FORT MYERS COMMUNITY REDEVELOPMENT AGENCY

REVOLVING LOAN FUND CREDIT POLICY MANUAL
2021

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I. Purpose and Mission

Introduction
The Fort Myers Community Redevelopment Agency (the “CRA”) and Catalyst Community Capital, Inc. (“Catalyst”) have created a housing revolving loan fund program (the “Program”) that will promote the creation, rehabilitation, and conservation of low to moderate income housing within certain CRA areas. Funding for the Program will include $1,900,000 from the CRA for projects located within the Cleveland Avenue Redevelopment Area (“Cleveland Area”), and $500,000 for projects located within the Dr. Martin Luther King, Jr. Boulevard Redevelopment Area (“MLK Area”), as well as investments and participations from banks, Community Development Financial Institutions (“CDFIs”), and other sources.

Purpose
The purpose of the Revolving Loan Fund Program Manual and Underwriting Guidelines is to identify the CRA’s Affordable Housing policy objectives, describe the activities available to advance the objectives, and describe the manner in which the activities will be evaluated, underwritten, and selected for funding.

Area of Operation
The Program will be available for properties located within the Cleveland Redevelopment Area, as well and the MLK Redevelopment Area.

Fair Lending
Catalyst is committed to the principles of fair and equal opportunity lending. A consistent and high level of assistance and service will be provided to all borrowers regardless of race, national origin, religion, sex, age, marital status, disability, receipt of public assistance, or other factors. Underwriting standards will be applied fairly and consistently, permitting access to credit for a broad range of customers. Applicants with equivalent credit qualifications will receive the same consideration. When considering a loan application, Catalyst will not discriminate or place any value in the borrower’s race, religion, origin, gender, marital status, sexual orientation or age.

Disclaimer
The CRA reserves the right to fund projects at a lower amount than requested, and the right to deny Applications that are not consistent with the Program goals and policy direction. The CRA is under no obligation to consider or fund any proposed project that does not demonstrate compliance with local program requirements and does not assist in meeting the CRA’s affordable and workforce housing policy goals and/or objectives.

The CRA reserves the right to determine project eligibility and select the funding source to be used for any proposed project. Funding decisions will be based on a variety of factors, including but not limited to:

1. How the project aligns with the CRA’s priorities;
2. Operational and management capacity of the Applicant;
3. Financial capacity of the Applicant;
4. Ability to meet loan payment obligations; and
5. Leveraging of additional public and private investments.

The Revolving Loan Fund Program Manual and Underwriting Guidelines are not intended to address every circumstance that may be encountered in the development process, nor are they a verbatim restatement of all regulatory requirements. Omission of any federal or local regulatory requirements does not relieve the Applicant from their obligation that may be required by the funding source.

Once a Loan Agreement, Promissory Note, and other Program documents (the "Program Documents") have been executed between the CRA, in case of any conflict between the program guidelines and the Program Documents, the terms of the Program Documents shall prevail.

Program guideline changes as a result of federal, state or local regulatory or legal requirements may be implemented immediately by the CRA. Revision of the program guidelines usually occurs annually; however, additional revisions can be initiated by the CRA at any time. While stakeholder outreach is the goal of CRA, such revisions may occur without notice and are applicable to all pending and future Applications. Applicants are responsible for complying with any changes.

II. Overview of Revolving Loan Fund Program

Program Objectives and Goals

In order to promote the development of affordable and workforce housing, and ensure diversity and inclusive economic opportunity, the Program will provide flexible funding options and technical assistance to minority real estate developers and mission-aligned organizations.

The Program will seek to increase and broaden the participants' skills and opportunities through three key areas: (i) Training; (ii) Mentorship; and (iii) Financing. Program goals include:

- Increasing the stock of affordable and workforce housing units in the City of Fort Myers
- Encouraging the participation of less experienced developers and smaller development firms in order to expand universe of local housing developers;
- Providing a holistic solution that builds capacity, increases access to opportunities, and helps ensure economic growth is inclusive for both developers and residents of the Program areas;
- Supporting the development of projects of minority and mission-aligned developers with limited experience and who are potentially undercapitalized. Targeted projects will typically be smaller in size (less than 40 units) and have budgets under $4,000,000.
- Providing seed capital for a revolving loan fund as a way to prove concept and attract additional funding from public and private sources.

