

TWIN CITIES DEVELOPMENT RURAL WORKFORCE HOUSING FUND

FREQUENTLY ASKED QUESTIONS

What is the RWHF Loan Program?

Workforce housing is housing that meets the needs of working families and is attractive to new residents locating in a rural community. Twin Cities Development (TCD) was awarded funds from the Nebraska Department of Economic Development to create a revolving loan fund (RLF) for the purpose of providing additional opportunities to contractors and developers to provide or improve housing in the communities within the three-county area including Kimball, Scotts Bluff, and Morrill counties. While not a grant, RWHF monies provided to contractors are in the form of short-term, low interest rate loans.

What types of projects are eligible for funding through RWHF?

The intent of the workforce housing investment funds is to provide continual investment in workforce housing projects. The funds are intended to perpetuate for continued use and provide sustainable impact to address housing needs. The RWHF eligible activities include:

1. New construction of owner-occupied or rental housing in a community with demonstrated workforce housing needs;
2. Substantial repair or rehabilitation of dilapidated housing stock, for which the cost to rehabilitate exceeds fifty percent (50%) of the current assessed value;
3. Upper story housing development;
4. Rehabilitation that includes the conversion of an existing building into housing.

How much can I apply for?

- a. Minimum loan amount is \$20,000.
- b. Minimum 10% equity provided by borrower.
- c. New construction of owner-occupied housing may not exceed \$325,000 total construction costs. Sales price can not exceed the \$325,000 limit.
- d. For units that will be used for rental purposes, the construction cost may not exceed \$250,000 per unit (duplex, townhome, apartments, single family rentals, etc.)
- e. If rehabilitating existing units, the cost to rehab must exceed 50% of the unit's current assessed value at the time of application. The total will be based on the current tax assessment on file with the county assessor's office. Documentation must be on file for rehab value and final expenditures must exceed the 50% threshold.

What activities are qualified use of the funds?

Qualified activities include but are not limited to:

1. Purchase of real estate
2. Construction loans
3. Supplies and material costs
4. Sub-contractor expenses

Can I use the funds for infrastructure?

Infrastructure development will not be considered for initial RWHF awards. All applicants shall utilize property that has existing infrastructure, or the infrastructure costs shall be absorbed by the developer. As the funds revolve, infrastructure development may possibly be considered.

What activities are ineligible?

Ineligible activities are activities not specifically authorized and ineligible to be carried out with RWHF. This includes the following:

- a. Furnishings and personal property that is not an integral structural fixture including the purchase of equipment, fixtures, and motor vehicles
- b. Mobile homes as defined by the Department of Economic Development.
Mobile homes mean a movable or portable dwelling constructed to be towed on its own chassis, connected to utilities, and designed with or without a permanent foundation for year-round living. It may consist of one or more units that can be telescoped when towed and expanded later for additional capacity, or of two or more units, separately towable but designed to be joined into one integral unit.
- c. Housing that receives National Housing Trust Funds, Federal Low-Income Housing Tax Credits, Nebraska Affordable Housing Tax Credits, Community Development Block Grants, HOME Investment Partnerships Program (HOME) funds, or funds from the Nebraska Affordable Housing Trust Fund.

What interest rate would I have?

It is a priority to make the loan affordable in order to encourage quality housing development in the region. New construction rates will be calculated at the rate of 0% as of the month of closing. Rehabilitation rates will be calculated at the rate of 2% as of the month of closing. The rate will be fixed for the term of the loan with accrual beginning on the date(s) funds are drawn.

How long do I have to repay the loan?

The program is solely short-term financing. The intent is to have the loan repaid after the property is sold. If the project is not completed/sold within 15 months, amortized principal and interest payments shall be made on the loan. If the project is rental property, long-term financing shall be obtained to replace the RWHF short-term financing. Terms may be renegotiated at the discretion of the Loan Review Committee.

How long does the application process take?

The Loan Review Committee will meet on a regularly scheduled basis to review and process applications. This is dependent on the number and frequency of applications in process. The committee will meet monthly. If needed, the committee may hold a second meeting in the month.

How do I apply?

Loan applications may be obtained at Twin Cities Development's office at 1620 Broadway, Scottsbluff, NE 69361. A nonrefundable application fee of \$100 will be paid with all applications. Once the loan is funded, a 1% origination fee will be included in the closing costs and deducted from the loan proceeds. In the event the loan is not funded, or you decide to not proceed with the loan, the origination fee will not be collected.

Additional information and/or documentation to accompany the application includes:

- a. The legal description of the proposed property
- b. A project summary
- c. A timeline of the construction project shall be outlined
- d. Experience or background history of the applicant and construction of similar projects
- e. Pro-forma of the project cash flow and sources and uses of cash
- f. For new construction, a site plan and housing plans shall be submitted.
- g. Outline of timing of draw requests (Foundations, framing, drywall, finish work, etc.).
- h. Sources of additional funds and proof of funds or a bank pre-approval letter for equity or bank loan
- i. Proof that the real estate taxes are current on proposed project.
- j. Other information as requested by the Fund Administrator.

How will a decision on funding be made?

All proposed projects will be evaluated by the Loan Review Committee. The project will be looked at to ensure it meets the Fund's priorities. The financial viability of the project will be key as well. The available fund balance at the time of application along with any equity and security being proposed by the applicant will be considered.

All projects will need to show the ability to contribute a minimum 10% private equity or financing. At times, the fund balance may be low if several projects are active. If necessary, preference of approval will be given to projects with equity contributions of 20% or higher. This is not a requirement for funding, but if multiple projects are considered at the same time, it may determine which is funded first once loaned funds are repaid.

Additional criteria may be identified as needed and the application will be re-evaluated. The Fund Administrator may negotiate terms for the project (including interest rate and length of loan term) with the final decision being made along with the Loan Review Committee.

Who bears the risk on the project?

As in all loans, the risk is held equally between the lender (RWHF) and the borrower. To mitigate risk on the project, there are some items that the borrower will be required to provide:

1. Customary loan and security documents shall be used.
 - a. Title Commitment or Title Policy if borrower already has one
 - b. Title Search or Lender's Policy at the cost of the borrower
 - c. Promissory Note
 - d. Deed of Trust
 - e. Mechanics lien waivers or affidavit Personal guarantee
 - f. Subordination agreement, if required
2. Collateral listed on the application must have a documented value sufficient to protect the interest of TCD and the RWHF program.
3. The Fund Administrator or TCD staff will conduct periodic inspection of the projects to ensure progress payments are infused into the project.
4. The TCD RWHF or TCD shall be listed as additional insured loss payee on all projects for construction risk, property and casualty insurance based on replacement cost. Liability insurance (in a reasonable amount compared to the project) will be required for all funded projects.
5. TCD staff will monitor payment of all real estate taxes and insurance on funded projects.

If I have further questions, who do I contact?

You can call the TCD office at 308-632-2833 or contact the below:

Jordan Diedrich, Executive Director, jdiedrich@tcdne.org



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