

Creating Access to Capital & Credit To Low-Income Communities Across Colorado

Contact Funding Partners for more information today!
Joe Rowan
Executive Director
joe@fundingpartners.org
970-494-2021

FUNDING PARTNERS

Issue 2013



330 S. College Ave., Suite 400
Fort Collins, CO 80524
970-494-2021 ph
970-494-2022 fax
www.fundingpartners.org



ISSUE

2013

FP

Program Highlights

Acquisition, creation and preservation financing to very low to moderate-income housing projects.

Gap financing available to non-profit and public housing agencies, as well as for-profit developers.

Pre-development and mezzanine debt placements.

Secured, unsecured, single-advance, revolving and draw terms available.

Rental and For-Sale projects accepted.

Mixed-income, mixed-use projects accepted.

Timely underwriting with emphasis on local needs and conditions.

Compliments other FP programs and third-party services.

Available throughout Colorado!



MAHLF

- What is the Definition of Affordable P.1
- Affordable Project? Loan Structure P.2
- Sample projects P.3
- Resources & Loan Committee P.4
- Application Process P.5
- Contact Information P.6

What is the Definition of 'Affordable'?

FP recognizes that the term 'affordable' can be defined very differently, based upon the geographic market and socio-economic population represented. Generally, housing is considered affordable when no more than 30% of gross monthly income is expended to rent a unit, or 38% of income to own a unit (PITI). Utilities, maintenance and other consumer obligations are not considered.

FP intends to serve households at, or below, 80% of Area Median Income (AMI), which is published annually by HUD for each county in the country.

The raw number is factored to determine the median based upon to the number of occupants the unit is designed to accommodate. For that purpose, each legal bedroom represents 1.5 occupants, rounded up. Studio apartments are considered single-occupancy.

Proposed rent for each unit configuration is compared to the median income, adjusted for the corresponding household size, to determine the income level served by the project and number of units at each level. Rents priced above 60% of AMI are considered 'market rate' in most

geographic markets and may not be considered 'affordable' under program guidelines. For sale housing is considered 'affordable' where the debt service - using a 30-year amortization schedule and projected interest rate, plus taxes, insurances, and HOA fees - results in a housing payment that falls at or below 38% of monthly income for the number of unit occupants.

The projected debt service may be reduced to the point of affordability using subordinate financing or other methods of deferring or mitigating expense to the potential home buyer.

Three questions define the MAHLF underwriting process:

“Will the proposed project address the needs of the local market?”

“Has the applicant assembled a team capable of delivering a quality project?”

“Is there strong evidence of loan performance?”

More than just a financial institution, FP has the ability to bring other resources to a project that can help resolve all three questions!

What Qualifies as an Affordable Project?

Any entity that proposes to develop, rehabilitate, acquire or otherwise preserve housing units that fall within the definition described previously is eligible to apply for funding under the MAHLF program. All loan requests undergo the same level of scrutiny and feasibility determination regardless of whether the applicant is a non-profit, public agency or private interest.

In determining whether a proposed project is eligible under the program, FP will consider the conditions of the local market served by the project, demonstrated need for the number of units proposed, as well as the housing type and bedroom configuration of the proposed units. In other words, FP attempts to determine whether the applicant has adequately assessed market demand for the proposed project and whether the end product addresses that demand.

While factors to determine whether a project is ‘affordable’ may be quite subjective, there are certain tests which will help indicate whether a project is attractive to FP.

- Will the project serve the needs of the local community or simply lower the housing cost component to households that work, shop & attend school elsewhere?

Projects that serve the needs of the local community or market area are preferred over those which promote commuting.

- Are the number of units designated to lower income households in adequate proportion to the total number of units in the project?

Certain markets may not be conducive to 100% affordability within a project, though the level of funding requested should be in line with the ratio of affordable units.

- Does the project provide long-term affordability?

A project is not required to demonstrate affordability for a set period of time through covenants, deed restrictions or other methods, though funding priority is given to those projects designed to extend lower costs beyond the initial occupant or buyer.

- Does the project enhance quality of life among lower income populations?

