

Louisville  
Affordable  
Housing  
Trust Fund



*Open the Door.*

2014 REVOLVING LOAN FUND  
APPLICATION GUIDELINES  
AND  
PROGRAM POLICIES

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## Chapter 1: Purpose of the LAHTF

The Louisville Affordable Housing Trust Fund (LAHTF) was created in 2008 as the way for Metro Council to invest public funds in the kind of housing our community needs: for people on fixed incomes like seniors and people with serious disabilities; for young families starting out; for veterans; and for working people whose wages are not enough to live in Metro Louisville. The Housing Trust Fund is founded on the principle that a place to call home opens the door to opportunity, and that the whole community does better when everyone has a decent place to call home.

### **How Are the Funds To Be Spent?**

The LAHTF is designed to be flexible and respond to evolving community needs by giving grants and/or loans for affordable housing-related activities including: homeownership and rental housing acquisition, new construction, rehabilitation, emergency repair, down payment assistance, temporary rental assistance, technical assistance and training for developers and low-income housing consumers, support services designed to keep special at-risk people stably housed, foreclosure intervention, and housing-related asset-building.

Our priorities are set periodically in our Needs Assessment, available at [www.louisvilleahtf.org](http://www.louisvilleahtf.org). Currently the LAHTF is focusing on the rehabilitation of vacant and abandoned properties for affordable housing re-use.

### **Who Will Benefit from the LAHTF?**

The Trust directs its resources to affordable housing developers and service providers to promote, produce, and preserve housing for working families and low-income households who need housing that is affordable; they are the real beneficiaries of the Trust.

The whole city benefits when everyone has stable, decent housing, including: businesses that require a stable workforce and workforce housing; neighborhoods that have been devastated by the foreclosure and vacant property crisis; working families that need decent affordable housing and basic economic security; and the community as a whole, due to the economic impact of the LAHTF and reduced crisis-care expenses related to unaffordable housing.

LAHTF is intended to be a catalyst, helping generate participation by other lenders, investors, and partners, further leveraging the impact of each LAHTF dollar.

Every \$1 million invested in affordable housing in Louisville creates as many as 84 units of affordable housing, supports 112 jobs, and generates more than \$6.4 million in local revenue. On an annual ongoing basis, the economic impact of having these units of affordable housing occupied includes 44 jobs supported and more than \$3 million generated in local revenue. The

Eligible applicants for the funding will include non-profit or for-profit housing developers, public housing authorities, and housing and homeless service providers. Funds will be awarded through a competitive application process.

By ordinance, public funds invested through the LAHTF must serve those who earn no more than 80% of median income (in 2014, \$35,700 for an individual or \$50,950 for a family of four). In addition, at least half of these funds must serve households at or below 50% of the area median income (in 2014, \$22,300 for an individual or \$31,850 for a family of four). Any private funds received by the trust fund may serve households earning as much as 110% of the area median income (in 2014, \$70,730 for a family of four). For more information on Area Median Income in Jefferson County, visit <http://goo.gl/D59cjA>.

### **Who Makes Decisions about the Trust Fund?**

The Affordable Housing Trust Fund is be governed by a 13-member Board representative of the community, appointed periodically by the Mayor and approved by Metro Council. The LAHTF produces a periodic needs assessment which then determines the types of projects Louisville most needs, and issues an RFP. A LAHTF Program Committee reviews RFP applications and includes board members as well as experts from the Kentucky AHTF, Louisville Metro Housing Authority, and Metro Department of Community Services and Revitalization. Proposals are reviewed for compliance with existing neighborhood plans. Additional input from Metro Council members and the Mayor are solicited by the LAHTF and considered as part of the application review.

### **Where Do the Funds Come From?**

To effectively address housing need in Louisville Metro the LAHTF requires a dedicated source of ongoing public revenue -- the key component that defines all housing trust funds. In 2008, Metro Council established by ordinance a goal of \$10 million annually in dedicated ongoing public revenue for the LAHTF. However, the revenue source commitment has not yet been met. Establishing dedicated ongoing public revenue, which gives the Trust Fund both stability and flexibility, is key to the success of all housing trust funds, including the LAHTF, and remains a top priority for the organization.

