Committee shall provide a recommendation that is forwarded to the Board, who shall consider and act upon all such requests.

EXHIBIT A: Standard Loan Terms and Conditions

Standard loan terms and conditions for I) Gap Financing: Rental Construction to Permanent, II) Property Acquisition, and III) Gap Financing: Homeownership Construction are as follows:

I. <u>GAP FINANCING: RENTAL CONSTRUCTION TO PERMANENT</u>

Limits to Assistance:

- Maximize Other Sources: Applicants must demonstrate that they have maximized other available financing sources thereby limiting HDLP funding to the lowest amount necessary to close the funding gap and assure project feasibility.
- Loan to Value: A loan-to-value limit is not applicable. However, land and project costs shall be reasonable as compared similar projects in size, scope, and location.
- Debt Service Coverage Ratio (DSCR): Repayment terms for amortizing HDLP loans shall be calculated as described herein and shall be based on a DSCR of 1.10 inclusive of the RDA’s loan and all senior debt.
- Cash Flow: For loans that qualify for a cash flow repayment structure, pursuant to the standards contained herein, applicants must demonstrate that the HDLP loan can be repaid within its scheduled term or at the end of the term.
- Proportion to Affordability: Funding shall be sized in proportion to the affordable component, taking into consideration the AMI structure and number of units in the project.

Repayment:

- Depending on the project’s capacity for repayment, loans may be repaid as an amortized loan, a cash flow loan based on available cash flow, or a combination of both types of loan.
    - Amortized Loan: The RDA shall determine what portion of its loan can be paid on an amortized schedule with required payments using the DSCR standards contained herein and the DSCR requirements of the senior lender.
    - Cash Flow Loan: If full amortization is not feasible due to limited cash flow, funds shall be repaid from an agreed upon percentage split of surplus cash flow. Cash flow loans shall be considered only for projects that provide a high level of affordability, target a difficult to serve population, or include other significant public benefit.
- At the RDA’s discretion, payments may not be required and interest may not accrue or accrue at a reduced interest rate during the construction and lease-up phase. Upon completion of construction, lease-up, project stabilization, or other fixed date, loans shall begin to accrue interest and shall be subject to repayment.

- Any accrued but unpaid interest and principal is due in full at loan maturity.
- Loans can be prepaid in whole or in part at any time without penalty. Prepayment does not end the affordability period before its original end date.

Term:

- RDA loan terms shall generally match the term of permanent senior debt, generally up to a maximum of 30-years for projects with non-HUD financing and up to a maximum of 40 years for projects with HUD financing.
- Commencement of the loan term and/or repayment period may be deferred for a period of time to allow for completion of construction and lease-up phase.

Interest Rate:

- Base Interest Rate: The base interest rate shall be as follows:
  - Amortized Loans: The current U.S. Treasury Yield Curve Rate for the loan term plus 1%, locked in within a month of loan closing, with a maximum base interest rate of 3%. The interest rate for loans with a term longer than 30 years shall utilize the 30-year U.S. Treasury Yield Curve Rate in this calculation.
  - Cash Flow Loans: The current U.S. Treasury Yield Curve Rate for the loan term plus 2%, locked in within a month of loan closing, with a maximum base interest rate of 4%. The interest rate for loans with a term longer than 30 years shall utilize the 30-year U.S. Treasury Yield Curve Rate in this calculation.
- Interest shall accrue as simple interest.
- Funding Priority Incentives: Projects shall have the ability to reduce the Base Interest Rate if the project meets the current funding priorities as established annually pursuant to the Funds Policy. For each funding priority met, the project is eligible to receive a .5% reduction from the Base Interest Rate, with the ability to reduce the interest rate to a minimum of 1%.
- Interest rates are subject to an adjustment, of up a 1% deviation, based on project cash flow and debt coverage ratio calculated at time of application and underwriting.

Affordability Restriction:

- A restriction shall be recorded against the property that requires continued use of the specified units as affordable housing for at least the same period as the senior financing or a minimum of 30 years, whichever is greater. Both a rent and income restriction shall be included to limit the maximum rent that can be charged for a unit and to require that the unit be made available only to households with qualifying incomes.

Subordination to Senior Debt:

- HDLP loans may be subordinated to leverage private financing, with the priority among subsidy lenders typically established based upon size of the loans.

Security:

- Adequate security shall be required, generally in the form of a deed of trust, promissory note, and guarantees.

Developer Fee:

- Given the rent restrictions on affordable housing projects, affordable housing developments typically do not have substantial cash flow after debt service on their primary loans. As such, developer fees are recognized as a significant part of the income on which affordable housing organizations depend for their operations. For projects utilizing a low-income housing tax credit ("LIHTC") program, the calculation to determine a maximum developer fee shall be consistent with Utah Housing Corporation's policy, which caps the maximum developer fee. The maximum developer fee for projects not utilizing LIHTC shall be evaluated on a case-by-case basis in the context of the proportion of affordable units and AMIs.

