

**RICHMOND AFFORDABLE
HOUSING TRUST FUND**

PROGRAM GUIDELINES

FISCAL YEAR 2019

Created by Section 58-101 of the code of the City of Richmond, 2004 and amended by Richmond City
Council Ordinance No. 2012-156-125, July 9, 2012

**CITY OF RICHMOND
AFFORDABLE HOUSING TRUST FUND**

PROGRAM GUIDELINES

I. Overview of Richmond's Housing Affordable Housing Trust Fund

A. Purpose

The City of Richmond is committed to improving neighborhoods and the lives of the people who live in them. Safe, decent and affordable housing for low and moderate income households is fundamental to the City's vision of a vibrant and inclusive community and to the City's overall economic development goals. The primary purpose of the Affordable Housing Trust Fund (AHTF) is to provide financial resources to address the affordable housing needs of individuals and families who live or work in the City by promoting, preserving and producing quality long term affordable housing; providing housing related services to low and moderate Income Households; and providing support for non-profit and for profit organizations that actively address the Affordable Housing needs of low and moderate Income households.

The AHTF is intended to provide flexible local funding that complements other funding for housing related activities and provides gap financing to move challenging projects forward. In this regard, the Fund will leverage other public, private and philanthropic funding. The AHTF is not intended to replace locally allocated federal program funds

B. Establishment of the City of Richmond Housing Trust Fund

In 2004, the City of Richmond established the AHTF as part of strategy to work with the nonprofit and for profit development community in accessing and producing much needed long term affordable housing for (low to moderate income) residents of the City. The AHTF can access a variety of funds for affordable housing support services and production. Nonprofit and for-profit residential developers can leverage AHTF funds with other private and public affordable housing financing sources to facilitate affordable housing counseling services and production in the City of Richmond.

C. Affordable Housing Trust Fund Oversight Board

Richmond's system of boards and commissions provides a way for residents who have special experience or interests to participate in the City's decision-making process by advising the Mayor and City Council on numerous issues. Appointed by the Mayor and City Council, the Affordable Housing Trust Fund Oversight Board (Board) shall consist of ten (10) members. The Board shall review regulations, program policies and operational procedures as proposed by the CAO or designee and shall submit a report to the Mayor and City Council containing the Board's advice and recommendations concerning the appropriateness of such regulations, operational policies and procedures as enumerated in Section C of Ordinance 2012-156-125.

Additionally, the Board shall review and approve an annual budget including scheduled activities and operational activities as indicated in 1- F program allocations from Council to be placed in the AHTF and shall receive and provide feedback on staff recommendations for projects to be funded. Final authorization of funded projects and programs is determined by the CAO and or designee. Any change to the overall Program allocations must be approved by the Board.

D. Funding Sources

Revenues for the AHTF can be derived from the following sources:

- Housing fees provided by repayment of tax abatement, development, demolitions and condominium conversions
- Proceeds obtained from the sale of City-owned residential properties
- Repayments of interest and principal due to the City from borrowers of previous loans
- Funds from general fund or other sources authorized by the City Council
- Gifts or awards made by individuals or organizations
- Revenue collections of delinquent real estate and other taxes)
- Identify a dedicated revenue source that is independent of the annual regular city budget process

E. Distribution and Use of Affordable Housing Trust Fund Resources

The AHTF Oversight Board shall review from the CAO or designee projects recommended to be funded with resources of the AHTF. The level of grants to loan goal is to be distributed at not more than 30% grants. For the overall fund. Any uncommitted funds in the AHTF at the end of the year shall remain in the AHTF for future eligible activities, pursuant to the requirements of this Section.

F. Housing Trust Fund Plan for Operations

The AHTF Operations are to be implemented by the CAO or designee, subject to Oversight Board approval of annual Operations Plan and budgets. The Budget request shall be submitted in January and adopted in May. This plan shall be delivered to the Board in March of each year and include the following activities:

- Establishing and presenting annual AHTF goals and budget to Board for presentation to the City Administration and to the City Council by the Board
- Establishing policies, funding priorities, AHTF requirements, procedures for application and disbursement of AHTF awards, and an annual budget to be reported to the City Administration and City Council prior to the beginning of each fiscal year
- Approving AHTF awards for Eligible Activities to meet goals of III-B
- Monitoring Eligible Activities funded by the AHTF
- Evaluating AHTF activities to achieve goals and for compliance to all terms and conditions approved by the Board
- Reporting no less than annually to the Mayor and City Council on expenditures, accomplishments and activities of the AHTF
- Annually report hiring of minority business and low to moderate income individuals.

