

HOUSING TRUST SILICON VALLEY



Supportive Housing Fund (SHF)

Program Guidelines

10/1/2017

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Section 1 -- Introduction

1.1 -- Background. HTSV will administer the Supportive Housing Fund (the "SHF") for \$16.9 million from the County with matched funds from Housing Trust Silicon Valley ("HTSV") of \$5 million. HTSV has agreed to contribute matching funds for SHF with its own resources, which will not include any funds from local government.

The goal of the SHF is to reduce homelessness by creating permanent housing with supportive services for extremely low-income individuals and families and those with special needs.

In June 2015, the County Board of Supervisors approved \$5 million in lending capital ("County Contribution") to a revolving Supportive Housing Fund ("SHF") to make predevelopment loans for the creation and preservation of permanent housing with supportive services for extremely low-income individuals and families and those with special needs.

On June 9, 2015, the County Board of Supervisors entered into an MOU with Housing Trust Silicon Valley, a nonprofit entity, to administer SHF to make loans to qualified developers.

On April 11, 2017 the County Board of Supervisors entered into an amended MOU with Housing Trust Silicon Valley, to augment the County's Contribution by \$11.9 million to make predevelopment loans in accordance with the 2016 Measure A Affordable Housing Bond which authorizes the County to provide affordable housing for vulnerable populations including veterans, seniors, the disabled, low and moderate income individuals or families, foster youth, victims of abuse, the homeless and individuals suffering from mental health or substance abuse illness.

Loan repayments will revolve back into the SHF to make new loans.

1.2 – Purpose. The use of the SHF for the purposes intended herein will serve a County public benefit by creating permanent supportive housing units in Santa Clara County.

1.3 – Authority. The SHF was established pursuant to the Memorandum of Understanding By and Between the County of Santa Clara and Housing Trust Silicon Valley approved June 9, 2015 and amended on April 11, 2017.

Section 2 – Eligibility Requirements

2.1 – Eligible Projects: Those projects conforming to the County's Measure A NOFA.

-- Eligible Borrowers: Nonprofit organizations, limited partnerships and single asset entities with nonprofit sponsors or mission aligned for-profit entities. Borrowers should have an established track record developing and operating supportive housing and affordable housing of the same type, size, and complexity as the proposed project. Borrowers without such a track record may be eligible for financing if in partnership with an experienced development consultant.

Borrowers must be in good standing with Housing Trust Silicon Valley and the County of Santa Clara, and

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demonstrate the financial strength to carry out the project through predevelopment, acquisition, construction, lease-up, and compliance periods.

2.2 – Eligible Uses. Under the SHF, funds may be used for acquiring property, predevelopment costs, and construction.

Section 3 –Terms

3.1 – Loan Types: SHF will primarily fund predevelopment and acquisition. Other types of loans may be considered on a case-by-case basis, including construction, rehabilitation or bridge financing.

3.2 Maximum Loan Amount. 1) \$8,000,000 secured by real estate; 2) \$800,000 secured by corporate guaranty.

- a) Projects with 50% or more Eligible Units may be funded up to 100% of the Maximum Loan Amount.
- b) Projects with less than 50% Eligible Units may be funded up to 50% of the Maximum Loan Amount with balance of loan from other sources.

Exceptions may be approved by the SHF Loan Committee.

3.3 -- Terms. Maximum 3 year. Exceptions may be approved by the SHF Loan Committee.

3.4 – Interest Rate. Interest will accrue at a rate of 0.00% to 2.00%.

3.5 – Interest Holdback. Interest holdbacks will be required for any loan bearing interest and can be paid out of loan proceeds.

3.6 – Loan Repayment: Generally, full repayment will be required at the close of either; a) public sector financing for land purchase, b) construction loan closing, or c) in the case of construction financing, at permanent financing. In some cases, the term of a predevelopment or acquisition loan may be allowed to extend until the close of permanent loan closing.

3.7 –Loan to Value Ratios. For acquisition, up to 100% loan to value on the property. For construction or rehab loans, 85% loan to value on the property.

At the discretion of HTSV, a Fair Market Valuation or appraised value may be required. The cost of either valuation will be the responsibility of the applicant.

3.8 – Loan Fees -- HTSV shall charge an origination fee to the borrower of 2% of the loan amount for loans up to \$2,000,000.00 and 1.5% of the loan amount for loans greater than \$2,000,000.00. Loan Fees shall be paid from loan proceeds.

Applications must come with a \$2,500 non-refundable application fee, to be applied to the origination fee at loan closing.

