



**Housing Trust Fund: Competitive Loan Pool
Program Guidelines
2015-2016**

Purpose

The Virginia Housing Trust Fund Competitive Loan Pool goals are to create and preserve affordable housing units within the Commonwealth of Virginia. The program achieves these goals by providing assistance in the form of financing to projects that will meet local affordable housing needs and support state housing policy.

This document is intended to provide guidance only. For more detailed information and for questions outside the scope of the guidelines please contact DHCD:

Virginia's Housing Trust Fund Competitive Loan Pool Staff Contact			
Chris Thompson	Deputy Director	chris.thompson@dhcd.virginia.gov	(804) 371-7031

Background

The Competitive Loan Pool is funded through Virginia's Housing Trust Fund. The Trust Fund was created with an allocation of \$8,000,000 in the 2013 – 2014 biennium budget. An additional \$8,000,000 (\$4,000,000 in the first year and \$4,000,000 in the second year) was allocated in the 2015 – 2016 biennium budget.

Up to 20 percent of the Housing Trust Fund may be used to provide grants for targeted efforts to reduce homelessness. At least 80 percent of the Housing Trust Fund is to be used for short, medium and long-term loans to reduce the cost of homeownership and rental housing.

Funding made available for 2015 – 2016 through the Virginia's Housing Trust Fund will be allocated through three competitive programs. The Competitive Loan Pool, which will allocate approximately \$5.5 million, is one of the three Housing Trust Fund programs.

Virginia Housing Trust Fund 2015 & 2016	
Program	Amount
Competitive Loan Pool	\$5,523,892
Comprehensive Neighborhood Revitalization (Loan) Pilot	\$1,500,000
Homeless Reduction Grant	\$1,000,000
Administration	\$160,000
Total	\$8,183,892

Application Process

Approximately \$5.5 million dollars of the Housing Trust Fund allocation will be made available for the 2015 – 2016 program years to assist affordable housing projects selected through the Competitive Loan Pool program.

Applications will be accepted on or before September 3, 2015. All applications for funding must be submitted to DHCD through the online application and project management system called [CAMS](#) (Centralized Application and Management System). Please allow for up to two business days for responses to any CAMS help desk request. Applications must be submitted in CAMS on or before **11:59 PM, September 3, 2015**.

All applications received by the deadline will be reviewed against established criteria to identify those projects best positioned to meet priority housing needs within Virginia. Applicants have the opportunity to receive a debriefing on unsuccessful applications.

Please note that DHCD technical assistance is limited to normal business hours.

Applications must meet minimum requirements including scoring at least 60 points in order to be considered for funding. Scoring criteria are as follows:

Scoring Criteria	
Alignment with state housing policy priorities	15.0
Leveraging	10.0
Affordability	12.5
Financial sustainability	10.0
Impact on local housing needs	12.0
Feasibility	10.0
Readiness	12.0
Access and to /or Coordination of community services	8.5
Capacity	10.0
Total	100.0

Applications will be reviewed and scored by a panel. Offers will be extended to those applications scoring at least 60 points based on availability of funds. Any remaining balance of funds will be allocated through a subsequent application process. Applicants not receiving a funding offer through the initial round of applications may receive a debriefing on their application and may reapply in a subsequent round of applications (if applicable).

Alignment

Projects designed to address state policy priorities will be given scoring preference. These priorities include initiatives that:

- Reduce the cost of homeownership
- Reduce the costs of rental housing targeted at very low-income households
- Expand permanent housing for households experiencing homelessness
- Provide supportive housing options for persons with disabilities
- Assure integrated community housing for persons with disabilities that aid the state’s response to the Department of Justice Settlement

Leveraging

Applicants are encouraged to leverage other resources such as tax credits, program income derived from the Neighborhood Stabilization Program, other federal, state, and local housing programs, and foundations. Applications will receive scoring preference based on the degree to which other funding resources are leveraged. Applicants must provide documentation of the leveraged resources and clearly state the relative status of each resource.

