CITY OF KINGSBURG
DOWNTOWN ECONOMIC DEVELOPMENT INCENTIVE

UPPER FLOOR RESIDENTIAL REHABILITATION LOAN PROGRAM GUIDELINES

PROGRAM PROPOSAL: CENTRAL COMMERCIAL UPPER FLOOR RESIDENTIAL REHAB LOAN PROGRAM

Overview

The Upper Floor Residential Rehab Loan Program will assist owners of buildings located in the Central Commercial Zone District with the rehabilitation of upper floor space into high-quality rental housing ("**Project**"). The building must have retail uses on the ground floor and the space and/or residential units on the upper floors. The upper floors must be vacant and not in compliance with the applicable provisions of the Federal, State of California and City of Kingsburg laws, regulations, rules, standards and specifications (collectively "**Laws**"). Under the program, owners may request funds from the City to pay for costs associated with the rehabilitation of the residential space to comply with the Laws.

- Maximum City Assistance - Up to 50% of total rehabilitation cost of the upper floor residential area of the building, including any interior improvements exclusive to residential areas including common areas. $100,000 is the maximum City assistance per building.

- Per Unit Limit - Up to $20,000 per unit

- Program Budget – 2017/18 Program budget is $100,000

Location

The property must be located within the Central Commercial District Corridor as identified on the attached map ("**Corridor Map**").

Procedures

- Applicants must apply before Project construction begins (demolition may begin earlier) and will have twelve months to complete the Project after the application approval date.

- Projects must score a minimum of 10 points out of 18 to be eligible for consideration for the program.

- Property owners must submit an Upper Floor Residential Rehab application and supporting documentation as required by the City.

- On a monthly basis, applications will be reviewed and evaluated based on the scoring criteria created by the City. If multiple Projects are submitted in one month, Projects will be ranked in scoring order from highest to lowest score. Projects that receive the most points will be approved for funding. Once the annual fund balance for the program is exhausted, funding will be unavailable until the next annual budget. If funds are budgeted for the next budget year, any approved but unfunded applications will be funded first to extent budget funds available for the program If two applications are received in the same month that receive the same amount of points and there is limited funding, funds will be awarded to the applicant that is first to have its application approved by the City.

Property Owner Qualifications

- Applicants and affiliated persons and/or entities for this program must not be delinquent in

obligations to pay loans, fines, liens, or other obligations including, without limitation, obligations to the City of Kingsburg.

- All other properties owned by applicant in Kingsburg must be in good standing and must be in compliance with all applicable Laws.

Property Qualifications

- Eligible properties are properties with retail or commercial leases on the ground floor with the upper floor residential units. The residential units must have been vacant for a minimum period of 90 days prior to submitting an application and be considered not in compliance with the applicable Laws.

- New construction is eligible if all other requirements are met.

- Buildings with residential units under construction at the time of application will not be eligible.

- Only owners of properties may apply for the program. Owners may make an application for one property per program year.

- The property must be located in area identified on the Corridor Map.

- Facades visible from the public right of way must be in an improved condition and comply with all applicable Laws. City funding under this program may not be used to improve facades. Facades must be in a condition that does not detract from or change the architectural character of the building. When feasible, the original design should be restored or restored so that it is contextually appropriate with the age and character of the building. Applicants may also participate in the City's Façade/Alley improvement program, if eligible funding exists.

- The property must comply with all applicable Laws on the completion of the rehabilitation. The City will inspect the property to ensure compliance in these standards. The City will evaluate on a case-by-case basis when owners propose rehabilitating only a portion of the building as part of the submitted project. The use of green construction methods and energy efficient design is encouraged.

- The property must be in compliance with applicable City zoning regulations.

- The City has the right to inspect the units annually for a period of ten (10) years after completion to confirm the upper floors are being used for residential uses and the building complies with all applicable Laws.

Rehabilitation Process

- Certified architectural drawings must be provided to the Building/Planning Department as part of the application process.

- All applicable state and local permits must be acquired and associated documentation must be supplied to the Building/Planning Department.

