



# THE GREENVILLE HOUSING FUND

*Committed to housing affordability*



[www.greenvillehousingfund.com](http://www.greenvillehousingfund.com)

# TABLE OF CONTENTS

<b>PURPOSE MISSION</b> .....	<b>1</b>
<b>LENDING PROGRAMS</b> .....	<b>2</b>
Gap Financing .....	2
Predevelopment loans.....	2
Acquisition loan.....	3
Bridge loan.....	3
<b>GENERAL PROVISION</b> .....	<b>4</b>
Definitions .....	4
Eligible uses of funds.....	5
Eligible households .....	6
Loans .....	6
<b>FUNDING</b> .....	<b>7</b>
Application process .....	7
Funding process.....	8
Underwriting .....	8
<b>APPLICATION REVIEW PROCESS</b> .....	<b>9</b>
Threshold criteria .....	10
Application review criteria .....	10
Funding priorities.....	12
<b>FUTURE PRODUCTS</b> .....	<b>13</b>
<b>APPENDICES</b> .....	<b>14</b>

# PURPOSE

# MISSION

**The Mission** of the Greenville Housing Fund (GHF) is to further the production and preservation of quality affordable and workforce housing that meets the needs of all Greenville residents regardless of income.

The Greenville Housing Fund will have three main goals:

1. serve as an advocate and champion for affordable housing in Greenville,
2. invest in affordable and workforce housing development, and
3. acquire land for affordable housing development.

The Greenville Housing Fund is an existing community organization, under CommunityWorks Carolina, which is a non-profit US Treasury certified community development financial institution (CDFI) already committed to affordable housing issues.

The Greenville Housing Fund intends to be an innovate financier and advocate for affordable/workforce housing. Initial financing will include the following loan programs, future products/programs will be developed by the GHF Board of Directors.

# LENDING PROGRAMS

The Greenville Housing Fund actively promotes policies that support the creation and preservation of affordable and workforce housing and seeks to work with for profit and nonprofit affordable housing developers to increase the stock of housing. Financial and technical assistance is available to affordable and workforce housing developers and local government entities through a variety of loans and development programs.

## **GAP FINANCING**

GHF finances the production and preservation of new affordable and workforce housing units, both for-sale and rental, through new construction, substantial rehabilitation of vacant units or conversion of non-residential buildings to residential use. GHF will provide project-specific loans to nonprofit and for profit developers and government entities up to \$500,000 to construct new units or rehabilitate vacant housing units for sale or rent to low and moderate income households. Funds can be used for land acquisition, construction loans, predevelopment and bridge loans, lines of credit, and permanent financing. All funded projects will be subject to GHF's affordability terms to maintain financed units as affordable for a minimum of 20 years. GHF funds often are combined with subsidy from other entities to reduce the cost of housing for low and very-low income families. Funds are awarded through a competitive application process.

## **PREDEVELOPMENT LOANS**

GHF will make loans for predevelopment expenses associated with the construction or rehabilitation of specific affordable and workforce housing projects. Nonprofit and for profit affordable housing developers and government entities may apply when other private or public funds cannot be acquired, to expedite project development, or to reduce cost of borrowing funds through a conventional lender. Eligible uses include but are not limited to: land options, down payments, architectural and engineering fees, site surveys, soil test borings, market studies, appraisals, environmental engineering studies, archeological clearances, and legal expenses related to site acquisition, zoning or permitting.

## **ACQUISITION LOAN**

GHF will make short-term loans to expedite completion of affordable and workforce housing projects in which loans or grants are committed but not disbursed. Applications are accepted continuously and reviewed promptly. Funds must be used for specific project related costs. Eligible uses include but are not limited to: land and/or property acquisition costs.

## **BRIDGE LOAN**

GHF will make short-term loans to expedite completion of affordable and workforce housing projects in which loans or grants are committed but not disbursed. Applications are accepted continuously and reviewed promptly. Funds must be used for specific project related costs. Eligible uses include but are not limited to: acquisition, infrastructure, or construction costs.