Affordability

Proposed projects will receive scoring preference based on income targeting. Please note, that mixed-income projects are acceptable, however there must be a clear indication of the income targeting and demonstration that Housing Trust Fund resources are targeted for

affordable housing components. Proposed projects will be scored based on the degree to which units will be made available to low, very low, and extremely low-income households (based on area median income as defined by HUD).

Financial Sustainability

Projects will be evaluated on their long-term ability to be maintained and operated during the compliance period. Rental projects will submit project financial documentation including a pro-forma. Homeownership projects must demonstrate that homes are constructed and priced appropriately to the intended market. For example, the evaluation will include an assessment of cost reasonableness, availability of maintenance reserves, vacancy projections, and rent subsidy sources.

Impact on Local Need

A proposed project will be scored based on the degree to which it is designed to meet an unmet local need. Market studies and local data that demonstrate the gap and demand should be provided as a means to demonstrate the impact the project will have on local housing needs. Applicants should detail the level of local outreach conducted to maximize stakeholder input and local awareness. Project alignment with local priorities and which support regional initiatives will receive higher consideration.

Feasibility

Proposed projects are scored based on overall feasibility. This assessment includes a review of potential impediments and asks to what degree the project is free of potential impediments.

Readiness

The Housing Trust Fund is a valuable and limited resource. The selection process is designed to select those projects that otherwise are best positioned to move forward in a timely manner. This includes but is not limited to addressing zoning and regulatory barriers, partner identification and commitment of other financing. Please note that projects selected for funding must be under contract with DHCD within 12 months of award notification. A detailed project timeline is required. Please note, contract terms are for a two-year period at which time projects are expected to be completed. DHCD may grant contract extensions on a case by case basis. Funding not under contract within the allowable timeframe will be reallocated either to projects scoring at least 60 points but not funded through the initial round or through a subsequent round of applications. DHCD reserves the right to grant extensions to the 12 month deadline on a case by case basis. Extension requests must be submitted to DHCD in writing prior to the deadline.

Access to and/ or Coordination of Community Services

The review process will assess projects based on the degree to which they will provide access to community based services. This includes support services where appropriate, proximity to transportation, schools, job centers, healthcare, and other important necessities, and opportunities for the target population. Projects providing direct coordination must identify the level and type of services, service provider, and expected benefits.

Capacity

The entire project team capacity will be an essential evaluation factor. Development team experience developing similar projects and overall financial capacity, along with the

commitment and experience of any other necessary partners will be evaluated and considered in the selection of project for the Competitive Loan Pool.

Please note, DHCD is available for technical assistance and can be contacted prior to applying for advice regarding projects overall and specifically on any potential impediments.

Award Notification and Contracts

Project applications selected through the Competitive Loan Pool application process will receive notification in writing that their project has been selected for underwriting. Contracts and terms will be determined and issued based on underwriting. Please note that additional information may be required for underwriting purposes. Applicant awards are tentative pending underwriting and contracts. Applicants are expected to respond in a timely manner to all information requests. Contracts must be executed within 12 months of notification. Any funding not under contract within 12 months may be reallocated to other projects scoring at least 60 points but not funded within the initial round of applications or through a subsequent round of applications. Please note that extension to the 12 month deadline may be granted on a case to case basis. Extensions request must be submitted to DHCD in writing prior to the deadline.

Pre-contract or Pre-construction Conference

DHCD reserves the right to hold pre-contract and/or pre-construction meetings as needed with the applicant, development team, and/or project partners.

Loan Commitment

An executed contract must be in effect in order to receive a formal loan commitment. Loan commitments expire after 12 months. Please note that extension to the 12 month deadline may be granted on a case to case basis. Extension requests must be submitted to DHCD in writing prior to the deadline.

Additional information on the Competitive Loan Pool application process can be found in the **Application Instructions** and at the How to Apply Workshop.

Eligible Applicants

Eligible applicants are local governments, local housing and redevelopment authorities, regional or statewide organizations providing housing/homeless assistance or services to Virginia citizens and holding companies / limited liability corporations created for owning and operating affordable housing. Eligible organizations may contract with other parties to assist in providing the housing or other resources required to satisfy the condition of the loan product.