In the meantime, the LAHTF has received some one-time allocations. In 2006, the LAHTF was awarded \$1 million for administration of the LAHTF until dedicated ongoing public revenue could be established by further ordinance. In 2011, Mayor Greg Fischer allocated \$100,000 in "matching" funds for the LAHTF. Funding for this RFP is provided, in part, by Kentucky's national mortgage settlement funds through Louisville Metro Department of Community Services and Revitalization, and by PNC Foundation.

## Chapter 2: Introduction to Competitive Funding Process

The Louisville Affordable Housing Trust Fund (LAHTF) is pleased to offer a transparent, competitive funding process to affordable-housing developers, builders, and organizations across Louisville-Jefferson County.

The goal of the competitive funding process are to ensure the highest-quality homes are produced as a result of the LAHTF's investment in affordable housing, and to ensure the most effective, efficient, and viable projects are funded.

This guide instructs applicants on how to apply for funding available through the LAHTF competitive application funding process. This guide further explains program criteria and basic requirements, application expectations, and review processes.

Scoring priorities are set by the LAHTF Board of Directors. In general, LAHTF will review its annual needs assessment and allocate available funding resources accordingly.

### **Funding Use**

Funds may only be used on eligible affordable housing projects located in Louisville-Jefferson County. If funded, projects will be governed by the cumulative information contained in these guidelines, as well as any applicable federal, state, and local requirements.

Recipients of funds will be expected to be familiar with and adhere to the guidelines and project design requirements described in this document and LAHTF application documents.

### **Funding Availability**

In 2014, LAHTF has made available approximately \$110,000 in revolving loan funds for eligible projects located in Louisville-Jefferson County.

### **Funding Limits**

LAHTF may further limits the amount of funds an applicant may request, due to the availability of funds.

*Currently there is no limit on the amount of funds an applicant may request.*

### **Tie-Breaker**

In the event that two projects submitted through the competitive funding process receive the same score and funds are insufficient to fund both projects, several "tie-breaking" factors will be considered, including (in order of consideration):

- Loan Payback Schedule Score
- Readiness to Proceed Score
- Community Planning & Impact Score
- Project Leverage Score

## Chapter 3: Application Submission Requirements and Scoring Criteria

### Application Thresholds

Applications will be reviewed and scored as submitted. To be eligible to apply in the competitive funding round, applicants must first meet the following thresholds:

- Applicant must propose 100% repayment within 36 months;
- Proposed project must leverage LAHTF funds at least 6:1;
- Applicant must propose eligible project type (currently, vacant and/or abandoned property rehabilitation);
- Applicant must provide evidence of good standing with the Kentucky Secretary of State and, if applicable, the Louisville Metro Revenue Commission.

### Application Submission Process

All applicants are required to submit a complete application to LAHTF, including all documentation, photos, and attachments necessary. **The LAHTF accepts electronic submissions only.** Please make arrangements to scan all documents in advance so they can be submitted electronically. All documents must be submitted electronically to [info@louisvilleahtf.org](mailto:info@louisvilleahtf.org) by the application deadline.

The application focuses on the overall concept of the proposed project, as well as: project design, income groups to be served, site information, readiness to proceed, capacity to undertake the project, projected budget, and funding requests. **Any application missing one or more of the required documents will be considered incomplete and will not be reviewed.**

### Site Visit

The LAHTF may require a site visit as part of the application review process. Applicants will be notified and must schedule the site visit to occur within 5 business days of the LAHTF request.

### Application Fee

There is a \$50 application fee for non-profit organizations and a \$100 application fee for for-profit applicants. The fee must be submitted at the time of application or by the application deadline. Checks may be made out to: Louisville Affordable Housing Trust Fund  
1469 South Fourth Street, Third Floor, Louisville, KY 40208

### Minimum Submission Requirements

- **The LAHTF maintains a rolling deadline.** Applications received on or before the 10<sup>th</sup> of the month will be evaluated for funding in the same month. Applications received after the 10<sup>th</sup> will be considered in the following month.
- **Applications, including all required attachments, must be submitted electronically** to LAHTF at [info@louisvilleahtf.org](mailto:info@louisvilleahtf.org). No hard copies are accepted.
- The application fee must also be received, via hand delivery or mail, by the LAHTF at the time of application submission. Send application fee to: **LOUISVILLE METRO AFFORDABLE HOUSING TRUST FUND**, 1469 South Fourth Street, Third Floor, Louisville, KY 40208

### Match and Leverage Requirements

All applicants must demonstrate projects with leverage of at least 6:1 in order to be considered for funding from the LAHTF. Leverage funds include all federal dollars, loaned funds, donated materials or services, property donation or below-market rate sale, waived fees and taxes, and owner cash contributions.

