

EXHIBIT A

**City of Santa Fe
Administrative Procedures
Affordable Housing Trust Fund (AHTF)
October 27, 2008**

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A. Purpose

The purpose of the Santa Fe Affordable Housing Trust Fund (AHTF) administrative guidelines is to implement the goals and purpose of the Affordable Housing Trust Fund Ordinance and to provide a description of the definitions, standards and procedures that will be followed to implement the AHTF.

B. General Program Description

The primary purpose of the Affordable Housing Trust Fund is to encourage and support projects and approaches that increase and preserve the supply of affordable housing for low to moderate income residents and employees in the City of Santa Fe. Funds may be issued as loans or housing assistance grants. To maximize the limited resources available to support local affordable housing efforts, funds repaid from loans, including principal and interest, will be relet for other affordable housing programs and projects in Santa Fe. Funds issued as housing assistance grants will carry a requirement that affordability must be maintained for at least 30 years or grant funds will be repaid to the City of Santa Fe with proceeds accruing to the Affordable Housing Trust Fund.

Increasing ownership opportunities is the core component of the overall affordable housing effort in the City of Santa Fe. To that end, at least 50% of the annual funding will be targeted to increase ownership. Remaining funds may be used to meet community housing priorities that are part of the Five Year Strategic Housing Plan. Priorities identified within the context of the plan will be established every two years and approved by the Governing Body.

C. Authority

The Affordable Housing Investment Loan Fund Ordinance (Section 26-3.1 SFCC 1987) was adopted on July 11, 2007 as Ordinance No. 2007-23. These administrative procedures were adopted by Resolution No. 2008-44 on June 11, 2008. All changes to the administrative procedures shall be reviewed and approved by the Governing Body.

In case any one or more of the provisions contained in these administrative procedures or any application thereof shall be invalid, illegal or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein and any other application thereof shall not in any way be affected or impaired thereby.

D. Definitions

Affordable Housing – Residential housing primarily for persons of households of low or moderate-income whose monthly housing cost generally does not exceed 33% of gross monthly income.

Area Median Income (AMI) – The median income for the Santa Fe Metropolitan Statistical Area as adjusted for various household sizes and published and revised periodically by the U.S. Department of Housing and Urban Development (HUD).

Applicant(s) – A not-for-profit affordable housing provider, limited liability or other business corporation, or local housing authority making an application to the Affordable Housing Trust Fund (AHTF).

City – The City of Santa Fe.

City Attorney's Office – The City Attorney's Office of the City of Santa Fe, its agent or successor.

City Code – Santa Fe City Code 1987 (SFCC 1987).

Finance Department – The Finance Department of the City of Santa Fe, its agent or successor.

Low Income Households – Households whose income does not exceed 80% of the Area Median Income, adjusted for household size.

Moderate Income Households – Households whose income falls within 81% to 120% of the Area Median Income, adjusted for household size.

Non-profit Affordable Housing Organization – A legally incorporated non-profit organization recognized by the Office of Affordable Housing, whose purpose(s) include providing affordable housing or related services that address the full continuum of housing needs from the homeless to the homebuyer.

Office of Affordable Housing (OAH) – The Office of Affordable Housing of the City of Santa Fe, its agent or its successor.

E. Responsibility for Administration

Office of Affordable Housing (OAH) shall have the primary responsibility for administering the functions of the AHTF and providing overall coordination among City departments whose advice and expertise is essential to the operations of the AHTF.

Finance Department or its agent shall assign one staff member to review each applicant's audited financial statements to ensure that the applicant is financially sound. As needed, staff of the Finance Department will assist in reviewing financial statements which may be provided during the duration of the project. The Finance Department will assist the OAH in establishing the appropriate internal City mechanisms to account for repayment of loans.

Community Development Commission (CDC) shall be responsible for considering applications to the AHTF and making recommendations to the Governing Body. Recommendations of the CDC will include loan amounts, interest rate(s) and loan terms, as well as any outstanding conditions to be met prior to releasing funds for a specific project.

