



AFFORDABLE HOUSING LOAN PROGRAM
GUIDELINES
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APPROVED
POLICY SUMMARY
LOW-INCOME HOUSING PRODUCTION SUBSIDY PROGRAM

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 shall 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. PROCEDURALPROCEDURE

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

B. All Housing Authority funds allocated for (1) production of new housing units including shared housing and the development of mobile home parks; or (2) rehabilitation or modification of existing structures; where this rehabilitation leads to new housing units, and (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 directed-allowed by funding sources, shall be placed in the Funds Trust and used solely in accordance with this Policy Summarythese Guidelines. Transitional and emergency housing shall be funded from other programs.

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

D.C. This Policy Summary is adopted, andThese Guidelines may be amended.

from time to time, by the Housing Authority, and the City Council.

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”.

~~E.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.

IV. ELIGIBLE ACTIVITIES

A. Money shall not be appropriated from the Fund except to directly aid in eligible activities are:

1. ~~(1)~~ the production of new housing units, including acquisition of land and associated costs;

2. ~~;~~ ~~(2)~~ the rehabilitation or modification of an existing structures for the purpose of 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. ~~;~~ ~~or~~ ~~(3)~~ related activities, as directed-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.

A.

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% 40% of the units at rents that are restricted to households at or below 60% of AMI.

B-D. The use of the Funds for operating or administrative costs of a housing development or facility of any kind is prohibited except as directed-allowed by funding sources. The Funds may be used to acquire existing structures only for the purpose of converting them into affordable housing units which did not previously exist or when the structures are part of an underdeveloped property.

III.VI. ELIGIBLE SPONSORS/APPLICANTS

A. Non-profit or for-profit sponsors-housing corporations, joint ventures, limited liability corporations, or partnerships are eligible to receive funds for the activities described at II-A, above 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 sponsors-applicants who are qualified to perform the activities for which they request funds shall receive money have prior experience and demonstrate their capacity in affordable housing development and management will be deemed as Eligible Applicants.

~~C. "Qualification" for this purpose means that the sponsor has prior experience, adequate staff, and is financially stable.~~

~~IV.VII. LOAN TERMS AND CONDITIONSS~~

~~A. No grant of money in the Fundfunds shall be allowed.~~

~~B. Loans to sponsors Eligible Applicants shall be on such terms as the Housing Authority may decide in each individual case. Non interest loans are allowed. 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.~~

~~C.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.~~

~~V. LOAN AMOUNTS~~

~~A. Maximum loan schedule may be revised by the Housing Authority and the City Council.~~

~~B. Maximum loan allocated to any single project shall comply with Loan Schedule.~~

~~C. A waiver of the maximum amounts may be made based on findings of special circumstances and overriding concerns by the Housing Authority.~~

~~VI. FUND ALLOCATIONS~~

~~The statements under this section are intended as goals.~~

~~A. Not less than 100% of the funds attributed to in-lieu fees will be used in accordance with the General Plan to benefit very low and low income households. This will be reviewed on an annual basis to determine if~~

adjustments are needed.

- B. Not less than one-third of the annual expenditures from the Fund shall be used to benefit very-low income households.
- C. Not more than one-half of the annual expenditures from the Fund in any given year (and one-quarter over three years) shall be used for acquisition of land for which a development application, at the time of the loan, is judged premature by the Department of Community Development.
- D. Not less than three-quarters of the annual expenditures of the Fund shall be allocated to the production of new conventional housing units.

- E. No funds may be allocated to units required under the City's Allocation Plan, except to make such units more affordable than otherwise required by the Plan.
- F. Funds may be allocated to units to be created on land dedicated to the Housing Authority under provisions of the Allocation Plan.
- G. Funds shall not be allocated to any organization for administrative costs, market studies, land research or other purpose not directly tied to a specific project for which a loan agreement may be prepared and funds allotted as required by this Policy Summary except as provided under Sections IIA(3) or VII.

VII.VIII. SPECIAL ACTIVITIES/CIRCUMSTANCES

Loans may be made for research or land purchase agreement deposits (not to be confused with acquisition) 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.

VIII.IX.AFFORDABILITY AND OCCUPANCY RESTRICTIONS

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

A. Very low income is defined as approximately 50% of median income adjusted for family size.

A. Low income is defined as 80% or less of median income adjusted for family size.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.