G. Revision of Guidelines

The AHTF Oversight Board shall make recommendations and notification to City Council and the Mayor regarding all CAO and or designee amendments to the regulations, operational policies and procedures as adopted by Council from time to time as the Board thereof may seem appropriate. Regulations, operational policies and procedures shall be subject to the review and approval of the City Attorney or designee thereof as to form and legality.

II. FUND DEFINITIONS

The following definitions apply to terms used within these Guidelines and the words, terms and phrases, when used in this article, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

“*Affordable housing*” means housing that a household can afford without paying more than 30 percent of income for rent or 35 percent of income for mortgage payments.

“*Affordable Housing Trust Fund*” means a community revitalization fund created by section 58-101 of this Code pursuant to authority granted by Code of Virginia, § 15.2-958.5.

“*Area median income*” means the median income determined annually for the Richmond/Petersburg Metropolitan Statistical Area by the United States Department of Housing and Urban Development.

“*Construction-related activities*” means any of the following:

- a. Pre-development activities including, but not limited to, architectural services, engineering services, attorneys' fees, appraisals and title reports.
- b. On-site construction activities involving the building, altering, repairing, improving or demolishing of any structure or building on real property.

“*Fund*” means the Affordable Housing Trust Fund created by section 58-101 of this Code.

“*Housing-related support services*” means any of the following:

- a. Homeownership counseling services including, but not limited to, money management counseling, credit counseling, voucher holder training, pre-ownership training and post-ownership training.
- b. Down payment assistance.
- c. Landlord training for landlords that rent to low and moderate income households.
- d. Mortgage default assistance and counseling.
- e. Tenant counseling for renters.
- f. Homeless prevention and rapid rehousing.

“*Low and moderate income*” means gross household income adjusted for family size that is at or below 80 percent of area median income by Richmond SMSA HUD guidelines.

“*Recipient*” means a legal entity who receives one or more grants or loans from the fund under the provisions of this article.

III. ELIGIBILITY CRITERIA

A. Eligible Entities (Applicants)

Eligible Applicants shall include for profit developers, not-for-profit organizations, and housing owners and housing service providers. The AHTF Oversight Board shall review and advise on all funded projects as to their appropriateness regarding the goals of the Fund set forth in Subsection III.B. and on the eligibility guidelines, program requirements, and process developed by the CAO or designee. Subject to the review of the Oversight Board, the CAO or his designee shall develop and

issue eligibility guidelines, program requirements, and application forms for AHTF grants and loans. An application for a loan or grant from the fund must show a direct relationship to one or more of the following:

- The provision of housing to low and moderate income households.
- Construction-related activities for construction producing units for sale or rent to low and moderate income households.
- Housing-related support services provided to low and moderate income households.

Furthermore to be funded, all applications must reflect the following:

- Compliance with all applicable laws.
- The applicant's ability to leverage funds from other sources.
- To be funded, an applicant must have documented prior experience and/or demonstrated sufficient capacity and training in housing development and management to successfully secure financing, construct, complete, and operate the proposed project or program.

In order to be considered for funding, the Applicant must show prior experience and current capacity to complete the project. All members of housing counseling staff and/or the development team must demonstrate qualifications necessary to provide the service or complete the project.

All AHTF affordable housing service recipients shall be undertaken and completed by an interested and certified 501c (3) housing counseling agency (AHTF Applicant) and not individual members of the housing counseling agency. All AHTF affordable housing projects shall be undertaken and completed by the interested developer party (AHTF Applicant) within members of the development team.

B. Eligible Housing Activities

Eligible Housing Activities will be funded in accordance with the City's overall goals to promote the development of mixed-income neighborhoods in the city; to provide funding for the rehabilitation of vacant buildings for residential purposes or the rehabilitation of residential properties in communities with high foreclosure rates or blighted properties; to support the productive reuse of properties declared surplus by the city for residential purposes; to promote affordable housing options in communities in need; to promote housing along public transit networks and in proximity to public schools; and to increase housing accessibility through the implementation of universal design principles and accessibility for disabled persons.

Eligible Activities include (but not limited to):

- The preservation, rehabilitation, and new construction of affordable rental housing
- Tenant counseling
- Homeless prevention
- Rapid Rehousing;
- The construction, acquisition, & rehabilitation of single family homes;
- The provision of down payment and closing cost assistance;
- Homeownership and foreclosure counseling and housing related support services;
- Homeowner rehabilitation assistance and temporary rental assistance.