Definitions

The following terms are defined for the purpose of this document:

Accessible: As defined by Section 504 of the Rehabilitation Act of 1973, accessible dwelling units or facilities are located on an accessible route and can be approached, entered and used by individuals with physical disabilities. For a housing unit to be classified as accessible, the improvements must meet the Uniform Federal Accessibility Standards (UFAS).

Acquisition of vacant land: Program funds may be used for acquisition of vacant land only if construction will begin on a project within 12 months of the date of purchase. Construction financing must be secured at the time of Application. A current appraisal is required. Land banking is prohibited.

Adaptable Units: Certain elements of a dwelling unit or facility can be added to, raised, lowered or altered to accommodate the needs of individuals with disabilities, or to accommodate the needs of persons with different types or degrees of disability.

Adjusted Income: Gross household Income limit that has been modified according to the number of persons residing within a dwelling unit.

AMI: Area Median Income as defined by HUD and updated annually.

Annual Income: The gross amount of Income of all adult household members that is anticipated to be received in the upcoming twelve (12) month period.

Applicant: Any eligible entity proposing to acquire and rehabilitate, convert, or construct Affordable Housing or Workforce Housing utilizing Program funds. Eligible Applicants include:

- Nonprofit Housing Developers
- For-profit Housing Developers
- Certified CHDOs
- Public Housing Authorities
- Other mission-aligned developers acceptable to Catalyst or CRA

Application: The completed forms, exhibits, attachments, and any additional documentation requested in the Revolving Loan Fund Application package.

Audit: Complete and current financial statements that have been Audited by a Certified Public Accountant (CPA) licensed by the State of Florida. A current Audit is considered to be one that is no more than twelve (12) months from the date the Audit was performed.

City: City of Fort Myers, Florida

CRA: Community Redevelopment Agency of the City of Fort Myers

Debt Coverage Ratio (DCR): The ratio of Net Operating Income (NOI) to total Debt Service (DS) during a given time period (DCR = NOI ÷ DS).

Debt Service: Required minimum monthly loan payment of principal and interest.

Development Costs: The total costs incurred in the development of a project that are considered reasonable and necessary.

Developer: Any individual, association, corporation, joint venture, or partnership, which possesses the capacity to successfully produce affordable and workforce multifamily and/or single-family housing.

Eligible Costs: Project costs that can be paid with Program funds. Costs include, but are not limited to, costs or partial costs of Acquisition, verifiable hard construction costs, reasonable soft costs, architectural and engineering fees, surveys, market studies, legal fees and materials testing.

Fair Market Rents: Rental rates as established and updated periodically by HUD that are determined to be fair, affordable and appropriate rents for a geographical area.

Household: All persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

HUD: U.S. Department of Housing and Urban Development

Identity of Interest Transactions: Identity of interest refers to situations where the owner, Developer or project sponsor control or own the services to be provided in a project, including, but not limited to the general contractor, subcontractor, property manager or other service provider.

Income: All reference to "Income" shall mean the Annual Income as defined in 24 CFR 5.609, referred to as "Part 5 Annual Income". Income cohorts are defined below. Income limits are updated annually by HUD and can be found at www.hudexchange.info

> **Moderate Income:** Households whose Incomes are between 80% and 100% of the median Income for the City of Ft Myers, as determined by HUD, with adjustments for smaller or larger families.

In-fill Development: Development or redevelopment of land that is/has been vacant, bypassed, and underutilized but is located within areas that already have infrastructure, utilities, and public facilities. The use of infill development, among others, promotes the best use of resources and also will tend to have a positive impact upon the tax and other fiscal policies.

Letter of Commitment: An original executed letter, contract, or agreement from each funding source verifying that the Applicant has a commitment of funds for the project.