Beyond the cost component, a project should demonstrate value to the resident; a safe, decent environment; appropriate living space; and, access to consumer and other services that target residents.

- Is the applicant committed to delivering a quality project?

The reputation of FP is just as important as the integrity of the project itself.

Loan Structure and Terms

The MAHLF program is designed to be highly adaptive to requirements of the individual project, where loan structure, term and pricing are established according to an assessment of several factors. Generally, loans will have a term of 24 months or less; carry an interest rate below that offered by traditional financial institutions; assume a subordinate collateral position; and, defer interest and/or principal repayment. Single advance, construction draw and revolving credit lines are available.

Loans may be unsecured, secured by the subject property, or assignment of interest in partnerships or other real estate, depending upon the strength of the application and pricing requirements of the project. In almost all cases, FP will subordinate behind other creditors to enhance the overall cost of financing. Because FP has limited capacity to conduct regular site inspections across the state, construction loans must be issued in conjunction with a separate organization that is better able to monitor status while providing lien waiver protections.

While traditional methods of risk mitigation and financial analysis of the project and applicant are employed by FP, qualitative assessments are utilized to determine loan structure and pricing. The initial screening device involves input from the applicant: What can the project support? From that response, FP will attempt to reach the applicant’s desired terms, or provide a term sheet that represents an aggressive, yet prudent counter-offer that balances the organizational mission, fiduciary responsibility to community constituents and FP loan fund investors.



Sample Projects

Basalt Community Campus:

A \$500,000 MAHLF loan was approved for RFCDC to acquire the Pan & Fork Mobile Home Park situated on a 5.3 acre parcel within the central business district of the Town of Basalt. Funding Partners, in cooperation with Alpine Bank, has provided RFCDC with funds to acquire the property from a private owner. The Pan & Fork Mobile Home Park is currently situated within the floodplain of the Roaring Fork River, with a portion located in the floodway, which presents a threat to the health and safety of park residents during high water events. The Basalt Community Campus design would include the construction of alternate housing in close proximity to the current site with improved living conditions and amenities. The redevelopment of the property will include a community center featuring adult education, commercial and non-profit workspace, and riverside park.

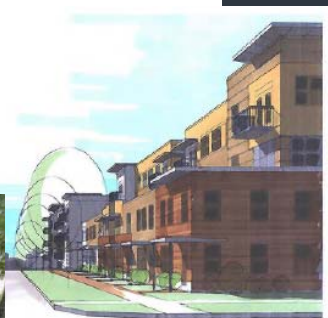
Pikes Peak Senior Housing:

A \$600,000 loan was approved for Hendricks Communities to develop a 2 acre lot in Colorado Springs. MAHLF financing provided Hendricks Communities with early stage construction financing for the development of 70 affordable independent senior housing units. The Pikes Peak development targets seniors at or below 50% of the Area Median Income. Within a single 3-story building, the project will include a community room with kitchen, a fireplace lounge, a 2-station computer room, and washer/dryer facilities. Each unit will include stack washer/dryers, full kitchens, deck or patio, and individually controlled heat and cooling.



Nebo Villas:

A \$250,000 loan was approved for MGL Partners to develop a 1.9 acre lot in the city of Aurora. The predevelopment financing provides MGL Partners with early stage construction financing for the development of a 50-unit affordable housing project as part of the Mt. Nebo Redevelopment.



The following is a sample demonstration of how MAHLF has been used to complete projects that otherwise may not have been accomplished.

Village on Stanford:

Funding Partners, with participation from Mile High Community Loan Fund and the City of Fort Collins, provided \$1.3 million towards the renovation of the Village on Stanford apartments. The units provide long term affordability to residents earning 30-60% AMI.

Village on Stanford renovations emphasized energy efficiency while enhancing interior air quality and resident safety.

Improvements include: Conversion to high-efficiency boiler systems for each building, new heating and cooling systems, energy star appliances in each unit, complete window replacement, new flooring, cabinetry, fixtures, & paint. All renovations were done using low VOC materials and paint, solar panels and geothermal heating will provide a portion of energy demands.