- Funding is provided on a reimbursement basis, contingent upon receipt of required

documentation. Funding will be provided to reimburse the final payment of rehabilitation costs at the completion of the project. A 10% retainage will be withheld from the funding until the project receives an unconditional Certificate of Occupancy.

- All work must be completed by contractors licensed by the State of California. Contractors and subcontractors must also hold a City of Kingsburg business license and be in good standing under such license prior to the commencement of work.

Funding Terms/Scope of Work

- The City will fund up to 50% of the total cost to rehabilitate the upper floor residential units based on funding availability (not to exceed $20,000 per unit for eligible rehab expenses). Maximum total City assistance is $100,000 per project.

- Rehab loans shall be evaluated and documented as follows:

  - The Rehab loan will be evidenced by a secured promissory note ("**Promissory Note**") and first deed of trust ("**Deed of Trust**") prepared by the City.

    - The loan to value ratio for all debt secured by the property on the date of recordation of the Deed of Trust shall be no greater than 80%, which must be supported by an appraisal approved by the City prior to funding. If a loan to value ratio greater than 80% is proposed, outside collateral sufficient to provide 80% loan to value ratio will be required. Personal guarantees may be required for additional collateral and will be evaluated on a case-by-case basis.

    - The rehab construction costs will be evaluated based on City staff estimates and comparisons to rehab construction costs of similar projects.

    - The applicant and applicant's construction and development team must have capacity to complete the project as demonstrated by past projects.

    - Applicant will provide City with a lender's policy of title insurance in a form and issued by a title company acceptable to the City in the amount of the principal balance of the loan insuring the Deed of Trust as a first deed of trust recorded against title to the real property upon which the project is located.

- Non-compliance includes but is not limited to: failing to comply with all applicable Laws, including, without limitation, City property maintenance requirements, failing to timely pay all real property taxes and assessments; default under any lien, encumbrance or deed of trust recorded against title to the property; failing to complete the project within the timeline approved by the City and failure to maintain the upper floors of the property rented for residential use.

- The City will execute a development agreement with property owners that will outline the requirements and conditions of program performance, including timelines and scope of work.

- The City will inspect the property and identify all Law violations. All violations must be corrected. Rehab specs will be reviewed by the City. All work must be performed in accordance with all applicable Laws.

- The Promissory Note and Deed of Trust will contain a due on sale provision requiring the payment of the remaining principal balance of the Promissory Note if the property is sold prior to the expiration of the ten (10) year term of the Promissory Note. However, the City will consider waiving enforcement of the due on sale provision and transferring the loan to a new owner if the prospective new owner and the property after sale, satisfies the funding requirements outlined in this document. Any request by the property owner for the City's waiver of the due on sale provision must be made in writing and delivered to the City at least forty-five (45) days prior to close of escrow along with a copy of any Purchase Agreement, Escrow Instructions and related documents and any other documents requested by the City. The new owner must agree to allow the City to continue inspections throughout the entire ten (10) year term of the Promissory Note.

Conflict of Interest

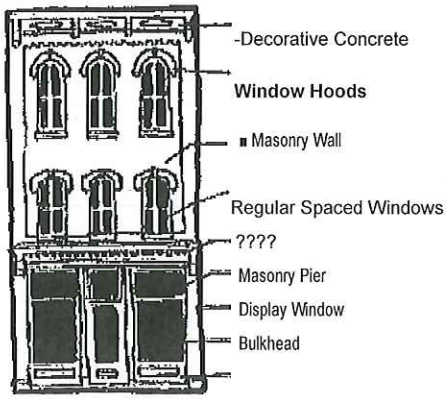
- A conflict of interest exists if an applicant or the applicant's immediate family is an employee, agent, consultant, officer or elected or appointed official to the City of Kingsburg, or if the applicant is an entity and its owners, shareholders, members or partners are any of the above-identified persons.

- If a conflict of interest exists, the applicant may not obtain assistance under this program.

