

Loan Application

Kagawa Fund for Student Cooperative Development

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INTRODUCTION

This application form has two purposes:

- It helps the Kagawa Fund Trustees assess your loan request and work toward meeting your financing needs.
- 1. It can serve as a tool for you to use in planning your development project. We encourage you to think of it less as an "application" than as a "worksheet": use it to think through the different aspects of your project and to identify areas in which you need more information or greater assistance.

Filling Out the Form

As you complete the application, keep in mind the following:

1. All the questions and information in the application are helpful as you think through your plans for your development project; however, not all items will be relevant for you. If an item does not apply to your project, disregard it.
2. At the time you apply, we realize that you may not have definite answers for all the questions we ask; we assume that uncertainties will remain. However, by thinking about and describing these uncertainties clearly, you show that you are planning your project thoughtfully.
3. Feel free to use documents from other applications that you may have prepared. However, please make sure to provide the level of detail requested in this application.
4. We ask you to include a number of documents as attachments to be submitted with the application. You can find these listed among the questions and on a check-list (see below). Please label these attachments and include them at the end of the application.
5. By completing this application thoroughly, you will not only enable the Kagawa Fund to quickly process your request; you will also have a plan for your project to which you can refer as you proceed.
6. NASCO provides technical assistance for groups starting or expanding co-ops. They are happy to answer your questions in filling out the form. NASCO can also provide fee-for-service assistance and consulting to help design and manage a development project, including assembling loan applications.

Kagawa Fund Loan Application Process

In addition to the guidelines described above in the "Filling Out the Form" section, please keep in mind the following application process:

1. Complete the application form and return it to NASCO Development Services. NASCO provides intake and processing for loan applications
2. NASCO staff will examine your application, call you for clarifications or to request additional information, arrange an interview with you, and arrange a site visit if appropriate.
3. The Kagawa Fund Trustees meet once per quarter. NASCO must receive your completed application four weeks prior to a Trustee meeting in order to give the staff adequate time to review it and distribute it to the individual Trustees. NASCO will schedule your application for review by the Trustees in a timely manner, but reserves the right to schedule applications at its own convenience.
4. Trustee meetings are usually held by teleconference in the late afternoon. You should plan to briefly present your project at the meeting at which your application is scheduled.
5. The Trustees will discuss your application with you and amongst themselves. It will either: (i) recommend approval your loan, subject to specific conditions; (ii) table your application pending further information or other specific conditions; or (iii) not recommend approval of your loan.
6. If the Trustees deny your loan request, they will give specific reasons for doing so and/or conditions under which it will reconsider the application. If it gives conditions for reconsidering, you are invited to re-submit your application when you have satisfied these conditions.
7. If the Trustees approve your loan, you will receive a Letter of Commitment.
8. Prior to the release of funds from the Kagawa Fund your organization and the Fund will negotiate written loan documents. Your organization must submit a Board resolution approving the terms of the loan and naming an agent who is authorized to sign the loan documents. You may be asked to provide and bear the cost of an

attorney to draw the security documents, and to bear the cost of any appraisal and other fees. NASCO and CDF will work to keep their own legal costs associated with closing the loan to a minimum. However, you will be responsible for paying all Fund closing costs.

9. Prior to closing, you will also be required to submit a number of other documents. See the "Pre-Closing Checklist" (below) for details. You should begin assembling these materials now.
10. The Kagawa Fund requires borrowers to submit periodic written reports describing the progress and financial status of the project for which the loan was made.

Application Checklist

Please submit the following documents as your application for a Kagawa Fund Loan:

1. Completed application form;
2. Articles of Organization;
3. By-laws;
4. Policies & Management Procedures
5. List of Board of Directors with affiliations and phone numbers;
6. Resumes of executive director, development/housing staff;
7. Current year operating budget;
8. Audited financial statement for two most recent years (if applicable), showing balance sheet; operating statements; compilation of assets and promissory notes or other indebtedness. If audited statement is not available, submit statements you have prepared showing these items;
9. (Two) letters of support for your organization;
10. Newspaper articles on your organization;
11. Development team description (see application for details);
12. Development and operating pro formas;
13. Project timeline;
14. Appraisal Documents;
15. Demonstration of neighborhood/political support for the project: signatures of neighbors, minutes of public meetings, newspaper articles, etc;
16. Site map.

Pre-Closing Checklist

You may also include the following documents with your application. If they are not available at the time you submit your application, you will be required to submit them prior to closing the loan. Other documents pertaining to your project may also be required prior to closing.

