



Notice of Funding Availability

Revolving Loan Fund:

Quick Start &

SemiPerm Programs

Issued August 06, 2012

1. Summary of Funding and Uses

The Housing Endowment and Regional Trust of San Mateo County (HEART) is pleased to announce the availability of **\$700,000** for housing projects described in this NOFA. As the funds are revolving and so long as there's an unallocated funding balance, HEART will continue to accept applications for review. But it is conceivable the funds may be allocated to a single project. The \$700,000 proceeds are provided from State Proposition 1c.

The primary objective of this NOFA is to increase the long-term supply of affordable housing through primarily providing assistance for the development of multi-family rental housing.

Funding will be provided through two programs: (1) QuickStart, an existing short-loan program, and (2) SemiPerm, a new program that provides medium-term loan options.

2. Loan Products:

- QuickStart – three-year term with HEART option to provide two additional one-year extensions for a total term of five years.
- SemiPerm Loan – Two loan options: 15- and 10- term loans; second loan type includes HEART option to extend for up to five additional years, for a total term of 15 years.
 - (a) QuickStart (QS). The QS Program is designed to provide short-term, quick turn-around loans to assist with the early stages of project development. QS loans have the following specific terms and conditions:
 - Loan term of 3 years with possibility of an extension of two one-year extensions, for a total term of five years.
 - Interest is deferred; loan principal and all accrued interest are to be paid off at loan maturity.
 - See Attachment 2(a) for interest rate.
 - (b) SemiPerm. This program is intended to assist: (1) developers with more complex projects needing acquisition and/or predevelopment funds and which projects need longer timeframes to complete predevelopment activities (such as securing entitlements and other financing commitments, undertaking relocation, etc.) before they can reach construction start; and (2) owners of existing affordable housing developments to address immediate needs, including refinancing to preserve affordability, and rehab while awaiting the necessary time to lapse before they can seek to refinance with tax credits or other funding source. The following are terms and conditions specific to this program:
 - Loan term of six to ten-years with possibility of extension for up to five additional years, for a total term of 15 years.
 - Loans also available for 15 year terms at the outset.
 - Repayment terms are negotiable, but borrower will at the minimum need to make periodic interest-only payments.
 - See Attachment 2(b) for interest rate.

(c) Requirements of Both Loan Programs:

- Funding must be secured by a deed of trust against an interest in the real property.
- An affordability deed restriction will be required to be recorded against the property upon completion of the project. This restriction will be either recorded by HEART or HEART will defer to another lender whose terms and conditions for affordability compliance are consistent with HEART requirements. Restriction will be for not less than 55 years and recorded against the real property interest separate from any loan obligation.
- Project must be located within the jurisdiction of the member agencies of HEART (see Attachment 1– HEART Membership Roster).
- Project must be located in a jurisdiction that has an adopted housing element or one that is under review by State HCD.
- Loans are non-recourse.
- Fees required. See Attachment 2a/b.
- Permanent or take-out financing should be identified to extent feasible.

3. Other Specific Requirements:

Qualifying Projects. While the development of rental affordable housing project that increases the overall supply of affordable housing is this NOFA's highest priority, projects that will be considered for funding are the following: both new construction and existing housing projects. Also eligible are projects involving conversion of non-residential space to housing units.

Eligible Activities. These include acquisition, predevelopment, construction or rehabilitation, and refinancing to preserve affordability.

Affordability. For projects with 5+ units, not less than 20% or more than 49% of the units will be made affordable with HEART financing. Affordability is defined as units restricted to households earning not more than the San Mateo County HOME Limits (60% AMI) adjusted by household size (see Attachment 3). **Preference will be given to applications offering a greater number of affordable units, based on HEART funding per unit, and/or deeper affordability targeting.** Affordability requirements for projects with 4 or fewer units will be negotiated.

For loans made under the SemiPerm Loan Program, for projects of 5+ units, at least ten percent (10%) of the units (no less than one unit) in the Project must be affordable to households at 30% AMI or below.

Funding per Unit. The amount per unit is discretionary, except that the limits will not exceed the HOME Program per unit subsidy limits.

Qualifying Applicants: Any corporation, non-profit or for-profit, or any public agency which intends to either own or substantially sponsor a qualifying project. Applicants must have a demonstrated ability to produce affordable rental housing in the scale for

which funds are being requested. Evidence of independent auditing on an annual basis is also required.

