



Catalyst Fund

Notice of Funding Availability (NOFA)

Program Guidelines

Program Overview

The Catalyst Fund is a new program designed to support efforts to address vacant property in communities disproportionately impacted by the COVID-19 pandemic. The Catalyst Fund will promote neighborhood revitalization and an equitable recovery by providing developers with gap funding to renovate vacant homes, and/or build new homes on vacant land, for sale to home-owners.

The COVID-19 pandemic has highlighted the importance of healthy neighborhood environments to public health and economic outcomes. The CDC has recognized that: “neighborhoods people live in have a major impact on their health and well-being.” Research has revealed correlations between high rates of vacant or abandoned properties in a neighborhood with worse physical health and mental health outcomes.

Vacant and abandoned properties also present a barrier to economic recovery. When neighborhoods face high concentrations of vacant properties or when properties remain vacant for long periods of time, the cost of renovation or redevelopment is often greater than the after-improved value, putting scalable and targeted revitalization efforts financially out of reach. In many neighborhoods facing high levels of vacancy, there is also a significant homeownership gap, negatively impacting neighborhood stabilization and growth. This is often compounded by the rising costs and limited availability of “move-in” ready homes for sale in these markets.

The Catalyst Fund will also take steps to encourage the participation of new and emerging developers in order to expand the pool of local developers to help scale development activity and support equitable revitalization and inclusive economic opportunity. The Catalyst Fund will be designed to reach new developers to engage them in returning vacant properties to productive use. The Catalyst Fund will expand opportunities for home-ownership while increasing diversity in the state’s real estate development community. By expanding opportunities for real estate developers with roots in local communities to participate in growth and revitalization efforts, the Catalyst Fund will chart a new path toward inclusive economic opportunity and neighborhood revitalization.

Program Details

Eligible Entities	For profit or 501(C)(3) non-profit developers. A developer (Owner) is any corporate entity, partner, or individual responsible for initiating and controlling a real-estate development project and ensuring that all phases of the development process are accomplished.
Eligible Projects	Projects consisting of the new construction and/or renovation of single-family homes for sale for home-ownership.
Eligible Locations	Projects located in Qualified Census Tracts or areas with concentrations of vacant and abandoned properties as identified in Appendix A: Catalyst Fund Interactive Target Areas

Eligible Properties	Vacant or abandoned buildings or land that have been unoccupied for a year or longer as of the date of application.
Anticipated Amount Available	Up to \$20 million in sales gap subsidy from DSHA
Per Residential Unit Maximum Award	Actual award amounts will be based on need as determined by Cinnaire underwriting standards, and must be recommended by Cinnaire staff, and approved by DSHA. Subsidies are expected to average \$120,000 per unit for each homeownership unit. A developer fee may be included.
Financing Requirements	Prior to commitment of the subsidy, developers must demonstrate a construction loan commitment from Cinnaire.
Loan Terms	Cinnaire will provide interest only construction financing for the construction term.
Priorities	<p>The program is available for for-profit and non-profit developers seeking to redevelop vacant buildings or land. Priority will be given to applications that aggregate multiple properties in close geographic proximity that contribute to broader neighborhood revitalization efforts.</p> <p>Other program priorities include:</p> <ul style="list-style-type: none"> • Experience working in the neighborhood(s) where project is proposed • Commitment to local hiring • Emerging and new developers*
Developer Fee	A developer fee is allowable but may be no more than the lesser of 15% of the total development costs or \$20,000 per property.
Design Standards	Each property identified must have an identified scope meeting renovation/construction standards (Appendix B: Minimum Construction and Energy Standards) to create a quality homeownership opportunity with a budget sufficient to meet the scope.
Home-Buyer Requirements	
Eligible Home-buyers	Homes renovated through this program will be available for purchase for homeownership only. Eligible home-buyers will have household incomes less than 120% AMI.
Terms of Purchase	Home-buyers will assume a retention agreement for the amount of the sales gap subsidy in the form of a non-amortizing, non-interest bearing second mortgage with a 5-year term. With each year of compliance, the obligation will decline until the conclusion of the term, at which point the amount will be fully forgiven and the lien will be satisfied.
Reviews and Approvals	
Environmental Review	Projects in this program will undergo the standard environmental review procedures dictated by the sources of funding used in the project and which apply to the renovation of single-family homes.

