**Loan Funding Information – Video Transcript**

Front Porch Investments | Development and Preservation Fund | Fall 2023

Duration: 17 minutes, 44 seconds

| Slide | mm:ss | Narration |
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| 1 | 00:00 | Thank you for taking the time to watch this informational video for the Fall 2023 cycle of the Development and Preservation Fund. Before we jump in, please note that all applications are due by 11:59 p.m. on Friday, September 1st, with funding decisions to go out at the end of November. |
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| 2 | 00:19 | First, take a moment to review this brief outline of what will be covered in the slides ahead, including background information on the Development and Preservation Fund program, an overview of Front Porch’s partnership with the City of Omaha, as well as guidelines for this current round of funding. |
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| 3 | 00:36 | For those who may not be familiar with Front Porch Investments, we’re a nonprofit organization born from the Omaha-Council Bluffs Affordable Housing Assessment that was released in 2021. We are tasked with moving forward the strategies identified as solutions to addressing the affordable housing gap in the Greater Omaha Area. One of the beautiful things about the Development and Preservation Fund is that it combines two of the five strategies outlined in the assessment and moves us one step closer to our vision of “a community committed to ensuring all have a home where they can thrive.”  This round of funding is made possible through a continued partnership with the City of Omaha, aligning with our mission to “create opportunities to implement successful housing solutions by maximizing public and private resources.” |
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| 4 | 01:23 | Front Porch operates as a funding intermediary, connecting investors and donors to community-based work and providing financial support for developers and housing-supportive nonprofits.  As I mentioned before, we are excited to continue partnership in this cycle with the City of Omaha, our public partner for the distribution of American Rescue Plan Act funds. We will talk more in this workshop about the unique criteria and guidance in this cycle related to ARPA funding. |
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| 5 | 01:51 | Now, taking a look at the broad goals of the Development and Preservation Fund.  So the Fund was created in alignment with recommendations provided through the Omaha and Council Bluffs Area Assessment of Housing Affordability, Needs, & Priorities report I mentioned earlier. As identified in the assessment, the broad goals of the fund are to:  1) Provide gap financing for the development of new affordable housing, including mixed-income rental housing, the creation of affordable housing in areas near job centers and transit, and transformative "catalyst" projects in neighborhoods undergoing broader revitalization efforts; and  2) to provide needed gap financing to preserve and improve the quality of at-risk dedicated affordable rental housing, as well as "naturally occurring" affordable housing properties in deteriorating condition, or those at risk of conversion to market rate.  Additional investment priorities for the Fund include increasing housing ecosystem capacity; increasing accessibility; increasing housing stability; expanding housing options; supporting equity and housing justice; supporting innovation and best practices; and supporting collaborative partnerships.  The Development and Preservation Fund provides a minimum of two funding cycles annually – our goal is to have application open dates of February 1st and August 1st each year. While the overall focus of the Fund, seen here, won’t change over time, we do anticipate that each cycle may have a different focus area depending on available funding and community need. For example, per our partnership with the City, this current round is solely focused on funding projects and nonprofits within the boundaries of the City of Omaha. |
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| 6 | 03:30 | Eligible request types this round can be seen here.  Long and short-term loans will be focused on funding affordable housing development and preservation projects within the City of Omaha. One-time operating grants will also be available this round to Omaha-based, Omaha-serving housing-supportive nonprofits. To learn more about operating grants, please visit the current grant funding page on our website.  Please note that for-profit developers are only eligible to apply for loans. Nonprofits, however, can apply for any request type, and will have the option to request project grant funding if their project requires valuation gap financing.  There is an estimated $9 million in funding that will be awarded in this round – 3 million for each type – long-term loans, short-term loans, and operating grants. While short-term loans will be privately funded, long-term loans and operating grants will utilize ARPA dollars. |
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| 7 | 04:26 | Our partnership with the City of Omaha includes a $20M commitment of ARPA funding that has been matched by Front Porch with $20M in philanthropic investment. Funds have been allocated via loans and/or grants across multiple funding cycles.  Thus far, funding rounds have focused primarily on the creation of new mixed-income and affordable units, preservation of existing units and/or adaptive reuse, and activities associated with development and preservation projects including acquisition, site remediation, or other pre-development activities. This current round of funding includes the one-time addition of operating grants for Omaha-based and Omaha-serving, housing-supportive nonprofits. |
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| 8 | 05:08 | I’ll now go into further detail about the ARPA-funded long-term project loans. |