City Manager shall be responsible for reviewing and accepting, modifying or rejecting recommendations for loans and grants made by the CDC if the amount is less than the maximum threshold allowed under City procurement provisions for City Manager's approval and the proposed project meets the Affordable Housing Trust Fund policies and procedures.

Governing Body shall be responsible for reviewing and accepting, modifying or rejecting recommendations for loans and grants made by the CDC other than those under the City Manager's authority above. The Mayor shall have the authority to execute AHTF agreements, pursuant to the approval and conditions agreed upon by the Governing Body.

1. Eligible Borrowers

Funding is available to developers and sponsors of affordable housing, including partnerships, corporations, limited liability companies, joint ventures, public/private partnerships and non-profit organizations that are organized under state, local or tribal laws and can provide proof of such organization. Eligible borrowers must have proven financial capacity and organizational experience to carry out the activities described in the proposal submitted to receive an AHTF allocation.

2. Eligible Projects

The AHTF will make funding available for the following types of affordable housing projects:

- Home ownership assistance;
- Development and/or construction of new affordable housing, including infrastructure;
- Preservation of existing affordable housing;
- Conversion of existing housing to an affordable housing unit; and/or
- Acquisition and renovation of existing affordable housing.

3. Eligible Uses of the Fund

The AHTF shall provide loans or housing assistance grants that may be used for a variety of purposes, including, but not limited to the following:

- Down payment assistance or similar programs that provide low interest loans to income and mortgage qualified buyers. Proceeds are to be used to buy down the

cost of a home to be affordable to the households who live and/or work in Santa Fe. Down payment assistance or similar programs will be managed by local non-profits as revolving loan funds;

- Unsecured and secured predevelopment loans, including options for land, technical studies such as soils and traffic and pre-design;
- On-site and off-site infrastructure improvements;
- Short-term loan guarantees;
- Pilot projects that emphasize green building and other innovative building techniques;
- Pilot projects for innovative housing projects, such as employer assisted housing, master leasing rental housing for employees (For example: a master lease entered into by the City with a local, conventional apartment owner in order to secure apartments for hard to recruit public safety workers); a voucher program; and/or
- Bridge financing for new development or acquisition of existing housing. These will be short term loans of up to 18 months that may be used until permanent financing is put into place on a specific project. This may include funds to repurchase an existing HOP and/or Santa Fe Home in order to resell the home to a future affordable buyer.

4. Program Priorities

The City of Santa Fe will establish priorities that guide the AHTF allocation process every two years. Creating new home ownership opportunities will be an on-going priority; other priorities may change from time to time. For example, it may be determined that additional rental housing for seniors earning 40% or less of the AMI would be a priority for a given year and proposals which address this priority would be encouraged. Priorities will be approved by the Governing Body within the context of the Five Year Strategic Housing Plan and reflected in the RFP.

5. Income Limits and Affordability Standards

The AHTF will support proposals that increase affordable housing opportunities for households earning up to 120% of the Area Median Income, as published the Department of Housing and Urban Development (HUD). Program preferences, which will include income targets for any given year, will be reflected in the request for proposals that will be issued at least annually.

Proceeds from this loan fund may not be used to underwrite the cost to produce homes to meet the requirements of the Santa Fe Home Program (SFHP) or the Housing Opportunity Program (HOP), except to “buy down” the maximum sales price of the affordably priced unit required by the inclusionary zoning program to be more affordable for qualified buyers. Such buy-downs will generally take the form of down payment assistance and such programs will record a lien against the property for the amount of the assistance. Such assistance will be repaid any time a home is refinanced, where the owner is requesting some proceeds from the refinance and/or at the time the home is sold.

6. Distribution of Funds and Eligible Unit Types

Loan proceeds and/or housing assistance grants may be used for affordable housing located throughout the City of Santa Fe. They may be available for a combination of rental and ownership projects, including transitional housing. Single family homes and multi-family housing, including town homes and stacked flats condominiums are housing types where loan and/or grant proceeds may be used. Proposals which incorporate live/work options would also be eligible to use loan proceeds, as well as those proposing to convert existing rental to ownership.

