

HOMELESS VETERANS



- Approximately one third of adult homeless men and one quarter of all homeless adults served in the US Armed forces.
- On any given day there are as many as 200,000 veterans living on the streets or in shelters and as many as twice that experience homelessness at some point during the year.
- Approximately 97 percent of the homeless veteran population are male, 3 percent female.
- Nearly 50 percent suffer from mental illness.
- More than two thirds suffer from alcohol and other drug-related problems.
- More than half are African American or Hispanic.



PROGRAM OBJECTIVES

- To increase the number of community beds for homeless veterans nationally by up to 5,000.
- To transition homeless veterans to permanent housing through supportive services and counseling in an environment requiring residents take personal responsibility to remain sober and employed and to pay rent.
- To determine whether this federal loan guarantee program is an effective tool for facilitating the development of transitional supportive housing for homeless veterans.

PROGRAM SUMMARY

United States Department of Veterans Affairs Loan Guarantee Program for Transitional Multifamily Housing

Program Summary

The U. S. Department of Veterans Affairs (VA) is authorized under SubChapter 6 Chapter 20 Title 38 §§2051 et.seq. to offer a Loan Guarantee Program for Multifamily Transitional Housing for homeless veterans. VA may guarantee up to 15 secured loans with an aggregate dollar amount of \$100 million to develop multifamily transitional housing with supportive services for homeless veterans. Loans are to be made in those communities that are identified to have significant need for such housing. The program provides low-interest loans originated by the Federal Financing Bank (FFB), an arm of the U.S. Department of the Treasury, with a 100 percent guarantee by VA. In certain cases, a program-guaranteed loan may be amortized over 40-years and cover up to 80 percent of total project costs. State or local governments or non-government entities must provide additional funding or substantial services. Due to the economics of the program, it is anticipated that in most cases, VA guaranteed loan amounts will fund considerably less than 80 percent of total project costs. VA will deliver program funds as either combination construction and permanent guaranteed loans or permanent guaranteed loans. Funds may be used for acquisition or acquisition and development of real estate or rehabilitation of existing improved real estate, or to refinance an existing loan. Loan proceeds may include reasonable amounts for financing the acquisition of furniture, equipment, supplies, or materials for the facility; or for supplying the sponsor (applicant of the program) with working capital relative to the facility. The facility may include commercial space, such as space for neighborhood retail services or job training programs. **This program does not fund single-family housing.**

VA expects that the projects in the program will be self-sustaining. To maximize the likelihood of a project's long-term success, VA requires that project sponsors demonstrate the financial wherewithal to repay a program loan as well as a high capacity to develop and operate transitional housing for homeless veterans. Sponsors and their development teams must show a strong track record. Applications must demonstrate that the supportive services strategy is needs based and financially feasible, that it will be monitored and adapted as necessary to attain its goals, and that it will help participants make the transition to permanent housing. The supportive services strategy must include use of available VA services and other community services. Sponsors must demonstrate community support by, at a minimum, securing for their projects funding from state, local, federal and/or private sources.

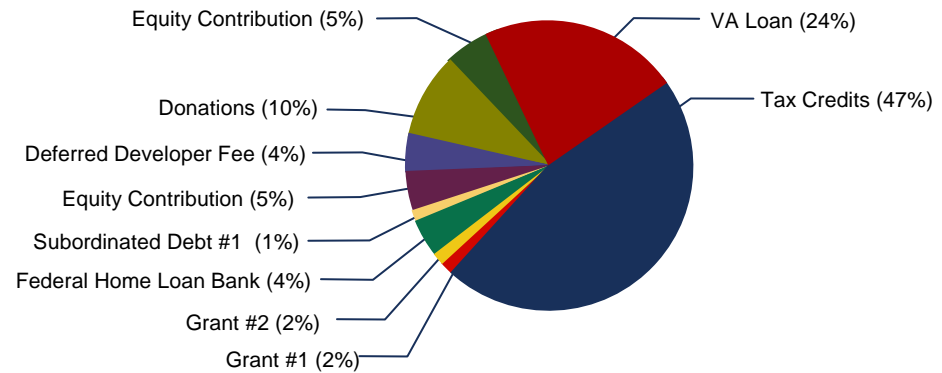
PROGRAM HIGHLIGHTS

The program's enabling legislation authorizes VA to administer the program on a pilot basis, guaranteeing up to 15 loans with an aggregate dollar amount of up to \$100 million.