# GENERAL PROVISION

## DEFINITIONS

**"Affordable housing"** shall mean residential housing for rent or sale that is appropriately priced for rent or sale to a person or family whose income does not exceed eighty percent of the median income for the local area, with adjustments for household size, according to the latest figures available from the United States Department of Housing and Urban Development (HUD).

**"Annual income"** shall mean the anticipated total income from all sources received by the family head and spouse and by each additional member of the household, including all net income derived from assets.

**"Area median income" or "AMI"** shall mean the median income for a geographic area (the Greenville MSA), adjusted for family size, as published annually by the United States Department of Housing and Urban Development (HUD) on their website.

**"Extremely low-income household"** shall mean a household whose annual income does not exceed 30% of the area median income adjusted for household size.

**"Household"** shall mean one person living alone or two or more persons sharing a residential dwelling.

**"Income quintiles"** refer to planning efforts to serve specific targeted markets within five income quartiles: Quintile 1: Household income of \$15,000 and below; Quintile 2: Household income of \$15,000-\$32,000; Quintile 3: Household income of \$32,000-\$55,000; Quintile 4: Household income of \$55,000-\$99,000; Quintile 5: Household income of \$99,000 and above. The target market income ranges can be adjusted using documented industry standards.

**"Low-income household"** shall mean a household whose annual income does not exceed 80% of the area median income adjusted for household size.

**"Workforce Housing"** shall mean residential housing for rent or sale that is appropriately priced for rent or sale to a person or family whose income does not exceed one hundred twenty percent (120%) of the median income for the local area, with adjustments for household size, according to the latest figures available from the United States Department of Housing and Urban Development (HUD)

"Very low-income household" shall mean a household whose annual income does not exceed 50% of the area median income adjusted for household size

## **ELIGIBLE USES OF FUNDS**

The Greenville Housing Fund ("GHF") will provide financing for projects that meet the objectives of GHF. Financing may support the following:

1. Acquisition; demolition and removal; professional and technical services, e.g., engineering, surveys; site preparation; and other predevelopment costs essential to project implementation
2. Construction financing for rental and for-sale housing (to include affordable, workforce and/or a mix of such and market housing).
3. Substantial rehabilitation of substandard housing units occupied or to be occupied by low and moderate income households; conversion of non residential space to residential purposes
4. Moderate rehabilitation of owner-occupied houses to abate health code and safety code violations and any other work directly related to the required activities, including painting and finishing.
5. Land Acquisition for Banking or development
6. Down payment and other types of assistance that will enable eligible households to purchase affordable housing.
7. Provision of tenant-based and/or project based rental assistance

## ELIGIBLE HOUSEHOLDS

### LOANS

GHF will distribute financing as a loan, the terms of which will be determined by project need and feasibility.

1. Types of loans include but are not limited to:
  - a. Construction loans to affordable/workforce housing developers or sponsors to be repaid at permanent loan closing.
  - b. Construction loans to affordable/workforce housing developers or sponsors to be converted into permanent loans.
  - c. Construction loans to affordable/workforce housing developers or sponsors that are prorated and rolled over to eligible purchasers upon occupancy.
  - d. Loans to eligible housing developments to lower the purchase price of a primary residence.
  - e. Predevelopment loans to affordable/workforce housing developers or sponsors to expedite the production of affordable housing projects.
  - f. Bridge loans for affordable/workforce housing projects in which permanent financing or grants have been committed but not disbursed.
2. GHF will secure its funds with a mortgage and promissory note payable to GHF and filed at the county office of record.
3. The borrower will assume the cost of recording the mortgage.
4. GHF will subordinate its mortgage to the lien of a permanent lender or lenders provided that the borrower provides evidence to the satisfaction of GHF that:
  - a. The subordination does not jeopardize project feasibility and
  - b. The subordination is necessary.
5. See the Affordability Controls section of these policies for details.

