



Delaware Catalyst Fund

A Delaware State Housing Authority and Cinnaire Lending Corporation Partnership

Delaware Catalyst Fund

- ▶ The Catalyst Fund is designed to support efforts to address vacant buildings and lots in communities disproportionately impacted by the COVID-19 pandemic.
- ▶ Vacant properties
 - Pose environmental, health and safety hazards
 - Depress values for surrounding properties
 - Present a barrier to economic recovery and community stabilization
- ▶ In areas with high concentrations of vacant properties, the cost of renovation or redevelopment is often greater than the after-improved value, putting scalable and targeted revitalization efforts financially out of reach.

Delaware Catalyst Fund

- ▶ Partnership between Cinnaire Lending and DSHA
- ▶ Provides construction financing and sales gap subsidy to developers who have the capacity to take title to and renovate or redevelop vacant properties
- ▶ Creates new opportunities to return vacant properties to productive use and revitalize neighborhoods, fostering a more equitable recovery
- ▶ Expands homeownership opportunities for prospective homeowners up to 120% AMI
- ▶ Increases local development capacity by supporting emerging developers

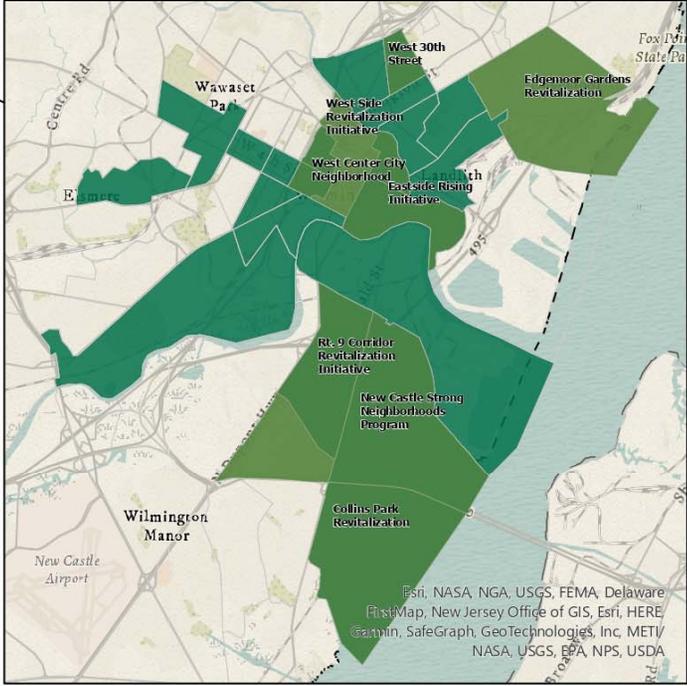
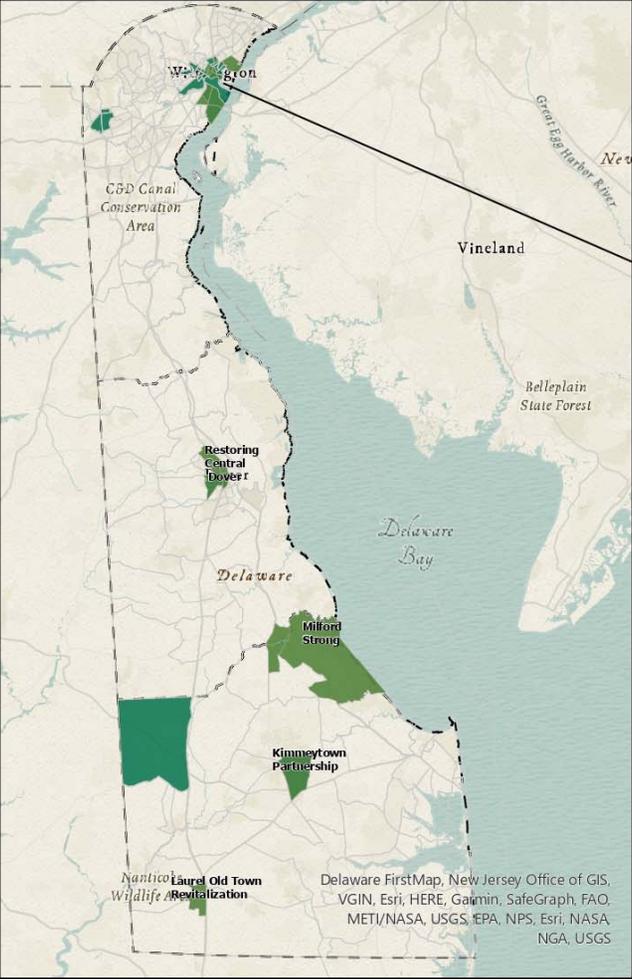
Program Design

