VIRGINIA HOUSING DEVELOPMENT AUTHORITY

RENTAL HOUSING SPARC PROGRAM REQUIREMENTS

SPONSORING PARTNERSHIPS AND REVITALIZING COMMUNITIES

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RENTAL HOUSING PROGRAM ELIGIBILITY REQUIREMENTS

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General Information

The Sponsoring Partnerships and Revitalizing Communities (SPARC) Program was developed by the Virginia Housing Development Authority (VHDA) to encourage partnerships and finance housing opportunities not necessarily addressed by VHDA's traditional loan products which support rental housing.

The Rental Housing SPARC program is designed to address permanent mortgage financing for a variety of rental housing opportunities and provides financing at a below market interest rate through the support of the VHDA Resources Enabling Affordable Community Housing (REACH) initiative which is funded through the Authority's earnings.

The Rental Housing SPARC Program addresses the following categories presented in this document: 1) FRAIL ELDERLY, 2) HOMELESSNESS, 3) HOUSING FOR THE DISABILITIES COMMUNITY, 4) PRESERVATION OF AFFORDABLE HOUSING, and 5) REVITALIZATION. These categories were identified as a result of the on-going outreach efforts of VHDA including information obtained through the Authority's advisory board network and REACH Team efforts in communities throughout the Commonwealth.

This program is a <u>permanent mortgage financing</u> initiative intended to bring new affordable rental units into service or to preserve existing subsidized rental units. Rental Housing SPARC is not intended to serve as a product for the refinancing of existing rental housing units nor is it intended to provide construction or interim acquisition/rehabilitation financing for rental units. Applicants seeking resources to refinance existing rental units or seeking construction/permanent financing should refer to VHDA Rental Programs financed with Taxable Bonds outlined on www.vhda.com. VHDA is committed to quality rental housing opportunities and has created construction standards which must be addressed by applicants. <u>Therefore, it is critical that applicants consult with VHDA prior to initiation of unit construction or rehabilitation to ensure that the units meet the specified standards in order to ultimately receive permanent mortgage financing.</u>

The Virginia Housing Development Authority reserves the right to waive any defined requirement contained in this document in the event that the Executive Director determines the proposed housing initiative supports VHDA's strategic intent.

1. HOUSING FOR THE FRAIL ELDERLY

Housing for the Frail Elderly must serve seniors and meet the following definition for Frail Elderly: "*Older adults who require support because of an accumulation of debilities, including physical or mental debility*." This definition includes housing produced for the elderly that incorporates features to accommodate future anticipated debilities as seniors "age-in-place". In addition to meeting all accessibility and code requirements, it is expected that housing for the Frail Elderly that is financed with SPARC funds will incorporate Universal Design features to the greatest extent feasible. VHDA finances two basic models of Housing for the Frail Elderly:

- Assisted Living Facilities (properly licensed and including HUD project mortgage insurance); and
- Independent Living Units with supportive services.

The following eligibility requirements are structured to support for-profit and non-profit entities interested in providing quality housing linked to appropriate supportive services. Such entities must incorporate supportive services into the housing and utilize specialized A&E (architectural & engineering) design features to address this critical housing need.

1. Units/beds (housing) must serve the Frail Elderly as defined above. The required minimum number of units shall be governed by the criteria set forth in the revitalization section of this document. This unit minimum shall not apply to non-profit organizations or governmental entities applying for project funding under the Housing for the Frail Elderly category.

2. Housing must be for persons 62 years of age or older as stipulated in the Virginia Fair Housing Law and Virginia Administrative Code.

3. Must be appropriately licensed, if applicable.

4. Independent living housing must provide geriatric case manager/service coordinator assistance, either directly or through linkages with community-based service providers, so that residents are served with appropriate and affordable supportive services (e.g. information and referral, transportation, health and nutrition services, etc.) for at least 15 years or longer as required by the compliance period of other financing.

5. The loan application must meet all other underwriting standards for Rental Housing SPARC financing (see Appendix 1 – General Standards).

6. Tenant Income Restrictions (see Appendix 2 – Community Designation):

    - In non-rural communities, at least 50% of the units must serve households earning not more than 50% of area median income (AMI) with the remaining units serving households with incomes not exceeding 150% AMI.
    - In rural communities, 100% of the units may serve households with incomes up to 150% of AMI.

