



**CITY OF  
TALLAHASSEE**

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**AFFORDABLE HOME CONSTRUCTION LOAN PROGRAM**

## **PROGRAM GUIDELINES**

**DEPARTMENT OF HOUSING & COMMUNITY RESILIENCE  
HOUSING DIVISION**

*In partnership with Department of Parks, Recreation, and Neighborhood Affairs*

**APRIL 2023 (rev)**



## **I. INTRODUCTION**

The goal of the City's Affordable Home Construction Loan Program (AHCLP) is to create low-cost working capital for private developers and contractors to increase the stock of affordable homes via in-fill development.

Affordable housing is generally defined as one where the monthly mortgage or rent is less than 30% of the household's monthly income. The City defines affordable housing as housing that is affordable for a household earning the Area Median Income (AMI) and below. Therefore, homes constructed through this Program are intended to be affordable for homebuyers with incomes at or below 100% AMI. To further support affordability for low-income buyers, the City offers a Down Payment Assistance program for buyers who can secure a market rate mortgage, and whose income level is at or below 80% AMI.

## **II. PROGRAM OVERVIEW**

- Private developers may apply for one loan at a time with a maximum loan amount of \$200,000 .
- Eligible uses for the Affordable Home Construction Loan Program include new construction and the substantial rehabilitation of existing single-family units, duplexes, triplexes, and quadraplexes.
- Projects must be located within the City of Tallahassee. Preference may be given to applications for projects located within the City's Neighborhood Revitalization Strategy Area or a Qualified Census Tract (QCT) as defined by HUD.
  - Additional preference shall be given to applicants applying to construct new units or substantially rehabilitate existing units located within a neighborhood boundary as defined by an approved Neighborhood First Plan.
- Applicants must demonstrate site ownership or site control prior to any disbursements under the Program. Loans will carry an annual interest rate below US 'prime rate' as reported by The Wall Street Journal.
- For new construction projects, loans shall be due and payable to the City within eighteen (18) months from the date of loan agreement or six (6) months following the issuance of Certificate of Occupancy (CO), whichever occurs first. For substantial rehabilitation projects and rehabilitation of homes with historic significance, loans shall be due and payable to the City within twenty-four (24) months from the date of loan agreement or six (6) months following the issuance of CO, whichever occurs first.
- The City will place a lien on the lot(s) and future improvements for funded projects. Liens will be released at the time of closing on the home(s) if the loan agreements are in good standing and without default.
- In addition to the loan, the City may offer other incentives to Applicants s such as expedited permitting, and a waiver of water and sewer system and tap fees for homes

whose purchasers have been identified upfront and whose incomes are at or below 80% AMI.

- Unit must be sold to an income-eligible buyer upon completion. **NOTE:** If the Applicant receives a waiver of the Water/Sewer tap fee but sells the home to an income-eligible buyer who qualifies above 80% but below 100% AMI, the amount of the Water/Sewer tap fee must be repaid at closing with the loan balance due.

### **III. APPLICANT ELIGIBILITY**

To be considered for the loan, the applicant must meet the following minimum criteria:

1. Must be a private for-profit or non-profit developer or contractor that is licensed and insured to perform such work.
2. Must demonstrate capacity to develop affordable housing units and/or experience working with the targeted homebuyers.
3. Must demonstrate capacity to carry the loan through audited financial statements, financial statements prepared and signed by a Certified Public Accountant, most recent tax returns applicable for the entity, or current Revenue/Expense statements for the organization.
4. Must have a viable project demonstrated through site ownership or site control, a licensed builder/contractor identified, and drawings completed. If building within the Frenchtown neighborhood, Applicants should first utilize the approved Community Redevelopment Agency (CRA) model homes. If the Applicant will not use the approved model home plans, the drawings will need to be approved by the City to ensure the new home will fit with the character of the neighborhood.
5. Applicants may not have an existing loan with the City for the same project and must be in good standing on other City assisted projects.

### **IV. APPLICATION SUBMISSION**

Applicants must apply via the City's online application portal at [www.Talgov.com/housing](http://www.Talgov.com/housing). Applications are accepted on a rolling basis so long as funding is available. The City reserves the right to suspend application submissions in the event the program becomes oversubscribed.

