

**HOPE**

Housing Opportunities Enhancement

**PROGRAM**

**POLICY**

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## HOPE PROGRAM POLICY OVERVIEW

The Dakota County Community Development Agency (CDA) is committed to the development of affordable rental and homeownership housing for low and moderate-income households. The CDA assists in the development, acquisition, rehabilitation, and preservation of affordable rental and homeownership housing through the Housing Opportunities Enhancement (HOPE) Program.

### Section One—Program Purpose

The HOPE Program is designed to provide resources to create and preserve affordable housing throughout Dakota County for low- to moderate-income households.

The HOPE Program provides gap financing to leverage public and private sector funds for the expansion and preservation of affordable housing units in Dakota County. The HOPE Program is used to assist in the following activities:

1. New Construction/Land Acquisition
2. Homeownership Opportunities—indirect or direct assistance
3. Housing Rehabilitation/Acquisition/Preservation

The annual objectives of the HOPE Program include:

1. Assisting 100-200 affordable housing units
2. Leveraging \$10 million to \$20 million in other public/private funding
3. Maintaining a program leverage ratio of 10:1

### Section Two—Delegation of Authority

Dakota County CDA has entered into a Joint Powers Agreement (JPA) with Dakota County for the administration of the HOPE Program. The Dakota County Board of Commissioners has given the CDA authority to establish this document (HOPE Program Policy) setting forth program requirements. The CDA is further authorized to develop procedures and documents for the HOPE Program and the CDA Executive Director is granted authority to execute agreements necessary to implement the program. The CDA shall be responsible for ensuring that funds are provided only to eligible applicants and expended only for allowable costs. The Executive Director of the CDA is authorized to make changes to the HOPE Policy that are consistent with the JPA.

### Section Three—Funding

The HOPE Program consists of, but is not limited to, funding provided by Dakota County and the CDA.

1. **HOPE Program Fund:** Dakota County established the HOPE Program Fund in 2002 by appropriating to the Dakota County CDA initial funding of \$1 million per year for three years. The McKnight Foundation, through the Family Housing Fund, provided \$1.5 million in matching funds during this three year period.

Annually, the CDA contributes a portion of its special benefit levy to the HOPE Program Fund, subject to approval by the CDA and Dakota County Boards of Commissioners.

2. **Program Income:** The HOPE Program Fund utilizes a “Revolving Loan Fund” concept. Loan repayments and prepayments are considered Program Income and are deposited back into the HOPE Program Fund to make additional loans.
3. **Match Funding:** From time to time, the HOPE Program may receive additional funds from outside sources. Moneys received in such a manner will be deposited into the fund and used to make loans.

#### **Section Four—Funding Notifications**

The CDA publicly advertises the availability of HOPE Program funds via the CDA’s website and through solicitation of developer interest in the HOPE Program. Funding is available on an open pipeline basis throughout the year until funds are exhausted for that fiscal year.

#### **Section Five- Eligible Applicants**

Eligible applicants include housing developers, multifamily housing property owners, and program administrators with the demonstrated capacity and experience to successfully complete the proposed project or implement the proposed program. Applications must be received from a duly created and validly existing corporation, partnership, or other entity. Individual homeowners may not apply directly for HOPE Program funds. Homeowner associations that represent owner-occupied multifamily developments (e.g. condos and townhomes) may apply for HOPE funds through the CDA’s Housing Improvement Area (HIA) Program. See the CDA’s HIA Program Policy for additional details and requirements.

#### **Section Six – Eligible Activities**

HOPE Program funds can be used for both rental and homeownership housing. Eligible Activities are outlined below.

1. **Rental Housing:** Acquisition, new construction, rehabilitation and preservation of affordable rental housing units.
2. **Owner-Occupied Housing:**
  - a. New construction of owner-occupied housing by a housing developer. HOPE Funds will generally be provided to the housing developer to help offset the value gap between construction costs and the purchase price, but may be structured as a direct loan to the homebuyer.
  - b. Entry cost assistance to bridge the gap to homeownership for first time homebuyers HOPE funds will be structured as a direct loan to the homebuyer to reduce the entry cost barriers (e.g. down payment and closing costs) of purchasing a home in Dakota County.
  - c. Rehabilitation of owner-occupied housing units.

## Section Seven—Loan Limits & Terms

1. **Limits:** The maximum HOPE Program loan may not exceed \$30,000 per HOPE-assisted unit or a maximum of \$750,000 per development.

CDA staff will underwrite projects to ensure HOPE Program funds are needed to make the project financially feasible.

2. **Terms:** Funding awarded from the HOPE Program will generally be in the form of a loan. Terms of the loan will be based on the length of affordability and the ability of the borrower to repay. The CDA, at its sole discretion, will consider structuring a HOPE Program funding award as a grant or forgivable loan for developments with existing mechanisms in place to ensure long term affordability (30 years or more) and serving a resident population with incomes too low to support a traditional loan structure. Examples of such developments may include Public Housing, supportive housing, Habitat for Humanity developments, or other similar developments.