2. HOMELESSNESS

VHDA is committed to finding a permanent solution to ending homelessness. Rental Housing SPARC provides affordable financing options for housing that targets "chronically homeless" people. Chronically homeless individuals are defined as "an unaccompanied homeless individual with a disabling condition who has either been continuously homeless for a year or more, or has had at least four episodes of homelessness in the past three years."

The term does not include any individual imprisoned or otherwise detained pursuant to an Act of the Congress or a State law. Furthermore, the term does not apply to those are who considered at imminent danger of becoming homeless due to eviction or foreclosure. If eviction or foreclosure occurs, the individual or family may be considered homeless if there are no other housing resources available.

The following eligibility requirements were structured to support non-profit and governmental entities with a history and capacity for serving the homeless. The Service/Care Providers must demonstrate proper licensing, partnering, planning and locality backing to address this critical housing need with an emphasis on permanent supportive housing.

1. Borrowing Entity must be a non-profit organization or governmental entity.

2. Development must leverage funds from the Community Development Block Grant (CDBG) program, the local redevelopment and housing authority (RHA) or other local government financial support.

3. Management Team must have 5 years or more of experience serving the homeless or contract with an organization with such experience.

4. Management Team must be part of the locality's plan for a continuum of care (if present) and must make available supportive services by a licensed Service/Care Provider **OR** identify a mechanism for funding the supportive services.

5. The loan application must meet all other underwriting standards for Rental Housing SPARC financing (see Appendix 1 – General Standards).

6. Tenant Income Restrictions (see Appendix 2 – Community Designation):

   - In non-rural communities, at least 50% of the units must serve households earning not more than 50% of area median income (AMI) with the remaining units serving households with incomes not exceeding 150% AMI.
   - In rural communities, 100% of the units may serve households with incomes up to 150% of AMI.

3. HOUSING FOR THE DISABILITIES COMMUNITIES

VHDA is committed to designing programs and products that provide developers the means to build accessible, affordable places for people with disabilities to live. More importantly VHDA is committed to offering products that encourage a variety of housing alternatives that provide for choice and self determination for people with disabilities while integrating housing into livable communities with diversity and appropriate community supports to allow people with disabilities to live as independently as is possible. The Authority has adopted the definition of Disability from The Americans with Disabilities Act (ADA): An individual is considered to have a "disability" if he or she has a physical or mental impairment that substantially limits one or more major life activities, has a record of such an impairment, or is regarded as having such an impairment. Persons discriminated against because they have a known association or relationships with an individual with a disability are also protected.

VHDA finances a variety of housing for serving people with disabilities in the community. Examples of housing types financed through the VHDA Rental Housing SPARC program include:

Housing with Services

- Assisted Living Facilities (ALFs) of 8 of fewer residents,
- Congregate Housing with 8 or fewer residents,
- Assisted living apartments

Independent Living Apartments

- In which at least 50% of the apartments serve people with disabilities and are accessible using Universal Design (UD) features

All Housing units set aside for the Disabilities Community must meet Fair Housing requirements **and** the Architectural requirements as designated by either UFAS **or** ANSI A117.1 (2003) as referenced in the IBC 2003 as may be required by law. VHDA recognizes and supports the value of Universal Design features when building accessible spaces. For this reason the Authority requires that all new and rehabilitated projects that address housing for the disabilities community incorporate Universal Design features as referenced in the Universal Design Guidance. Features such as adjustable countertops and cabinets, under-counter knee space, and pullout shelves provide accessible work surfaces and storage that can be used by all of the members of a household, including those with physical disabilities.

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Units must meet Fair Housing requirements for State and Federal Law. Where required, the home must be licensed by the appropriate licensing authority and the developer/project sponsor must provide VHDA with proof of such licensing prior to closing. The housing financed under this section includes two primary categories: 1) Housing with Services, and 2) Independent Living Units. Housing in both categories must meet the following requirements:

1. A&E must meet either UFAS or ANSI A117.1 (as is appropriate by prevailing building code and funding source).

2. Organization must be a non-profit organization or governmental entity.

3. The loan application must meet all other underwriting standards for SPARC Multifamily financing (see Appendix 1 – General Standards).