Liquid Cash Resources: Liquid Cash Resources are defined as cash, cash equivalents, an unrestricted line of credit and investments held in the name of the entities and/or persons, including cash in bank accounts, money market funds, U.S. Treasury bills, and equities traded on the New York Stock Exchange or NASDAQ. Certain cash and investments will not be considered Liquid Cash Resources, including, but not limited to: 1) stock held in the Applicant's own company or any closely held entity, 2) investments in retirement accounts, 3) cash or investments pledged as collateral for any liability, and 4) cash in property accounts including reserves.

Marketing Plan: A document that provides information on how the Applicant will attract eligible persons from all racial, ethnic, age, and gender groups to the available housing being provided in the particular market area.

Market Study: An independent third-party report prepared to review the market conditions in a specified area. It includes a study of the economic forces of supply and demand and their impact on real estate returns, risks, and values.

Net Operating Income (NOI): Income stream generated by the operation of the property, independent of external factors such as financing, depreciation, amortization, and Income taxes. A property's yearly gross Income less operating expenses. Gross Income includes both rental Income and other Income such as parking fees, laundry and vending receipts, etc. Operating expenses are costs incurred during the operation and maintenance of a property. They include repairs and maintenance, as well as insurance, management fees, utilities, supplies, property taxes, etc. The following are not operating expenses: principal and interest, capital expenditures, depreciation, Income taxes, and amortization of loan points.

Nonprofit Organization: A not-for-profit, non-sectarian organization, which is designated by the Internal Revenue Service (IRS) under Section 501(c)(3), as a tax-exempt organization.

Permanent Housing: Housing in which the program participant must be the tenant on a lease for a term of at least one year, which is renewable for terms that are a minimum of one month long and is terminable only for cause.

Project Completion: Occurs when one hundred percent (100%) of the construction has been completed, a certificate of occupancy (CO) or a certificate of completion has been issued, and the final draw down of Program funds has been disbursed for the project.

Rehabilitation: The renovation of existing properties in order to improve the quality of housing available.

Single Family Housing: A one to four-family residence, condominium unit, cooperative unit, or manufactured housing.

Uniform Physical Condition Standards (UPCS): The inspection protocol that is used to evaluate the condition of housing.

Workforce Housing: In general, housing for tenants earning at or below 100% of AMI.

Program Eligibility

Project Eligibility
Funding will be available for projects that meet the following criteria:

1. Projects must be located within the Cleveland Area or MLK Area in order to participate in the Program.

2. The loan must result in the creation or preservation of single or multifamily Workforce Housing (i.e., housing for people or families earning at or less than 100% AMI).

3. Applicants must have with new construction or renovation projects equal to or greater in size and complexity than their proposed project.

4. Properties financed through the Revolving Loan Fund must comply with the Program's rent and income guidelines for at least ten (10) years from the receipt of Certificate of Occupancy.

5. Applicant must make a minimum cash equity contribution equal to 5% of the total cost of the project.

6. None of the units may at any time be occupied by the owner of the project or an individual related to the owner.

Eligible Applicants
The following organizations will be eligible for funding:

- Nonprofit Affordable Housing Developers
- For-profit Affordable Housing Developers
- Certified CHDOs
- Public Housing Authorities
- Other Mission-aligned Developers

Eligible Uses of Funds
Funds may be provided for the following uses:

- Acquisition of land
- Ground-up Construction
- Acquisition and rehabilitation of existing properties

Ineligible Activities & Uses of Funds

- Acquisition of vacant land for land banking (i.e., long term land hold)
- Public housing
- Payment of delinquent taxes or liens owed by Applicant
- Transitional Housing
- Development of housing that doesn't meet Program guidelines

Eligible Costs

- Hard Costs: including Acquisition costs, site work, and vertical construction costs.

- Soft Costs: architectural and engineering fees, financing costs, credit reports, title insurance, recording costs, transaction taxes, appraisals, environmental reviews and builder or Developer fees.

- Operating deficit reserve for rental projects, during the initial rent-up period (up to 18- months). The reserve may be used to pay for project operating expenses, scheduled payments to a replacement reserve and debt service.

- Predevelopment Costs: Project related predevelopment costs include third-party studies (e.g., appraisal, market study, Phase I, etc.), architectural plans, engineering, consulting fees to parties unrelated to Applicant, and other costs as deemed appropriate by the CRA.