SCORING CRITERIA

City funds as percentage of total project cost	50%	0
	>25% to 49.9%	1
	25% or less	3
Scale of renovation	Portion of residential units will not be rehabbed	0
	All residential units rehabbed as part of proposal; commercial space not renovated and unfinished	1
	All residential units rehabbed as part of proposal; commercial space already complete or currently undergoing renovation	2
Contributing building	The façade of the building needs restoration but will not be restored as part of the project	0
	The building façade is currently being restored or after renovation will be restored	2
Conversion	After renovation, non-intensive commercial activity, i.e. storage space, will remain inactive on the retail level	0
	Non-intensive commercial activity, i.e. storage space, is converted active commercial space as part of the project on the retail level	2
Amenities (Points given for all that apply)	New stove, refrigerator, dishwasher provided	1
	Security system installed in each unit	1
	Washer/dryer provided on site	1
	Washer/dryer provided in unit	2
	Designated off-street parking for tenant provided	1
Quality of Life Components	Project does not include any quality of life components.	0
	Project incorporates shared space or outdoor living amenities.	1
Energy Efficiency Design (Points given for all that apply)	Project does not propose any energy efficient design	0
	Use of energy star appliances	1
	Units equipped with programmable thermostats	1
	Other energy efficient design (please explain)	1

HISTORIC STOREFRONT
FACADE IMPROVED CONDITIONS CHECKLIST



1. In general the proportions of the building should reflect a historic storefront with 75% of the first floor storefront being glass. Please see above for what a typical storefront should look like.

2. There is no peeling paint on the front façade.

3. There is no spalling bricks or major tuckpointing work that needs to be performed.

4. All signs must in compliance with the current Kingsburg guidelines and the Zoning Standards.

5. Windows are not to be boarded or bricked up. All windows are free of cracks and not blacked out with either paper or tint.

6. Cornice elements are in good repair, are all in place, and are free of rot or missing elements.

7. Any metal on the storefront is free of rust, corroded parts or missing elements.

8. Doors are historic in nature and appropriate to the architecture of the building. In general, storefront doors shall be either a half or full light. Doors to 2nd floor units can be solid, but should be paneled (typically a 6-panel door). Doors shall fill the entire original opening.

9. All upper floor windows on the front façade shall be in compliance with Kingsburg Design Guidelines. They shall be wood or aluminum clad wood windows that fill the entire original opening. If the windows were originally metal windows, they can be either metal or aluminum clad wood windows.

10. There shall be no vinyl, aluminum, cedar shake, or other artificial siding on a storefront façade.

APPENDIX "A"
UPPER FLOOR RESIDENTIAL REHAB
PROGRAM UNDERWRITING GUIDELINES

Feasibility Analysis:

Project Viability

- Documentation of sufficient funding, including City funds, to cover all costs identified in the project's sources and uses form
- Information on past projects of similar scope to demonstrate applicant has ability to complete the project

Project Readiness

- Other funds are committed or will be committed within a reasonable period of time after application for rehab funds.
- Site control
    - Fee simple title at time of application and all times thereafter.
    - If not owned, must have enforceable right or option to purchase at time of application.
- Financial Analysis
    - Development Feasibility
        - Project development costs as provided by applicant reviewed by City staff to determine if reasonably based on similar projects and City staff estimates of cost
    - Operational Feasibility
        - Project cash flow should only show the residential part of the project, separate from cash flow from non-residential operations or renovations of the building
        - Project must show positive residential net cash flow for a period of 5 years Operating costs must be reasonable
    - Underwriting - Project falls within the underwriting criteria established by the City in this Appendix "A" as amended from time to time

SUMMARY OF FEASIBILITY GUIDELINES

DEVELOPMENT

Criteria	Ranges-Limits
Maximum City Assistance	Up to 50% of total development cost. Maximum total loan is $100,000.
Per Unit Limit	Up to $20,000 per unit
Collateral Requirements	Loan to value ratio no more than 80% If greater than 80% outside collateral to provide 80% loan to value ratio may be required
Construction Hard Costs	Minimum 75%
Developer fee (percent of Total Development Cost, not including developer fee)	Maximum 15%