4. Tenant Income Restrictions (see Appendix 2 – Community Designation):

    - In non-rural communities, at least 50% of the units must serve households earning not more than 50% of area median income (AMI) with the remaining units serving households with incomes not exceeding 150% AMI.
    - In rural communities, 100% of the units may serve households with incomes up to 150% of AMI.

Housing with Services

This category includes Assisted Living Facilities (ALFs), Congregate Housing, and Assisted Living Apartments. The sponsoring nonprofit and/or governmental entity must demonstrate proper licensing, supportive services and specialized A&E (architectural & engineering) design to address this critical housing need. Furthermore, the following requirements must be addressed:

1. 100% of the units/beds must serve the Disabilities Community.

2. Facility must incorporate supportive services and obtain the appropriate license or provisional license.

Independent Living Apartments

The Independent Living Apartments may or may not be linked to services. The sponsoring nonprofit organization and/or governmental entity must demonstrate the specialized A&E design to address this critical housing need.

1. 50% of the units/beds must serve the Disabilities Community.

2. Facility may incorporate supportive services. If facility provides supportive services, either appropriate license or provisional license is required.

ADDITIONAL INFORMATION

For more information about housing financing programs for people with disabilities and assistance with making application for such financing, please contact Dr. William Fuller, Senior Community Housing Officer, at 804-343-5754 or email him at bill.fuller@vhda.com.

4. PRESERVATION OF AFFORDABLE RENTAL HOUSING

Preservation represents an important priority designed to facilitate the retention of affordable rental housing in a community. This is of particular importance when current market pressures create an environment conducive to the conversion of affordable rental housing to market rate housing.

In order to qualify under this category, the project must have, in place, an existing federal subsidy. Accordingly, SPARC financing can be used to recapitalize projects with one or more of the following sources of subsidy:

- HUD 236 and/or Project-Based Section 8
- HUD 202/811 (with release of HUD Use Agreement)
- RD 515 with Rental Subsidy **or**
- Expiring Federal Low Income Housing Tax Credits

Furthermore, the projects must meet the following:

1. The loan application must meet all other underwriting standards for Rental Housing SPARC financing (see Appendix 1 – General Standards).

2. Tenant Income Restrictions (see Appendix 2 – Community Designation):

- During the time that one of the existing subsidies listed above remains in place, the income limits associated with that subsidy shall apply to the project. Upon expiration of the applicable subsidy assistance, the applicable Tenant Income Restrictions specified below shall apply to the project so long as VHDA SPARC financing remains in place.
- In non-rural communities, at least 50% of the units must serve households earning not more than 50% of area median income (AMI) with the remaining units serving households with incomes not exceeding 150% AMI.
- In rural communities, 100% of the units may serve households with incomes up to 150% of AMI.

For existing rental developments which do not have existing federal subsidies or meet one of the priority categories addressed by SPARC, the VHDA Taxable and Tax-Exempt programs represent resources which are available to support the preservation of affordable rental housing.

5. REVITALIZATION

Revitalization is a planned process that strengthens economically impacted communities through local public and private partnerships which stimulate investment in sustainable community development. Such local partnerships can best identify and develop local solutions to address local challenges and opportunities. These partnerships typically leverage investment and support from the State and Federal government. As part of the local revitalization planning process, a specific area is identified and mapped in order to establish the targeted investment boundaries. In the Commonwealth of Virginia, several designations address local revitalization aspirations:

- Redevelopment Area, Conservation District, and Rehabilitation Areas as prescribed in Title 36 of the Code of Virginia
- State Enterprise Zone (DHCD)
- Virginia Main Street Designation (DHCD)
- Neighborhood Revitalization Strategy Area (NRSA) as prescribed by the HUD CDBG Program

While this is not an exhaustive list of revitalization related designations, this list illustrates a diverse array of approaches to addressing local needs.

The Rental Housing SPARC program is designed to support local revitalization efforts in cases where there exists a clearly defined area established by the locality to focus investment as part of community restoration efforts. The size of such defined areas typically reflects unique local needs.