**Application Evaluation Criteria**

The selection of the projects to be funded by the LAHTF will be determined by the order of their total overall score and ranking, with the highest-ranking applications first. Applicants that propose 100% repayment within 6-12 months will be prioritized for funding considerations. LAHTF may, at its discretion, request information from applicants to address and resolve issues identified during application review. Applications for 2014 LAHTF funds received through LAHTF’s competitive funding process will be evaluated on the following criteria:

<i>Criterion</i>	<i>Maximum Points</i>	<i>Points Received</i>
<b>LAHTF loan payback schedule</b> <ul style="list-style-type: none"> <li>Applicant proposes 100% repayment to LAHTF within 12 months – 20 pts</li> <li>Applicant proposes 100% repayment to LAHTF within 24 months – 10 pts</li> <li>Applicant proposes 100% repayment to LAHTF within 36 months – 5 pts</li> </ul>	20	
<b>Fiscal soundness of project</b> , including detailed and reasonable work plan and budget	15	
<b>Secured funding commitments</b> <ul style="list-style-type: none"> <li>Applicant has secured commitment for at least 75% of named funding sources and leveraging is higher than 6:1 – 15 pts</li> <li>Applicant has secured commitment for 50% of named funding sources and leveraging is 6:1 or higher – 10 pts</li> <li>Applicant has secured commitment for 25% of named funding sources – 5 pts</li> </ul>	15	
<b>Readiness to proceed</b> <ul style="list-style-type: none"> <li>Applicant has site control (option, contract, deed, or lease) – 10 pts</li> <li>Project is ready to begin in 0-6 months – 10 pts</li> <li>Project is ready to begin in 6-12 months – 5 pts</li> </ul>	20	
<b>Community Planning &amp; Impact (cumulative)</b> <ul style="list-style-type: none"> <li>Project addresses the priorities established by the LAHTF Needs Assessment – 5 pts</li> <li>Project is consistent with a community/neighborhood plan – 3 pts</li> <li>Project incorporates green building techniques – 2 pts</li> </ul>	10	
<b>Level of Commitment to Serve Lowest Income</b> Applicant has reasonable plan to secure homeowners or renters and: <ul style="list-style-type: none"> <li>Greater than 50% of units are affordable to 0-50% AMI households – 10 pts</li> <li>Greater than 50% of units are affordable to 51-80% AMI households – 5 pts</li> </ul>	10	
<b>Developer Experience</b> <ul style="list-style-type: none"> <li>Applicant has a successful record of affordable housing projects of similar size and scope and experience use and compliance with similar funds – 10pts</li> </ul>	10	
<b>TOTAL</b>	<b>100</b>	

## Chapter 4: Eligible Applicants and Project Types

### Eligible LATHF Applicants

All applicants for LAHTF loan funds must be in good standing with the Kentucky Secretary of State's office and, if applicable, the Louisville Jefferson County Revenue Commission. Eligible applicants include for-profit developers, nonprofit organizations, Community Housing Development Organizations (CHDOs), faith-based organizations, service organizations, and local units of government.

### Eligible Project Types

In 2014, the LAHTF will only fund projects that address vacant/abandoned and/or foreclosed properties. Applicants may submit multiple applications for separate projects if desired.

#### **The following project types are eligible for funding:**

- Rehabilitation of vacant and abandoned residential properties or adaptive re-use of vacant or abandoned commercial properties to residential
- Acquisition, rehabilitation, and re-sale of existing of vacant residential dwellings
- Demolition of blighted residential properties as part of a comprehensive plan
- Redevelopment of demolished or vacant residential properties

## Chapter 5: Policies and Procedures

- LAHTF revolving loan funds are provided to recipients in the form of a loan.
- All households to be assisted with LAHTF funds must be income eligible based on the anticipated gross income as determined by the Section 8 (24 CFR, Part 5) method of income determination. All income and assets must be third-party verified when possible. The income of the household includes all household income and the actual or imputed income from assets of the all household members. Imputed asset income must be determined using current passbook savings rate as published by HUD, which is currently 2 percent.
- Income and asset verifications are valid for 180 days prior to execution of a written agreement. If more than 180 days elapses after the verifications are completed, but before the LAHTF legal documents are executed, the loan recipient must re-verify all household income and assets using the Section 8 Part 5 method.
- LAHTF funds cannot be used for Tenant Based Rental Assistance or housing that is not intended to be permanent housing.
- Developer fee may not be paid from LAHTF funds.

