

City of Bend
Policy on Loans and Grants Through the
Community Development Block Grant Program (CDBG), Affordable Housing Fund
(AHF), and Commercial and Industrial Construction Fund (CET)

Section 1. Purpose

The purpose of this policy is to establish guidelines regarding the awarding of grants and loans through the City of Bend's Community Development Block Grant (CDBG), Affordable Housing Fund (AHF), and Commercial and Industrial Construction Fund (CET) and to establish standard loan terms for the Program. The policy is intended to implement the City of Bend's goal of growing the City's loan funds over time in order to have a greater long-term impact on the community's housing and community development needs.

Section 2. Policy Statement

In the provision of project funding through the City's loan Programs, it shall be the policy of the City of Bend to provide assistance in the form of GRANTS for Public Services projects, and in the form of LOANS for all other projects. Loans shall be provided through one of the following terms:

- Homebuyer Assistance - silent non-amortizing for 30 years. In year 31, becomes fully amortized at 5% for a term of 10 years. Repaid by year 40. Repaid upon transfer or affordability non-compliance.
- Acquisition for land trust - silent for 20 years at 0% interest with repayment terms revisited at year 20.
- Acquisition, construction, rehabilitation, clearance of land, infrastructure – 40-year amortizing at 1%.
- Acquisition, construction, rehabilitation, clearance of land, infrastructure – 40-year interest only for first 10 years, amortizing at 3%.
- Shelters - due upon sale, refi, or non-compliance, 0% interest.

All loan recipients may request shorter repayment timeframes without pre-payment penalty. Developments repaying within 5 years may qualify for 0% interest, with the approval of AHAC and City Council.

Section 3. Applicability

This policy pertains to projects selected for funding through the City of Bend's Affordable Housing Development Program application process. All projects shall be deemed eligible under Affordable Housing Development Program regulations by City staff and shall be approved for funding by the Bend City Council.

Section 4. Grants

The City shall provide assistance in the form of grants to Public Services projects selected for funding through the CDBG and CET programs. Public Services projects are those which meet the US Department of Housing and Urban Development's Public Services criteria, as outlined in the CDBG Program regulations at 24 CFR 570.201(e). CDBG Program requirements restrict the funding of such projects to 15% of the City's annual CDBG allocation.

The determination as to whether a project falls into the Public Services category shall be made by City staff in accordance with CDBG Program regulations through the Affordable Housing Development application process.

City infrastructure projects approved by the City Council for CDBG funding shall receive such assistance in the form of grants.

Section 5. Loans

The City shall provide assistance in the form of loans to selected projects other than those falling into the Public Services category. Such loans shall be provided through one of the products listed in Section 2, above. Repayments on loans made through the Affordable Housing Development Program shall be made in equal monthly installments beginning the month following the disbursement of loan funds, or as determined by the Affordable Housing Development Program.

Loan recipients shall enter into a Payment Agreement with the City of Bend prior to the disbursement of funds. The Payment Agreement shall include the amount of the loan, the payment schedule, and the remedies to be employed by the City in the event that the loan recipient fails to meet the terms and conditions of the Payment Agreement.

Section 6. Modifications

Under extraordinary conditions and after all other project funding has been secured, staff may approve modification of the above terms to accommodate a project's specific needs. Modification of these terms will be the exception rather than the rule. In such cases, it shall be the responsibility of the project applicant to provide sufficient evidence – as determined by City staff – that the standard loan requirements and terms would cause undue hardship to the applicant or the project. Potential modifications include:

- **Projects other than those falling into the Public Services category, which would typically receive a loan, may receive a grant.**
- Loans for projects other than those falling into the Public Services category may be negotiated for interest rates or term lengths other than those specified in Section 4 if it can be shown that such terms would cause undue hardship to the applicant or would preclude the successful implementation and/or completion of the project.
- Projects other than those falling into the Public Services category may receive funding in the form of deferred payment loans due upon sale or transfer of the property, if it can be shown that the requirement to re-pay the funds in monthly installments would cause undue hardship to the applicant or would preclude the successful implementation and/or completion of the project.