



AFFORDABLE HOUSING LOAN PROGRAM GUIDELINES

APPROVED _____

I. PURPOSE

The purpose of the Affordable Housing Loan Program is to pool monies from different sources to help achieve the City's General Plan (including the Housing Element), the Consolidated Plan goals, and the Housing Action Plan. To achieve this purpose, the Santa Rosa Housing Trust's resources will be used to provide loans to qualified developers, groups, and individuals to undertake activities which create, maintain, or expand the City's affordable housing stock.

The Santa Rosa Housing Trust (SRHT) was created, by name, by the Housing Authority of the City of Santa Rosa on December 16, 2002, via Resolution No. 1214. The Resolution identified that the Housing Authority was to be the governing body overseeing the allocation of dedicated resources to affordable housing.

II. PROCEDURE

A. The Housing Opportunity Fund and the Local Income Housing Production Funds are terminated and replaced by the Affordable Housing Program Funds ("the Funds"). The Funds under this program are intended for production, preservation, rehabilitation, and conversion of affordable housing by the SRHT.

All Housing Authority funds allocated for (1) production of new housing units including shared housing and the development of mobile home parks; (2) rehabilitation or modification of existing structures; (3) conversion of market-rate units to affordable housing; and (4) related activities, such as preservation of existing units and capacity building or operating costs, but only as allowed by funding sources, shall be placed in the Trust and used in accordance with these Guidelines.

B. Housing Authority administrative costs related to the Funds are budgeted in separate accounts for administrative tracking.

C. These Guidelines may be amended from time to time by the Housing Authority.

III. DEFINITIONS

The following definitions apply to terms used throughout these Guidelines.

- A. **Affordable Housing:** housing that is provided at an affordable rent or an affordable sales price to an income-eligible household. Affordable rent or mortgage payment is generally 30% of monthly household income.
- B. **Applicant:** any individual, person, firm, partnership, association, joint venture corporation, limited liability company, entity, or combination of these who applies for an Affordable Housing Program loan.
- C. **Area Median Income (“AMI”):** the median income for the Santa Rosa Metropolitan Statistical Area (“MSA”) as determined by the Secretary of the United States Department of Housing and Urban Development (HUD) under Section 8(f)(3) of the United States Housing Act of 1937, as amended.
1. **Extremely Low-Income Household:** a household having an income not exceeding 30% of AMI adjusted for household size and as defined by HUD.
 2. **Very Low-Income Household:** a household having an income not exceeding 50% of AMI adjusted for household size and as defined by HUD.
 3. **Low-Income Household:** a household having an income not exceeding 80% of AMI adjusted for household size and as defined by HUD. Housing Authority Regulatory Agreements generally restrict low-income units to households with incomes not exceeding 60% of AMI.
 4. **Moderate-Income Household:** a household having an income not exceeding 120% of AMI adjusted for household size and as defined by HUD. Households with incomes between 80% and 120% of AMI meet the definition of “moderate income”.
- D. **City:** the City of Santa Rosa.
- E. **Construction Loan:** a short-term, interim loan for financing the cost of construction. Payments of these loan funds to Housing Authority borrowers are called construction draws and are made at periodic intervals as construction progresses. Construction loans are typically converted or taken out by a “permanent loan” or “permanent financing.”
- F. **Development Project:** the new construction or rehabilitation of a residential building or a mixed-use building that includes residential units.
- G. **Permanent Loan (aka Permanent Financing):** a long-term loan, typically for a term of 30 – 55 years, during which payments by the borrower to the lender can be

fully amortized or deferred.

- H. **Predevelopment:** the time period that includes project feasibility studies, site acquisition, and preliminary design studies for a development project and usually preceding the acquisition of a property site.
- I. **Silent Second:** a second mortgage or lien that is often obtained at subsidized terms and may require no payments until the first mortgage is repaid or the property is sold.

IV. **FUNDING SOURCES**

Loans provided by the SRHT's Affordable Housing Program are generated with the following funding sources.

- A. **Community Development Block Grant (CDBG):** provided by HUD;
- B. **HOME Investment Partnerships Program:** provided by HUD;
- C. **Housing Impact Fees:** generated by the construction of new housing units as required by Santa Rosa City Code Chapter 21-02 (sometimes referred to as "in-lieu" fees);
- D. **Real Property Transfer Tax (RPTT):** generated by a City tax on transfers of real property, a portion of which is used for affordable housing;
- E. **Repayments:** repayment of principal and interest from previous and existing loans; and
- F. Other funds that are appropriated to the SRHT Fund for affordable housing purposes.