1. IRS letter showing tax-exempt (i.e. 501 (c) (3)) status or pending application;
2. Certification from Attorney that a) you are a non-profit in good standing according to the Secretary of State; b) your Articles of Organization and Bylaws allow you to carry out the housing development project; c) you are not currently bankrupt or subject to insolvency proceedings; and d) you are not currently subject to pending or threatened litigation, claims, proceedings, or investigations that may affect your ability to perform;
3. Property title insurance;
4. Deed or purchase and sale agreement;
5. Most recent property tax bill;
6. Specified governance and management documents (if applicable);
7. Use permits and zoning variances, where applicable; and
8. Board resolution to borrow funds.

PART 1: OVERVIEW

Organization Information

Organization Name: _____

Address: _____

Contact person, title: _____

Phone: _____ Fax: _____

Year organized: _____

Referred to the Kagawa Fund by: _____

Project Information

1. Total Project Cost: _____

2. Amount of loan requested: _____

3. Address of the development project:

4. How many units in the proposed project? _____

5. In a sentence or two, describe the population you anticipate will live in the housing:

6. The Kagawa Fund loan would be used for:

☐ Site control/acquisition

☐ Rehabilitation

☐ Conversion

☐ New Construction

☐ Repair

☐ Refinancing

☐ Operating deficit

☐ Equity/share financing

☐ Guarantee

7. What type of loan?

- ☐ Gap financing (downpayment, etc) ☐ Bridge
☐ Construction ☐ Pre-development

8. Why are you applying to the Kagawa Fund for this loan?

9. What terms do you propose for the loan?

- Length of loan: _____ Interest rate: _____
- Repayment term (amortization) : _____

1. When do you anticipate you will need the Kagawa Fund loan?

2. When do you anticipate that this project will be complete?

* * * * *

PART 2: ORGANIZATION

1. How would you best describe your organization?

- ☐ Group of individuals, no organization yet ☐ Forming an organization
☐ Established organization ☐ Established organization - owning/leasing property
☐ Other organization (describe): _____

2. How is your organization incorporated?

- ☐ Not-for-profit corporation ☐ Cooperative corporation
☐ For-profit corporation ☐ Not incorporated yet

In the State of: _____

3. Please include a copy of your **Articles of Organization, Bylaws, Policies & Management Procedures**, and **IRS tax-exemption determination letter** (if applicable).

4. Describe your organization and its work (its origins, who is involved, major activities to date, etc.)

5. How long has your organization been in existence?

- ☐ Just getting started ☐ Less than 2 years ☐ 2 to 5 years ☐ More than 5 years

6. Are you affiliated with another organization? If yes, please describe this affiliation.

7. Does your organization have a membership? If yes, what qualifies someone as a member?

8. How is your Board of Directors selected?

- ☐ Self-selecting (including appointed members) ☐ Elected by membership
☐ Both self-selecting and member-elected ☐ Selected by parent organization

9. How many employees or compensated positions do you have? How many total Full-Time Equivalent (40hr/week) employees?

10. What are your organization's goals for the next three to five years? (In addition to answering here, you may attach annual reports, brochures, etc).

11. How will this Project help your organization meet its goals?

12. Who will own the Project?

13. How experienced is your organization in the area of housing development?

- ☐ First project ☐ 1-3 projects ☐ 4 or more projects

14. What technical assistance will your organization require in order to complete the Project? What consultants and advisors have you engaged for the development process and during first two year of operations?

15. Will the Kagawa Fund's involvement in the Project enhance your organizations capacity? How?

Please include copies of the following with your application:

- **Board of Directors** with affiliations, phone numbers.
- **Resumes** of any staff members of your organization.
- **(2) Letters of support** stating your community's support of your organization.
- **Newspaper articles** on your organization.
- **Current Operating Budget.**
- **Audited Financial Statements** for two most recent fiscal years (if possible), including balance sheet; operating statements; compilation of assets and promissory notes or other indebtedness. If one or more of these statements is not included in your audited statements, or if you have no audited statements, please include documents you produced yourself that give the requested information.

* * * * *

PART 3: P ROJECT

Section A: Development Team

The development team is the group of people responsible for making your Project happen successfully, from the beginning planning stages to the time when it is "up and running". This team includes your Board or members who have direct responsibilities for this Project, as well as those you hire or recruit as volunteers to do specific tasks. Part of the Kagawa Fund Trustees' decision to make a loan depends on the strength and commitment of this team.