7. Funding Amount and Terms

The terms of funding (or financing) will vary depending upon the needs and requirements of the project or program. Loan repayments may be deferred for up to three years, if necessary, to enhance project success. Loan repayment terms will vary depending on the type and amount of loans and may include balloon payments. For example, a bridge loan could be repaid when permanent financing is in place whereas infrastructure loans on owner occupied units could be repaid over a 10 year period using a 30-year amortization schedule with a balloon payment due at the end of the 10 years. In all cases, loans are to be repaid if homes are sold or refinanced, unless the City of Santa Fe agrees to forgive its loan for specific projects. All principal and interest must be re-deposited back into the AHTF with the exception of funds provided for down payment or mortgage assistance programs to a non-profit organization who receives these funds through a request for proposal, which will be revolved per executed agreements.

Specific repayment terms will be negotiated as part of the final loan agreements; they will use the following general guidelines:

- The maximum term for a loan is 30 years and most loans will be underwritten for shorter periods of time to ensure sufficient funds are available for other affordable housing purposes; and
- The interest rate charged for the loans will not exceed the average of the monthly mortgage rates as published by HSH Associates (www.hsh.com) for the 12 months prior to the date the loan agreement is signed, minus two percentage points (2%). Loans will carry a minimum interest rate of 3%.

8. Loan Collateral

All loans issued through the AHTF will be secured by an interest in the real estate for which the loan has been approved. The City of Santa Fe will accept junior or subordinate lien positions.

9. Leveraging

All projects receiving AHTF Loans shall demonstrate the ability to leverage these dollars on a \$3 to \$1 basis. Leverage may include funds from all sources – long term mortgages, other sources of grants, owner equity, proceeds from Low Income Housing Tax Credits (LIHTC) or the current value of land. In-kind or other donations may not be used.

10. Matching

All entities receiving funds through the AHTF shall provide at least \$1 from their own sources for every \$1 allocated through this program. These may include funds from the assets of the organization, state tax credits, cash donations, the value of the land and federal funding earmarked for this specific purpose (e.g. CDBG funds). Matching funds identified for the specific proposal must be allocated for the same specific use as requested by the AHTF. Match shall be in hand or satisfactorily committed before the City releases any funds.

F. Evaluation of Applications

1. Review Process

The following steps shall be used to evaluate and review applications for AHTF dollars. The Request for Proposal may contain more stringent review requirements than are outlined in these guidelines.

Applicants and their proposed projects must meet minimum standards to be considered for funding. These threshold requirements are contained within the Notice of Funding Availability (NOFA). Point scores will be used to recommend relative amounts of funding.

Office of Affordable Housing staff will:

- Prepare and publish notices of funding availability (NOFA). This will be done at least once a year at the time when NOFA's are issued for the Community Development Block Grant (CDBG) or more frequently, depending upon funding availability and capacity;
- Secure NMMFA review and approval of a newly proposed RFP or NOFA. Once an RFP or NOFA is approved by the NMMFA, no further review or approval will be necessary unless material changes have been made to the documents;
- Perform an evaluation of proposals for completeness;
- Prepare loan agreements for review by the City Attorney and approval by the Mayor;
- Establish an internal monitoring system to track allocation of funds in relation to the progress achieved for the project for which funding was allocated. This will include distribution of dollars to a specific project as well as maintaining information on new affordable housing units created as a result of using the AHTF;

- Monitor compliance with AHTF agreements and reporting annually on the uses of funds to the Governing Body; and
- Monitor compliance with AHTF agreements and reporting annually on the uses of funds to the Governing Body.

Office of Affordable Housing staff will complete an initial review of applications for AHTF dollars. This evaluation will be done to ensure that proposals are complete, responsive to the housing market and needs and meet the criteria for the loans and/or housing assistance grants. Staff will assess the financial feasibility of the project as well as the entity's financial capacity and experience to create the housing opportunities identified in the proposal.

Requests will then be forwarded to the Community Development Committee (CDC) for its review and consideration. The CDC will entertain presentations from applicants and consider information obtained from these interviews, the application and staff reviews of the proposals in its recommendations for funding. The CDC will then forward its loan and housing assistance grant recommendations to the Governing Body for final approval.