- ▶ Developers with an interest in renovating or building in targeted neighborhoods for homeownership production will apply for construction financing from Cinnaire Lending.
- ▶ Construction financing will be on terms and conditions determined by Cinnaire Lending and compliant with restrictions imposed for State and Local Fiscal Recovery Funds (SLFRF) established by the American Rescue Plan Act (ARPA)
- ▶ Financing approval will include review by DSHA to ensure that the development project is eligible for sales gap subsidy to be provided by DSHA through SLFRF

Program Design (cont'd)

- ▶ Sales gap subsidy will be available upon completion of the homeownership unit, sale to an eligible homebuyer, and submission of all required closing documents
- ▶ DSHA's sales gap subsidy will support the developer's repayment of the construction financing provided by Cinnaire Lending
- ▶ Developer fee is calculated at 15% of total development costs to a maximum of \$20,000 per property.

Eligible Areas



Catalyst Fund Map 2022



DSHA: Sales Gap Subsidy

- ▶ Covers the difference between the total development cost and the home sale prices targeted neighborhoods can support
- ▶ Sales gap subsidy will be estimated at time of construction loan application and reserved as part of the construction loan closing
- ▶ Final calculation will be based on construction draws and sales settlement sheet
- ▶ Payment will be structured as a grant
- ▶ Home-buyer will sign a 5-year retention agreement