Please note, the preferable applicant is the primary partner in the LLC, development team, or the individual organization that will have the ongoing responsibility for the project.

Applicants, the organization that submits application, must have a registered CAMS profile in order to apply. Please note, that the applications should be submitted by the primary partner in the project. The applicant is the entity responsible for long-term operations and compliance. Please note that contracts and loan commitment may be, as needed, in the name of the project legal entity or LLC. Please contact DHCD if you have any questions.

DHCD will not enter into program contracts with any applicant with outstanding audit findings, IRS findings, DHCD monitoring findings or other compliance issues. Please note that DHCD will work with all interested parties toward the resolution of unresolved matters, where appropriate.

DHCD must verify project partner capacity and roles when evaluating applications and project feasibility. Applicants must be able to clearly articulate the relationship between all partners involved in the development, ownership, and property management of a project.

Type of Assistance

Assistance to selected projects will be in the form of low-cost loans. The loan terms will be determined during underwriting. Assistance or loan amount per project is capped at \$750,000.

Affordability Period

Any time funds are committed to a project it results in a mandatory **affordability period** on the property. This is the period of time that the unit or units must be maintained as affordable according to the agreement/contract with DHCD. This affordability period is enforced through a restrictive covenant deed on the property.

Affordability Requirements	
Project Type	Length of Affordability/Compliance Period
Homebuyer	5 years
Rental	20 years

Long-Term Compliance (Rental Projects)

The income and rent limits will be determined during underwriting and will be specified in the contract. The project must maintain property standards and income/rents limits throughout the entire affordability period.

Rental projects must remain in service as originally agreed to and must meet program rent, occupancy, and property standards and other applicable requirements for the duration of the affordability period in accordance with the contract. Failure to meet compliance terms during the affordability period will trigger immediate repayment of the loan.

DHCD may grant changes to the long-term compliance terms on a case by case basis.

Long-Term Compliance (Homebuyer Projects)

Assistance provided to homebuyer units results in a five-year affordability period secured by a Restricted Deed of Covenant in the amount of the assistance. The assistance is forgiven at a rate of 1/5 per year for five years. In the case of sale, refinance (see exception below), foreclosure or failure to maintain as primary residency prior to the end of the affordability period DHCD will recapture any balance of assistance out of the net proceeds of the sale. In these cases the required amount returned is due and payable in full to DHCD to the Treasurer of Virginia. The assistance may not be subordinated to refinancing of the first lien

position primary mortgage or an equity loan or line of credit during the period of affordability except under special hardship conditions at DHCD's discretion.

Eligible Projects

Eligible projects are located within Virginia and produce or preserve affordable housing units for low/moderate income homeowners or low-income renters. Projects must be under common ownership, management, and financing. Selected projects will always be assisted with the minimum amount of assistance needed.

A project must be either a rental project or a homebuyer project targeting units at or below 80 percent area median income (AMI). In either case these projects must have units that target income eligible households. Please note that project applications designed to provide a greater proportion of lower income targeting will be given scoring preference on the *need* criteria.

New construction, rehabilitation, acquisition-only (rental) projects are eligible. In either case, construction and property standards (DHCD's [*Minimum Design, Construction, and Rehab Requirements*](#)) must be met to assure that no further investment is required during the 20 year affordability period.

Eligible property types include multi-unit structures, single family, condominium units, two- to-four unit structures, and manufactured homes.

All assisted projects should be located where possible in areas that decrease the overall concentration of poverty and minorities and provide safe environments and access to community services.

Development costs are limited to the costs associated with the affordable housing units and must exclude ineligible costs such as community buildings, market rate units, and retail space. Mixed income and multiple-use projects are eligible; however these projects must contain affordable units that will meet income and rent or sales value requirements.

Scattered site projects are allowable, but all projects must be under common ownership, and management.