- Housing Related Support Services
- Tenant counseling of renters
- Homeless prevention and Rapid Rehousing

C. Eligible and Ineligible Activities

Activities eligible for funding include housing related support services, pre-development costs; new construction; acquisition of property; conversion of non-residential to residential use; conversion of rental units to limited equity cooperative housing, condominiums or cohousing; relocation; and rehabilitation costs, provided that the conditions below are met. AHTF revenue sources may have additional restrictions that require applicants to meet Oversight Board approval.

1. Eligible Pre-development Activities

- The applicant must investigate all other available sources of funds for pre-development activities. Obtaining a loan from the Fund for pre-development activities shall be considered a last resort by the applicant, and applicants will be asked to document which alternative sources have been pursued prior to application.
- Only non-profit developers are eligible for pre-development loans. This includes nonprofits who have a joint venture agreement with a for-profit entity. Eligible predevelopment activities may include reasonable expenses for architectural fees, market research consultants, expenses related to acquisition of property, preliminary financial applications, reasonable and customary costs of obtaining firm construction loan commitments, architectural plans and construction specifications, zoning approval fees, engineering studies, legal fees, and other costs directly associated with activities prior to development of the property.

2. Ineligible Pre-development Activities

- Ineligible activities include but are not limited to property tax penalties, the rental of rooms for community meetings, mailings (including postage and printing of flyers or invitations), refreshments for neighborhood outreach meetings, and transportation to such meetings.
- No AHTF funds for administrative and staffing costs shall be committed to a nonprofit developer if HOME, CDBG or other available funding sources are available for this purpose.
- No AHTF funds for administrative and staffing costs shall be committed to for-profit developers who are expected to raise such funds from private investors.

3. Eligible Acquisition and/or Rehabilitation Activities

All reasonable costs associated with acquisition for housing or mixed- use purposes, building relocation, and rehabilitation are eligible for funding. The purchase price of a property to be acquired shall not exceed its appraised value, unless the CAO or designee finds that the project has sufficient merit to justify paying a higher price, in which case the price shall not exceed the appraised value by more than ten percent. Rehabilitation shall include activities to make the building seismically safe and to abate lead contamination.

IV. PROGRAM REQUIREMENTS

A. Affordability Requirements

Based on applications received, and within the extent possible, at least one-third (1/3) of grants or loans from the AHTF will be targeted for housing units that benefit residents with incomes at or below 30% AMI. For multifamily projects, preference will be given to projects for which 50% of the units are available for residents with incomes less than 50% AMI and the remaining 50% of the units for projects assisting incomes of 50-80% AMI. Homeownership activities that serve residents with incomes less than 80% AMI may be supported by the AHTF. The [terms and conditions] of AHTF affordability requirements for all AHTF activities will be established by the CAO or his designee and presented to, and approved by the Oversight Board annually. The affordability terms and requirements may not exceed the affordability requirements of federal housing programs.

B. Occupancy Requirements

All AHTF assisted rental units shall be occupied by households with incomes at or below the targeted income category. All AHTF assisted homeownership units shall be sold to households with incomes at or below the targeted income category who agree to occupy the unit as their principal place of residence. Units whose construction is wholly or in part funded by the AHTF shall be specified in the project's development loan agreement executed with the City of Richmond.

V. PROJECT SELECTION

- A. Application Process Except for loan applications described in part 1, 2, and 3 below, applications for Fund assistance will only be accepted during specified funding cycles. However, except for predevelopment proposals, all applications, regardless of whether received through an Notice of Funding Availability (NOFA), or through an open application-taking process, shall be subject to an Evaluation Process contained in VI.B.

The total funding cycle should be completed in approximately 4 months. The purpose of the funding cycles is to enhance the City's ability to choose projects that will maximize the use of Fund resources and to meet its Consolidated Plan housing goals. The City shall be under no obligation to fund any projects. Projects rejected during one funding cycle may be resubmitted and reconsidered in a later funding cycle.

At the time of a AHTF funding round, the CAO or designee may set aside, with approval of the Oversight Board, up to one-third (1/3) of the funds in that funding round for allocation to proposals received through an open application process rather than through a NOFA. Set-aside monies not allocated will be added to the following year's budget. In order to be considered for funding under this process, applicants must clearly document why their proposals cannot wait until the next funding cycle and what major benefit to the City that would be foregone if the proposal had to wait for the next NOFA.

B. Applications Evaluation

1. Responsible Reviewer

The CAO or designee shall have primary responsibility for review and recommendation on AHTF proposals. The Board will set specific priorities for particular funding cycles based on analysis of local affordable housing needs and policies specified in the Operations Plan or Annual Report of the CAO or designee. The CAO or designee will review proposals in detail and make recommendations on the successful applications and the funding of these applications. The CAO or designee shall review all applications for conformance to basic affordability requirements, experience and capacity of the agency or developer, cost, financial feasibility and other established rating criteria.