Sales Gap Subsidy

TOTAL
DEVELOPMENT
COSTS



=

FUNDING



Example

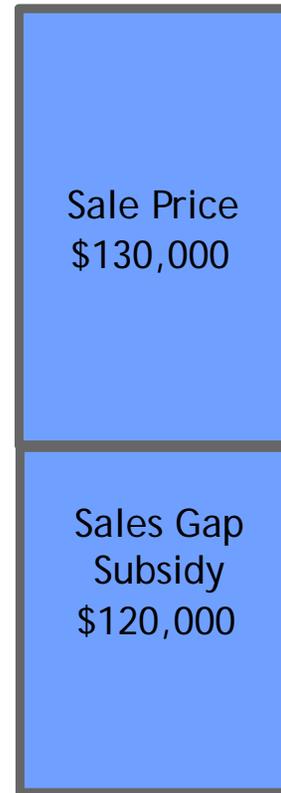
TOTAL DEVELOPMENT COSTS



\$250,000

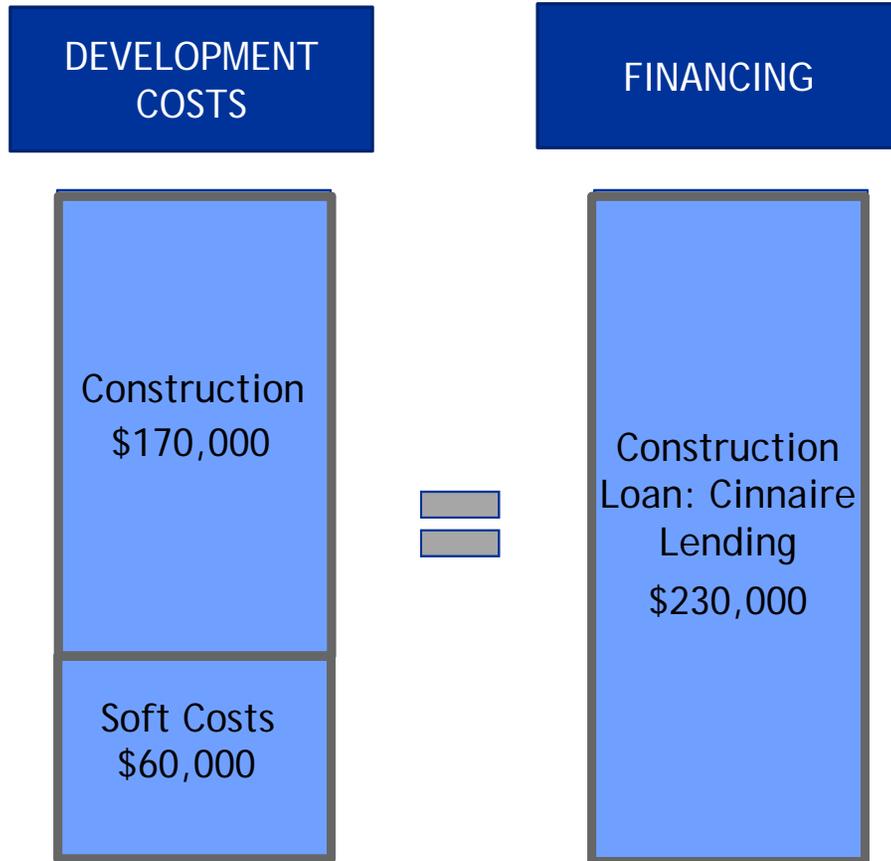
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FUNDING



\$250,000

Financing

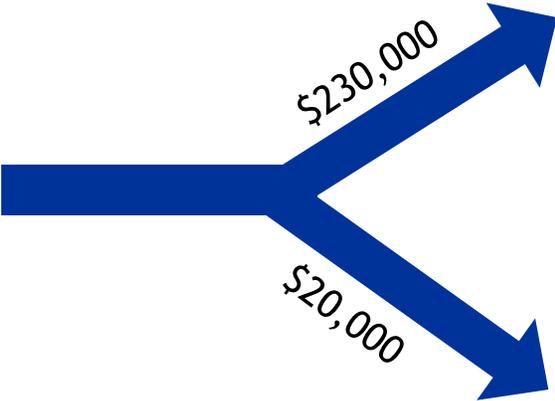


How Funding Works

FUNDING (AT CLOSING)



\$250,000



PROJECT COSTS



+



\$250,000



DSHA Sales Support

- ▶ Extensive network of real estate professionals and mortgage lenders
- ▶ Monthly trainings with real estate professionals statewide; about one-half in New Castle County
 - ▶ Presentations to newly-licensed real estate professionals at trainings hosted by state and local Boards of Realtors
 - ▶ 34 approved mortgage lenders
- ▶ Helped over 1,300 families purchase a home in 2021
- ▶ Provided over \$260 million in mortgages to first-time homebuyers
- ▶ DSHA provides financial support to 7 housing counseling agencies that served over 3,600 clients in 2021

DSHA Key Contacts

- ▶ *Susan Eliason, Deputy Director*
- ▶ *Dawn C. Favors Jopp, Community Development Manager*
- ▶ *Angie Lord, Management Analyst*

- ▶ *Reach any of us at*
 - ▶ *CatalystFund@destatehousing.com*

Introduction to Cinnaire Lending

- ▶ As a full-service Community Development Financial Institution (CDFI), Cinnaire Lending works with socially conscious investors and mission focused organizations to create out-of-the-box lending options to support housing and community development work. Our approach is based on nurturing partnerships and the ability to leverage donor and investment money and combine it with larger sources of capital.
- ▶ **OUR PRODUCTS AND SERVICES:**
 - ▶ Pre-Development Loans
 - ▶ Acquisition Financing (including rural development and Section 8)
 - ▶ Permanent Financing
 - ▶ Short Term Gap and Bridge Financing
 - ▶ Community Development Financing

Cinnaire Lending Experience in Delaware

- ▶ Committed Delaware team with a deep history in the state
- ▶ 28-year track record of successfully managing and investing capital for the development of affordable housing

Cinnaire in Delaware	Cinnaire's Nine-State Footprint
\$578 million invested	\$4.9 billion invested
4,912 affordable homes	53,000 affordable homes