III. Loan Origination and Underwriting Process

Application Process

Applicants must submit the following information along with their application in order to be considered for Program funding:

- Completed and signed application
- Personal financial statement for all principals of Applicant; CPA audited, compiled or reviewed financials for nonprofit organizations or housing authorities
- Business tax returns (Schedule C) for last two years
- Personal tax returns for last two years for any owner with a 20% or greater interest in the company
- Articles of Organization / Incorporation and Operating Agreement
- Site and building plans, specifications, and cost breakdown for proposed project
- Signed purchase and sale agreement for subject property, or closing statement and warranty deed, if land already owned by Applicant
- Authorization to Release Information for background and credit checks
- Resume and development experience for each principal of the Applicant
- Schedule of Real Estate Owned and Contingent Liabilities
- Construction contract
- Architect contract and engineering contract
- Any third-party reports for subject property, including Phase I, survey, title, and geotechnical reports

Application Process

Step 1: Application is submitted to Catalyst for review.

Step 2: If loan meets Program eligibility requirements, an LOI/term sheet is prepared and sent to the applicant for signature

Step 3: Applicant signs LOI and returns to Catalyst along with underwriting fee.

Underwriting Process

Once Catalyst has received the executed LOI and underwriting fee, Catalyst's lending personnel will begin the underwriting process and preparation of the credit memorandum, as well as order third party reports, including appraisal, title, and environmental. The Credit Memo will include the following information:

Transaction Summary:

- Borrower and Guarantor information, including background on principals
- Loan amount
- Sources and Uses
- Description of collateral
- Loan Terms
- Program Eligibility
- Property Income Projections
- Construction Cost Analysis
- Repayment Analysis
- Personal Financial Statement and Liquidity Verification
- Credit Report

Appraisal and Market Information:

- As-is market value of land and/or existing improvements
- As-completed value of real estate based on income and sales comps
- Exposure/marketing time in the event of a liquidation
- Local market sales and rental rate trends
- Zoning of subject and surrounding properties
- Existing supply and planned development within primary market area

Borrower Information:

- Development experience and track record
- Financial analysis
- Alignment of mission

Loan Closing

Catalyst staff will work with applicants, title agents, and attorneys for larger transactions, to facilitate loan closings. Detailed closing instructions will be prepared by Catalyst and provided to the closing agent prior to closing. These instructions include, but are not limited to the following:

- How and when documents are to be recorded
- Vendors to be paid from the loan proceeds
- When funds are to be disbursed
- What endorsements are required on title insurance policies

APPENDIX A
LOAN TERMS

Metric	Guidelines	Exceptions
Maximum Loan Amount	$1,000,000	Maximum loan amount can be higher with participants
Collateral/Security	First real estate mortgage on property being pledged as collateral	
Maximum Term	24 months	
Minimum Personal Credit	620 FICO Score	Will accept lower score on a case-by-case basis with good explanation of derogatory items
Loan to Value/Cost	• 90% LTV/95% LTC Single Family • 90% LTV/95% LTC Multifamily • 80% LTC Land	LTV based on as-completed value for single and multifamily; Higher LTC/LTV allowed on a case-by-case basis.
Minimum Sponsor Equity	Minimum 5% of total acquisition and closing in the form of cash or satisfactory evidence of expenditures incurred at or prior to closing. Equity can be in the form of subordinate financing, equity or grant funds.	
Interest Rate	4-7%	Based on LTV, loan amount, experience, and other factors
Minimum DSC	• 1.15X Single Family • 1.20X Multifamily	
Origination Fee	1.0-2.0% of gross loan amount	
Repayment	Monthly interest-only payments made from an interest reserve to be established as part of the loan budget and advanced from loan proceeds as interest costs are incurred. Balloon payment at maturity.	

APPENDIX B

APPRAISAL, INSURANCE, AND ENVIRONMENTAL REQUIREMENTS

I. APPRAISAL GUIDELINES

An appraisal from an independent licensed or certified appraiser on transactions over $150,000. Appraisals used to make credit decisions should be dated no more than six months from the time of loan approval.

