Appendix A to City Council Resolution 2026-05

Pomona Development Accelerator Fund (PDAF)

Program Guidelines

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1. INTRODUCTION AND BACKGROUND

1.1 Program Purpose

The City of Pomona Development Accelerator Fund (PDAF) is a Revolving Loan Fund (RLF) designed to bridge the financial gaps that prevent high-quality residential and commercial development. The Fund provides flexible, patient capital to catalytic projects that align with the General Plan but cannot secure full financing from traditional private lenders due to market conditions.

1.2 The "Revolving" Mechanism

The PDAF is not a grant program (except where explicitly noted). Principal and interest repayments from borrowers are returned to the Fund to be recycled into future projects. This ensures a permanent source of community development capital for the City.

1.3 Regulatory Compliance

The PDAF is capitalized by multiple funding sources. All funded projects must comply with the specific requirements of the funding source used. In the event of a conflict between these Guidelines and State/Federal regulations, the funding source regulations shall prevail.

2. THRESHOLD CRITERIA

2.1 Applicant Qualifications

Eligible Borrowers include:

- **For-Profit Developers:** Limited Liability Companies (LLCs) and Corporations with a track record of successful development.
- **Non-Profit Developers:** 501(c)(3) organizations focused on affordable housing.
- **Community Land Trusts (CLTs):** Mission-driven entities dedicated to permanent affordability and community ownership.
- **Small Business Owners:** Licensed commercial tenants seeking brick-and-mortar locations.

2.2 Geographic Eligibility

Projects must be located within the City of Pomona municipal boundaries.

- **Priority Zones:** Transit Oriented District Place Types as identified in the Pomona General Plan
- **SCAG Alignment:** Projects funded by REAP 2.0 monies must be located in Infill Areas as defined by SCAG guidelines

2.3 Project Eligibility

- **Residential:** New construction, adaptive reuse, or acquisition/rehab of 5+ units.
- **Commercial:** New construction, adaptive reuse, tenant improvement of commercial spaces.
- **Mixed-Use:** Projects combining residential and commercial uses.

2.4 Expenditure Eligibility

Loan proceeds may be used for:

- **Acquisition:** Purchase of land or existing buildings.
- **Construction:** Hard costs for vertical construction or rehabilitation.
- **FF&E:** Furniture, Fixtures, and Equipment (e.g., commercial kitchens) secured by liens.

3. APPLICATION REVIEW PROCESS

3.1 Application Process

The PDAF accepts applications through specific Notices of Funding Availability (NOFAs) targeting specific project types. The City Council authorizes the Office of the City Manager and PDAF Loan Committee to establish NOFA application documents and procedures.

3.2 Review Hierarchy

- **Tier 1 (Minor Loans up to $250k):** Loan Committee Review and Approval required.
- **Tier 2 (Major Loans > $250k):** City Council Review and Approval required.

3.3 Loan Committee Approval Authority

A Loan Committee for the PDAF will consist of the City Manager, Director of Finance, Director Development Services, Deputy Director of Office and Economic and Business Affairs. The Loan Committee reserves the right to add an additional committee member representing the financial and lending sector, and/or City Attorney’s office, if necessary. The Loan Committee has approval authority as identified in Section 3.2.

4. PDAF MINIMUM PROGRAM REQUIREMENTS

Each individual NOFA deployed by the PDAF must meet the following minimum requirements. Verifying compliance with these requirements will be achieved through the application process.

1. Public Benefits

The PDAF is intended to invest in projects to fill financial gaps but that also provide tangible public benefits. The fund will not be deployed on a site without the provision of a public benefit. The menu of public benefits that can be requested through individual NOFAs is as follows:

- 40% of total housing development units deed-restricted to 80% of Area Median Income for 55 year period.
- Prevailing Wage and Local Hire.
- Set-aside of ground floor space for public use.
- Set-aside of tenant space for local business with fewer than eight locations.

2. Displacement Avoidance

The PDAF is intended to catalyze empty land, abandoned buildings, and empty storefronts. The fund will not be deployed on a site if it would lead to the permanent displacement or eviction of an existing residential or commercial tenant.

3. Local Business Focus

The PDAF is intended to catalyze Pomona-based businesses to establish themselves in a brick and mortar location by filling cost gaps. The fund will not be deployed on a site to support chain establishments, which are typically defined as having more than eight locations. Public benefits (above) should be defined in relation to local business retention when relevant to a proposed site.

4. In-Fill Development

The PDAF is intended to catalyze development that is consistent with the Pomona General Plan and Housing Element (*Pro Housing Pomona*). This includes encouraging in-fill development, affirmatively furthering fair housing, and reducing vehicle miles traveled. The fund will not be deployed on a site that cannot demonstrably achieve these goals.

5. Inclusive NOFA Process

Each deployment from the PDAF would require a Notice of Funding Availability (NOFA). In establishing individual NOFAs, the City must equitably engage the community and provide a meaningful opportunity for a wide range of applications. Engagement should include disadvantaged and historically underserved neighborhoods or underrepresented stakeholders.

5. UNDERWRITING CRITERIA & LOAN TERMS

5.1 Products, Amounts, Terms

The following is a summary of loan products that can be issued by the PDAF. The type of product(s) available will be defined in individual NOFAs. The Loan Review Committee reserves the right to adjust the terms, rates, and security instruments for each individual product type when necessary to achieve a PDAF minimum requirement (Section 4) or to achieve project feasibility.

