Regional Equitable Development Initiative (REDI) Fund

In response to the significant investments being made in Puget Sound transit, the public-private Regional Equitable Development Initiative (REDI) Fund was created to help finance the acquisition of property along transit corridors to preserve the affordability of future housing and community facilities.

Project Types

- Multifamily affordable rental housing meeting affordability requirements
- Multifamily affordable for-sale housing, on an exception basis
- Mixed-use projects up to 20% non-residential space, or 30% for projects that provide community facility and/or nonprofit space (ex. childcare centers, health clinics, charter schools, fresh food markets)
- Vacant and underutilized land that will be acquired for the purpose of producing any of the above
- Emphasis will be placed on acquiring properties with interim income potential, particularly existing affordable rental housing

Affordability Requirements

- Projects financed by the REDI Fund must have a minimum of 10% of units affordable to households at or below 80% area median income (AMI) or 20% below the market rent for a comparable unit in the submarket of the acquired property. A covenant reflecting this requirement will be recorded at the acquisition closing.
- REDI will seek to fund projects that maximize affordability on acquired sites. At the fund level, 25% of all units built on sites acquired with REDI must be at or below 50% AMI. The fund has an additional goal to include at least 15 units at 30% AMI.

Borrowers

- Nonprofit or for-profit entities, public development authorities, housing authorities and development
teams comprised of such entities, and affiliated special-purpose entities

A track record of developing affordable housing or developments that meet a community need is required.

Eligible locations

- King, Pierce or Snohomish County
- Within ½ mile walk shed of light rail or commuter rail, or within a ¼ mile walk shed of frequent bus service or streetcar stops

Loan Amount & Term

- Up to $5 million, unless approved as exception
- Up to 84 months for acquisition of vacant or redevelopment sites
- Up to 48 months for operating multifamily properties not intended for redevelopment

Loan to Value: Up to 100% of the lesser of the as-is appraised value or the purchase price. Up to 110% may be considered to fund predevelopment and entitlement activities on a case-by-case basis.

Interest Rate

Fixed-rate; 3.89%; interest-only payments due on a quarterly basis

Fees

- Application fee: $2,500 application fee; nonrefundable, credited toward origination fee
- Origination fee: 1.5% of project loan, payable half at commitment and the balance at closing. Minimum of $20,000.
- The borrower will pay lender’s legal fees and any third party costs

Equity

- Nonprofit borrowers: Minimum 5% equity, based on acquisition cost, can be in the form of subordinate debt from local government agencies, grants and contributed land equity in lieu of some or all of the equity.
- For-profit: Minimum 10% cash equity, based on total acquisition cost.

Collateral

- Real estate in a first-priority position. Other secured loans will be subordinate and subject to
subordination and standstill agreements.

**Recourse**

- Up to 100% of the principal balance; if borrower is a special purpose entity, then the sponsor and/or principal(s) will provide a repayment guaranty.
- At lender’s discretion, loans significantly exceeding the minimum program affordability may be granted limited recourse of roughly 76% of the principal balance. If borrower is a special purpose entity, then the sponsor and/or principal(s) will provide a payment and repayment guaranty at the same limited basis.

**Repayment**

- Quarterly interest-only payments; principal due at maturity or upon receipt of a repayment source
- Borrower must maintain sufficient unrestricted liquidity to support repayment. At lender’s discretion, interest payments may be made from a capitalized interest reserve funded through loan proceeds.
- No pre-payment penalty