Unless a loan extension or subordination has been approved in writing by the CDA, repayment of the HOPE Program loan will be required on the date or dates on which any of the following occur:

- 1.) Any transfer or sale of the development;
- 2.) The date of any refinancing of the bonds, permanent loan or subordinate loan;
- 3.) Upon occurrence of an event of default; or
- 4.) Upon prepayment of the loan as a result of foreclosure or the granting of a deed in lieu of foreclosure.

## Section Eight—Affordability Requirements

1. **Income Requirements:** The maximum allowable income for HOPE-assisted rental housing units is at or below 50 percent of the county’s median income as determined by HUD for the Minneapolis/St. Paul metropolitan statistical area. The maximum allowable income for HOPE-assisted owner-occupied housing units and programs is 80 percent of the county’s median income as determined by HUD for the Minneapolis/St. Paul metropolitan statistical area.
2. **Rent and Purchase Price Requirements:**

Rents for HOPE-assisted units must not exceed the most current HUD Area Median Income (AMI) rent schedule for 50 percent, less the applicable utility allowance .

The Purchase Price for HOPE-assisted ownership units must not exceed the current purchase price limit for the Dakota County First Time Homebuyer Program. In addition, individual homeownership affordability will be based on standard lending ratios used by FHA, Fannie Mae and Freddie Mac for community lending programs.

A housing development utilizing HOPE Program funds may contain market rate units. However, HOPE Program funds may not be used to support market rate units.

## **Section Nine – Design and Contracting Requirements**

Design must comply with all applicable codes, rules and regulations including but not limited to zoning, building and energy codes, accessibility and other local, state, and federal requirements. Those developments in cities and municipalities, which have not adopted the State Building Codes, must design and construct the development to comply with the State Building Code. The CDA reserves the right to review and approve all plans, materials, etc. related to the design of the proposed project. Applicants pairing HOPE Program funds with other CDA funding must also comply with the design requirements of that funding. Contractor selection and solicitation must comply with the CDA’s Contracting Requirements to promote competitive pricing for the proposed project.

## **Section Ten - Organizational Capacity**

Applicants must demonstrate that the skills and experience of the development, property management and program administration teams (as applicable) are appropriate to the size and complexity of the project and/or programs.

## **Section Eleven - Community Review**

At the time an application is submitted for HOPE Program funding the applicant must include a letter from the city in which the development is located stating the current zoning and approval status.

The CDA will submit all applications for HOPE Program funding to the city in which the development is located for review and comment. Cities will be given a reasonable period of time to review and submit comments. The CDA will not consider funding a development before a city has provided comments or until a reasonable period of time has elapsed and no comments have been received.

The CDA will not approve any request for funding where a community indicates that the development is not consistent with the community’s plans, policies, or goals.

In addition, the CDA will submit all applications for HOPE Program funding to applicable County departments for notification and comment. Applicable departments may include, but are not limited to, Community Services, Physical Development, and the Office of Planning, Evaluation, and Development.

County department staff will be given a reasonable period of time to review and comment. The CDA will not consider funding a development before the applicable departments have provided comments or until a reasonable period of time has elapsed and no comments have been received.

## **Section Twelve - Site Control**

Applicants must be able to provide, at the time the application is submitted, evidence of single owner site control. Evidence includes: deed of trust, current and executed purchase agreement or sale agreement, current title showing applicant as owner, or option agreement.

## **Section Thirteen - Relocation Plan**

If applicable, applicants must show that a relocation plan has been developed to ensure that comparable units within the community are available and the budget is adequate to cover relocation costs.

## **Section Fourteen - Leverage**

Applications must be able to demonstrate a minimum of 2:1 leverage, unless the application is to provide financing for a new or existing supportive housing development or for the rehabilitation of an existing rental development. Applications for supportive housing developments or rehabilitation financing must be able to demonstrate a minimum of 1:1 leverage, subject to CDA underwriting analysis and the availability of HOPE Program funds.

## **Section Fifteen—Review and Selection Process**

In order to ensure that limited resources are utilized in the most effective manner, funding applications must satisfy all HOPE Program requirements listed in Sections Five through Fourteen of the HOPE Program Policy and meet the Threshold Requirements to receive further consideration.

### **Threshold Requirements:**

1. Alignment with the HOPE Program Purpose, as defined in Section One.
2. Meet applicable CDA underwriting criteria.
3. Determination by CDA staff that HOPE funds are needed for feasibility of the project and to leverage additional resources. CDA staff will not recommend an award of HOPE funds in excess of the amount required to fill a financing gap. The applicant must demonstrate efforts to secure gap funding from all eligible funding sources.
4. Demonstrate project feasibility based on current housing finance conditions, the applicant's ability to complete the project within a reasonable timeframe, and other pertinent factors.