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| 9 | 05:14 | Taking a quick look at the long-term project loans this cycle. For-profit and nonprofit developers are eligible to apply, and the estimated funding pool is $3 million available in ARPA funding this round.  Please note: Funding cycles are competitive. Loan applications go through a multi-stage review process, including rigorous underwriting. Simply submitting a loan application does not guarantee funding.  As outlined here: Loan terms are up to 25 years, at a minimum of 20, and will be provided at a 2% fixed interest rate for all borrowers, with origination fees ranging from 1 to 2%.  An option *is* available to include two years of interest-only payments at any time during the loan. Any principal balances deferred through an interest-only period are to be paid in full at maturity of the loan. Deferment is based on project financials falling below 1.25 Debt Service Coverage Ratio. Deferment may occur at any time during the loan period with staff-level approval after financial review.  Impact Development Fund, our fund management partner, provides all underwriting for loan applications, as well as servicing and monitoring of our loans. In order for your application to be considered and get through underwriting, all required financial documents need to be provided at the time of submission. Please view the loan product matrix on the Current Funding page for complete details about loan types and terms this round.  Given the use of ARPA dollars, long-term loan awardees will be committed to quarterly performance and compliance reporting. Additional proof of expenses may apply, as well as procurement requirements. Our expectation is that any project requesting funding is in a place where they can quickly close upon award notification. All loans must be ready to close by June 30th, 2024, at the latest. Otherwise, as a reminder, another funding cycle will open February 1st, should a later timeline better accommodate your project. |
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| 10 | 07:20 | ARPA-funded projects must fall within the City of Omaha, with priority given to those located within a QCT (qualified census tract). Projects located outside of QCTs can be eligible when justification is provided, such as proximity to transit or employment centers. The City of Omaha, in partnership with DOGIS, created an interactive map that is included on our site. You can use the map to identify whether or not your project is located in a QCT, as well as the distance to employment and transit.  This ARPA funding round will allow for projects that serve individuals and households up to 120% AMI, and mixed-income projects can be funded at the percentage of affordability under 120% AMI. You will be prompted in the application to provide justification for the income levels served in your project.  The required affordability period will depend on the length of your loan, ranging from 20 to 25 years for all ARPA-funded projects. All applicants MUST register for a UEI from SAM.gov. If you plan to apply for these funds, *PLEASE* familiarize yourself and your organization with the ARPA State and Local Fiscal Recovery Funds Compliance and Reporting Guidance, which can also be found on our current funding site. |
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| 11 | 08:37 | Projects are eligible for long-term loans via the criteria listed here, which can be found in more detail in the Treasury’s Affordable Housing How-to Guide linked on our site for your review.  There are three ways to ensure that your project is eligible for funding. I’m going to read these directly from the slide, but again please review the guide online.  Funds used for affordable housing projects under the Public Health and Negative Economic Impact eligible use category are presumptively eligible if the project:  1) Meets certain core requirements of the following federal housing programs listed here.   * National Housing Trust Fund (HTF) * HOME Investment Partnerships Program (HOME) * Low-Income Housing Credit (LIHTC) * Public Housing Capital Fund * Section 202 Supportive Housing for the Elderly Program * Section 811 Supportive Housing for Persons with Disabilities Program * Project-Based Rental Assistance * Multifamily Preservation & Revitalization Program * Affordable housing projects provided by a Tribal government if they would be eligible for funding under the Indian Housing Block Grant program, the Indian Community Development Block Grant program, or the Bureau of Indian Affairs Housing Improvement Program   2) Includes units for households at or under 65% AMI for 20 years or longer; and  3) Includes units for households between 65% and 120% AMI and serves the need of disproportionately impacted populations and/or meets the affordable housing need in the community by responding to market demand.  If you meet the criteria in #1 or #2, you are automatically eligible. For #3, you will have to justify your eligibility and the application will ask you to provide information regarding those criteria.  An important thing to note: The percentage of market rate units in a project CANNOT utilize ARPA funds. We can fund a project that *includes* them, but the funding is restricted to supporting only those in affordable AMI brackets. |
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| 12 | 10:18 | We want to be candid with prospective loan applicants about the reporting and monitoring requirements that come along with these ARPA funds.  Front Porch will collect data from awardees and report on ARPA-funded projects to the City, who will then report up to the Treasury Department. This data will be collected quarterly, with more comprehensive annual reporting. Awardees will complete their reports through Submittable, the same platform we use for the application process.  Reporting questions will be tailored for your project type. Here we have listed several example outcome measures. Most will be quantitative in nature and focus on things like the number of units developed, preserved, or rehabbed per AMI category, number of sites acquired or prepped, and number of new projects launched.  All awardees will also report each quarter on their completion status, in addition to possible other performance and outcome measures.  All this to say, if you’re applying for ARPA loan funds, you must have a plan in place for reporting. We already know that there will be a quick turnaround on these quarterly reports and that timely reporting will be required for you – and for Front Porch and the City of Omaha – to stay in compliance.  I also want to briefly touch on monitoring of ARPA loans. Once again, Impact Development Fund will monitor the loans in this cycle, but in addition, ARPA-funded projects may be subject to additional federal monitoring. For more information on these and other procurement requirements, we encourage you to review the Treasury’s procurement guide on our website. |