NOTE: Frenchtown Neighborhood First Plan funding can be used only for projects located in the Frenchtown neighborhood boundaries that are within the Greater Frenchtown Southside CRA District.

The application indicates the required documentation that must be submitted along with the application, including, but not limited to:

- State of Florida Corporate Certification and record of good standing
- Borrowing/Corporate Resolution, if non-profit (may be included as part of the Organization's By-Laws or Operating Agreement)

- DBPR-Issued Contractor's License for Applicant (or general contractor if different from Applicant)
- Two most recent years of tax returns or Current Financial Statements
- Site Plan and Layout of Structure
- Complete set of permittable and City-approved drawings of the proposed home (proposed designs shall complement existing residential structures in historic neighborhoods and should include design elements that typify historic structures)
- Plans and specifications for building in resiliency, sustainability, and green building practices
- Property Appraisal (broker price opinions or sales comparable accepted)

Optional documents to assist with review of the application include:

- Examples of past construction projects or substantial rehabilitation projects
- Resumes of project team members
- Letter of Intent to Sell, Options Contract, or Unexpired Purchase Contract between parcel owner and Applicant, if applicable
- Construction Contract between Applicant and Construction Company, if separate entity
- Evidence of existing Liens on the proposed parcel (if applicable)

Additional documents may be requested by City staff in order to complete the review of the application. If at any time the requested documents are not received, the City may deny the application.

**V. APPLICATION REVIEW**

The City will review applications as they are submitted. In the event an application review is delayed, or no funds are available, the application will be placed on hold in the order it was received and reconsidered pending available funding. The City will process applications in the order in which they are received until funds are exhausted. The City reserves the right to prioritize a loan to:

- a local certified small/minority-owned business;
- an Applicant that demonstrates that their project is ready for construction within 60 days;
- An Applicant constructing units in accordance with an approved Neighborhood First Plan.; or
- An Applicant constructing units located on the D Streets in the Frenchtown Neighborhood (Dent, Dewey, Dover, Dunn, Dean, Dade, and Delaware).

The City will review applications based on the following criteria:

**Prerequisites (“No” disqualifies Applicant unless corrected)**

Private for-profit or non-profit developer
Administrative/legal structure (active license, board etc.)

Proposed project team – (legitimacy, roles clearly defined)
Financial structure and internal controls to accept and manage loan

**Evaluation Criteria** (prior to final review, the Applicant will have a chance to revise or re-submit documentation):

<b>Project Viability</b>
Demonstrated capacity to develop affordable housing units
Proposed permissible project compatible with surrounding neighborhood/area
Project cost- reasonableness (cost per square foot, developer fee, etc.)
Feasibility of projected sales price (appraisal, marketability, comparable sales, etc.)
Confidence in ability to repay loan
Ability to secure eligible homebuyer
<b>Readiness to Proceed</b>
Site control/ownership
Site readiness/suitability (zoning-eligible, drawings completion, permitability, etc.)

**VI. EXPECTED PERFORMANCE**

- A timely project start and regular ongoing progress on the project.
- Quality materials and workmanship by you and any sub-contractors you may employ.
- Payment requests for work completed or for materials purchased submitted promptly with documentation to support the dollar amount of the request.
- Communication with the Housing Division if you encounter problems or delays.
- Continuing communication with the Tallahassee Lenders Consortium or other vendor assisting prospective buyers with eligibility, homeownership education, and counseling.
- A valid contract between the Applicant and selected contractor which includes all language required by the Florida Department of Business and Professional Regulation.
- City staff will monitor progress of the construction. The Applicant will receive a written warning if the expectations are not being met as it relates to the agreement as a first penalty imposed. A second penalty may be imposed if progress continues to lag, and the project is less than 50% completed by the end of the twelfth month after the start of the agreement. The second penalty is the Applicant’s suspension for one year and inability to participate in any other City projects until the completion of the one assigned.

**VII. PAYMENT SCHEDULE**

- The Housing Division will strive to turn payment requests around as quickly as possible to ensure the project’s cashflow needs are met. See Disbursements section below. Typical invoicing should include:
  - o An initial draw can be requested to reimburse yourself or organization for the purchase of the land the unit will be built on. You may immediately submit documentation for land-related costs including the purchase documents, legal

costs associated with the closing, search and survey, title search, soil testing, or other land acquisition costs.

