RUSSELL MARKET RATE HOUSING PROGRAM
NOTICE OF FUNDING AVAILABILITY

March 2019
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Purpose Statement, Goals, Eligibility and Definitions

The Russell Market Rate Housing Program is seeking innovative proposals to create wealth and homeownership opportunities in the program’s target area. A combination of forgivable and zero to low interest amortizing loans for the rehabilitation and/or infill new construction of single-Family, market-rate, owner-occupied properties may be used in addition to other methods to create Market Rate Housing. This program provides flexible funding that can be layered with other sources of financing as needed to support the development of quality Market Rate Housing within the Russell neighborhood of Louisville.

The Russell Market Rate Housing Program is administered through Develop Louisville’s Office of Housing and Community Development (OHCD). It will be used to create or preserve approximately 15 single family homes over the first phase of direct financing awarded through this program. Applicants are encouraged explore innovative approaches that meet the goals of wealth creation and homeownership in the target area.

Program Goals: Build wealth by increasing homeownership rates in this census block group commiserate to the surrounding blocks, reduce blight, and improve the overall health and safety of the neighborhood. Provide innovative opportunities for wealth creation through homeownership and encourage future community investments.

Target Area: OHCD is targeting a strategic area within this Russell neighborhood census block group (002400-1) that builds upon Metro’s current investments in the area. Currently, OHCD is working with two development partners in the new development of single-family, market-rate homes just west of the target area on Cedar Street. This block-by-block approach to revitalize Russell makes this target area prime for both rehabilitation and new construction of market rate units. The boundaries set for this target area are:

East – 20th Street, West – 22nd Street, North – Jefferson St, South – Muhammad Ali Blvd. (see Map 1: Russell Overview and Map 2: Target Area Characteristics)

Existing Conditions:

Target Block Group:

36% Owner-Occupancy Rate (OOR)

Target Area:

18% OOR

Cumulative OOR for Russell:

24% OOR
**Program Targets:** Innovative creation of 15 new single-family owner-occupied units to match the 36% Homeownership rate in the Target Area’s Block. Both rehabilitation and new construction qualify as new units.

**Budget:** OHCD has allocated up to $1,000,000.00 in market rate housing funds to this program. Metro desires to dedicate $500,000 of the Program fund as a revolving loan pool. Loans awarded through this pool are required to be repaid in full at the property’s conversion to homeownership. However, all proposed loan terms and types will be considered, and applicants are encouraged to propose innovative project financing structures.

At least $500,000 of the Market Rate Housing Program are eligible for forgiveness upon successful project completion, if necessary. Each project will be funded according to needs identified in the project underwriting. **Forgivable funds are limited to a maximum of $33,000 per market rate home.**

Concurrent with the new housing developments, OHCD intends to invest approximately $400,000 in infrastructure improvements, including updated sidewalks, tree wells, and new tree plantings (see Maps 3 and 4). These infrastructure improvements are limited to the target area described, therefore applicants are strongly encouraged to design their project proposal(s) with these improvements in mind.

Non-profit and for-profit developers of market rate Single-Family Homeownership Properties are eligible to submit proposals for funding through this program. Applicants are evaluated on their individual merits and project underwriting using the process described herein. Innovative proposals that meet the goals of this program, but are outside of the program’s target area, are eligible for submission.

The following definitions apply:

*Market Rate Housing:* Rehabilitation or new construction of homes for sale at appraised value that are not limited to any specific income level.

*Applicant:* A for-profit or non-profit developer of market rate housing seeking funding through the Russell Market Rate Homeownership Program for a specific project.

*Borrower:* An Applicant who has received a loan through the Russell Market Rate Homeownership Program.

*Repayable Loan:* Zero to below market rate financing for a short-term until property is sold to a market rate homebuyer. Loan terms will be determined through project underwriting.

*Forgivable Funds:* Funds that are eligible for forgiveness upon successful project completion if necessary. Each project will be funded according to needs identified in the project underwriting. Forgivable funds are limited to a maximum of $33,000 per market rate unit created.
OPERATIONAL PROCEDURES

Develop Louisville’s Office of Housing and Community Development staff (“Staff”) shall provide oversight and administration of the Russell Market Rate Housing Program.

A Project Review Committee ("Committee") shall be established to review applications. If necessary, Committee members may appoint a designee to review applications. This Committee will be chaired by the Director of the Office of Housing and Community Development, who shall serve as a non-voting member. This Committee shall also be composed of:

1. The Director of Develop Louisville,
2. The Director of the Office of Advanced Planning,
3. The Director of Redevelopment and Vacant & Public Property Administration,
4. The Executive Administrator for Redevelopment and Vacant & Public Property Administration,
5. The Director of Economic Development.

Members of the Committee shall be bound by the provisions of Louisville Metro Code of Ordinances Chapter 21, which governs standards of ethical conduct.

Timely Review. The Committee shall meet review applications to meet the needs of developer’s gap financing through this program. Applications will be reviewed within thirty (30) days of final submission.