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| 13 | 11:51 | Now turning to privately funded short-term loans. |
| 14 | 11:56 | Similar to long-term loans, both for-profit and nonprofit developers are eligible to apply for short-term project loans, and the estimated funding pool is $3 million available through private funding this round.  Term lengths can be up to 36 months, and eligible loan types include pre-development, acquisition, construction, and bridge loans. Short-term loans will be provided at 2% fixed interest rates for for-profit entities and 1% fixed interest rates for nonprofits. Origination fees also range from 1 to 2%.  Again, a reminder that funding cycles are competitive, and that all required financial documents will need to be provided at the time of submission for your application to be considered and go through underwriting.  And just as with the long-term loans, our expectation is that any project requesting short-term loan funding is in a place where they can quickly close upon award notification. All loans must be ready to close by June 30th, 2024, so if a later timeline might better accommodate your project, another funding cycle will open February 1st.  Affordability requirements *will* apply, and given the City partnership, we will still assess alignment with the priorities and guidelines of ARPA, though private funding does allow for more flexibility. |
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| 15 | 13:15 | There are three main stages of the funding cycle: the application period, review period, and reporting.  Applications are submitted online using our virtual portal – Submittable. If you are new to Submittable, one important item to note is that when creating a new account, you need to use the email address for the individual who will be the primary contact for the current application. I know some organizations have an evergreen info@ or development@ email that will continue regardless of staffing changes, which can often be useful.  There will be several questions throughout the application asking you to upload supporting documentation or financials. I will go further into the financials piece in a moment, but please ensure that you have included all applicable and required attachments before submitting your application.  After the September 1st deadline, applications will go onto a 3-part review process. In the internal review, representatives from the Front Porch team along with City staff for ARPA-funded requests will assess application completion, eligibility, and funding alignment. Loan applications will then go through underwriting with our partners at Impact Development Fund.  Following that, a committee—comprised of Front Porch board members, City staff, and community representatives from within the housing sector—will thoroughly review applications and put forward funding recommendations. Final funding decisions will then be made by Front Porch’s Board of Directors following review of the committee's recommendations.  For awardees, requirements and frequency of reporting will depend on award type and the funding source. Expectations will be outlined following the award, and all Front Porch reports will be submitted through Submittable as well. |
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| 16 | 14:59 | As I mentioned, you will need to submit a variety of financial documents and funding information for both your organization and the project. Some of those items include:  The operating budget, both income and expenses for your organization’s current fiscal year and most recent fiscal year.  Other required org financials include three years of audited financials and a year-to-date financial statement.  If you’re not required to conduct audits, you’ll need to submit three years of completed business tax returns or 990s, as well as a year-to-date financial statement. And if the tax return is extended, you’ll need to provide a financial statement for the most recent fiscal year. Of note: Organization-prepared financial statements need to be signed by an officer of the business or the board.  Specific to **for-profit** entities applying for funding: both a personal and corporate guarantee is required with all approved loans. Per the loan guarantee requirement, you’ll need to submit three years of your parent company’s audits (or tax returns), a year-to-date personal financial statement, and current schedules of contingent liabilities and Real Estate Owned. All of these details are outlined very clearly in the online application.  Additional documents and requested information will include project budgets, sources and uses, a project pro forma, business debt schedule, request itemization, and rationale along with several more as applicable per organization structure and depending upon the type of loan you are requesting. |
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| 17 | 16:28 | To close out this video, here’s a quick reminder of the timeline: Applications are due Friday, September 1st by 11:59 p.m. Central. Applicants will be notified of award decisions at the end of November with funding disbursement to follow.  We offer virtual office hours every funding cycle, with a signup link on our site. These provide an opportunity to connect with the Front Porch team for questions related to your application. Additionally, appointments with our partners at Impact Development Fund are available to answer underwriting questions and to provide assistance to ensure loan applicants have all financial materials in order before applying. Dates for these can be found on the current loan funding page while designated time slots are still open.  If any questions arise, please first review the information and applicant resources on the current loan funding page on our website, which includes an application preview document to see what all it entails. For support with the Submittable application platform, please contact me – Tess Houser – via email at tess@omahafoundation.org. |
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| 18 | 17:34 | Thank you again for taking the time to learn about the current Development and Preservation Fund cycle, as well as your commitment to affordable housing in our community. |