Cinnaire Lending Role in Delaware Catalyst Fund

- ▶ Providing one-stop financing for developers to acquire/rehabilitate properties eligible for the Catalyst Fund program
- ▶ Reviewing and underwriting applications for project financing
- ▶ Construction monitoring
- ▶ Fund management

Phase 1. Application

- ▶ Available on Cinnaire Lending and DSHA website
- ▶ Strategy: The developer will be asked to articulate an acquisition/development strategy specific to the market where its project will be located.
- ▶ Scope of work documenting home improvements to meet program construction standards
 - Due Diligence will include inspection of property by Construction Lender (Cinnaire Lending) to compare it with the Scope of Work and determine the project will meet program standards upon completion.
- ▶ Project Sources & Uses documenting Total Development Cost, anticipated home sale price, and subsidy request;
- ▶ The status of any additional funding sources if borrower is seeking additional funding outside of the Catalyst Fund program:
- ▶ Marketing/sales plan

Phase 2: Construction

- ▶ Construction draws will take place at 50% completion, at 100% completion, and at closing.
- ▶ Inspections will take place at 50% completion and 100% completion.
- ▶ Construction draws will be compared to the budget provided and the inspections will evaluate how well the project has been constructed compared to the construction standards that the program outlines.

Phase 3: Closing

- ▶ When development is complete, Developer coordinates with realtors and homeownership counseling agencies to identify and secure a homebuyer
- ▶ When Developer has identified a homebuyer, Developer submits closing package to Cinnaire Lending and DSHA, including:
 - ▶ Closing Disclosure
 - ▶ Homebuyer eligibility
 - ▶ Retention Agreement
- ▶ Upon sale of the home,
 - ▶ Sale price is paid to Cinnaire Lending to repay construction loan
 - ▶ Subsidy is paid to Cinnaire Lending to repay construction loan
 - ▶ Developer fee is paid to Developer

Delaware Catalyst Fund

- ▶ Cinnaire Lending Construction Loan Structure and Terms
 - Amount: Up to \$250,000 per property
 - Term: 12 months with a possible 3-month extension
- ▶ Approach to underwriting and credit decisions
 - Fund will evaluate prospective borrowers **who** apply for financing to develop projects through the Catalyst Fund program.
 - Evaluation will focus on the likelihood that the project can be developed and sold as planned by the developers who apply for the funding.
 - More flexible underwriting requirements for emerging developers: project feasibility will be weighed more heavily than borrower financial strength.

Developer Requirements

- ▶ **Capacity:** The borrower will be asked to provide information that demonstrates internal management and staff capacity or relationships with consultants/partners who can provide and augment staff capacity to:
 - ▶ Acquire (lots/existing units);
 - ▶ Estimate rehab costs or estimate build new construction costs;
 - ▶ Understanding of local approval and permitting processes;
 - ▶ Provide counseling and/or sell unit
- ▶ **Experience:** The borrower will be asked to provide information on any real estate development experience, and in particular, experience with projects of similar size, scope, and purpose.
- ▶ **Financial History:** The borrower will be asked to provide documents about their financial history. The type of requested financial documents will be customized to the borrower. For example, documentation could include tax records, credit scores, audited financial statements. Background checks will be obtained and reviewed as part of the evaluation.

Catalyst Fund Benefits for Developers

- ▶ Access to 100% construction loan financing
- ▶ Access to subsidy to fill sales gap
- ▶ Earned developer fee of up to \$20,000 per house
- ▶ Opportunity for emerging developers to access financing and gain experience