Borrower Contribution:

- Borrowers shall contribute a source of financing to the project, whether through an equity contribution or a deferred developer fee or a combination of both. The level of borrower contribution shall be considered on a case-by-case basis and shall be evaluated based on the type of ownership entity and level of public benefit provided by the project.

- For Low Income Housing Tax Credit ("LIHTC") projects that are requesting a cash flow loan, the borrower shall maximize the amount of deferred developer fee allowed under Utah Housing Corporation's standards to be allowed in tax credit basis and acceptable for their tax credit investor in that this amount must be payable within a time frame allowed by the LIHTC program as approved by the project's tax counsel.

- Projects that have not maximized a developer fee, pursuant to the standards contained herein, or that serve lower AMIs or special populations, such as permanent supportive housing, may have the ability to waive the borrower contribution.

Disbursement of Funds:

- Funding shall be disbursed as construction draws evidenced by supporting documentation demonstrating that work has been completed and that the project is in good financial and legal standing.

Other

- Loans are non-assumable without written permission from the RDA.

II. PROPERTY ACQUISITION

Limits to Assistance:

- Maximize Other Sources: Applicants must demonstrate that they have maximized other available financing sources thereby limiting HDLP funding to the lowest amount necessary to close the funding gap and assure project feasibility.
- Loan to Value: Loans shall be sized to a loan-to-value limit of 90% of the as-is appraised value inclusive of the RDA's loan and all senior debt.

Repayment:

- Depending on the applicant's capacity for repayment, loans may be repaid as a deferred or interest-only loan.
- Any accrued but unpaid interest and principal is due in full at loan maturity.
- Loans can be prepaid in whole or in part at any time without penalty. Prepayment does not end the affordability period before its original end date.

Term:

- The maximum loan term shall be 24-months with the ability for one 12-month extension if the project is demonstrating a progression toward construction.

Interest Rate:

- Base Interest Rate: The base interest rate shall be the current U.S. Treasury Yield for the loan term plus 2.5%, locked in within a month of loan closing, with a maximum base interest rate of 3%.
- Interest shall accrue as simple interest.
- Funding Priority Incentives: Projects shall have the ability to reduce the Base Interest Rate if the project meets the current funding priorities as established pursuant to the Funds Policy. For each funding priority met, the project is eligible to receive a .5% reduction from the Base Interest Rate, with the ability to reduce the interest rate to a minimum of 1%.
- Interest shall accrue on all loan proceeds disbursed commencing on the date of disbursement.
- Interest rates are subject to an adjustment, of up a 1% deviation, based on project cash flow and debt coverage ratio calculated at time of application and underwriting.

Affordability Restriction:

- A restriction shall be recorded against the property that requires continued use of the specified units as affordable housing for at least the same period as the senior financing or a minimum of 30 years, whichever is greater. Both a rent and income restriction shall be included to limit the maximum rent that can be charged for a unit and to require that the unit be made available only to households with qualifying incomes.

Subordination to Senior Debt:

- HDLP loans may be subordinated to leverage private financing, with the priority among subsidy lenders is typically established based upon size of the loans.

Security:

- Adequate security shall be required, generally in the form of a deed of trust, promissory note, and guarantees.

Developer Fee:

- Developer fees are not an eligible cost for a property acquisition loan.

Disbursement of Funds:

- Funding may be disbursed at loan closing.

Other

- Loans are non-assumable without written permission from the RDA.

III. GAP FINANCING: HOMEOWNERSHIP CONSTRUCTION

Limits to Assistance:

- Maximize Other Sources: Applicants must demonstrate that they have maximized other available financing sources thereby limiting HDLP funding to the lowest amount necessary to close the funding gap and assure project feasibility.
- Loan to Value: Loans shall be sized to a loan-to-value limit of 90% of the as-is appraised value inclusive of the RDA's loan and all senior debt.
- Proportion to Affordability: Funding shall be sized in proportion to the affordable component, taking into consideration the AMI structure and number of units in the project.

Repayment:

- Loans shall be repaid from the sale of housing units in the project. HDLP funds may be repaid after payout to senior loans have been accounted for.
- Any accrued but unpaid interest and principal is due in full at loan maturity.
- Loans can be prepaid in whole or in part at any time without penalty. Prepayment does not end the affordability period before its original end date.

Term:

- The maximum loan term shall be 36-months with the ability for one 12-month extension if the project is demonstrating a progression toward completion.