Application Process

Phase One: Developer Qualification Process:

(1) If Project specifics are known, submit a Project Summary Pre-Application Letter describing the proposed project, indicating unit count, bedroom count & unit size, target market, amount requested and intended use of funds. If you have already been pre-qualified, Staff will review your Project Summary and let you know within 5 working days if the Project meets HEART criteria to be considered for a formal application for funds.

(2) For applicants who have not been pre-qualified, In order to qualify to submit an application for HEART NOFA funds, the applicant must demonstrate that they meet the basic qualifications. If you think that you may want to apply for these funds you are strongly encouraged to submit the required documentation as soon as possible, even if you do not have a specific property in mind for development. This pre-qualification will significantly cut the time required for any specific project application.

The following are required in the prequalification application for nonprofit developers:

- Proof of non-profit 501 (c) (3) status;
- Articles of incorporation and corporate by-laws;
- Roster of your Board of Directors;
- Audit – Copy of the most recent financial audit or your organization, including any management letters; and
- Experience – provide a summary of completed projects demonstrating that your organization has the capacity to develop multi-family housing; specify the names and experience of your staff who will be responsible for such projects.

For-profit developers will need to provide the following in their the prequalification application:

- Financial statement showing net worth;
- Partnership agreement, if applicable;
- Copy of most recent three (3) years' IRS tax returns of the principals; and
- Experience – provide a summary of completed projects demonstrating that your organization has the capacity to develop multi-family housing; specify the names and experience of your staff who will be responsible for such projects.

The above documents will be reviewed by program staff for adequacy. If all material is submitted by the 7th of the month, staff will review and attempt to make a recommendation to the Program Committee at the next regular committee meeting normally held on the 3rd Tuesday of each month.

If approved, your organization will be added to a list of approved developers to be able to prepare a full application for funds. Pre-qualification approval must take place before a formal application will be considered.

Phase Two: Project Application

- The full application will be presented to the Application Review Sub-Committee as soon as staff is satisfied as to its completion and is prepared to make a funding recommendation.

The Developer Pre-Qualification form and the Application may be obtained at:

www.heartofsmc.org

or contact:

**Marina Yu, HEART Program Staff
(650) 802-5039
(650) 802-5049 (Fax)
myu@smchousing.org**

**HEART (Housing Endowment and Regional Trust)
c/o County of San Mateo Dept. of Housing
264 Harbor Blvd, Bldg A
Belmont, CA 94002**

Attachment 1

HEART Members

As of July 2012:

Town of Atherton
City of Belmont
City of Brisbane
City of Burlingame
Town of Colma
~~City of Daly City~~
City of East Palo Alto
City of Foster City
City of Half Moon Bay
Town of Hillsborough
City of Menlo Park
City of Millbrae
City of Pacifica
Town of Portola Valley
City of Redwood City
City of San Bruno
City of San Carlos
City of San Mateo
City of South San Francisco
Town of Woodside
County of San Mateo

**Attachment 2a:
LOAN TERMS FOR QUICKSTART**

	QUICKSTART (QS) TERMS
Term	3 years +1+1 (up to two one-year extensions)
Interest Rate	2 % simple
Eligible Borrower	Nonprofit, For-Profit corporations
Eligible Uses	Predevelopment, acquisition, construction.
Advantages	For short-term gaps in development process – acquisition, predevelopment, construction phases.
Housing Type	Multifamily-rental or ownership or other critical housing if/as determined by finding of the Board. (Prefer new construction, but allow acquisition and/or rehab to convert market units to permanently affordable, or to deepen affordability)
Affordability Targeting	At least 49% targeted to households not exceeding 30 to 60% AMI.
Loan Approval	Board
Loan Maximum	Amount per unit is discretionary.
Fee	1% of loan amount, up to \$5,000 maximum fee (Extension Fee – 0.5% not to exceed \$2,500)
Security/Lien Position	Secured by real estate, letter of credit, interest in other acceptable collateral. Will subordinate to other loans.
Repayment	Deferred – Balloon Payment (principal/accrued) at maturity.
Extension	May be extended for up to 2 years, at HEART's discretion, for a total of 5 years. (Interest rate – Up to 1% above original rate, but still at least ½% below market rate, determined by survey of rates charged by comparable term loans made by public purpose private lenders (e.g., Low Income Investment Fund, No. CA Loan Fund, CA Community Reinvestment Corp.)