~~B. In for-sale units.~~

~~IX. AFFORDABILITY RESTRICTIONS~~

~~A. Very Low Income units shall be rented or sold at a price affordable to a household at 50% of median income for not less than thirty years.~~

~~B. Low Income units shall be rented or sold at a price affordable to a household at 60% of median income for not less than thirty years.~~

~~2. "Affordability" is defined as rent or debt service payments not exceeding 30% of of 50% of median income (very low income households), or 30% of 60% of median income (low income), less a utility allowance as established by the Housing Authority.~~

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.

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

~~D. All units assisted by the Fund shall be affordable to low or very low income households, and occupied by such households.~~

3.

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 Maximum Cost Schedule, which may be revised by the Housing Authority and City Council appraised value.
- B. A waiver of the maximum amounts these Guidelines may be made based on findings of special circumstances and overriding concerns by the Housing Authority.

XI. OTHER REQUIREMENTS

- B.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.
- C.B. Relocation Requirements: borrowers must agree to comply with all applicable federal, state, and local relocation laws and regulations, as applicable.

<u>SRO Unit</u>	<u>_____</u>	<u>\$22,500</u>	<u>_____</u>
<u>Studio</u>	<u>_____</u>	<u>\$27,000</u>	<u>_____</u>
<u>1 Br</u>	<u>_____300</u>	<u>\$33,000</u>	<u>_____</u>
<u>2 Br</u>	<u>_____500</u>	<u>\$40,000</u>	<u>_____</u>
<u>3 Br</u>	<u>_____700</u>	<u>\$47,000</u>	<u>_____</u>
<u>4 Br</u>	<u>_____900</u>	<u>\$53,000</u>	<u>_____</u>
	<u>_____1100</u>		<u>\$11,000</u>
			<u>\$13,000</u>
			<u>\$17,000</u>
			<u>\$20,000</u>
			<u>\$23,500</u>
			<u>\$26,500</u>

The loan amounts may be adjusted to reflect City impact fees and/or school impact fees which exceed the minimums applicable in the City.

The TOTAL loan on a project may not exceed the maximum loan per unit multiplied by the number of units. Each individual unit may "float" to 50% more but may not exceed \$55,000.

Maximum Cost Schedule
(Revised Dec. 12, 2000)
(Adjusted Dec. 1, 2001 + 4.5%) (Adjusted Dec. 1, 2007 + 3.3%) (Adjusted Dec. 1, 2013 + 1.6%)
(Adjusted Dec. 1, 2002 + 1.4%) (Adjusted Dec. 1, 2008 + 3.6%) (Adjusted Dec. 1, 2014 + 3.2%)
(Adjusted Dec. 1, 2003 + 1.0%) (Adjusted Dec. 1, 2009 + 0.1%) (Adjusted Dec. 1, 2015 + 2.6%)
(Adjusted Dec. 1, 2004 + 2.1%) (Adjusted Dec. 1, 2010 + 0.9%) (Adjusted Dec. 1, 2016 + 3.6%)
(Adjusted Dec. 1, 2005 + 2.8%) (Adjusted Dec. 1, 2011 + 3.2%) (Adjusted Dec. 1, 2017 + 2.7%)
(Adjusted Dec. 1, 2006 + 2.5%) (Adjusted Dec. 1, 2012 + 3.2%)

This schedule reflects the total maximum cost test that must be met for an entity to receive a loan from the Housing Authority. Amounts are adjusted annually using the Consumer Price Index (CPI) 12 Months Percent Change for Year Ending October 31.

Item	Amount
Land (Unimproved)	\$289,083 per acre
Land (Site improved)	\$433,627 per acre
Single Room Occupancy (SRO) Unit	\$ 95,579 per unit *
Studio Apartment Unit	\$163,844 per unit *
1 Bedroom Unit	\$191,153 per unit *
2 Bedroom Unit	\$218,245 per unit *
3 Bedroom Unit	\$232,115 per unit *
4 Bedroom Unit	\$259,424 per unit *

* Projected total cost of project including land.

For ownership or accessible units, add 20% to Loan and Maximum Cost Schedules. Maximum Loan Schedule may be revised by the Housing Authority and the City Council. A waiver of the maximum loan or cost amounts may be made based on findings of special circumstances and overriding concerns by the Housing Authority, at its sole discretion.