2. Complete Applications

Complete applications shall provide all relevant information requested on the application form. The CAO or designee shall determine whether each application is complete.

Applications shall include, but shall not be limited to, all information necessary to determine compliance with funding source affordability and other requirements as necessary, number of clients served, technical and financial feasibility of the project (including all pro forma operating statements, development budgets, sources and uses of funds statements), number of units designed to be accessible for persons with mobility impairments or other disabilities, property appraisals (if it is determined they are required), agency experience, developer experience, and other financial information. The application shall also quantify the need for funding by utilizing relevant economic and demographic statistics. It will identify the plan to utilize minority businesses and low income households.

Applications which are incomplete at the time of intake will have ten (10) additional working days to provide the required materials from the time of notification. If these materials are not submitted at the end of that time, the application will not be considered during the current review cycle and the applicant will be formally notified in writing of the rejection of the application.

3. Application Review Process

Initial application review is the process which begins from the submission of completed applications. Application review process includes the following steps:

- The CAO or designee shall determine which applications are complete. City staff shall establish a log of eligible and complete applications.
- The CAO or designee shall then prepare a brief summary which provides a description of each of the proposed developments and the amount of funds requested.
- The CAO or designee shall forward the summary to the Oversight Board for their review and provide information about the complete applications for public review.
- The Board may conduct a public hearing on the projects under consideration during a particular funding cycle. Written notice of the hearing shall be provided at least ten (10) business days in advance of the hearing.
- The CAO or designee shall review each application for conformance to these Guidelines and shall analyze project feasibility, developer capacity, project costs, and all other relevant technical concerns. This analysis will include a scored system, which will be developed by the CAO or designee. This analysis shall be shared, in a timely fashion, with the Oversight Board and includes as part of the Annual Report.

4. Changes to the Project

If a project developer proposes any significant changes to the project or the terms of funding after the CAO or designee has submitted its recommendations, the proposed change must first be reviewed by the CAO or designee.

For purposes of these Guidelines, a significant change shall include: an increase in the AHTF funding reservation; a major change to the project design that results in a change in the number of total project units by

10% or more; a change in the project developer (except for project transfer to affiliates of the original developer); a change in project tenure (change in project status from one of a rental units to one which includes units for ownership); a 10% increase of the total number of units to a less affordable level; an extension of the AHTF funding reservation period; or a significant change to the conditions of funding imposed by the Board. This provision shall be included in all development loan agreements. Change greater than 10% requires Oversight Board Approval.

5. Rejection Notification

The City reserves the right to reject any and all applications received. The CAO or designee shall have authority to reject any project that does not meet program Guidelines and priorities or does not demonstrate feasibility. The City shall give the applicant written notification of the rejection which specifies the basis upon which the proposal was rejected. The Board shall also be notified of projects that met minimum eligibility thresholds but were rejected for other reasons. Projects not funded may be resubmitted during a subsequent application period for reconsideration.

C. Project Consideration / Funding Criteria

Development Projects will be evaluated with respect to criteria that are consistent with priorities established during the AHTF's NOFA.

The projects will be evaluated based on how well they meet the four key factors identified below: (1) Community Objectives; (2) Applicant Qualifications and Experience; (3) Cost Effectiveness and Feasibility; and (4) Affordable Housing Trust Fund / NOFA Priorities.

1. Community Objectives:

- a. Housing Affordability
 - Quality housing with affordable rents
 - Mixed-income development with a greater percentage of affordable units
 - Maintain longer periods of affordability for subsidized
- b. Housing for families/people with special needs including:
 - Homeless, Disabled, Seniors, HIV/AIDS
- c. Maximizing accessibility for persons with disabilities
- d. Providing housing for larger families or households with children
- e. Impact on the Community
 - Design and develop mixed income communities by providing affordable housing in higher income areas and market rate housing in lower income areas.
 - Develop key revitalization areas to address blighted and vacant properties
 - Develop amenities to enhance neighborhood
 - Provide housing along public transit networks