The appraisal must:

1. Conform to Uniform Standards of Professional Appraisal Practice (USPAP), including requirements for appraiser independence and competency.

2. Include disclosures complying with the Competency Provision of USPAP. If appraiser competence and/or experience is lacking, the appraiser must disclose this completely.

3. Disclose the appraiser's opinion of Market Value (Fee Simple Value) based upon the definition of Market Value set forth in the regulations.

4. Provide detail and depth of analysis that reflect the complexity of the real estate, and be written and presented in a narrative format or on forms that are sufficiently descriptive to reveal the estimated market value and rationale for the estimate.

5. Report, and use as a basis for valuation, the area sales history for the last 3 years for the subject type of property

6. Report data on current revenues, expenses and vacancies if the property is income producing. Current data should be used to determine “as-is” value. Projections can be used to determine “as-completed” value.

7. Report and analyze reasonable assumptions for marketing of the property in light of current conditions. The appraisal report must disclose the assumptions used.

8. Report current market conditions and trends. Any prevalent market trends (i.e. vacancy rates, rent concessions, etc.) must be fully disclosed and justified.

9. Include a description of the appraiser's USPAP required certification as well as a statement that the appraisal is not based on a requested minimum valuation, a specific valuation, or the approval of a loan. All appraisals must include a statement to the effect that the appraisal was not conditioned upon the appraiser producing a specific value or a value within a given range. Appraiser employment or future business cannot be tied to specific values or loan approval.

10. Include an accurate legal description of the real estate, in addition to the USPAP required description.

11. Identify and separately value any personal property, fixtures, or intangible items that are not real property, but are included in the appraisal.

ENVIRONMENTAL POLICY

The purpose of the Environmental Policy is to establish safeguards and controls to limit exposure to potential environmental liability that can be associated with real property held as collateral or acquired. For loan amounts under $750,000, an Environment Questionnaire is acceptable. For loans greater than $750,000, a Phase I environmental report must be completed. In the event the Phase I indicates that further action is required, a Phase II or other environment assessment study will be required.

PROPERTY INSURANCE

A. Insurance During Construction.

Builders Risk

1. Catalyst and CRA must be named as loss payees.
2. Acord 28.
3. Special Form (All Risk) with no exclusion for Wind, Theft, Fire, or Vandalism.
4. Lender must be named as Mortgagee and Loss Payee for all Property coverages and written confirmation must be submitted (other than a certificate of insurance) confirming that Lender has been named.
5. Replacement Cost Valuation insured to 100% of insurable value.
6. Agreed Amount or No Coinsurance.
7. Business Interruption/Rent Loss – identify minimum 12 months Basic Period of Restoration (time period from loss to restoration of building) plus 30 day Extended Period of Indemnity (time period from restoration of building to pre-loss revenue/rents). If coverage is "Actual Loss Sustained" the Property Evidence must confirm whether a time limit applies, even if there is no time limitation such as "Unlimited Period of Restoration".
8. Windstorm – Full Wind Coverage required for all loans. Replacement cost coverage must be dedicated to the collateral property if part of a Blanket Program, or the Blanket Windstorm limit must provide full replacement cost for all properties which are part of the Blanket.
9. Flood – if property is located in a Special Hazard Flood Area (Prefix "A" or "V") the maximum available NFIP Building Limit is required (if Contents are owned by the borrower and part of collateral then Contents must be included).
10. Earth Movement – required for any building where the Earthquake PML/SEL is 20% or greater. Acceptable coverage will be determined by the Lender and deductible cannot exceed 5% of the Total Insurable Value.
11. Law & Ordinance – coverage reasonably acceptable to Lender.
12. Maximum deductible of $5,000 for all other perils except:
    - 5% TIV for Named Windstorm coverage
    - 5% TIV for Earthquake
    - $500,000 for Excess Flood in SHFA, $50,000 NFIP in SHFA.