Commitment letters must be returned with a \$2,500 non-refundable commitment fee, to be applied to

All out-of-pocket expenses incurred by HTSV for items such as appraisals, legal expenses, policies of title insurance, recording/filing fees and the like, shall be paid by the borrower and may be financed with the

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3.9 – Security. For real estate secured loans, compliance with these requirement shall be enforced by a loan agreement, promissory note secured by a first deed of trust, and use restrictions on the subject property.

Non---real estate secured loans shall be secured by UCC financing statement against borrower’s assets and/or corporate or personal guarantee(s) and an unsecured promissory note and use agreement.

3.10 – Guarantee Borrowers must provide acceptable guarantees of repayment.

3.11 – Affordability and Use Restrictions: For real estate secured loans, a use restriction will be recorded on the subject property for the term of the loan. Use restrictions released upon repayment provided that the use of the property conforms with the use designed at the time of loan closing. Any changes to a project that will result in fewer Eligible Units than expected may be subject to a Noncompliance Penalty, see Section 3.12.

For non---real estate secured loans, an unrecorded use restriction will be executed. Any changes to a project that will result in fewer Eligible Units than expected may be subject to a Noncompliance Penalty, see Section 3.12

3.12 – Noncompliance Penalty: Changes to a project that result in the delivery of fewer Eligible Units than specified in the Affordability and Use Restrictions will be required to repay the SHF loan at an interest rate of 6.0% per year (Penalty Interest Rate) in proportion to the reduction of Eligible Units. For example, if the Affordability and Use Restriction is for the creation of 10 Eligible Units but the project produces only 5 Eligible Units, 50% of the SHF Loan would be subject to the Penalty Interest Rate. If that was a \$500,000 loan that had been out for 18 months, the Noncompliance Penalty would be 50% of the SHF loan amount x Penalty Interest for the loan term or $\$250,000 \times (6.0\%/12) \times 18 \text{ months} = \$22,500$ in interest.

Projects that have to decrease their total unit count will not be subject to the Noncompliance Penalty so long as the proportion of Eligible Units to the total project does not change. For example, a project with 100 units that identified 20 Eligible Units that reduces to 90 units with 18 Eligible Units.

3.13 – Exceptions: Exceptions may be approved by the SHF Loan Committee.

Section 4 – Application and Approval Process

4.1 – Application. HTSV will process and review applications according to its existing Multifamily Loan Program (MFLP) Policies and Procedures. Applications will be reviewed and processed over the counter.

4.2 – Underwriting: HTSV will underwrite according to their MFLP Policies and Procedures and the criteria in these Program Guidelines and prepare the underwriting analysis for presentation to the SHF Loan Committee.

4.3 – SHF Loan Committee: Loan Committee will be comprised of at least five persons with knowledge or expertise capable of determining the best applicants under the Program. The Office of the County Executive or the Office of Supportive Housing will designate two SHF Loan Committee Members

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("County Representatives") and the remaining members will be identified by HTSV. At least four members shall constitute a quorum and be required for the SHF Loan Committee to transact business, provided that at least one of a quorum shall be a County Representative.

4.4 – Funding Recommendations. HTSV will coordinate Loan Committee meetings. The underwriting analysis will be distributed to the Loan Committee three business days before the scheduled meeting. The SHF Loan Committee will approve or deny the request, or send it back to staff for clarification of issues. All loans shall be approved by either (a) majority vote of a quorum of the SHF Loan Committee, or (b) at HTSV's discretion, the written consent of at least four members of the SHF Loan Committee, provided that at least one of the written votes is from a County Representative.

HTSV staff will inform the borrower of the decision. HTSV will be responsible for the meeting minutes.

4.5 – Funding Preference. The County and HTSV intend to use the SHF is to create housing opportunities for the homeless, chronically homeless and those with special needs. In the event that the SHF is oversubscribed, proposals with the highest percentage of Eligible Units relative to total units in the Eligible Project and/or proposals with the highest number of Eligible Units created will be given preference. Further, the SHF Loan Committee may deny approval of any project if they determine that it does not meet the intent of the SHF.

4.05 – Changes to Approved Loans: Decisions regarding changes to the terms and conditions of approved Loans may be made by the HTSV staff if such changes represent an increase no greater than 10% to the principal amount of the SHF loan; a decrease of 20% to the interest rate; or an increase of less than 6 months to the term. For such changes exceeding those limits delineated above, HTSV staff shall obtain the e-mail approval of at least four (4) Loan Committee members provided that at least one of the e-mail votes is from a County Representative

Section 5 General Responsibilities

5.1 – Prevailing Wage Requirement. Borrowers must adhere to the County of Santa Clara Prevailing Wage Requirements as outlined in Chapter 7 – Other Program Requirements, 7.01 – County of Santa Clara Prevailing Wage Requirements.