- Provide housing in neighborhoods with high public investments (i.e., schools).
2. Applicant Qualifications and Experience, including:
 - Agency or developer experience
 - Successful history of housing related counseling services, as appropriate
 - Experience and expertise of the project development team
 - Experience and capacity of service provider, and appropriateness of proposed service plan, if the project proposes to serve a special needs population
 - Construction management or property management experience
 - Quality of financial and asset management
 - Lead staff, including the Project Manager and supervisory staff assigned to work on the current project have the necessary experience, and the Project Manager has the necessary time available
 - Agency or developer is financially sound with access to funding to complete the project. The past two years financial statements of the Agency/Applicant or Developer /AHTF Applicant shall be submitted at the time of the AHTF Application
 - Evidence that the Development Team (Property Manager, Attorney, Architect, Financial Consultant, Construction Company, etc.) has experience on similar projects
 3. Cost Effectiveness and Feasibility including:
 - Cost effectiveness based on the cost per square foot and/or cost per affordable unit
 - Reasonableness of developer fee
 - Loan to value ratio
 - Project site control
 - Leveraging of financing
 - Near-term ability to develop the project
 - Other financing commitments
 - Appropriate Zoning
 - Projects that use program funds as a match or leveraging tool to stimulate the use of conventional and below-market resources, including tax credits, state and federal funding programs, and/or other funding sources
 4. Affordable Housing Trust Fund/NOFA Priorities:

The CAO or designee in conjunction with the Board will establish a set of housing priorities to be considered during each AHTF application cycle. The CAO or designee may request recommendations from the public that will be considered by the Board prior to establishing priorities. These AHTF priorities will be listed in the AHTF NOFA.

D. Threshold Criteria and Other Conditions

1. Threshold Criteria - The following criteria applies to all assistance from the Fund:
 - Applicant must agree to provide information required by the City to ensure compliance with program requirements, certify developer capability, and comply with all applicable federal, state, and local laws.
 - Proof of site control is required for all proposed projects except for pre-development proposals
 - Capacity to develop and manage the project
 - Proposed project feasibility to develop and finance

- Attempted or attempting to utilize all available private and public financing sources. Applicants must apply for all other potential sources of project funding including private mortgages to the extent supportable by project income.
- All development costs must be reasonable.
- To ensure reasonableness of financing costs, applicants using tax credit allocations must be able to demonstrate a process designed to maximize the return from the tax credits. That process should allow for the best combination of AHTF allocation, bridge loan, and fees.
- Applicants must submit management plans and budgets that are found to be adequate for the proposed project.
- Applicants must submit supportive services plans and budgets which are appropriate for the intended occupants.

2. Compliance with applicable laws and regulations

- The project must comply with all applicable local state, and federal laws and regulations, including but not limited to all building code requirements, and state and federal fair housing requirements
- Compliance with any additional condition(s) imposed by the source of funds to finance the Project
- AHTF recipients and their subcontractors must be in conformity with the City's anti-discriminatory hiring policy

3. Affirmative Marketing

An affirmative marketing plan acceptable to the City for filling of vacancies for the duration of the affordability period. The plan shall include procedures to maximize available housing to residents with disabilities.

4. Accessibility

The applicant must submit information on compliance with federal and state accessibility regulations related to housing. On all new developments, developers are encouraged to maximize accessibility by going beyond the minimum accessibility standards. In rehabilitated developments, developers are encouraged to include accessibility.

All assisted units in a mixed income project shall be reasonably dispersed throughout the project, generally comparable to the unassisted units and shall have full access to common areas and facilities. Units designed to be accessible to disabled persons shall be dispersed in a manner similar to the assisted units.

5. Water and Energy Efficiency

Applicants are encouraged to incorporate energy and water efficient technologies and construction techniques into the developments. Applicants are encouraged to include the use of sustainable materials and technologies to minimize negative ecological impacts of construction materials used.

For all new and substantial renovation projects where the per unit cost of renovation is \$25,000 and greater, and up to three stories, every effort should be made to comply with the standard for the EPA Home Performance with Energy Star for remodeled residential buildings and EPA Energy Star for new construction. All procedures used for this

standard shall comply with the Energy Star guidelines for performance - based testing and remediation.

6. Compliance and Monitoring

- Development loan agreements shall incorporate full disclosure requirements for all loan recipients to facilitate the City's internal monitoring of project and loan performance.
- The City will set standards for maintenance and establishment of maintenance reserves. Loan conditions will establish a right for the City to conduct periodic management audits and on-site visits, and mandate building-quality self-inspections annually by the owners.
- Owners of rental properties will be required to provide annual verification as requested by the City to ensure that affordability and occupancy requirements are enforced and maintained
- A close-out Impact Report detailing the final projects costs, other sources and leverage for the AHTF funds, beneficiary information, and impact on the community and/or neighborhood will be required of all funded projects. Summary of Impact Reports will be included in the annual report to the Oversight Board, Mayor and City Council.
- Failure to adhere to requirements described in grant or loan documents will result in repayment in full of the funded amount plus interest set forth in the signed agreement between the City and applicant.