APPLICATION AND REVIEW PROCESS

Application Process. Applicants seeking funding from The Russell Market Rate Housing Program shall:

1. Meet with Staff, if desired, to discuss questions and receive technical assistance in providing complete application materials to request funding from The Russell Market Rate Housing Program.
2. The Applicant shall complete the online application and provide the following materials in electronic format to the Office of Housing and Community Development. Applicants are encouraged to focus on innovative approaches to homeownership and wealth building in their application.
   a. Project pro forma/cash flow statement detailing sources, uses, and proposed loan terms.
   b. Deeds, purchase contracts, options, etc. for the properties on which the project will be constructed.
c. Site development plans and specifications, if complete and applicable.
d. Project timeline.
e. Description of project team, including relevant experience developing Market Rate Housing or the type of project proposed.
f. Detailed plan outlining marketing to potential homebuyers and efforts to ensure properties remain Market Rate Housing.
g. Other pertinent information as may be requested by Staff.

**Review Process.** All applications will be reviewed according to the following process:

1. Upon receipt of a complete application, as determined by Staff, Staff shall review the application and supporting documents, determine project viability using OHCD’s underwriting criteria, and make a recommendation to proceed or reject the application. If recommendation is to proceed, staff shall recommend appropriate loan terms based on underwriting criteria and schedule a meeting of the Committee to review the project.

2. The Committee will meet to review applications The Russell Market Rate Housing Program funding.

4. The Committee may:

   a. Approve the project or projects by majority vote.
   b. Approve the project or projects by majority vote with conditions where necessary to facilitate a project that is being considered for funding. In the event of a conditional approval, the Committee shall specify what kinds of changes to the project shall require additional review by Staff and the Committee.
   c. Reject the project or projects.

**POST-REVIEW PROCESS**

Staff shall notify each Applicant in writing of the Committee’s decision within seven (7) days of the Committee’s meeting.

Where an application is approved or approved with conditions, Staff shall prepare a commitment letter setting forth the terms and conditions for funding the loan, including a firm date on which the commitment will expire.

Once the Applicant has completed, Staff shall verify that the Applicant is in good standing with the Louisville Metro Revenue Commission and Human Relations Commission, and that the Applicant, and other owners, officers, partners, and guarantors, and any affiliates, sister organizations or other businesses, whether for-profit or non-profit do not have unresolved violations under Louisville Metro Government’s Property Maintenance Code on any properties owned by said individuals or organizations. Once the verification is complete, Staff shall forward
these documents to the Jefferson County Attorney’s Office and request that Office’s assistance in preparing closing documents:

1. Loan Agreement  
2. Promissory Note  
3. Mortgage  

Staff shall enter information on the new Borrower and the loan into Louisville Metro Government’s Loan Management System.

**LOAN CLOSING**

Loan closings shall take place on a date that is mutually convenient to Staff, the Borrower and the Jefferson County Attorney’s Office, all of whom shall be present for the closing. All individuals who are required signatories on loan documentation, including guarantors, shall be present on behalf of the applicant. The Jefferson County Attorney’s Office shall obtain all necessary signatures on the closing documents and shall verify the validity of all signatures. If applicable, the Borrower shall provide Staff signed checks for the recording fees, the origination fee, and/or the title report. Upon the execution of all closing documents and the receipt of all required checks, Staff shall be authorized to release disbursements of loan proceeds according to the agreed-upon disbursement schedule. Staff shall provide copies of all closing documents to the Borrower, and Staff shall promptly record all mortgages, liens or other recordable documents executed at closing in the Office of the Clerk of Jefferson County, Kentucky.

**LOAN SERVICING**

*Disbursements.* Staff shall process requests for loan disbursement according to the terms of the loan agreement. The Borrower shall submit invoices for work performed to Staff, who shall be responsible for confirming the work was performed as stated through a physical inspection of the project, for entering the requested disbursement amount into the Louisville Metro Government’s Loan Management System and working with Louisville Metro Government’s Office of Management and Budget (“OMB”) to process the disbursement request. Ten percent (10%) of each request for disbursement shall be retained by Metro and released upon successful project completion.

*Payments.* When payments are due, OMB shall send monthly invoices to each Borrower. Thirteen days before the bill due date, an invoice shall be printed and mailed to the Borrower with an envelope addressed to a 5/3 Bank lockbox that is used to collect and clear checks. Following the collection and entry of checks from this lockbox, OMB will receive a file listing the checks received and processed. OMB shall enter this information into the Oracle Loan
System, which automatically applies payments to the appropriate Borrower. Staff is responsible for working with Borrowers to ensure timely payment, to correct delinquencies and to initiate and manage any required collection actions with legal support from the Jefferson County Attorney’s Office.

Loan payments are due on the date set forth in the monthly invoice. If payments are not received within thirteen (13) days of the due date, a $25 late fee shall be charged to the Borrower on the following month’s bill. A Borrower may, within two months of being assessed a late fee, request that the Committee waive said fees.

**LOAN DELINQUENCY AND RESTRUCTURE**

Staff shall make all reasonable efforts to work with troubled Borrowers to keep projects on track. In the event of loan delinquency or threatened default, Staff will work with the Borrower to develop a revised repayment schedule to catch up on past-due amounts or to restructure the loan payments to enable the Borrower to repay the loan. Changes to repayment schedules, restructure of loan payments or other modifications to the original loan agreement require the approval of the Committee.