

Guidelines for the Affordable Housing Special ~~Revenue~~ Loan Fund

1. Fund Goal. ~~The goal of the Affordable Housing Special Revenue Fund is to advance the Town’s goal of increasing and improving the stock of affordable housing within Carrboro and its planning jurisdiction as outlined in the Affordable Housing Goals and Strategies document.~~

2. Source of Funds. ~~The Board approved a resolution to establish an Affordable Housing Special Revenue Fund funds may to~~ be funded by payments made by developers in lieu of providing affordable housing units under the applicable provisions of the Land Use Ordinance. Other revenue sources for the fund may include grants, donations, loans, interest payments, or other contributions or assignments.

~~2.—
3.—
4.—~~

~~Special Affordable Housing Revenue Fund.—The principal and interest earned on funds received from developers, grants, donations, loans, interest payments, or other revenues that may become available shall accrue to this fund. No part of the Affordable Housing Special Revenue Fund may be used for any purpose other than as specified herein, and said fund as it may exist from time to time, including additions that might be made thereto, or such portion thereof as may be necessary to comply with any commitment against said fund, shall continue so long as there exist any outstanding commitment, as herein authorized.~~

3. Who May Apply for Grant or Loan Funds. Non-profits or individuals may apply for funds to be used to address projects that meet the Town’s affordable housing goals listed in herein.

4. Eligible Uses. ~~Loan and Grant Subsidies~~ The ~~Board of Aldermen~~ Aldermen of the Town of Carrboro shall be authorized and empowered to ~~grant liens or pledge portions of, or to use portions of said funds for~~ provide grants or loans for projects and programs that match the goal of the fund, including: the following purposes associated with properties located within the Carrboro Town limits or Carrboro planning jurisdiction and:

- a. To guarantee the payment of loans or subsidize the interest rate on loans made by financial institutions to individuals for the purpose of acquiring or rehabilitating affordable housing (such guarantees shall not extend beyond funds available in the Affordable Housing Special Revenue Fund).
- b. To provide direct deferred payment loans to individuals to supplement loans made by financial institutions for the purpose of acquiring or rehabilitating affordable housing.
- c. To assist in the purchase of land for conveyance to nonprofit affordable housing agencies. (Land Banking)
- d. To pay some or all of the expenses associated with the construction of affordable housing.

~~(These funds may be used to pay labor, materials, license, permits, etc. during the construction process of residences being constructed for sale to qualified households, provided that all such funds so advanced shall be repaid upon transfer of title to qualified individual or individuals, and the closing of the permanent financing loan on said property. However the Board of Aldermen may elect to allow some or all of such construction loans related to site improvements or construction to be forgiven where it makes the project more feasible with one or more of the following findings: 1) that the project serves~~

~~low income households making less than 80% of the area median income, 2) the grant funds would serve to reduce the high costs to the beneficiaries, and where difficult topography, other environmental constraints or public facility access such as water or sewer would raise the cost of the development and would reduce the affordability of the project for low income households.~~

e. To acquire developed properties suitable for resale to individuals or families. Applicants qualifying under the percentage portion shall be approved in advance by the Board of Aldermen.

f. To pay some or all of the pre-development costs (such as feasibility studies, appraisals, land options and preparation of an application) for projects to be developed for the purpose of providing rental or owner-occupied affordable housing. ~~Pre-development costs are eligible as a loan or a grant if the project is located within the Carrboro Planning Jurisdiction; and~~

~~Will benefit households earning less than 80% of the HUD published area median income~~

g. To provide grants to organizations for land trust projects that guarantee long-term affordability of a property through a 99+00-year renewable ground leases or for maintenance of land trust housing stock.

h. To provide permanent subsidies to reduce the sale price of new or existing housing units so as to make them more affordable. Restrictive covenants, affordability easement, and/or other mechanisms would be required from affordable housing agencies.

i. To provide for emergency home repairs and the maintenance of properties in the affordable housing stock~~land trust~~ that are falling into disrepair.

~~i.j.~~ To provide rental and/or utility deposit grants for Housing Choice Voucher recipients relocating to rental units in Carrboro as a result of their current rental units no longer accepting Housing Choice Vouchers.

~~j.~~ To provide grants or loans to nonprofits to avoid losing homes in the permanent affordable housing stock as a result of foreclosure.

k.