# FUNDING

## APPLICATION PROCESS

1. Applications for funding will be accepted as part of a funding cycle that will be announced by GHF via public notice. GHF will host a pre-application workshop. A Letter of Intent will be requested for initial evaluation of readiness and then applicants will be asked to submit a full application.
2. As funding opportunities are announced, GHF will hold an orientation/application review workshop, mandatory for all applicants.
  - a. The purpose of the pre-application workshop is to introduce GHF policies and procedures, review the application package, define expectations, and to answer questions.
  - b. Developers must attend a pre-application workshop to participate in a funding cycle.
3. GHF requests that developers who intend to apply for funding submit a Letter of Intent (LOI) by the date requested by the GHF. GHF will make technical assistance available.
4. GHF invites developers whose projects meet preliminary project eligibility to submit a full application. Developers whose projects do not meet preliminary project eligibility will be provided technical assistance with the goal of making their projects competitive in a future cycle.
5. The application is completed and submitted by the deadline.

6. GHF application review committee conducts a site visit and interview with each applicant. GHF representatives in conjunction with the CommunityWorks Loan Committee will evaluate each application based on approved policies. The committee makes funding recommendations to the GHF Board.
7. GHF Board makes final approval for funding awards.
8. GHF announces awards.

## FUNDING PROCESS

1. The recipient and GHF staff sign a Loan Agreement that establishes the scope of the project, timetable, reporting requirements, affordability controls, disbursement of funds and the obligations of each party.
2. Recipients will also execute loan documents and affordability controls as appropriate for the specific project. These documents will be recorded in the county office of records.
3. Recipients are required to file periodic progress reports during project implementation.
4. Upon project completion, the recipient will file a final report and the Funding Agreement will be closed out.
5. The Recipient will continue to be bound by affordability control and loan documents.
6. GHF will monitor the project throughout the compliance period.

## UNDERWRITING

1. GHF has developed an expedited application review and funding process. However, GHF conscientiously underwrites projects and will expend funds only on projects that meet reasonable industry standards.
2. GHF will fund projects that are ready to proceed to construction once financing is committed. GHF will seek projects that have other funding in place or commitment letters. GHF will work with project sponsors regarding projects that are not awarded funds with the goal of making them competitive for future funding. Projects should be complete within 2 years.
3. GHF is interested in building the capacity of local affordable and workforce housing developers and will provide technical assistance to as great an extent as possible.

# APPLICATION REVIEW PROCESS

GHF will establish an Application Review Committee (“Committee”) comprised of board members, Community Works Loan Committee Members and other qualified individuals, e.g. lenders, community development professionals, builders.

1. At least two committee members will review each application in depth, conduct a site visit and speak to the principals.
2. The GHF Board of Directors will make the final decision to award or deny funds based on recommendations from the Committee and will be ratified by the CW Board.
3. The Committee will review and evaluate all applications according to the criteria below.

## THRESHOLD CRITERIA

Projects must meet the following threshold criteria to be considered for funding:

1. The proposed project activities and occupants are eligible.
2. The applicant must demonstrate control of the project site by holding title; by a sales contract or an option to purchase; by designation from the municipality as the developer.
3. All units financed by GHF meet the definitions outlined in the definition sections as “affordable or workforce housing” with a priority of households within the quintile 2 and 3.
4. The developer agrees to maintain the units as affordable for the period specified in the GHF Affordability Policy.
5. Construction complies with applicable building codes and sub codes, zoning, infrastructure in place, neighborhood support if applicable.
6. Other funding is in place and/or commitment pending.
7. Need is demonstrated for proposed units.
8. Without GHF funding, project units would not be built at all or a timely manner, i.e., within approximately one to 1 ½ years
9. Project is sufficiently developed to need funding during the current funding round. (Applications for premature projects can be resubmitted in next funding round.)