In this section, list the members of your development team. You may attach separate sheets. If a certain team member has not been identified yet, indicate "Not Yet Identified." Include the following information for each team member applicable to your project:

- **Relevant experience:** the team member's experience that is directly or closely related to housing or real estate development. For example, is your attorney someone who represents you regularly on real estate issues?
- **Relationship:** the Team member's relationship to your organization, e.g. Board member, staff, consultant.
- **Status:** Paid, volunteer.
- **Commitment:** How definite is this person as a member of your team? e.g. potential, probable, definite, contracted.

In addition, provide key information for each of the following as applicable:

☐ Sponsor/owner (if other than applicant):

☐ Architect:

☐ Development Consultant:

☐ Contractor:

☐ Construction Manager/Consultant:

☐ Attorney:

☐ Management:

☐ Co-op Consultant:

Section B: Neighborhood

1. Describe the immediate neighborhood in which your Project is located (housing stock, economic composition, density, proximity to campuses, public transportation, retail, etc). What will be the primary attractors of residents over the next 5 years?

2. What characteristics of the neighborhood will be detractors for the population that you are expecting to serve?

3. Which conditions are most common among housing in the proposed neighborhood:
 - ☐ New/Luxury – perfect maintenance and/or built in last 10 years for market-rate.
 - ☐ Good – well-maintained, meets code, attractive appearance
 - ☐ Fair – essential building systems maintained, habitable with minor violations, acceptable appearance
 - ☐ Deteriorated – insufficient maintenance, dangerous or hazardous conditions, visible decay or defects
 - ☐ Uninhabited – not maintained, unsafe, abandoned or board-up, empty lots due to demolition.

4. What steps have you taken to inform neighborhood residents about the project? What steps do you plan to take?

5. Is there potential or actual opposition to your project by neighborhood residents and/or political leadership? How do you plan to deal with this opposition?

With your application please include copies of: **signatures of neighbors, minutes of public meetings, newspaper articles**, or other documentation of neighborhood/ political support for the Project.

Section C: Site

1. Why is this site an appropriate or strategic location for your project? Are there drawbacks to this site?

2. The property in question is currently an:

- ☐ Occupied building ☐ Partially occupied building
☐ Vacant building ☐ Vacant lot

3. If the property is an existing building, how would you describe its general condition?

- ☐ New/Luxury – perfect maintenance and/or built in last 10 years.
☐ Good – well-maintained, meets code, attractive appearance
☐ Fair – essential building systems maintained, habitable with minor violations, acceptable appearance
☐ Deteriorated – major systems need replacement, some dangerous or hazardous conditions, visible decay or defects
☐ Uninhabited – not maintained for a period of 2 years or more, abandoned or board-up

4. Who has inspected this site for you? Include any reports that have been issued.

5. Do you currently have control of the site? _____ If yes, what constitutes this control (or near control)?

- ☐ Own ☐ Negotiating purchase and sale agreement
☐ Purchase agreement (End date: _____) ☐ Option to Buy / Right of First Refusal
☐ Leasing

6. What is the property tax status of the property?

- ☐ Current ☐ Delinquent

If it is in arrears (tax delinquent), how much back taxes are owed? Who will pay the back taxes?

7. What is the tax-assessed value of the property?

8. Has an outside appraiser appraised the property? _____

If yes, who appraised it? _____

What is its appraised value? _____

9. Describe the zoning status of the building.

10. Do you need a zoning variance or other special use permit? If yes, status:

☐ Approved

☐ Pending

☐ Hearing set

☐ Not filed yet

11. Does the Project require additional approvals? (environmental impact statement, approval by neighborhood council, etc)? If yes, describe the nature and status of this process.

Include a **Map** of the site with your application

Section D: Development Plan & Financing

Pro Formas (Budgets)

The budgets you prepare for your Project are crucial in determining its feasibility and financial strength. By thoroughly preparing your pro formas for the Project, you will be able to identify your financing needs and take account of the uncertainties that remain.

Use the forms provided with this application to prepare your pro formas for the Project. Feel free to substitute pro formas that you have prepared, but be sure to provide information at the level of detail of our pro formas.

Please keep in mind that listing uncertainties, contingencies, and estimates are not "wrong answers." On the contrary, by accurately noting the status of various pieces of your budgets, you show that you are planning the Project carefully.

