Affordable Housing Loan (AHL) Program Guidelines

City Council Resolution No. 11427

August 26, 2025

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Background – Affordable Housing in Folsom

- City funds affordable housing through:
  - In-lieu fees
  - Commercial development fees
- Offers gap financing through an affordable housing loan
- Supports housing that is:
  - Affordable to lower-income households
  - Affordable for at least 55 years
- Developers receive:
  - Long-term, low-cost loans

Program Alignment and Track Record

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Affordable Housing Loan Summary

- ✓ Aligned with Low-Income Housing Tax Credit program
- ✓ 11 affordable housing loans since 2005
- ✓ 1,095 units developed/approved
- ✓ Totaling over $36 million
- ✓ Funded from Affordable Housing Fund and other sources - Not from General Fund

Current Process and Challenges

Developer-Driven Process - Developers initiate loan requests based on their project timelines.

Inconsistent Loan Terms - Varying conditions, repayment structures, and reporting requirements make compliance and oversight difficult.

Limited Strategic Planning - Reactive approach hinders long-term planning and alignment with City goals.

Oversight and Accountability Challenges – Inconsistencies, complicate tracking, enforcement of affordability, and overall program accountability.

Reliance on Consultants – Must use expert firms assist with evaluating proposals and underwriting assumptions.

Progress Made, But Gaps Remain - Staff has improved standardization, but the lack of a formal framework limits consistency.

Developer Uncertainty - Without clear terms upfront, developers struggle to adjust assumptions in these complex transactions.

Why Adopt Guidelines

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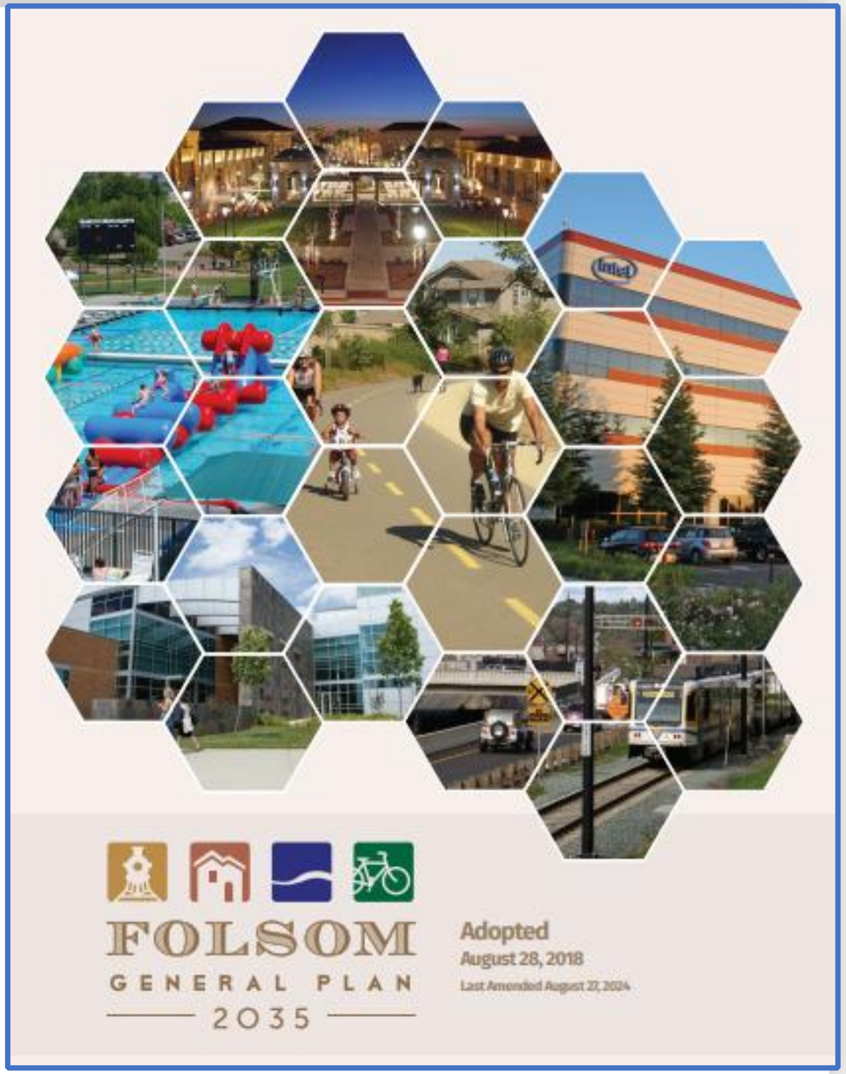
- Create a proactive, transparent, and consistent framework
- Outline funding criteria and expectations
- Improve evaluation of loan requests
- Align with City Council priorities and General Plan policies



Key Features of the AHL Program Guidelines

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- Clear and consistent funding criteria and underwriting standards
- Defined compliance and monitoring requirements
- Defined residual cash flow repayment structure
- Reserve account requirements
- **Long-term affordability safeguards and City oversight**

Summary of Key Loan Terms

- 3% simple interest
- 35-year repayment term
- Repayment equal to 50% of residual cash flow
- 100% of principal balance + accrued interest due at expiration of loan term
- Cost savings provision

Strategic Shift

Moves city from reactive to pro-active role

Enables issuance of strategic Notices of Funding Availability (NOFAs)

Supports long-term planning and policy alignment

Recommendation

Adopt Resolution No. 11427 - A Resolution of the City Council of the City of Folsom Approving the Affordable Housing Loan Program Guidelines to Establish a Clear Framework for Providing Financial Assistance to Affordable Housing Projects, Funded by Folsom Housing Fund (Fund 238) and Housing Trust Fund (Fund 221)

Questions?