The Mammel Affordable Housing Loan Fund is named to honor the memory and commitment of

Gary A. Mammel

A champion for safe, decent housing that is affordable to all Coloradans.

Resources

FP recognizes that not all applicants are fully capable of identifying, analyzing, defining, implementing and completing housing projects, particularly in rural areas where resources are more scarce. Through numerous partnerships, FP is able to facilitate successful projects from concept to final disposition while maintaining a distinct connection to the local community.

The following is a brief outline of the added capacity FP can bring to your efforts in serving low income communities:

Project Definition

To adequately identify and assess the most effective means for serving the housing needs of a community, FP will refer highly qualified individuals and companies who understand available

options, project structure and organization of the public input process.

Analysis & Financing

FP can provide tools as fundamental as spreadsheet forms for internal management, up to and including referrals to practitioners with considerable expertise in financial structure.

Market Feasibility

Identifying a project with appropriate financing will only be effective where market conditions and consumer trends support the proposed product. FP works with market and economic professionals who can help define the project with greater clarity.

Project Management

From architect selection to ongoing site management, FP is connected to those resources that can bring greater assurance to all participants that the project will reach the intended audience with the intended results.

Education

Whether it's the local project team needing intensive training or a series of trainings for new home buyers, FP is able to coordinate the necessary resources for project success.



2013 FP Loan Committee

Joe Johnson
Guaranty Bank Co.

Stephen Wessler
Red Stone Agency Lending

Bob Munroe
Solvera Affordable Housing Advisors

Ron Schneider
Retired, Regional President, Chase

Terrence Hunt
Apartment Realty Advisors

Dave Marcy
Home State Bank

Application Process

Any organization or individual is eligible to apply for funding under the MAHLF program, provided the use of funds can be attributed to the creation or preservation of housing units designated for households earning 80% or less of the Area Median Income (AMI).

The MAHLF application form can be retrieved from our website at :

www.fundingpartners.org

Applicants will be asked to provide a brief description of the project, use of funds, identification of the borrower and source of repayment. A supplemental list of supporting documentation is also provided, among which the applicant will find requested items that either do not pertain to the proposed project, or will be obtained through use of the requested funds.

However, a critical component of all applications is a narrative description of project objectives, financial projections, identification of project participants, source (s) of repayment and contingency plans.

Applicants will provide as much of the documentation list as practical and submit the application to FP for processing. Within 3-4 days, an FP representative will contact the applicant to discuss project particulars in greater detail and request any additional information necessary to complete the underwriting process.

Dependent upon loan request parameters, underwriting decisions may be made at staff level, referred to the FP Loan Committee or referred further to the FP Board of Trustees.

Most underwriting decisions are made at the Loan Committee level, with final determinations communicated to the applicant within 30 days or less from application submittal.

Upon credit determination, a formal loan commitment is issued to the applicant and closing arrangements are finalized between parties. FP prepares all loan documents in house, submits electronic versions to the borrower and/or legal representative for review prior to execution, and works directly with the closing agent to affect final settlement. Proceeds are typically wired direct to the closing agent on the day of settlement.



For more information about Funding Partners and available programs visit:

www.fundingpartners.org

Brochures, loan documents, and marketing materials are available to download at your convenience.

If you are interested in becoming an investor, partner, or borrower all pertinent information is on the FP website, or call:

970-494-2021

USDA IRP Loan Funds

PROGRAM BENEFITS

- LOAN TERM UP TO 10 YEARS
- AMORTIZATION UP TO 30 YEARS
- FIXED INTEREST
- SINGLE ADVANCE OR REVOLVING CREDIT LINE
- PROPERTY ACQUISITION, REHABILITATION, CONSTRUCTION OR ORGANIZATIONAL WORKING CAPITAL

ELIGIBILITY

- Project site must be located within select rural counties
- Secured by residential or commercial real estate
- Maximum loan amount limited to \$150,000 or 75% of total project cost, whichever is less
- Community facilities & residential projects
- Serve households at or below 80% Area Median Income
- For-profit, non-profit or quasi-public entities are eligible