Timeline

The project timeline is another crucial piece of your development plan. It serves as a check list of what you need to do, as well as helping you coordinate the timing of various elements. In a context of pulling together financing from a variety of sources, negotiating the approvals process, and lining up consultants and contractors, it is impossible to underestimate the importance of having a clear overall view of the Project and the calendar.

Use the form provided with this application to prepare your timeline. You may substitute your own form, using our form as a checklist.

Construction

If your project includes construction (new construction or rehabilitation), please answer the following questions, even if your loan application is not for a construction loan.

1. What is the status of selecting a building contractor?

- | | |
|--|--|
| <input type="checkbox"/> Contract executed | <input type="checkbox"/> Reviewing bids |
| <input type="checkbox"/> Preparing bid package | <input type="checkbox"/> Contractor selected |
| <input type="checkbox"/> Bid period | <input type="checkbox"/> Process not begun |

If you are in the process of reviewing bids, have you reviewed the statement of qualifications and financial responsibility of prospective contractors? _____
Are prospective contractors licensed? _____ Bonded? _____.

2. If the contractor you plan to hire or have hired is not a general contractor, who will fill the legal and financial role of general contractor?
3. Will you need to relocate tenants during construction? What kinds of arrangements have you made to deal with this?

Section E: Kagawa Fund Loan

1. Will a Kagawa Fund loan make other financing possible?

How much? _____

From whom? _____

2. Will a Kagawa Fund loan and its terms directly affect rents in the Project? In what way specifically?

3. Whose name will be on the loan documents (in other words, who will be legally responsible to repay the loan)?

4. Does your organization have a prior credit history?

Name of Creditor

Purpose

Status

I.

II.

III.

5. What will you offer as collateral for the loan?

☐ Real Estate ☐ Guarantees ☐ Assignment of Contract

☐ To be determined ☐ Unable to offer collateral

☐ Other: _____

6. For your collateral, include:

Description of item: _____

Value: _____

How Value Determined:

7. If your collateral is a mortgage on real estate, what mortgage position will the Kagawa Fund loan have?

8. Actual or anticipated holders of other mortgages:

Lender

Amount Outstanding

Mortgage position

I.

II.

III.

IV.

9. If you have more than one potential item of collateral, please attach a separate sheet giving description, determination of value, and mortgage information for each item.

10. How will you pay the interest on your Kagawa Fund loan?

☐ Rents ☐ Fundraising ☐ To be determined

☐ Construction financing ☐ Other: _____

11. How will you repay the principal on your CCDF loan?

☐ Rents ☐ Fundraising ☐ Refinancing

☐ To be determined ☐ Other: _____

12. If you plan to repay the loan through fundraising:

Briefly describe your goals, strategies, and possible funding sources for this repayment. (Include capital grants and operating grants.)

Who specifically will be responsible for raising these funds?

13. If you will use refinancing to pay off the Kagawa Fund loan, which lender will replace ("take out") the Kagawa Fund loan? What uncertainties exist regarding this takeout financing?

14. If you don't presently have a takeout lender, who do you plan to approach for refinancing?

Section F: Tenancy & Marketing

1. If the building is currently occupied, who are the current tenants (check all that apply)?

- ☐ Students ☐ Non-students ☐ Single people
☐ Households with children ☐ Households without children

2. If new residents will live in the project, do you anticipate that they will be (check all that apply):

- ☐ Students ☐ Non-students ☐ Households with children
☐ Households without children ☐ Single people
☐ Disabilities/special needs: _____

3. Describe in as much detail as possible your organization's strategies for marketing this project (attach additional pages as applicable).

4. What lease terms do you propose to offer to resident-members?

Section G: Management & Governance

1. How will this Project enhance the control of housing by students? Describe in detail how the resident-members of the cooperative have a role in the governance of the Project.
2. Who will manage and oversee the Project prior to move-in of members?
3. Who will manage the property after occupancy? Describe the proposed management structures, including aspects such as caretaking, maintenance, food, and finances.
4. What is your organization's plans for training and orienting members to their governance and operational duties?

In planning and implementing a housing cooperative, your organization will prepare a number of documents relating to the structure, membership, governance, and management of the cooperative. In order to show the Kagawa Fund Trustees the details of how the cooperative will be structured and managed, we encourage you to include attach a copy of all **Policies, Procedures, and/or Management Plans** your organization has developed.

CERTIFICATION

I certify that the information and representations contained in this Application and attached hereto are complete and current to the best of my knowledge.

(Authorized Signature)

(Date)

(Name, Print or Type)

(Title)