### Structure of LAHTF Loan

The LAHTF funds will be structured as an interest-only loan, with interest due quarterly, and final payment of principal plus remaining interest due 36 months from date of commitment. 100% repayment is required by all recipients of LAHTF funds.

### Cost Containment

Cost effectiveness must be considered. If you are selected for funding, prior to loan closing, for each unit of housing for which LAHTF funding is requested, the applicant will submit a spec sheet, cost projection worksheet, and construction cost breakdown. The applicant may use any generally accepted forms for these pre-closing requirements. The LAHTF will provide sample documents at the applicant's request, which may be used as a guideline for completing these requirements.

Further, LAHTF, at its discretion, may request and review work write-ups, contractor bids, cost estimates to ensure cost reasonableness and reserve the right to reduce funding on projects LAHTF deems not to be cost reasonable. LAHTF may also require additional supporting documentation for any activity that appears to have unusual or elevated development costs.

The Single-Family Mortgage Limits under Section 203(b) of the National Housing Act set the maximum per-unit mortgage amount, adjusted for individual counties. LAHTF has further restricted the purchase price/after rehabilitation value limits for single family homes to

\$150,000 for existing structures and newly constructed housing in Louisville-Jefferson County. Please note the purchase price is the contract purchase price and does not include settlement charges.

### **Income Limits**

All projects using LAHTF funds must be affordable to those at or below 80% or 50% of area median income, as specified in the application. "Affordable" is defined as the cost of housing plus utilities is equal to or less than 30% of the household income. If the intended recipient for the unit size is a family of four, for example, then the cost of the housing plus average utility cost must be less than or equal to 30% of the area median income for that family size. For more information on area median income in 2014, visit <http://goo.gl/D59ciA>.

### **Home Buyer Counseling**

LAHTF requires pre-purchase home buyer counseling for prospective households/clients.

### **Construction Management**

- Applicants must develop construction management and procurement procedures that outline contract provisions, for the contractor and subcontractors, payment requests, forms to be completed, inspection procedures, and project completion procedures.
- Every effort must be made to ensure that the bidding is fair and open. (Not applicable to private developers)
- Applicants must maintain construction documentation.
- All variances from the approved construction plan must be submitted to LAHTF.
- Applicant must notify LAHTF at least three weeks prior to the start of construction.

### **Inspection Policy**

Recipients of LAHTF funds are required to have 100 percent of their LAHTF-funded units inspected by a qualified inspector at recipient's cost. A list of qualified vendors may be provided to the applicant upon request. Disbursements of funds to LAHTF recipients will not be made until inspections and draw sheets have been submitted and approved by the LAHTF.

### **Project Completion Policy**

All projects are expected to reach full completion, including loan payback, within 36 months from the project start date, as specified in the loan agreement documents. Projects must also begin construction within 12 months of funding commitment.

### **Compliance Monitoring**

Each recipient of LAHTF funds will be required to make available all documentation requested by LAHTF, as outlined in the loan agreement documents, mortgage/deed, promissory note, and/or developer agreement.

### **Conflicts of Interest**

Potential conflicts of interest may arise from many situations. During application submission, all LAHTF applicants must disclose conflicts of interest, whether real or perceived, to the LAHTF.