ELIGIBILITY REQUIREMENTS

The Rental Housing SPARC program is designed to support the revitalization investment aspirations related to affordable rental housing in both rural and non-rural communities. Rural communities typically include unincorporated places in counties as well as incorporated towns and small cities. Non-rural communities typically include the urbanized metropolitan areas, larger cities, and suburban jurisdictions including counties. The rural communities generally access such HUD resources through the Virginia Department of Housing and Community Development (DHCD). The non-rural communities often receive community development and housing funds through a direct relationship with HUD involving programs such as CDBG and HOME. The following sections outline the eligibility requirements for the rural and non-rural areas. The list for rural and non-rural communities is contained in Appendix 2 – Community Designation.

Rural Communities

For the purposes of the Rental Housing SPARC Program, rural communities are defined in Appendix 2.

Projects located in rural communities must meet the following criteria:

1. Located in a locally designated revitalization area. Eligible areas include (but not necessarily limited to) those prescribed under Title 36 of the Code of Virginia as well as State Enterprise Zone and Virginia Main Street designations. Such local designations shall include areas identified by incorporated towns, independent cities, or counties.

2. Contain four or more units in the same locally designated revitalization area.

3. Tenant Income Restrictions: 100% of the units may serve households with incomes up to 150% of AMI or State median income whichever is greater.

4. Meet all other underwriting standards for Rental Housing SPARC financing (see Appendix 1 – General Standards).

Non-rural Communities

For the purposes of the Rental Housing SPARC Program, non-rural communities are defined In Appendix 2.

Projects located in non-rural communities must meet the following criteria:

1. Located in a locally designated revitalization area. Eligible areas include those prescribed under Title 36 of the Code of Virginia as well as State Enterprise Zone, Virginia Main Street, and HUD NRSA designations. Such local designations shall include areas identified by incorporated towns, independent cities, or counties.

2. Located in a Census Tract area where the population does not exceed a poverty level of 40% in order to mitigate the concentration of poverty in a community.

3. The project must be receiving leveraged funds from CDBG, HOME, RHA or other local financial support. Local tax abatement will not be considered eligible as “other local financial support.” Such leveraged financial support should directly support the development budget of the proposed project and average at least $1,000 per unit in a SPARC-assisted project.

4. Contain eight or more units in the same locally designated revitalization area.

5. Tenant Income Restrictions: At least 50% of the units must serve households earning not more than 50% of area median income (AMI) with the remaining units serving households with incomes not exceeding 150% AMI or defer to other requirements.

6. Meet all other underwriting standards for Rental Housing SPARC financing (see Appendix 1 – General Standards).

APPENDIX 1
General Standards

In addition to the Eligibility Requirements outlined in this document for specific priority categories, all projects will be subject to a due diligence study and the following VHDA underwriting standards.

Standard	**Description**
Loan Limits	$950,000 (except Northern Virginia MSA) $1,500,000 for NOVA MSA (see Appendix 2-C)
Loan Rates	Rates are adjusted periodically based on Market Conditions – See www.vhda.com/MFRates/MFRRates.pdf under the "Rental Housing".
Loan Term	▪ 30 year maximum ▪ 25 years or less if the property is more than 10 years old.
Loan Fee	½% of Principal Balance, due at application.
Loan Security	VHDA must be in 1st lien position.
Appraisals	VHDA will be responsible for ordering an appraisal on the subject property to establish market value required to support LTV. In some situations a current Real Estate Tax Assessment satisfies this requirement.
Environmental Assessment	A Phase I to Fannie Mae standards or an Environmental Screening will be required prior to Commitment.
Loan To Value/ Loan To Cost	For-Profits: The lesser of 90% of the market value or 95% of approved cost, as determined by VHDA which may be limited by D.S.C. (Debt Service Coverage). Non-profits: The lesser of 100% of the market value or 100% of approved cost, as determined by VHDA.
Replacement Reserves	New Construction: $250 per unit per year minimum. Rehabilitation: $300 per unit per year minimum.
Debt Service Coverage	A minimum of 110% is required.
A&E Review	Plans and Specs **or** Scope of Work and Work Write-up required for review. Review to ensure: ▪ Marketable Product. ▪ High quality of construction & design, consistency with VHDA Minimum Design & Construction Standards including Cabinet Requirements. ▪ Durability of the building materials and systems. ▪ Feasibility of project costs. ▪ Completeness of plans and specs. ▪ Compliance with various building codes.
Rehabilitation Requirement	All rehabilitation projects must have direct construction costs associated with the rehabilitation of at least $15,000 per unit. Such costs are limited to materials, labor, overhead and profit. All units must meet the current year Minimum Design and Construction Requirements and VHDA Cabinet Requirements.