Interest Rate:

- Base Interest Rate: The base interest rate shall be the current U.S. Treasury Yield for the loan term plus 2.5%, locked in within a month of loan closing, with a maximum base interest rate of 3%. Interest shall accrue as simple interest.
- Funding Priority Incentives: Projects shall have the ability to reduce the Base Interest Rate if the project meets the current funding priorities as established pursuant to the Funds Policy. For each funding priority met, the project is eligible to receive a .5% reduction from the Base Interest Rate, with the ability to reduce the interest rate to a minimum of 1%.
- Interest shall accrue on all loan proceeds disbursed commencing on the date of disbursement.
- Interest rates are subject to an adjustment, of up a 1% deviation, based on project cash flow and debt coverage ratio calculated at time of application and underwriting.

Affordability Restriction:

- A restriction shall be recorded against the property that requires continued use of the specified units as affordable housing for at least the same period as the senior financing or a minimum of 15 years, whichever is greater. Both a sales price and income restriction shall be included to limit the maximum sales price that can be charged for a unit and to require that the unit be made available only to households with qualifying incomes.

Subordination to Senior Debt:

- HDLP loans may be subordinated to leverage private financing, with the priority among subsidy lenders is typically established based upon size of the loans.

Security:

- Adequate security shall be required, generally in the form of a deed of trust, promissory note, and guarantees.

Developer Fee:

- Maximum developer fees shall be considered on a case-by-case basis and shall be evaluated based on the affordability levels of the project, type of ownership entity, and level of public benefit provided by the project.

Borrower Contribution:

- Borrowers shall contribute a source of financing to the project, whether through an equity contribution or a deferred developer fee or a combination of both. The level of borrower contribution shall be considered on a case-by-case basis and shall be evaluated based on the affordability levels of the project, type of ownership entity, and level of public benefit provided by the project.

- Deferred developer fees shall be paid after the HDLF loan has been fully repaid.

Disbursement of Funds:

- Funding shall be disbursed as construction draws evidenced by supporting documentation demonstrating that work has been completed and that the project is in good financial and legal standing.

Other

- Loans are non-assumable without written permission from the RDA.

Passed by the Board of Directors of the Redevelopment Agency of Salt Lake City, this __23___ day of ___March______, 2021.

Ana Valdemoros (May 17, 2021 13:32 MDT)

Ana Valdemoros, Chair

Approved as to form: _________________________________

Salt Lake City Attorney's Office
Allison Parks
Date: March 24, 2021

The Executive Director:

☑ _____ does not request reconsideration

☐ _____ requests reconsideration at the next regular Agency meeting.

Erin Mendenhall (May 17, 2021 13:37 MDT)

Erin Mendenhall, Executive Director

Attest:

Cindy Trishman (May 17, 2021 16:21 MDT)

City Recorder

THE REDEVELOPMENT AGENCY OF SALT LAKE CITY
CORPORATE
SEAL

RDA Resolution R-7-2021 (Establishing the Housing Development Loan Program Policy) adopted 03-23-21

Final Audit Report 2021-05-17

Created:	2021-04-05
By:	Kory Solorio (kory.solorio@slcgov.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAInbPVjRTFBvmBeNQJ1-3Z0H2hHGhVuPA

"RDA Resolution R-7-2021 (Establishing the Housing Developm ent Loan Program Policy) adopted 03-23-21" History

Document created by Kory Solorio (kory.solorio@slcgov.com)
2021-04-05 - 10:34:23 PM GMT- IP address: 204.124.13.151

Document emailed to Ana Valdemoros (ana.valdemoros@slcgov.com) for signature
2021-04-05 - 10:38:21 PM GMT

Email viewed by Ana Valdemoros (ana.valdemoros@slcgov.com)
2021-05-05 - 1:36:44 AM GMT- IP address: 136.60.130.16

Email viewed by Ana Valdemoros (ana.valdemoros@slcgov.com)
2021-05-17 - 7:13:55 PM GMT- IP address: 67.182.249.63

Document e-signed by Ana Valdemoros (ana.valdemoros@slcgov.com)
Signature Date: 2021-05-17 - 7:32:46 PM GMT - Time Source: server- IP address: 136.60.130.16

Document emailed to Erin Mendenhall (erin.mendenhall@slcgov.com) for signature
2021-05-17 - 7:32:48 PM GMT

Email viewed by Erin Mendenhall (erin.mendenhall@slcgov.com)
2021-05-17 - 7:37:23 PM GMT- IP address: 136.36.67.177

Document e-signed by Erin Mendenhall (erin.mendenhall@slcgov.com)
Signature Date: 2021-05-17 - 7:37:37 PM GMT - Time Source: server- IP address: 136.36.67.177

Document emailed to Cindy Trishman (cindy.trishman@slcgov.com) for signature
2021-05-17 - 7:37:38 PM GMT

Document e-signed by Cindy Trishman (cindy.trishman@slcgov.com)

Signature Date: 2021-05-17 - 10:21:20 PM GMT - Time Source: server- IP address: 204.124.13.151

Agreement completed.

2021-05-17 - 10:21:20 PM GMT