5. General Application Procedures. Unless otherwise stated in the Descriptions of an Eligible Use, an applicant will be required to submit a memorandum to the Assistant to the Town Manager for Affordable Housing containing the following information:

a. A complete description of the project, including the proposed location;

b. A discussion of how the project meets the criteria of eligible uses and eligible beneficiaries;

- c. Who the ultimate beneficiaries will be or are intended to be;
 - d. If appropriate, documented income data for the intended recipients.
6. Application Approval/Denial. The application will be evaluated by staff and a recommendation for approval or denial will be made to the Board of Aldermen, who has final approval and denial authority. If the Board is out of session, the Town Manager will have the authority to approve or deny applications requesting no more than \$5,000 or 15 percent of the existing fund, whichever is lower.
7. Loan-Eligibility Beneficiaries Requirements. In order to qualify for participation in the Affordable Housing Special Revenue Fund program, the following criteria must be met by the beneficiaries, if applicable, and substantiated by the applicant:
- a. Be a resident of Carrboro or the Carrboro planning jurisdiction;
 - b. Be unable to obtain a loan, either subsidized or unsubsidized, on comparable terms and conditions;
 - c. Be the owner of the property in fee simple or leasehold estate and have paid or have appropriate arrangements with the county tax assessor to pay the tax bill, if the property is to be rehabilitated, or have clear title if the property is to be purchased or constructed;
 - d. Be residing in the property to be rehabilitated, or if purchased or constructed, occupy the property when the acquisition is complete;
 - e. The building or affordable unit that is subject to program funding~~residence~~ must have an anticipated life of at least 20 years after rehabilitation, or 30 years, if constructed or acquired;
 - f. Must have a gross household income of 115% of the Area Median Income or less, unless otherwise described; fall within the gross income limits hereinafter set forth.
 - g. The applicant must also have an intact homeowner's insurance policy.
8. Computation of Gross Income. Gross Income shall be defined as income received annually from all sources by all adult wage earners in a household. Up to \$480 of earned income by adult, dependent students will be counted. The income from the following sources shall be considered in determining total gross annual income:
- a. Wages and salary (full and part-time employment)
 - a.b. Business Income
 - ~~b.c.~~ Child support
 - ~~c.d.~~ Alimony
 - ~~d.e.~~ Interest on savings
 - ~~e.f.~~ Dividends from stock
 - ~~f.g.~~ Social Security benefits
 - ~~g.h.~~ VA Benefits
 - ~~h.i.~~ Overtime pay
 - ~~i.j.~~ Bonuses
 - ~~j.k.~~ Unemployment insurance

~~k.l.~~ Any other annuities received

9. Loan Limitations.

- a. All loans guaranteed or ~~loan~~ subsidized by the Affordable Housing Special Revenue Fund shall not exceed the following maximum amounts: the actual cost of any property purchase; the actual cost of rehabilitating the property to the Town's property rehabilitation standards; or the actual cost of construction, as the case may be.
- b. Rehabilitation loans shall be either deferred payment loans or amortized over a period of up to 15 years.
- c. Home purchase loans shall be either deferred payment loans or amortized over a period of up to 30 years.
- d. Construction loans shall be short-term loans with all loan funds repaid in full upon the closing of the permanent financing on the property and transfer of title to qualified buyer (s).

~~10. Income Limits for Participation in Loan Subsidy Program. In order for an applicant to be eligible for the loan subsidies described under 4.c. and 4.e. the applicant's gross household income must not exceed 80% of the area's median household income, adjusted for household size.~~

~~11. Income Limits for Participation in Loan Guarantee Program. In order for an applicant to be eligible to participate in the Loan Guarantee Program described under 4.a., the applicant's gross household income must not exceed 80% of the area's median household income, adjusted for household size.~~

~~12.~~10. Security Procedures and Loan Conditions. In the event a loan is guaranteed or subsidized or a construction loan is made by the Special Revenue Fund, the property owner must agree:

- a. To execute a note and first lien deed of trust on said property as security for said loan except that deferred payment loans, which supplement a first mortgage loan from another lender, shall also be secured by a second deed of trust;
- b. Must agree to obtain and pay for credit life insurance for the full amount of said loan, if available, and within the means of the property owner;
- c. To allow the Town discretion to refinance said loan at such times as might be desirable, to take advantage of favorable interest rates, so long as the amount payable by the applicant is not increased;
- d. That the loan shall not be assumed except with the consent of the Town of Carrboro Town Manager, and in the event that the property is sold without such consent, the loan shall immediately become due and payable;
- e. In the event of the death of the head of the household the loan and loan subsidy may be assumed by the direct minor heirs or such head of household if such heirs own and occupy the property and loan payments are made in

accordance with the terms of the original loan agreement.

If the above conditions are not met, the new owner(s) of the property must apply to the Town for the continuation of the loan subsidy or its refinance. If the new owners qualify for assistance, based on the criteria established for the Special Revenue Fund program, the loan subsidy may be refinanced. If the new owners fail to apply for refinancing through the Affordable Housing Special Revenue Fund or do not qualify for the loan subsidy, the loan shall be due and payable to the Town in full within 90 days written notice to the new owners.

Nothing contained in this subparagraph e. shall be construed to prevent the new owner(s) and the first mortgage holder from agreeing to continue the loan without further subsidy or guarantee by the Town.

13.11. Modification. The Carrboro Board of Aldermen hereby reserves the right to modify or amend any of the criteria or procedures set forth in connection with said Affordable Housing Special Revenue Fund provided however, that no such amendment shall affect or diminish the rights of the holder of any commitment against said fund made prior to the date thereof.