5.2 -- Acquisition. Properties acquired with these funds must be acquired with a valid grant deed, free and clear of all encumbrances. Purchases with any other form of deed or with any lien, deed restriction, land lease or other encumbrance must be approved by HTSV. Funds will be disbursed through escrow.

Section 6 – Reporting Requirements

6.1 – Reporting Requirements. These Reporting Requirements are designed to comply with County of Santa Clara reporting provisions. Therefore, the reporting form and timing requirements for the SHF funds are:

- A. Submit a narrative annual performance report by July 15th, representing service performance and number of units created or preserved during the prior fiscal year (July 1 to June 30). Reports at a minimum shall include client demographic information, as available, service provided and outcomes.

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B. A report showing the amount of funds expended and the status of any project required or authorized to be funded with sufficient detail that is needed for the compliance of an annual report pursuant to Government Code section 53411 and to ensure compliance with Measure A, including but not limited to Measure A's accountability safeguards.

Section 7 – Other Program Requirements

7.1 – County of Santa Clara Prevailing Wage Requirements. Borrowers must comply with the County of Santa Clara Prevailing Wage Requirements. Except for projects of \$1,000 or less, Vendors who perform building construction, alteration, demolition or repair must pay all workers on County--funded projects the prevailing wage pursuant to the California Labor Code, sections 1770 through 1777.7. A copy of the prevailing wage rate determination is issued by and available through the California Department of Industrial Relations at <http://www.dir.ca.gov/oprl/DPreWageDetermination.htm> and the U. S. Department of Labor at <http://www.wdol.gov/dba.aspx>.

7.2 – Non---Discrimination. Recipient shall comply with all applicable Federal, State and local laws and regulations, including Santa Clara County's policies concerning nondiscrimination and equal opportunity in contracting. Such laws include but are not limited to the following: Title VII of the Civil Rights Act of 1964 as amended; Americans with Disabilities Act of 1990; The Rehabilitation Act of 1973 (Sections 503 and 504); California Fair Employment and Housing Act (Government Code sections 12900 et seq.); California Labor Code sections 1101, 1102, and 1102.1. Recipients shall not discriminate against any subcontractor, employee, or applicant for employment because of age, race, color, national origin, ancestry, religion, sex/gender, sexual orientation, mental disability, physical disability, medical condition, political beliefs, organizational affiliations, or marital status in the recruitment, selection for training including apprenticeship, hiring, employment, utilization, promotion, layoff, rates of pay or other forms of compensation. Nor shall Recipient discriminate in provision of services provided under this contract because of age, race, color, national origin, ancestry, religion, sex/gender, sexual orientation, mental disability, physical disability, medical condition, political beliefs, organizational affiliations, or marital status.

7.3 – No---Smoking Policy. Recipient and its employees, agents, sub---contractors and consultants, shall comply with the County of Santa Clara's No---Smoking Policy under Chapter 5 of Division B13 of the Municipal Code at <https://library.municode.com/index.aspx?clientId=13790>.

7.4 – Nutrition Standards. Recipient shall comply with the County of Santa Clara Nutrition Standards

7.5 based on the United States Department of Agriculture (USDA) *Dietary Guidelines for Americans 2010* , when County funds used to purchase beverages and food.

County of Santa Clara Nutrition Standards can be found at http://www.sccgov.org/sites/planning/PlansPrograms/GeneralPlan/Health/Documents/NUTRITION_STANDARDS_2012.pdf.

USDA Dietary Guidelines can be found at <http://www.health.gov/dietaryguidelines/dga201/DietaryGuidelines2010.pdf>.

7.6 – Other Principles. Recipient warrants and agrees that Recipient shall be fiscally responsible during
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the Term of the Agreement and shall treat their employees fairly. To ensure compliance with these principles, Recipient represents warrants and agrees that it shall: (1) comply with all applicable federal, State, and local rules, regulations and laws; (2) maintain financial records, and make those records available upon request. Recipient further represents, warrants and agrees that Recipient will: (1) provide annually to HTSV, approved audited financial statements within 150 days from the end of the fiscal year; (2) provide updated or revised service plans, as applicable; and (3) upon HTSV's request, provide HTSV reasonable access to facilities, financial and employee records that are related to the purpose of the SHF loan, except where prohibited by federal or state laws, regulations or rules.