Program Review	Review program parameters annually through Finance Committee and Program Committee, then bring to Board in form of proposed revisions to Administrative Guidelines
Loan to Value	Negotiable.
Affordability Covenant	Required for 55 years upon Project Completion, but will defer to deed restriction of other funder with affordability compliance requirements consistent with HEART requirements.

Attachment 2b:
SemiPerm Loan Program

	SEMIPerm LOAN TERMS
Term	<ul style="list-style-type: none"> • 6 to 10 years + up to 5 years extension • 15 years
Interest Rate	<ul style="list-style-type: none"> • 3% simple for loans up to 10 years • 3.5 % simple, for 15 year loan (Above rates will depend on HEART cost of funds)
Eligible Borrower	Nonprofit, For-Profit individuals and entities.
Eligible Uses	<u>Rental projects</u> : Predevelopment; Acquisition; New Construction; Rehabilitation; Refinancing to preserve affordability.
Advantages	<u>New Construction Projects</u> : Loan can assist in activities needing longer time period to obtain entitlements until replacement financing. <u>Existing Projects</u> : For projects needing rehab, loan allows a longer holding period until longer-term financing can be secured, including re-syndicating for tax credits.
Housing Type	Multifamily-rental or other critical housing if/as determined by finding of the Board.
Affordability Targeting	Due to Article 34 requirements, not less than 20% and up to 49% units will be targeted to households with annual incomes of 60% or less of AMI. For projects that receive State Prop. 1C funds and with 5+ units, at least 10% of the project units must be affordable to ELI households (annual incomes up to 30% AMI)
Loan Approval	Board to approve by resolution.
Loan Maximum	No ceiling - amount to be approved by Board. (Amount per unit is discretionary, except that the maximum per unit shall not exceed HOME Program subsidy limits*)
Fee	1% of loan amount. (Extension Fee – 0.5%)
Security/ Lien Position	Secured by an interest in real property; letter of credit; interest in other acceptable collateral. Will subordinate.

Repayment	Minimum payment is interest-only based on negotiated monthly or quarterly schedule. Other payment options negotiable, including balloon payment based on: (a) Deferred payment except for interest (for up to TBD initial period); (b) Principal/interest pmts over fixed year term based on 30 year amortization with balloon at maturity.
Extension	For loans with terms \leq 10 years, may be extended for up to 5 years, at discretion of HEART Board, for a total loan term NTE 15 years. <u>Interest rate during extension</u> – may be at same rate up to 1% above original rate, but to be at least ½ % below market rate, determined by survey of rates charged by comparable term loans made by public purpose private lenders (e.g., Low Income Investment Fund, No. CA Loan Fund, CA Community Reinvestment Corp.)
Program Review	Annual review by Finance and Program Committees, which will make recommendation of any changes to the Board.
Loan to Value	Depends on type of project. LTV range not to exceed 80, 100, or 110% of project completion value at shown below**
Debt Coverage Ratio	See table** below.
Affordability Covenant	Required for 55 years upon Project Completion, except that HEART may defer to affordability deed restriction required by other lender/funder with affordability compliance requirements consistent with HEART's (a TBD percentage of the units targeted to households at 30 to 60 % AMI).
Non-Recourse	Yes.

***2012 HUD HOME Program Subsidy Limits (effective 5/8/2012)**

0 Bedroom	\$132,814
1 Bedroom	\$152,251
2 Bedroom	\$185,136
3 Bedroom	\$239,606
4 Bedroom	\$262,903

****Debt Coverage Requirements**

Project Type	Current LTV (%)	Post-Completion Value (%)
Acq./Rehab – to hold & operate	110	100
New Constr. Projects (NC) – Land Acq., with or without entitlements (more conservative if unentitled)	80 -100	100
NC – Entitled- Predevelopment, Construction	110	100
Refinancing	100	100

Attachment 3:

2012 San Mateo County Income Limits

as determined by HUD, State of CA HCD, and County of San Mateo

Please verify the income and rent figures in use for specific programs.

