

Bend Urban Renewal Agency

Policy on Loans for Affordable Housing Development in Tax Increment Finance Areas

Section 1. Purpose

This policy sets guidance for loans by the Bend Urban Renewal Agency (BURA) to support affordable housing developments in tax increment finance (TIF) areas.

Section 2. Policy Statement

Financial assistance under this Policy will be provided in the form of loans. Repayments are intended to be used to make future loans under this policy. Funding availability is based on the adopted BURA budget and is subject to the availability of resources in each tax increment finance area. Financial assistance made available for loans are at the sole discretion of BURA. No amount of funding is guaranteed to be available in the loan fund or for any particular project or TIF area.

Section 3. Applicability

The project must be located in an established Tax Increment Finance Area and be consistent with the applicable Tax Increment Finance Plan of the TIF area.

Affordable Housing eligible projects must provide affordable housing, as defined herein.

- In the case of dwelling units for sale, affordable means housing in which the mortgage, amortized interest, taxes, insurance, and condominium or association fees, if any, constitute no more than 30 percent of such gross annual household income for a family at 80% of the area median income, or at such other income levels as may be approved by BURA consistent with the applicable TIF plan.
- In the case of dwelling units for rent, affordable means housing for which the rent and utilities constitute no more than 30 percent of such gross annual household income for a family at 60% of the area median income, or at such other income levels as may be approved by BURA consistent with the applicable TIF plan.
- Area median income is based upon most recent Income Limits for the Bend Metropolitan Statistical Area (Bend MSA) provided by the U.S. Department of Housing and Urban Development (HUD), or other data source identified by BURA in the event such information is no longer provided by HUD.

Public buildings as defined by ORS 457.010(12) are not eligible. Projects in TIF areas approved through BURA's Tax Increment Assistance for Housing Affordability or Tax Increment Assistance for Employment Growth (TIAHA and TIAEG) policies are not eligible for loans under this policy.

Eligible activities include:

- Acquisition (land and/or buildings)
- Construction
- Rehabilitation
- Grading/Clearance of land
- Infrastructure (On & Off-site improvements required by the project's land use or development approval)
- Other development and pre-development costs approved by BURA

Section 4. Application

Applications will be accepted on a rolling basis unless otherwise provided by BURA, subject to available funding. Applications must be made in the form required by BURA, along with any supporting materials BURA may require regarding the project, financing, or involved parties. Applicants may be required to submit a title report and credit report for any principal involved in the project.

Section 5. Terms and Conditions

Loan recipients must enter into an agreement with BURA prior to the disbursement of funds. The agreement will include the amount of the loan, the amortization schedule, and the remedies available to BURA in the event of default by the borrower.

Loans are subject to the following terms and conditions:

- A. Origination Fee: 1% of approved loan amount, allocated to BURA administrative costs.
- B. Interest Rate. Interest rate will be determined by BURA, based on the amount borrowed, organizational finances, loan terms, federal reserve rate, the prime rate, local market conditions, and housing affordability type. Interest rates may be fixed, variable, or scalable.
- C. Loan Term. The repayment term for each loan may not exceed ten (10) years.
- D. Repayment. Payments (principal and interest) must be made monthly beginning sixty (60) days from the first disbursement of loan funds.
- E. Late Fee: If payment is not received within five (5) days of payment due date, a \$50.00 late charge will be assessed.
- F. Prepayment. There are no penalties for prepayment. Affordable housing covenants will not be released with prepayment.
- G. Secured Interest. Secured interest will be determined on an individual basis and may include: trust deeds on land and buildings.
- H. Priority. BURA's loan will have the priority of recording. In BURA's sole discretion, BURA may agree to a subordinate position against other project financing.
- I. Insurance Requirements.
 - i. Entities receiving loans for fixed assets must obtain property-casualty insurance for the appraised value of the property being financed.
 - ii. Projects receiving construction loans must obtain builder's risk insurance in the amount of debt financing attendant to the project. Following construction, property-casualty insurance is required as described above.
 - iii. For loans to purchase real estate, title insurance must be obtained in the amount of the loan provided for the purchase. BURA must be listed as an additional insured on all property-casualty and builder's risk insurance policies.
 - iv. All required insurance must be maintained for the life of the loan, for property-casualty and title insurance, and for the duration of construction, for builder's risk insurance.
- J. Affordability. Projects must record a covenant securing the affordability for a period of not less than 20 years. Covenants required for other sources of funding for the

project may be used to meet this requirement, subject to approval by counsel for BURA.

Section 6. Modifications of Loan Terms

BURA may approve modification of the Terms and Conditions for a specific loan to accommodate a specific project, as determined in BURA's sole discretion. Modification of these terms will be the exception rather than the rule. The applicant must provide information sufficient, in BURA's discretion, to justify modification of loan terms.

Section 7. Approval

Applications will be reviewed by staff. Final approval of loan, including amount and terms, will be by BURA. BURA's decisions under this Policy are made in its sole discretion.