- This draw is limited to 50% of the approved loan amount.
- o Slab completion with invoices from the concrete sub-contractor if any, concrete forms, gravel and other foundation materials, land clearance costs, plumber's or other subcontractors labor and materials for water or other lines coming into the house below grade, post-pour site security, and any related costs.
  - This draw is limited to 25% of the approved loan amount and must be accompanied by documentation that framing, trusses, dry-in, and rough-in packages, including windows have been ordered.

#### **VIII. TYPICAL INVOICING BENCHMARKS**

- o Framing and enclosing stick-built or block construction, windows and roofing. You may invoice for one or all these elements of the exterior building envelope.
- o Electrical and plumbing rough-ins, with inspections completed.
- o Insulation and sheetrock or alternative wall finishes completed.
- o Flooring, vanities, cabinet installations.
- o Landscaping, sidewalks, driveways, plantings installed.
- o Plumbing fixtures including sinks, showers, toilets, HVAC systems installed.
- o Final finishes and project completion. All elements not previously invoiced for may now be requested as a final payment, also subject to the accruing 5% retainage.
- o Retainage payment to Applicant when Housing Division can be invoiced after final or punch list walkthrough and approval by Housing Division staff, and submission of documentation by the Applicant that a Certificate of Occupancy has been issued for that property.

#### **IX. DISBURSEMENTS**

Generally, the City will disburse the loan in accordance with the various phases of the development, with no less than three (3) disbursements made as follows:

1. First disbursement (up to 50% of loan): once the lot has been secured or is under contract, as demonstrated by a sales contract.
2. Second Disbursement (up to 25% of loan): The Applicant may submit a payment request upon completion of foundation inspection (footing/slab). Applicant must demonstrate they have secured the trusses and framing package, including windows, before the disbursement will be approved.
3. Third to Final disbursement with 10% retainage: The Applicant may submit remaining payment requests based on actual expenditures up to a hold back of 10% of the loan amount. The final 10% will be released once the Certificate of Occupancy has been issued by the City Building Department and all liens by subcontractors are released. The

Applicant shall provide to the City an affidavit certifying that the Applicant has paid all material suppliers, subcontractors, and laborers for the development.

The Applicant shall grant City program staff, within reasonable notice and site security provisions, periodic access to the project's site to assess the quality and progress of the work.

The City reserves the right not to approve any future loans to Applicants who have not delivered in accordance with this Program or failed to adhere to the income level of purchasers as stipulated in the Program.

Complete and accurate payment requests, complying with the stipulations of the Program, will be processed in a timely fashion by the City and will be paid by Electronic Funds Transfer (EFT).

## **X. LOAN CONDITIONS AND REPAYMENT**

### **LOAN CONDITIONS**

In order to secure its investment, the City will place a lien on the lot and its improvements for which the loan was offered. The Applicant agrees to execute the following documents upon approval of the loan:

- Loan Agreement, Mortgage and Promissory Note
- Notice of Loan Agreement
- Water and Sewer Fee Waiver Loan Agreement (if applicable)

The Applicant also agrees to record the executed Promissory Note and pay any applicable Doc Stamp taxes on the loan.

### **LOAN REPAYMENT**

For new construction projects, the loan must be repaid in full plus interest within 18 months from the date of the loan agreement or within 6 months after the CO is issued, whichever is sooner. For substantial rehabilitation projects and rehabilitation of homes with historic significance, loans shall be due and payable to the City within 24 months from the date of loan agreement or six (6) months following the issuance of CO, whichever occurs first. After a successful sale and subsequent reimbursement in full of the loan and interest, the City may reserve the originally loaned amount as a revolving line of credit for the Applicant for a period of no more than three months. The revolving line of credit may be used by the Applicant for a new construction or major rehabilitation project in accordance with the Program. All previous conditions and stipulations shall apply to all future loans. The City and the Applicant will enter into a new loan agreement for any subsequent loan.

## **XI. MARKETING AND SALE OF UNITS**

Applicants will be responsible for marketing the homes which they construct through their own free-marketing methods or in partnership with another community agency. The Tallahassee Lenders Consortium is a community partner that can assist in qualifying prospective buyers,

providing housing counseling, and determining if down payment assistance is available. The Applicant should understand the various types of financing and assistance available to better help prospective homeowners through the purchase process.