Prepared 2/07/2012 - Area Median Income \$103,000 (based on family of 4). HUD Income Limits effective 12/1/2011. HOME Rent Income data effective 2/9/2012.

Income Category	Income Limits by Family Size (\$)							
	1	2	3	4	5	6	7	8
Extremelly Low (30% AMI) *	23,350	26,650	30,000	33,300	36,000	38,650	41,300	44,000
Very Low (50% AMI) *	38,850	44,400	49,950	55,500	59,950	64,400	68,850	73,300
HOME Limit (60% AMI) *	46,620	53,280	59,940	66,600	71,940	77,280	82,620	87,960
HERA Special VLI (50% AMI) ***	43,250	49,400	55,600	61,750	66,700	71,650	76,600	81,550
HERA Special Limit (60% AMI) ***	51,900	59,280	66,720	74,100	80,040	85,980	91,920	97,860
Low (80% AMI) *	62,200	71,050	79,950	88,800	95,950	103,050	110,150	117,250
Median (100% AMI) **	72,100	82,400	92,700	103,000	111,250	119,500	127,700	135,950
Moderate (120% AMI) **	86,500	98,900	111,250	123,600	133,500	143,400	153,250	163,150

Income Category	SRO *+	Maximum Affordable Rent Payment (\$)					
		Studio	1-BR	2-BR	3-BR	4-BR	
Extremelly Low *		584	625	750	866	966	
Very Low *		971	1,040	1,248	1,442	1,609	Consistent with published HUD 50% rent limit
Low HOME Limit*	893	990	1,060	1,272	1,470	1,640	Published Low HOME Rent same as for 2010.
High HOME Limit *	893	1,166	1,249	1,499	1,606	1,859	Based on 60% AMI
HERA Special VLI (50% AMI) ***		1,081	1,158	1,390	1,606	1,791	
HERA Special Limit (60% AMI) ***		1,298	1,390	1,668	1,927	2,150	
Low *		1,555	1,666	1,999	2,309	2,576	
HUD FMR		1,191	1,465	1,833	2,447	2,586	HUD-published Fair Market Rents
Median **		1,803	1,931	2,318	2,678	2,988	
Moderate **		2,163	2,318	2,781	3,214	3,585	

NOTES

Income figures provided by HUD for following San Mateo County federal entitlement programs: CDBG, HOME, ESG. Rents based on 30% income based on asumed family size defined in Note 2 below for unit size. HOME projects are subject to 2010 HUD hold harmless provision/ HERA (see Note below at ***)

Income figures provided by State of California HCD. Rents based on 30% income.

For San Mateo County, the Housing & Economic Recovery Act of 2008 (HERA) & the HUD 2010 HOME hold-harmless provision permit multifamily tax subsidy projects (MTSPs) & HOME projects placed in service before 1/1/2009 to continue to use HOME/tax credit/tax exempt bond rents based on the highest income levels that project ever operated under. Once these units are placed in service, the rents will not adjust downward should HUD establish lower incomes/rents in any subsequent year. Marketing of vacant units should be targeted to the current year's income schedule.

SROs with -0- or 1 of the following - sanitary or food preparation facility in unit; if 5+ SRO HOME-assisted units, then at least 20% of units to be occupied by persons with incomes up to 50% AMI.

OTHER NOTES (generic)

Maximum affordable rent based on 30% of monthly income and all utilities paid by landlord unless further adjusted by HUD. Utility allowances for tenant-paid utilities established by Housing Authority of County of San Mateo Section 8 Program.

High HOME Limit rent set at **lower of:** (a) 30% of 60% AMI, or (b) FMR (HUD Fair Market Rent).

For 2011, the FMR for Studio is the lower rent.

Rent Calculations - The following is the assumed family size for each unit: Studio:1 person 1-BR:1.5 persons 2-BR:3 3-BR: 4.5 4-BR:6

Table below provides rent guidance on appropriate income schedule to use:

Placed in Service Date	Maximum Inc. Limits Schedule
On or before 12/31/2008	2012 HERA Special
1/1/2009 to 5/13/2010	2009
5/14/2010 - 5/31/2011	2012
6/1/2011 - 11/30/2011	2012
After 5/31/2011	2012

Please refer to www.huduser.org/portal/datasets/mtsp.html for additional information as well as the various income schedules.