Emerging Developer Definition and Considerations

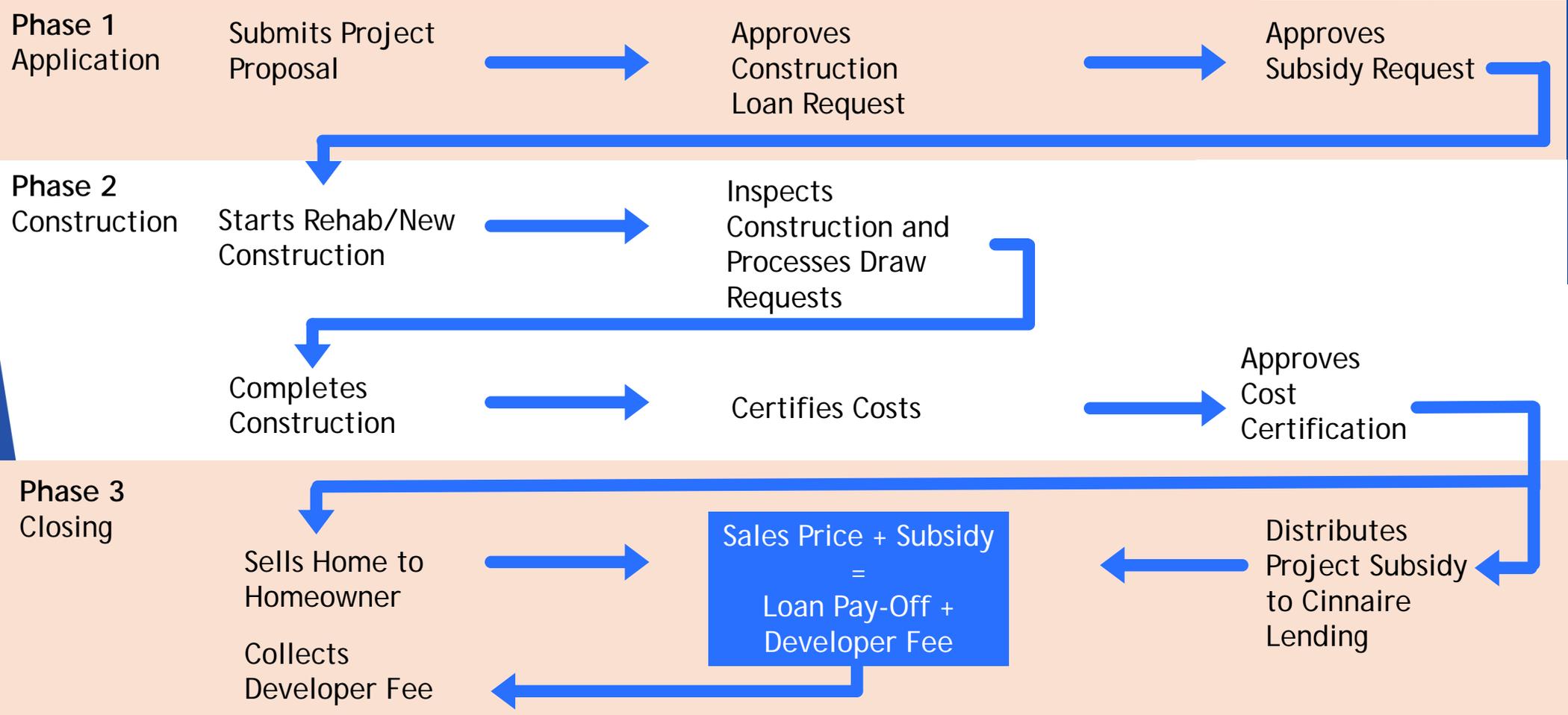
- ▶ Emerging Developer is defined as a developer with some level of real estate development training that is seeking to build real estate experience.
An emerging developer:
 - ▶ Has developed fewer than 10 properties. (This does not include owner-occupied housing)
 - ▶ Has completed a real estate development training program (e.g., the Jumpstart Wilmington Developer Training program) to expand their knowledge and skills in real estate development.
 - ▶ If operating as a non-profit organization, a 501(c)3 must already be established.

CATALYST FUND PROCESS FLOW

DEVELOPER

CINNAIRE LENDING

DSHA



Key Cinnaire Contacts

- ▶ *Jennifer Everhart, Executive Vice President, Underwriting & Credit Risk*
- ▶ *Sarah Greenberg, Senior Vice President, Cinnaire Lending*
- ▶ *Dionna Sargent, Vice President, Community Development*

- ▶ *Questions on construction financing?*

You can reach any of them at:

DECatalyst@cinnaire.com

Questions? Comments?

- ▶ Please “raise your hand” or submit questions through Chat function
- ▶ Feel free to submit written comments to

CatalystFund@destatehousing.com

Comments will be accepted until 3 pm on Friday, July 29, 2022