APPENDIX 1 (continued) – General Standards

Readiness and Feasibility	A project must have: ▪ All required land use and zoning approvals. ▪ Site Control (option, sales contract or deed). ▪ Assurance of essential utility services to the project and direct access to a publicly dedicated street. ▪ Firm commitments from all necessary non-VHDA permanent financing. ▪ Evidence of all necessary construction/interim financing .

Notes: 1) VHDA does not negotiate any other part of the loan documents.
2) SPARC can only be used as a source of permanent financing.

APPENDIX 2
Community Designations

A. Rural Communities

Rural communities are defined as the following:

1) Counties with populations of less than 60,000 residents as reported in the most recent final population estimates published by the Weldon Cooper Center for Public Service.
2) Towns & unincorporated places located in the counties specified in item #1.
3) Independent cities with populations of less than 10,000 residents as reported in the most recent final population estimates published by the Weldon Cooper Center for Public Service.

Counties

Accomack County
Alleghany County
Amelia County
Amherst County
Appomattox County
Bath County
Bland County
Botetourt County
Brunswick County
Buchanan County
Buckingham County
Campbell County
Caroline County
Carroll County
Charles City County
Franklin County
Giles County
Gloucester County
Goochland County
Grayson County
Greene County
Greensville County
Halifax County
Henry County
Highland County
Isle of Wight County
King and Queen County
King George County
King William County
Lancaster County
Northumberland County
Nottoway County
Orange County
Page County
Patrick County
Powhatan County
Prince Edward County
Prince George County
Pulaski County
Rappahannock County
Richmond County
Rockbridge County
Russell County
Scott County
Shenandoah County

Counties (continued)

Charlotte County	Lee County	Smyth County
Clarke County	Louisa County	Southampton County
Craig County	Lunenburg County	Surry County
Culpeper County	Madison County	Sussex County
Cumberland County	Mathews County	Tazewell County
Dickenson County	Mecklenburg County	Warren County
Dinwiddie County	Middlesex County	Washington County
Essex County	Nelson County	Westmoreland County
Floyd County	New Kent County	Wise County
Fluvanna County	Northampton County	Wythe County

Independent Cities

Bedford City	Emporia City	Lexington City
Buena Vista City	Franklin City	Norton City
Covington City	Galax City	

B. Non-rural Communities

Non-rural communities are defined as the following:

1) Counties with populations of 60,000 or more residents as reported in the most recent final population estimates published by the Weldon Cooper Center for Public Service.
2) Towns and unincorporated places located in the counties specified in item #1.
3) Independent cities with populations of 10,000 or more residents as reported in the most recent final population estimates published by the Weldon Cooper Center for Public Service.

Counties

Albemarle County	Frederick County	Prince William County
Arlington County	Hanover County	Roanoke County
Augusta County	Henrico County	Rockingham County
Bedford County	James City County	Spotsylvania County
Chesterfield County	Loudoun County	Stafford County
Fairfax County	Montgomery County	York County
Fauquier County	Pittsylvania County	

Independent Cities

Alexandria City	Hopewell City	Richmond City
Bristol City	Lynchburg City	Roanoke City
Charlottesville City	Manassas City	Salem City
Chesapeake City	Manassas Park City	Staunton City
Colonial Heights City	Martinsville City	Suffolk City
Danville City	Newport News City	Virginia Beach City
Fairfax City	Norfolk City	Waynesboro City
Falls Church City	Petersburg City	Williamsburg City
Fredericksburg City	Poquoson City	Winchester City
Hampton City	Portsmouth City	
Harrisonburg City	Radford City	

C. <u>Northern Virginia MSA Communities</u>

Arlington County	Prince William County	Fairfax City
Clarke County	Spotsylvania County	Falls Church City
Fairfax County	Stafford County	Fredericksburg City
Fauquier County	Warren County	Manassas City
Loudoun County	Alexandria City	Manassas Park City