V. **ELIGIBLE ACTIVITIES**

- A. Eligible activities are:
 - 1. the production of new housing units, including acquisition of land and associated costs;
 - 2. the rehabilitation or modification of existing structures for creating new housing units or improving existing housing units;
 - 3. the conversion of market-rate housing to affordable housing units;
 - 4. development, acquisition, or rehabilitation of special-needs facilities;
 - 5. related activities, as allowed by funding sources; or
 - 6. a housing opportunity presented to the Housing Authority that provides long-term affordability with restricted rents or sale prices.

- B. Eligible projects must be located within the City limits of Santa Rosa or be in an area that is subject to annexation prior to the commencement of construction.
- C. Eligible projects must provide at least 50% of the units at rents that are restricted to households at or below 60% of AMI.
- D. The use of the Funds for operating or administrative costs of a housing development or facility of any kind is prohibited except as allowed by funding sources. The Funds may be used to acquire existing structures only for converting them into affordable housing units which did not previously exist or when the structures are part of an underdeveloped property.

VI. ELIGIBLE APPLICANTS

- A. Non-profit or for-profit housing corporations, joint ventures, limited liability corporations, or partnerships are eligible to receive funds for the activities described in Section IV. For limited partnerships, the Housing Authority reserves the right to review and approve the limited partnership agreements as a condition of loan award.
- B. Only applicants who have prior experience and demonstrate their capacity in affordable housing development and management will be deemed as Eligible Applicants.

VII. LOAN TERMS AND CONDITIONS

- A. No grant of funds shall be allowed.
- B. Loans to Eligible Applicants shall be on such terms as the Housing Authority may decide in each individual case. The general terms are three percent (3%) simple interest for a term of 55 years.
- C. The maximum provided to any single project shall comply with the specific funding sources of that loan (i.e., HOME per unit subsidies), but in no event shall exceed the amount needed to achieve project feasibility based on review and analysis of a recent property appraisal, project proforma, and subsidy layering.
- D. Loans shall be evidenced by a Promissory Note and Loan Agreement and shall be secured by a Deed of Trust on the property undergoing development except where the Housing Authority judges no security or alternative security acceptable. The affordable units created by the loan will be secured by a Regulatory Agreement

recorded against the subject property or alternative security.

VIII. SPECIAL ACTIVITIES/CIRCUMSTANCES

Loans may be made for research or land purchase agreement deposits in an amount not to exceed \$20,000 per entity annually. Funds may not be used for operating costs. Funds may only be used under this category where there are no other available sources.

IX. AFFORDABILITY AND OCCUPANCY RESTRICTIONS

Any unit assisted will be occupied by extremely low-, very low-, low-, or moderate-income households as defined in Section II.

A. Rental Housing

Rental units are restricted by a recorded Regulatory Agreement for a term of 55 years. Regulatory Agreements survive the payoff of the Housing Authority loan.

1. Extremely low-, very low- and low-income units must be rented at a price that does not exceed 30% of the income level based on the number of bedrooms and the household size, less the appropriate Utility Allowance.

B. For-Sale Housing

For-sale units are restricted by either a recorded Regulatory Agreement for a minimum term of 30 years or a recorded Resale Restriction and Owner Occupancy Agreement for a minimum of 30 years.

1. For-sale units shall be sold at or below the Maximum Sales Price established by the SRHT.
2. In for-sale units, "affordability" is defined as debt service payments not exceeding 30% of income.

C. Compliance and Monitoring

1. The Housing Authority will set standards for maintenance of rental units. Loan conditions will establish a right to conduct periodic management audits and on-site visits, and mandate building-quality self-inspections annually by the owners.
2. Owners of rental properties will be required to provide annual verification as requested by the SRHT to ensure that affordability and occupancy requirements are enforced and maintained.

3. Homeowners will be required to provide annual certification under penalty of perjury that the property is owner-occupied.

X. COST RESTRICTIONS

- A. No loan shall be made or subordinated at any time to senior liens where the projected total cost of producing the project exceeds the appraised value.
- B. A waiver of these Guidelines may be made based on findings of special circumstances and overriding concerns by the Housing Authority.

XI. OTHER REQUIREMENTS

- A. Prevailing Wage: where the source of the loan proceeds is from a federal government source, the project must comply with the requirements of the Secretary of Labor in accordance with the Davis-Bacon and Related Acts as amended. For all other funds, the project must adhere to all State of California laws and regulations regarding payment of prevailing wages as applicable.
- B. Relocation Requirements: borrowers must agree to comply with all applicable federal, state, and local relocation laws and regulations, as applicable.