### **Competitive Priorities:**

In order to rank applications, the CDA will assign points to each competitive priority. Funding applications must receive a minimum of twenty (20) points for rental housing and fifteen (15) points for homeownership housing to be awarded HOPE funds. Dakota County CDA staff will review applications based on the following competitive priorities:

1. Affordability of rents or home purchase prices (5 points if rents are affordable to households with incomes at or below 45% of the area median income, 10 points if rental subsidies are secured to serve lower income households, 5 points if at least \$2,500 of entry cost assistance is available for low/moderate income homebuyers.). Max of 10 points for rental housing; 5 points for homeownership housing.
2. Leverage of outside dollars (e.g. private, nonprofit). (1 point for every additional 1:1 leverage of HOPE funds beyond 2:1.) Maximum of 15 points.
3. Demonstration of additional financing through funding commitments or other means. (1 point for each 10% of total development cost funding sources committed)
4. The length of affordability proposed. (2 points for each additional 5 years of affordability beyond 15 years). Maximum of 6 points.
5. Readiness to proceed based on the status of zoning, permitting, site control and other commonly used indicators (1 point for each demonstration of readiness). Maximum of 4 points.

6. Project design in which maintenance free exteriors are used and/or the quality of materials used will provide for reduced maintenance over the life of the housing development. (5 points for maintenance free exteriors; 5 points for other materials resulting in reduced maintenance). Maximum of 10 points.
7. Project design containing energy efficient features, such as high efficiency windows or appliances, low flow faucets or toilets, alternative energy sources (passive or active solar, geothermal, wind, etc.) or other energy or water saving measures 2 points for each measure, Maximum of 10 points
8. Site location that provides:
  - a. access to five or more amenities/services for residents within 1 mile (such as schools, libraries, parks, licensed childcare facilities, retail or grocery stores, healthcare centers, pharmacies, restaurants, banks, places of worship, etc.) or ten or more amenities/services for residents within 3 miles,
  - b. access to transit within ½ mile,
  - c. access to multiple employment opportunities providing moderate income wages (45-80% AMI) within 5 miles
 (5 points for each category, Maximum of 15 points).
9. Developments serving residents with special needs (15 points).
10. Projects/programs that rehabilitate the existing stock of housing (15 points)

In the event of a tie between two applications and HOPE funds are not available for both applications, the CDA will select the project which best meets the HOPE Program purpose and priorities. .

All HOPE Program funding applications will be reviewed by CDA staff using the criteria outlined in this document. Recommendations for funding, including any comments received by City and County staff, will be presented by CDA staff to the Dakota County CDA Board of Commissioners for final approval. Funding commitments will be in the form of a contingent commitment, which may be cancelled if the proposal is no longer deemed viable by CDA staff or the proposal fails to comply with the HOPE Program Policy. The CDA retains the right to reject in whole or in part any application for any reason.

## **Section Sixteen —Ongoing Eligibility Requirements**

In addition to basic eligibility requirements, recipients of HOPE Program funding must also comply with the following ongoing requirements.

1. **Monitoring:** Initially applicants must provide to the CDA a list of actual tenant rents and incomes and certify that the tenant rents and incomes are accurate and in compliance with the rent and income requirements established by the HOPE Program. To fulfill this requirement the CDA will accept copies of reports submitted for the Tax Credit Program, Bond Programs or other approved financing programs. If funding is not received under programs such as the Tax Credit, Bond Program, or other approved financing program then the developer must generate and submit a report.

Additionally, the developer of a project receiving HOPE Program funding will be required, annually, to certify to the CDA that the rental rates are within applicable limitations. The CDA will also require individual certifications of household income.

2. **Continuing Affordability:** Units assisted with HOPE Program funds must remain affordable for a period of not less than 15 years. The continuing affordability requirement will be considered to be met at the time HOPE Program funds are fully repaid.
3. **Participation in the Section 8 Program:** Developers of multifamily rental units will be required to sign an agreement that while the loan is outstanding; it will participate in the Section 8 Housing Choice Voucher Program. Participation means that to the extent the developer has units that meet the requirements of the Section 8 Program, they will not exclude from consideration qualified families receiving assistance through the Section 8 Program.

## **Section Seventeen — Fees**

The following fees must be paid by the Applicant with respect to the Dakota County Community Development Agency (CDA) HOPE fund:

1. An application fee in the amount of \$1,500 must be submitted with the Application for HOPE funds to the Dakota County CDA.
2. At, or prior to the HOPE loan closing, the lesser of \$5,000 or 1% of the HOPE loan amount must be remitted to the CDA for administrative expenses related to the HOPE loan review and closing. If administrative expenses, including but not limited to legal review, are anticipated to materially exceed this amount, the CDA may require the applicant to pay the actual amount of costs incurred for such review and closing.