A Pilot Program	This program is intended to promote the development and operation of multifamily transitional housing for homeless veterans. It offers a number of unique features to achieve this goal.
Financing	Loans under the program will be made directly from the Federal Financing Bank (FFB), an arm of the US Treasury.
The Guarantee	VA will guarantee 100 percent of the unpaid principal balance and accrued interest on the program funds disbursed by FFB.
Interest Rates	The basic interest rate will be established by FFB, at the time the respective advance is made, on the basis of the determination made by the Secretary of the Treasury. The interest rate is determined on the date of the disbursement of funds. One eighth of one percent per annum will be added as a fee (calculated based on the outstanding principal balance owed to FFB), in addition to the interest amount. However, this fee will not be included in the interest rate to be paid to FFB; it is a separate charge added by the loan services and remitted to VA. On September 20, 2005 the interest rate on a 40-year loan was 4.531 percent.
Additional Sources of Financing	Projects funded under a program guaranteed loan must include funding and/or the substantial provision of property or services by a state or local government or a nongovernmental entity or entities.
Support Services	Sponsors must develop a supportive services program that (a) includes an employment program that is designed to help resident veterans attain long-term employment once they leave the facility and that requires residents to obtain and maintain employment while living in the facility; and (b) clearly identifies how resident veterans will attain and transition to permanent housing. Supportive services to resident veterans will be required throughout the loan term.
Loan to Cost	The VA loan amount may not exceed 80 percent of the total cost incurred by the borrower to develop the transitional housing facility, including the cost of acquiring and preparing the land, the cost of constructing, remodeling, or rehabilitating the necessary buildings, cost of necessary furniture, equipment and fixtures, and reasonable costs of development including the cost of architects, surveyors, and legal services, but excluding the developer's fees. VA anticipates that program loans will be 30-40 percent of the total financing for each transaction.
Loan Term	The loan term will usually be between 30-35 years and shall be based on VA's credit underwriting assessment. The loan term may be up to 40-years but only where circumstances warrant. In no event shall a loan term exceed 40-years.
Loan Type	The program will provide permanent financing and combined construction and permanent financing, and may include reasonable amounts for the acquisition of furniture, equipment, supplies, or materials for the facility or for supplying the sponsor/borrower with working capital relative to the facility.
DSCR:	1.10 or better, but ratios above 1.15 are preferred.
Commercial Space	Facilities may provide space for neighborhood retail services or job training programs.
Deed Restrictions	There is a 20-year deed restriction for loans under the program.

PROJECT PROFILE

SAMPLE PROJECT FINANCING
\$20,000,000 PROJECT



Following is a profile of a project under the program.

Loan Type	Construction to Permanent Loan, 40-year loan term	
Borrower	Single Purpose Entity Limited Partnership	
Site Design	<ul style="list-style-type: none"> ▪ 141 Studio apartments <ul style="list-style-type: none"> – Handicapped accessible – Access to public transportation – Amenities: parking, computer training room, laundry facilities, fully furnished units, drug and alcohol free 	<ul style="list-style-type: none"> ▪ 14,000-square-foot Commercial/Retail Bldg. <ul style="list-style-type: none"> – Medical and dental services – Mental health services – Job training – Convenience Store
Funding Sources	<ul style="list-style-type: none"> ▪ Land Donation ▪ Donations ▪ Tax Credits ▪ VA program Loan ▪ Federal Home Loan Bank 	<ul style="list-style-type: none"> ▪ Subordinated Debt ▪ Grant Money ▪ 5 percent Equity Contribution ▪ Deferred Developer Fee
Supportive Services	<p>The residential facility will provide at least two case managers in addition to a computer lab. The facility's case managers will work with the resident veterans to establish a workable course of action to assist residents in moving toward an independent and sober lifestyle.</p> <p>The budget for the supportive services is comprised of grant money and donations.</p>	
Rental Payments	<p>Direct rent from residents equal to no more than 30% of a resident's gross income in addition to project based Section 8 rental vouchers on a limited number of apartment units.</p>	