- **Property Acquisition.** Lasting affordability through property purchase to secure site; land banking for future ground lease.
- **Community Land Trust.** Lasting affordability through rapid acquisition of residential properties by Community Land Trusts or Non-Profits to prevent displacement
- **Bridge/Gap**. Construction completion, lease-up stabilization
- **Tenant Improvement**. Major infrastructure upgrades for historic buildings
- **Fixtures, Furniture, and Equipment (FF&E).** Commercial kitchen equipment, furniture, fixtures
- **Residual Receipts.** Gap financing for housing development projects
- **Forgivable.** Gap closure, rent subsidy, equipment

The maximum loan amount is $4 million per project, with the following per-unit limits, to be adjusted annually utilizing the Consumer Price Index (CPI);

- **New construction:** $80,000 for 0 and 1-bedroom units, $84,000 for 2- or more bedroom units
- **Acquisition and rehab:** $100,000 for 0 and 1-bedroom units, $105,000 for 2- or more bedroom units.

Generally, PDAF will issue short-term loans that shall be due and payable upon the earlier of conversion to permanent financing or loan maturity after no more than 36 months. Loans may be extended for two 6-month extension options or longer if approved by the Loan Committee. When necessary in order to meet the requirements of project feasibility or a specific loan product, such as a forgivable loan, or residual receipts, the Loan Committee may approve a different loan term.

5.2 Interest Rate

The interest rate may be determined at either:

1. Rate established by Federal Home Loan Mortgage Corporation for average conventional commitment of a fixed-rate, 30-year mortgage, compounded annually, or
2. 3% simple interest when necessary to secure investor equity or other funding sources, or
3. Zero interest when a forgivable loan product is deployed.

4. As otherwise determined by the Loan Committee to ensure the feasibility of a project or to reflect the level of risk involved in the project.

5.3 Loan Repayment

Loan payments shall be made as follows:

1. Loans will have monthly payments of interest only, unless otherwise approved by the Loan Committee or City Council. Payment of principal is deferred until conversion to construction/permanent financing or maturity. If a loan interest payment is more than 10 days late, Borrowers must pay a 5% penalty of the loan interest amount. If there is not sufficient cash flow to make regular payments, an interest reserve may be considered.
2. The Borrower may elect to prepay the loan or any part thereof prior to the end of the term. However, any recorded deed restrictions or covenants shall remain in full force and effect for its term regardless of any prepayment.
3. If Borrower violates the terms of any Agreement or recorded covenants such that the City declares the loan in default, the entire amount of unpaid principal plus accrued interest at the rate established at the time of closing shall be due.

5.4 Developer Fees

The total budgeted developer fee shall not exceed the following:

- **Affordable Housing:** Shall not exceed limits established by California Tax Credit Allocation Committee (CTCAC).
- **Rehabilitation:** Limited to 12% of total construction costs.
- **Disbursement:** Fees are released in milestones (e.g., 25% at Permit, 25% at Completion, 50% Deferred).

5.5 Debt Service Coverage Ratio

- **Commercial/Market Rate:** Minimum 1.20x.
- **Affordable Housing:** Minimum 1.15x (Year 1), trending to 1.10x.
- **Calculation:** Net Operating Income (NOI) divided by Total Annual Debt Service.

5.6 Loan to Value (LTV)

Up to 100%.

5.7 Residual Receipts

The City shall receive 50% of Residual Receipts.

5.8 Collateral/Security

Each loan shall be secured by a Deed of Trust, secured by real property or other security as approved by the Loan Committee. City reserves the right to subordinate its lien position to other lenders. City reserves the right to establish other collateral/security measures in the case of forgivable loans or equipment loans or other lending products, as necessary.

5.9 Fees

A loan origination fee of one percent of the loan amount will be charged for all loans. An application fee may be established by the City Council.

5.10 Loan Documents

Applicants will be required to provide one or more of the following documents prior to receiving funding, unless otherwise exempted by the City:

- Loan Agreement
- Promissory Note
- Deed of Trust
- Assignment of Contracts and Plans
- Memorandum of Agreement
- Option and Purchase Agreement
- Loan Guaranty, if applicable
- Other documents as requested by the Loan Committee

5.11 Fair Housing and Equal Opportunity

The City is an equal opportunity lender. All projects receiving funding must comply with applicable State and Federal fair housing and equal opportunity laws.

5.12 Prevailing Wages and Relocation

The City will only issue loans to projects that are either exempt from State prevailing wages and Davis-Bacon requirements or where the Borrower has demonstrated experience developing projects that pay State prevailing wages or Davis-Bacon wages. Projects receiving City loans from sources derived from local, State, or Federal sources will be subject to applicable local, State, or Federal relocation laws.

6. COMPLIANCE & MONITORING

6.1 Affordability Covenants

Projects receiving housing funds must record a Regulatory Agreement against the deed.

- **Term:** 55 Years
- **Monitoring:** Annual submission of tenant income certifications is required.

6.2 Prevailing Wage

Borrowers acknowledge that PDAF funds are public monies.

- **State Law:** Projects may be subject to California Prevailing Wage laws.
- **Federal Law:** Projects with 12+ HOME-assisted units trigger Davis-Bacon wages.
- **Responsibility:** The Borrower is solely responsible for determination and compliance.

6.3 Annual Reporting

Borrowers must submit the following by March 31st annually:

1. Audited Financial Statements.
2. Rent Rolls and Vacancy Reports.
3. Evidence of Property Insurance naming the City as Additional Insured.