

Program Goals, Policies, and Guidelines

Program Mission and Goals

The Mission and Goals of the Fund establish its overall purpose and operational parameters

Mission

The San Luis Obispo County Housing Trust Fund (the “Fund”) is a nonprofit loan fund that was created to increase the supply of affordable housing in San Luis Obispo County for very low, low and moderate income households, including households with special needs.

The Fund’s primary focus is to raise funds and provide short-term and bridge loans to help finance the creation, improvement, and preservation of affordable housing, and secondarily to provide public education and technical assistance directed at increasing the supply of affordable housing and minimizing the impediments to its development.

Goals

1. Increase financial resources available for affordable housing projects in the county.
2. Provide project loans to affordable housing project sponsors that conventional lenders cannot provide.
3. Provide project loans to a diverse range of affordable housing developments throughout the jurisdictions in the county so as to increase access by households in need.
4. Foster affordable housing development that achieve public environmental objectives and that minimizes lifecycle maintenance and repair costs to occupants and owners.
5. Collaborate with civic, business, and governmental leaders to adopt non-financial policies and incentives to increase the supply of affordable housing.
6. Provide technical assistance to advocates, builders, and governmental agencies to promote the development of affordable housing.

Program Policies

Eligible Borrowers

The Fund provides loans to developers and sponsors of affordable housing in San Luis Obispo County, regardless of their organizational structure or tax status. Individuals, partnerships, corporation and public agencies may borrow from the Fund either directly or in combination with each other. The Fund does not require that nonprofit corporations have tax-exempt 501(c)(3) status. The fund utilizes the definitions of affordable housing as described in the section on Program Technical Guidelines below, as calculated for San Luis Obispo County and its cities and as applicable to the anticipated first occupancy of the projects.

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Eligible Projects

The Fund provides loans for affordable housing projects that prevent the loss of existing long-term affordable housing, or expand the supply of new long term affordable housing, through one or more of the following development opportunities:

- Development and/or construction of new housing
- Conversion of non-residential structures to housing
- Preservation of existing affordable housing
- Acquisition of existing housing to preserve affordable housing or to create new affordable housing
- Rehabilitation of existing housing

Priority will be given to projects in which the participation of the SLOCHTF fulfills a financial need not readily available from other sources, and for projects that provide the maximum level of affordability possible within the overall financial and project guidelines in place at the time.

Eligible Activities

Fund loan proceeds may be used for a variety of purposes, including, but not limited to, the following:

- Acquisition of improved or unimproved sites
- Acquisition of residential or nonresidential buildings
- On-site and off-site improvements
- Construction, conversion or rehabilitation
- Project planning, pre-development, and related expenses, including purchase options, architectural, engineering, legal or professional services, filing fees, etc.
- Bridging various financing gaps

Other activities may be eligible if they are deemed appropriate and facilitate the creation of affordable housing.

Program Guidelines

Affordable Housing Definitions

The San Luis Obispo County Housing Trust Fund uses the income limits set by the US Department of Housing and Urban Development (HUD) and the California Department of Housing and Community Development (HCD) to define low and moderate income households. These income limits are used for most federal, state and local housing programs. They are also used for targeting affordable housing units in local housing elements. Under limited circumstances and in recognition of the region's nationally recognized high housing costs as compared to household income, ownership units defined as "workforce housing", serving

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households earning up to 160% of median income as defined by San Luis Obispo County, may be considered as affordable housing and be eligible for Fund use.

The information sheet describing our Income Limits is available online at www.sloctf.org/files/income-limits.pdf and is adjusted annually.

Duration of Affordability

The Fund places a strong priority on financing projects that provide permanently affordable housing units. Consideration will be given to units with affordability restrictions that expire at some future date, but they should remain affordable for the longest possible time.

Project Distribution

The Fund strives to make loans throughout San Luis Obispo County. The Fund seeks to distribute loans throughout the county in proportion to the population or housing needs of the various communities in the county and also to not concentrate lending in a limited number of areas of the county. The Fund also seeks to make loans for a combination of rental and ownership projects, including transitional housing. In addition, it is a goal of the fund to provide loans for housing that serves a combination of special needs, very low income, low income and moderate-income households. Specific project targets and criteria may be adopted by the Fund periodically in response to evolving housing challenges and needs that are identified and adopted by the governing body of the Fund.

Project Characteristics

The Fund will provide financing for units within projects that are composed of single-family homes, multifamily homes, group homes, or other forms of residential use as permitted in their jurisdiction. The Fund may be used for rental housing, fee simple ownership housing, condominium ownership housing, and cooperatives.

No minimum or maximum limit is placed on the number of affordable units within an overall project, but the level of funding for each unit shall be determined through an economic analysis of the project and the need for the units shall be determined through a policy analysis of the jurisdiction and the county.

In general, there is a preference for projects that contain at least one group home or two or more affordable units for very low, low or moderate income households or workforce housing in order to serve at least 5 or more individuals. However, exceptions will be made for small projects for which there is a demonstrated need.

At least 40% of the Fund's resources are committed for housing that serves low income households with special over the life of the Fund. In addition, some of the funds are limited to specific income low and very low-income groups by the stipulations of investors or grantors to the Fund. These restrictions may limit the Fund's ability to finance projects that only provide

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housing for moderate-income households or for workforce housing if non restricted funds are fully obligated.

Fund Use

The Fund primarily offers short-term loans (one to five years) and bridge loans to help finance the creation, improvement and preservation of affordable rental and ownership housing, including seasonal or transitional housing. The length of the loan is in part determined by the availability of resources at the Funds disposal and the shortage of governmental and conventional loan products to meet short term needs funds. Longer-term loans may be made under limited circumstances.