Projects may also include units structured as Single Room Occupancy (SRO) units. These are single-room dwellings that are the primary residence of its occupant or occupants. The unit must contain food preparation and/or sanitary facilities. If the unit does not contain food preparation or sanitary facilities, then the building must contain and provide access to these.

Projects may include one or more units of supportive housing, permanent supportive housing, housing targeting formerly homeless, formerly homeless or disabled veterans, disabled households, or elderly individuals. Please note that compliance with fair housing always applies, tenants must have a lease in their name, and participation in services may not be required. Also note that project applications are evaluated based, in part, on the need the project seeks to address.

Special Needs

Special needs households include at least one individual with a disability (physical, sensory, mental, developmental, or intellectual). The targeting of special needs must be reflected in the tenant selection plan for rental projects.

Please note that DHCD wishes to promote the development of units targeted to meeting the needs of special needs households by both giving scoring preferences to projects that exceed minimum accessibility requirements and those that target units specifically to special needs households. Although DHCD gives scoring preference for targeted special needs housing, applications identifying mixed or integrated affordable housing projects are encouraged.

Projects that will target available units to help the state meet goals specific to the Department of Justice Settlement will be given preference. The settlement is to provide integrated community-based housing options to individuals with intellectual and development disabilities.

Projects including Green Building standards are encouraged. Scoring preference will be given to projects that will be Earthcraft or LEED certified.

The Fair Housing Act prohibits discrimination in the sale or rental of housing based on race, color, religion, sex, national origin, handicap or familial status. This prohibition applies to all projects assisted with through this program. Project that discriminate or are structured to discriminate are ineligible.

Lead Safe Housing policies apply to these projects. Please note that some projects may be exempt. For all other projects appropriate measures must be taken to assure that:

- Rehabilitation or demolition activities meet lead safe requirements;
- Development costs include associated costs;
- Homebuyers or tenants will receive notification (if applicable);
- Operating costs include ongoing associated maintenance costs for rental projects; and
- Records are maintained to document all measures taking.

Where development activity will result in the permanent or temporary dislocation of households, businesses, farms and nonprofit organizations, ample notice of the intent should be provided. As appropriate, relocation assistance should be provided to minimize the impact of the dislocation.

To the extent feasible projects should seek to procure contracts with Virginia-based business and/or minority and/or women-owned businesses.

CAMS Requirements

Each developer/project sponsor is required to meet project management and reporting requirements in CAMS. This is DHCD's Centralized Application and Management System. Applications for funding must be received in CAMS. Once a project is selected the project developer/sponsor will be required to submit project documentation to include, for example, quarterly progress reports. Please note, that it is the responsibility of the project

developer/sponsor to login to CAMS on a regular basis. CAMS will be the record for any project funded through the program. Award notifications, contracts, inspections reports, and other project documentation will all be maintained in CAMS.

Ineligible Costs

The following are ineligible costs:

- Any investments not resulting in eligible affordable housing units
- Project-based rental assistance
- Support services
- Delinquent taxes, fees, charges
- Costs deemed unreasonable based on cost reasonableness principles and costs for housing not considered modest by neighborhood standards.

Income Eligibility

Housing units will be limited to income eligible households based on Area Median Incomes (AMI). Income calculations must be based on HUD's Section 8 income eligibility standard.

All assisted homebuyer units must be at or below 80 percent AMI at the time that program eligibility is determined. Eligibility determination expires after six months. If closing does not occur during the six month timeframe, then income eligibility must be re-established.

All assisted rental units must be at or below 60 percent AMI at initial occupancy.

In both cases (homebuyer and rental) applications and proposed projects will be scored relative to their income targeting and the degree to which they are affordable to those at lower income levels. Affordable is defined as paying no more than 30 percent of household income on housing costs (includes utilities).

Accessibility

Projects must, to the greatest extent possible, provide accessible units. Projects are encouraged to provide universal design units and units designed to meet the needs of individuals with physical and/or sensory disabilities. Please note, scoring preferences relative to accessibility will be provided in scoring.

Green-Building

Projects should, to the greatest extent possible, leverage green-building approaches. Please note, scoring preferences relative to green-building will be provided in scoring.