2. Pre-Application Meeting

Applicants must schedule a pre-application meeting with staff at least 15 days prior to their submittal to review requirements and ensure compliance with the program.

3. Application and Funding Procedures

Applicants must submit a completed application with all required attachments by the application deadline to be considered for funding. Within 30 days of submission, City staff from the Office of Affordable Housing, the Finance Department and other Divisions as deemed appropriate, will meet and review the applications for completeness and basic conformity to the instructions in the proposal/application kit. Non-conforming applications will be considered ineligible for funding for the current funding cycle and will receive a notice of denial within 45 days of submission.

4. Evaluation Criteria

Applications will be scored according the following criteria:

- Degree of leveraging of other sources against those allocated from the AHTF;
- Operating budget that shows evidence of sufficient revenue to administer the proposed program and loans. All proposed new construction or rehabilitation projects must provide sources and uses statement to show committed and proposed funding. In addition, if rental housing is proposed, provide a five year operating budget;

- Demonstration of clear connection between the proposed project, community housing priorities and that the proposed project meets current and future market demand;
- Program/Project Feasibility
- Site control
 - Secured matching resources
 - Effective partnerships with other organizations, stakeholders, constituents
 - Realistic time frame for completion of funded project/program activities; and
- Proven Capacity
 - Staff
 - Organizational experience
 - Expertise in type(s) of housing or service(s) proposed
 - Sound financial management.

5. Loan/Housing Assistance Grant Approval

The Office of Affordable Housing (OAH) staff will conduct an initial analysis of the individual proposals to assess financial feasibility, responsiveness to current and future market conditions, organization and experience and potential funding conditions. OAH staff will make a presentation on these findings to the CDC. The CDC will host presentations by applicants and will take into consideration the staff evaluation, information received through the presentation and make final funding recommendations to be considered by the Governing Body.

6. Notice of Approval

Once the application has been approved by the Governing Body, the applicants will receive notice of final approval and funding amounts.

7. Documents Provided By City

Within 30 working days of Governing Body approval, the City will prepare and provide to the applicant:

- Commitment letter/funding agreement;
- List of documents required for closing the funding agreement and fund dispersal;
- Funding dispersal schedule (as applicable);
- The promissory note(s) and mortgage(s) to be used in the transaction or in a revolving loan fund program, if applicable;
- Instructions for loan repayments; and
- Description of reporting requirements.

G. Reporting and Monitoring

1. Reporting

Reporting terms will vary with the type of loan or grant. At a minimum, borrowers must report annually on the funds expended including:

- Total funds allocated to a specific project and portion of those funds attributed to the AHTF;
- Information regarding program recipients, including household income, household size and location of employment;
- Description of problems encountered, how they were overcome and/or the plan for overcoming the problems;
- Audited financial statements (and other documentation as necessary) for appropriate accounting of the leverage, match and AHTF loan funds. Specific requirements will be defined in a commitment letter and funding agreement until fully expended; and
- City staff will compile an annual report to the Governing Body that summarizes uses of funds, program activities, and project achievements.

2. Monitoring

The Office of Affordable Housing will be responsible for monitoring the project to ensure the proposed activities schedule is met including:

- Initiation of development, progress toward major milestones and project completion;
- Conformity of the proposed project with stated project/program objectives;
- After annual review, City staff will make recommendation to the CDC for 1) approving the continuation of the loan; or 2) calling the loan if there is evidence of negligence, inappropriate uses of funds, inadequate progress reaching project/program objectives, or failure to expend funds in a timely fashion; and
- At least annually, Office of Affordable Housing staff will visit projects or programs to ensure on-going compliance with stated use of funds. Files of borrowers are subject to City review at any time.

H. Agreements

Documents Provided By Applicant - Upon receipt of notice of approval, the applicant will provide to the City the following documents:

- A final proposed schedule of fund disbursement and use; and
- Any and all documents requested by the City required for closing the funding agreement and fund dispersal.