The Fund will finance affordable units within mixed-income and mixed-use projects, but will not finance projects that do not include affordable units unless they are provided as part of an off site linkage. The Fund requires that affordable units provided as part of a larger mixed income or mixed-use project must be completed within the same time frame of the overall project. The Fund does not provide financing for individual homebuyers or homeowners.

The Fund requires all project applicants to provide project development and operating budget and cost analyses that demonstrate a direct nexus between the provision of the SLOCHTF funds to their project, and the provision by the project sponsor of affordable housing units that would otherwise not be economically feasible without the use of the Fund.

Loan Parameters

The Fund receives investments from a variety of sources and the requirements of the Fund's investors influence the amount of funds that can be lent, and the terms and conditions of the loans. The Fund generally offers loans with terms of between one and five years. Longer loan terms may be considered on a case-by-case basis. The interest rates are based upon the cost of funds. Loans will include an interest rate adjustment if the investment that is used to fund the loan has a rate adjustment. The Fund can offer flexible repayment terms. Loans may be fully amortized or have balloon payments. Loans may have interest-only payments and may include provisions to finance an interest reserve to cover these payments. Borrowers will be required to pay some points and fees to cover costs associated with the loan review and loan transaction, and these are determined on a case by case basis.

The Fund seeks to provide attractive terms and conditions for borrowers, and to provide loans that assist projects at stages or in ways that may not be able to meet conventional lenders qualifications or timelines, if this can contribute to the attainment of affordable housing. While a thorough feasibility and risk analysis must be conducted prior to making a loan commitment, the Fund aims to be flexible with regard to a number of factors including loan timing, loan security instruments, loan position, loan-to-value ratio, and deferral or amortization of loan fees. Loan terms and conditions are determined in consultation between the administrators of the fund and the project sponsor and are tailored to the specifics of each project.

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Loan Size Limits

In order to serve the widest array of projects in the region and to be as efficient as possible in providing affordable housing units, and to also protect investors and users from unnecessary risk, the fund will generally limit the size of its loans using the following guidelines

1. **Maximum amount per unit:** The maximum amount will be determined through an economic analysis of the project to ascertain the necessary funding required to achieve housing affordability. Comparable projects will be used as one indicator, along with consideration of the unit size, affordability level, length of affordability, availability of other subsidies, and local or regional project costs.
2. **Maximum amount per Project:** No more than approximately 30% of the total loan funds available to the Fund at the time of initial commitment shall be committed to one project
3. **Maximum per Borrower:** No more than approximately 50% of the total loan funds available to the Fund shall be committed to any single sponsoring entity or their affiliates
4. **Minimum project size:** The fund will consider any size project, if the project meets a demonstrated affordable housing need, and the amount of funding is commensurate with the number of affordable housing units provided and the duration of the affordability.

Exceptions to these guidelines may be made if it is determined that the goals of the fund to serve diverse user and constituent needs, while minimizing losses, are protected or enhanced by the proposed exceptions.

Loan Collateral

The Fund generally requires that its loans be secured by real estate, and that the loan does not exceed 100% of the appraised or otherwise established value of the secured property. In recognition that Fund borrowers often utilize multiple sources of government and private funds with priority lien requirements, the Fund will generally accept a junior or subordinate lien position. The Fund does not require that the property offered as collateral for a loan is the same property as the project being financed. Exceptions to our collateral requirements may be considered on a case-by-case basis.

Evaluation Criteria and Process

The Fund's application review and loan approval process will evaluate various factors, including, but not limited to, the project's financial feasibility; the qualifications and experience of the development team; the extent to which the project is ready to proceed; the number, depth and term of affordability; and the cost-effectiveness and impact of Fund financing.

Usually the Fund will be one of a number of sources of funds utilized by Borrowers for projects, and materials submitted for other loan commitments may be utilized in the review process. At a minimum, a purchase contract or deed, current appraisal, borrower financial statements, and project budget showing sources and uses through the first three years of occupancy, will be required to commence an initial loan review. Potential Borrowers are advised to read the

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“Instructions for Applicants” and “Loan Review Process and Underwriting Criteria” for greater detail on the requirements and process.

Loan applications are reviewed by the administrative staff of the Fund, and once complete must be submitted with staff recommendations to our Loan Committee (the SLOCHTF Commission) and then to the SLOCHTF Board of Directors for formal approval. The Fund provides detailed information for the public and potential borrowers about the availability of funds and the application submittal and review process.

- Notice of Funds Available
- Instructions to Applicants
- Loan Review Process
- Income Limit
- Households with Special Needs

These technical documents are available by hard copy or on the Fund website at “Information for Borrowers” or www.sloctf.org/loans.htm.

Other Considerations

The Fund supports and encourages projects that exceed the minimum standards for accessibility, energy efficiency and sustainability. Consequently, the application review and loan approval process will take into consideration whether a proposed project incorporates universal design, energy efficiency, green building and smart growth features.

Periodic Review of Program Guidelines and Technical Documents

The Fund will conduct an annual review of projects and overall operations, and an assessment of future affordable housing needs, which may lead to occasional modifications to the Program Guidelines and the Technical Documents. Projects initiated during one set of guidelines will not be subject to changes in the guidelines, and the Fund will provide ample notice to the communities it serves, and the constituencies it draws funding from and provides loans to, in changing these guidelines.

Additional Information

Documents used by borrowers are located on the Fund website, www.sloctf.org, under the heading “Information for Borrowers.” Additional information about SLOCHTF is available online at www.sloctf.org or can be obtained by contacting:

Jerry Rioux, Executive Director
San Luis Obispo County Housing Trust Fund
4111 Broad Street, Suite A-6, San Luis Obispo, CA 93401
phone: (805) 543-5970
fax: (805) 543-5972
e-mail: jerry@sloctf.org