General Liability

1. Catalyst and CRA must be named as additional insured.
2. Acord 25.
3. General Liability Limits – minimum $1,000,000 each occurrence/$2,000,000 aggregate.
4. Lender must be shown as Additional Insured for Liability coverages and written confirmation must be submitted (other than a certificate of insurance) confirming that the Lender has been named.
5. General Liability Deductible – maximum of $5,000 deductible per occurrence.

Contractor's General Liability

1. Above listed lenders must be named as additional insured.
2. Acord 25.
3. General Liability Limits – minimum $1,000,000 each occurrence/$2,000,000 aggregate. Umbrella coverage may also be required.
4. Lender must be shown as Additional Insured for Liability coverages and written confirmation must be submitted (other than a certificate of insurance) confirming that the Lender has been named.
5. General Liability Deductible – maximum of $5,000 deductible per occurrence.

Contractor's Worker's Compensation

1. Above listed lenders must be named as additional insured.
2. Statutory coverage for state in which work is being performed.
3. Employers Liability of:
   $1,000,000 Each Accident
   $1,000,000 Disease Aggregate
   $1,000,000 Disease Occurrence

TITLE INSURANCE

- An owner's title policy for all investments. A copy of the title policy/commitment with all schedules, exhibits and endorsements are to be provided to Lender at least 15 days before closing.
- The issuing title agent and underwriter must be acceptable to Catalyst
- The owner's title policy must be issued on an extended coverage 2016 American Land Title Association ("ALTA") form of owner's title insurance policy and afford the broadest coverage available.
- The amount of coverage under the owner's title policy must be no less than the total Project costs.
- The title policy must insure, as separate parcels: (a) all appurtenant easements and other estates benefiting the Insured Property, and (b) all other rights, title, and interests under reciprocal easement agreements, access agreements, operating agreements, and agreements containing covenants, conditions, and restrictions benefitting the Insured Property.
- All standard exceptions must be deleted or amended as follows:
    - The exception for real estate taxes and assessments must reflect the year of such taxes and assessments and specifically state that they are not yet due and payable. The title policy must include, as an informational note, the property parcel number(s) or tax parcel identification number(s), as applicable.
    - If the standard exception for tenants in possession cannot be deleted, the exception must be revised to read as follows: "Rights or claims of parties in possession under residential leases, as tenants only, without any purchase rights."
    - The standard survey exception to the title policy must be replaced with an exception for specific matters reflected on the approved survey.
    - If the standard exception for filed or unfiled mechanics' or materialmen's liens cannot be deleted, it must be limited to liens filed after the date of the Title Policy.
    - If the title policy contains a pending improvements clause, the minimum initial amount of title insurance coverage must be no less than the purchase price of the Insured Property.

- If Schedule B of the title policy contains any easements that are blanket in nature or otherwise not plottable, the title policy must provide affirmative insurance against any loss resulting from the exercise by the holder of such easement of its right to use or maintain that easement. ALTA Form 28.2-06 or an equivalent endorsement is required for this purpose
- Current versions of the following endorsements must be issued with the owner's title policy:
    - ALTA 3.0 or 3.1 Zoning (as applicable)
    - ALTA 4.1 Condominium (if applicable)
    - ALTA 5.1 PUD (if applicable)
    - ALTA 8.2 Commercial Environmental Protection Lien
    - ALTA 9.1 or 9.2 Covenants, Conditions & Restrictions (as applicable)*
    - ALTA 13 Leasehold (if applicable).
    - ALTA 17 or 17.1 Access and Entry (as applicable).
    - ALTA 17.2 Utility Access.
    - ALTA 18 or 18.1 Tax Parcel (as applicable).
    - ALTA 19 or 19.1 Contiguity (as applicable).
    - ALTA 22 Location.
    - ALTA 25 Same as Survey*
    - ALTA 26 Subdivision.
    - ALTA 28 Easement - Damage or Enforced Removal (if applicable).
    - ALTA 28.1 or 28.2 Encroachments - Boundaries and Easements (if applicable).
    - ALTA 34 Identified Risk Coverage (if applicable).
    - ALTA 35, 35.1, or 35.2 Minerals and Other Subsurface Substances (if applicable)
    - ALTA 41, 41.1 or 41.2 Water (if applicable).
    - Maximum Loss Endorsement.