* Emerging developers are developers who have completed 10 or fewer housing renovation or construction projects and/or have completed a real estate development program or equivalent academic program

Scope of Work	The construction lender, Cinnaire, will oversee review, approval, and implementation of work plans.
Conditions for Credit Committee and Board Review	All projects must receive Cinnaire and DSHA approval prior to the commitment of any funds.
Equal Opportunity Goals	
Fair Housing	Applicants agree to affirmatively further fair housing and comply with the provisions of all applicable federal, state and local law prohibiting discrimination including, but not limited to, Title VI of the Civil Rights Act of 1964 as amended.
Application	
Application Process	Submit application and all required attachments to Cinnaire. Applications will be accepted on a rolling basis.
Financing	Cinnnaire will review project applications and underwrite construction financing.
Subsidy Award	DSHA will approve sales gap subsidy awards, which will be committed to a project prior to construction. Sales gap subsidy awards will be paid at closing when all required program requirements have been met and the home is sold to a homebuyer.
Cinnnaire Contact:	DECatalyst@cinnnaire.com
DSHA Contact:	CatalystFund@destatehousing.com



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Appendix A: Target Areas

Summary

Projects that target properties located in specific areas identified in DSHA's Interactive Catalyst Fund Priority Areas Map will be eligible.

Interactive Catalyst Fund Priority Areas Map

Link: <https://arcg.is/1mb58g>

The map identifies highly distressed neighborhoods suffering from high levels of vacancy and abandonment where strategies should be focused on stabilizing neighborhoods through reducing vacancy and promoting increased homeownership.

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Appendix B. Minimum Construction-Energy Standards

OVERVIEW

The Catalyst Fund has established Minimum Construction and Energy Standards that must be met in addition to local building code standards in the development of homeownership units through the Catalyst Fund. Cinnaire will inspect units during the construction process to ensure that all applicable standards are met. Any deviation from these standards must be pre-approved by Cinnaire in writing.

MINIMUM CONSTRUCTION STANDARDS

Bathrooms: Exhaust fans shall meet building code air exchange requirements. DSHA suggests the use of Energy Star rated products that have timers that assist in meeting air exchange requirements and single piece bathtub/shower units to eliminate a caulk joint.

Doors: All entry doors shall have a “frame saver” rot-proof door frame and shall meet applicable energy code requirements.

Electrical Fixtures: DSHA suggests the use of LED fixtures, since they generally provide a pay back with annual cost savings.

Energy-Efficiency: Energy Star appliances, products and best practice methods similar to Energy Star Certified Home, as amended, shall be used when applicable in constructing and/or rehabilitating the structure. Consider, third-party verification testing to assess the energy-efficiency of the structure (air-sealing).

Environmental Issues: All environmental issues shall be addressed (i.e. asbestos, lead based paint, radon and mold).

Equipment/Appliances: All appliances shall be ordered “pre-wired” for direct plug-in to outlet. This will eliminate the need to use a Master electrician for appliance installation (i.e. dishwasher, electric stoves, and garbage disposals). Dryer vents shall be exhausted to the exterior per code.

Exterior Surfaces: Maintenance free building materials shall be used for all exterior surfaces.

Insulation: Insulation shall meet local building code requirements.

Interior Finishes: Choice of flooring (i.e. carpet, vinyl flooring, ceramic tile, and pre-engineered flooring products) shall be determined by developer/homebuyer. If using vinyl flooring products, DSHA suggests the use of products labeled “pure vinyl”, since some products made outside the USA have been known to use heavy metals in the manufacturing process.

Kitchen Cabinetry: All cabinetry shall be made of solid wood construction (combination of hardwood/plywood allowable, **particle board**). DSHA suggests the use of concealed hinges which have a longer life span.

Landscaping: A minimum of \$500 per unit shall be spent on landscaping for new construction projects. The use of drought resistant and minimal water consumption landscaping is preferred.

Roofing: Roofs shall have a minimum of 30-year warranty and meet all applicable wind code requirements. The use of standard or architectural style shingles shall be the developer/homebuyer’s choice. For flat roofs, EPDM roofing material is an acceptable alternative. For Rehab projects, old roofing material must be removed prior to the installation of new roof. A second layer of shingle generally voids the new shingle warranty and multiple layers of roofing material add additional weight to the structure.

Vinyl Siding: All siding shall have a minimum thickness of 0.044 inches. The profile style of the siding (Dutch Lap, Carolina Bead, etc.) may be determined by the developer/homebuyer.

Windows: All windows shall be thermal insulated with a minimum "U" value of 0.33 or better. Windows must meet all egress codes.

MINIMUM ENERGY STANDARDS

- All appliances will be Energy Star with pre-wired power source.
- Energy Star qualified heat pump, furnace, air conditioning and/or ventilation equipment
 - High-efficiency HVAC units with a furnace efficiency of 90% or greater. Minimum SEER 14%.
 - High-efficiency air filters for mechanical blower units
- Hot water heating shall have a minimum Energy Factor between 0.82 and 0.91 EF.
 - Minimum warranty period 5 years
- Energy Star qualified windows or windows rated by the national Fenestration Rating Council with a U-Factor greater than 0.33.
 - Slider windows not allowed
 - Windows must meet all egress codes
- Insulation shall meet all applicable codes for new construction and rehabilitation.
- Energy Star qualified doors with a U-Factor greater than 0.33.
- Non-mercury programmable thermostats
- Energy Star qualified lighting
- Showerheads rated 2.0 GPM or less
- Faucet aerators rated 0.5 GPM or less