## APPLICATION REVIEW CRITERIA

Projects will be evaluated according to how well they meet these standards.

1. Project Feasibility:
  - a. The development budget thorough and in line with costs in similar projects. Proformas are reasonable to meet project objectives and populations served.
  - b. Project meets GHF underwriting standards.
  - c. Fees paid to the developer, contractor and professionals are reasonable and

within industry-accepted guidelines.

- d. Project incorporates cost-efficient measures, e.g., economy of scale, site acquisition at reduced cost, partnering with experienced developer
- e. Sales prices, i.e. the amount paid by the purchasers, or rent structure are affordable to eligible households.

2. Neighborhood:

- a. The neighborhood is appropriate for proposed project. For instance, the infrastructure is adequate (or there are firm plans to improve it); the location is accessible to transportation & services; existing housing in close proximity is similar in scale to proposed project; the neighborhood is not severely blighted.
- b. Project will have a positive impact on neighborhood and are in line with Neighborhood Master plans.

3. Ability of development entity to carry out the proposed project:

- a. The applicant has experience in housing production, housing management or providing services for the target population or has developed prior projects of similar scope proposed in this application.
- b. Key participants are qualified by experience and training. Members of the development team have completed similar projects on budget and on time.
- c. For rental properties, there is an experienced management entity.
- d. Developer has a stable financial position (demonstrated by timely audits or balance sheets) and has demonstrated adequate performance in past and current endeavors.
- e. All projects previously funded by GHF and/or CW were completed according to the specified schedule and within the proposed budget. Failure to produce well constructed housing and failure to draw down the majority of the outstanding GHF subsidy will eliminate the applicant from consideration for current funding.
- f. If the developer has an ongoing project, GHF will consider awarding funds only if it has satisfactorily determined that the developer has the capacity to initiate another development.

## FUNDING PRIORITIES

Projects that fulfill one or more of these priorities will be most competitive for funds

1. The project provides housing for households with very low incomes of median (Quintile 1).
2. The project houses a population under-served by the private market, for example, large households, households with incomes below 30 percent of median or a handicapped population.
3. The project proposes long-term affordability beyond the required minimum.
4. The project promotes efficient land use through infill in existing neighborhoods, reuse of abandoned buildings and/or rehabilitation of dilapidated, substandard structures.
5. The project incorporates features that minimize impact on the environment and enhance the health and safety of the residents, e.g., energy efficient, properly sized heating/cooling equipment; high efficiency windows; buildings sited to take advantage of solar orientation; use of recycled materials; non toxic finishes.
6. The project has committed funds to provide support services and programs that are appropriate for and accessible to residents, e.g. day care facilities, tutoring and after school programs.
7. The project serves a mixed-income population (market rate and affordable units). Higher percentage of affordable units within a market rate development is a priority.
8. If two or more projects are highly rated by the committee, projects that are ready to proceed with construction (all funding committed, environmental review satisfactory; zoning compliance, permits acquired) will take priority over projects that have a longer time frame.
9. The project is aligned with Greenville's Transportation plan goals.

# FUTURE PRODUCTS

The Greenville Housing Fund intends to evaluate and implement innovative products, programs and approaches that will help meet the organization's mission to support affordable and workforce housing opportunities. Products and program could include but not limited to the following:

- Land and/or acquisition/contribution
- Conventional debt
- Convertible debt
- Senior and/or subordinate debt
- Debt with equity features
- Debt with royalties
- Equity Investment
- Equity -Equivalent
- Equity-like feature
- Subordinate debt
- Warrants

# APPENDICES

APPENDIX 1- AFFORDABILITY CONTROLS

APPENDIX 2- LOAN AGREEMENT

APPENDIX 3 - RESTRICTIVE COVENANT AGREEMENT

APPENDIX 5 - MORTGAGE

APPENDIX 6 - PROMISSORY NOTE