## Chapter 6: Funding Commitment Requirements

- LAHTF may, at its discretion, award an amount of funds less than that requested by the applicant.
- No applicant will be allowed to change the type of activity for which they were funded.
- Applicants are responsible for retaining legal counsel, at its cost, on any legal matter pertaining to the administration of the project.
- LAHTF reserves the right to withdraw its funding commitment if technical submission items are not submitted by the applicant by the date referenced in the commitment letter; or to recapture funds if legal agreements are not signed and/or funds are not committed and/or expended and construction completed by the dates referenced in the funding agreement; or if the project substantially changes after funding commitment. LAHTF reserves the right to periodically review the applicant's progress toward timely commitment and expenditure of funds.
- If LAHTF determines that the project is no longer feasible or is not progressing timely so that the imposed deadlines will be met, funds may be recaptured.
- LAHTF requires that applicants have all funds committed and expended within 36 months. Commitment means that the applicant must have a signed contract with the builder/contractor and homeowner, where applicable.
- LAHTF may recapture funds if the applicant has not met the commitment and expenditure deadlines as referenced in the funding agreement(s). However, LAHTF reserves the right to extend the date if extenuating circumstances prevented the commitment.
- Applicants are responsible for ensuring that the required financial records are maintained for all federally-assisted projects. Each applicant is responsible for maintaining applicable federal compliance.
- If the project proposes demolition and reconstruction, the dilapidated structure must be demolished. In the case of mobile home replacement, the dilapidated mobile home must be demolished or salvaged (a salvage title must be obtained) and the salvage value should be reinvested into the new unit. For all demolition and reconstruction projects, a demolition agreement must be executed with the property owner.
- Applicants must disclose all real, potential, or perceived conflicts of interest to LAHTF as outlined in 24 CFR Part 35 and 24 CFR Part 84 or 85, as applicable, regarding the receipt of, assistance provided with, or expenditure of LAHTF funds. All conflicts of interest must be disclosed and resolved prior to providing LAHTF assistance to the household.
- All projects that also receive HOME funds must comply with the requirements of the Uniform Relocation Act.
- Applicants may not begin construction on any unit until the project has been approved by LAHTF.



## 2014 REVOLVING LOAN FUND OVERVIEW

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### **Purpose**

The Louisville Affordable Housing Trust Fund (LAHTF) was created in 2008 as the way for Metro Council to invest public funds in the kind of housing our community needs: for people on fixed incomes like seniors and people with serious disabilities; for young families starting out; for veterans; and for working people whose wages are not enough to live in Metro Louisville. The Housing Trust Fund is founded on the principle that a place to call home opens the door to opportunity, and that the whole community does better when everyone has a decent place to call home.

### **2014 LAHTF Revolving Loan Funds Offered**

- In 2014, LAHTF will provide \$110,000 in low-interest loans for projects that address vacant and abandoned properties.
- All projects that receive LAHTF revolving loan funds in 2014 must serve households that are at or below 80% of Area Median Income.
- Half of the funds must be used to serve households that are at or below 50% of Area Median Income.

### **Benefits to Community**

- LAHTF projects create stable and safe homes and basic economic security for Louisville individuals and families
- Businesses can rely on a stable workforce
- Housing rehabilitation and construction spurs economic growth and investment
- Citizens have reduced crisis-care expenses related to unaffordable housing
- Revitalizing vacant/abandoned properties improves neighborhoods
- LAHTF projects can be located anywhere in Louisville-Jefferson County

## **LAHTF will fund low-interest loans for the following eligible project types in 2014**

- Rehabilitation of vacant and abandoned residential properties or adaptive re-use of vacant or abandoned commercial properties to residential
- Acquisition, rehabilitation, and re-sale of existing of vacant residential dwellings
- Demolition of blighted residential properties as part of a comprehensive redevelopment plan
- Redevelopment of demolished or vacant residential properties

### **Eligible LAHTF Applicants**

All applicants for LAHTF loan funds must be in good standing with the Kentucky Secretary of State's office and, if applicable, the Louisville Jefferson County Revenue Commission. Eligible applicants include for-profit developers, nonprofit organizations, Community Housing Development Organizations (CHDOs), faith-based organizations, service organizations, and local units of government.

### **How to Apply**

- Applicants for LAHTF loan funds should submit a complete Application, including all required documentation, for consideration of LAHTF funding.
- Prior to submission of an application, LAHTF is available for technical assistance and with potential applicants.
- Applications will be reviewed and scored by LAHTF within 30 days of receipt.

### **Applicant Notification**

After the application review is complete, a letter will be sent to the applicant indicating either:

- The application received a sufficient score to be selected for funding. The applicant is instructed to sign the commitment letter and complete any additional requirements; or
- The application did not receive a sufficient score to be selected for funding. LAHTF is available upon request to discuss any application deficiencies. The applicant is then encouraged to address these issues and reapply in the next funding round (subject to fund availability).

A start-up conference may be held with the successful applicant to review all requirements of the loan.

**For more information and assistance, contact:** LOUISVILLE METRO AFFORDABLE HOUSING TRUST FUND, 1469 South Fourth Street, Third Floor, Louisville, KY 40208 [info@louisvilleahtf.org](mailto:info@louisvilleahtf.org) (502) 637-5372 [louisvilleahtf.org](http://louisvilleahtf.org)