



Community and Economic Development in North Carolina and Beyond Blog: Revolving Loan Funds for Affordable Housing

By CED Program Interns & Students

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In previous CED posts, the definition and benefits and disadvantages of a revolving loan fund structure have been described. For review purposes, a revolving loan fund is often defined as a replenishing source of capital or funding from which loans are made. Some of these same posts describe this financing tool as a way to provide a boost for small business owners in rural regions and provide an example of the revolving loan fund run by Kerr-Tar Council of Governments in Vance County. In addition to encouraging and supporting small businesses, revolving loan funds have been used to address and fund other charges facing local governments. One such charge? Affordable Housing. In places like Denver, Colorado, Santa Barbara, California and Arlington County, Virginia, revolving loan funds have served as a huge source of financing for affordable housing development. In North Carolina, local governments have ample authority to expend funds in support of affordable housing for low and moderate income persons; a revolving loan fund may be a useful framework to deploy funding.

In 2015 in Denver, Colorado, a \$10 million revolving loan fund was launched in order to address the city's crisis of available housing. In 2015 there was a shortage of 26,000 affordable rental units. The RLF was started to support the development of multi-family rental units for individuals and families that earn up to 60% of the area median income (AMI). The Denver Office of Economic Development stated that the fund will initially provide loans for six to seven apartment projects totaling 800 to 1,000 units. The first of these seven developments – Northfield Apartments – provided 84 income-restricted units and opened in November 2016.

The Santa Barbara Housing Trust Fund (HTF) operates a \$6.5 million dollar RLF launched in 2005 in partnership with community lenders to provide more low-cost loans to organizations seeking to develop affordable rental or homeownership projects. The RLF supports both urban infill and rural sites that have at least 25% of the units set to serve households earning between 0-120% AMI. The loan funds can be used for site acquisition, predevelopment costs, project construction, bridge financing, tax-credit projects, and permanent financing. In 2014 the Santa Barbara HTF provided a \$750,000 construction loan for a 12-unit Habitat development. In 2015 the RLF was used to provide \$430,000 in construction and permanent financing for a 43-unit development done by Peoples' Self-Help Housing. In addition to assisting with financing of these affordable housing developments, the RLF also has the added benefit of coming with technical assistance for community groups interested in a potential project as well.

In Arlington County, Virginia, The Affordable Housing Investment Fund (AHIF) is the county's main financing program for affordable housing development. This revolving loan fund was created in 1988, and it provides low-interest loans for new construction, acquisition, and rehabilitation of affordable housing. Since its inception, AHIF has originated more than \$274 million in loans for affordable units. Once such development is the 116 unit Views from Clarendon development. AHIF provided a \$13.1 million dollar loan for the affordable housing portion of the project. Seventy of the units are leased to individuals and families with incomes ranging from \$35,000 to \$50,000 per year, and in 2012 was named "Best Affordable Housing Development" at the Governor's Housing Conference.



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