

Predevelopment Loan Program Handbook

Grants Programs and Initiatives

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1. Program Description

The purpose of this fund is to facilitate the development of high quality affordable multifamily rental housing by providing technical assistance and below-market financing for typical predevelopment expenses.

Predevelopment Loan Funds must be used by an eligible organization developing **multifamily rental housing** with an identified site that meets rental housing finance requirements. It is strongly recommended that these requirements be read before beginning the application process.

Organizations must provide a clear project description for a multifamily REACH eligible development. Predevelopment Loans will be unsecured for a 36month term. The loan may not be used toward general operating expenses, developer fees and activities not connected with the creation and preservation of affordable housing. Applications must specify the sources and uses of funds.

Rental developments must address one of the following categories: homelessness, housing for disability communities, and revitalization.

1.1. Revitalization Area Requirements

Loans under the revitalization category must be located in a Revitalization Area. Options for this include:

1. The development is located in a Qualified Census Tract or Difficult to Develop Area, as defined by HUD.
2. The development is located in a census tract wherein 70% or more of the families have incomes which are ≤ 80% statewide median income. NOTE: these census tracts are included in the definition of targeted area for single-family lending purpose, but do not include ACEDS.
3. The development is located in a Virginia Main Street designated area or a Virginia Enterprise Zone.
4. The development is located in an already established redevelopment area, conservation area or rehabilitation district created by a city or county, pursuant to §36-1 et seq. Documentation must show area boundaries and support that the development lies within those boundaries.
5. The development is located in a Housing Rehabilitation Zone established through an ordinance created by a city, county or town pursuant to §36-55.64. Documentation must include a copy of the ordinance with support that the development lies within the Rehabilitation Zone.
6. The development is located in a defined revitalization area. Documentation must include a resolution from the locality supporting the development's s location within the revitalization area. See language below.

> *The above-referenced development is located in a Revitalization Area in the Town/City/County of _____, Virginia. The revitalization area is (i)* ***either***
>
> *(1) blighted, deteriorated, deteriorating or, if not rehabilitated, likely to deteriorate by reason that the buildings, improvements or other facilities in such area are subject to one or more of the following conditions- dilapidation, obsolescence, overcrowding, inadequate ventilation, light or sanitation,*

excessive land coverage, deleterious land use, or faulty or otherwise inadequate design, quality or condition, ***or***

(2) the industrial, commercial or other economic development of such area will benefit the city or county but such area lacks the housing needed to induce manufacturing, industrial, commercial, governmental, educational, entertainment, community development, healthcare or nonprofit enterprises or undertakings to locate or remain in such area; and (ii) private enterprise and investment are not reasonably expected, without assistance, to produce the construction or rehabilitation of decent, safe and sanitary housing and supporting facilities that will meet the needs of low and moderate income persons and families in such area and will induce other persons and families to live within such area and thereby create a desirable economic mix of residents in such area.

Delete the language that does not apply, (i)(1) or (i)(2) above.

1.2. Eligible Predevelopment Loan Amounts

Statewide

- Projects under $5 million in total development costs are eligible up to $100,000.
- Projects between $5 million and $20 million in total development costs are eligible up to $250,000.
- Projects over $20 million in total development costs are eligible up to $500,000.

High Cost Areas

- Projects under $5 million in total development costs are eligible up to $250,000.
- Projects between $5 million and $20 million in total development costs are eligible up to $500,000.
- Projects over $20 million in total development costs are eligible up to $750,000.

High Cost Areas are listed in Appendix A.

Eligible applicants are considered throughout the program year.

The organization shall designate and identify to Virginia Housing a person or persons to serve as Virginia Housing's sole point(s) of contact for this grant. Such person or persons shall be employees of the organization and not a contractor or consultant.

1.3. Eligibility Guidelines

501(c)3 non-profit organizations, for-profit companies, and public entities including local governments and redevelopment and housing authorities are eligible. The organization must operate in the Commonwealth of Virginia. Preference is given to

entities that have closed at least one transaction with Virginia Housing and show at least two years of successful payment history.

Eligible predevelopment loan costs include but not limited to: a final architectural and engineering report, legal fees, permitting, appraisal services, professional fees and site option. Loan funds can be used to cover any eligible costs incurred in the twelve (12) months prior to the date of the loan approval by Virginia Housing.

1.4. Program Parameters

- Loans will be interest-free.
- If the applicant obtains a Virginia Housing Construction Loan, Virginia Housing REACH Loan, or any other VHDA Rental loan product within 36 months; the Predevelopment Loan shall be paid in full using the Virginia Housing Construction loan funds, or the Virginia Housing permanent loan funds if a Virginia Housing construction loan is not obtained, when the Virginia Housing construction or permanent loan is closed.
- If the applicant obtains a non-Virginia Housing construction loan within 36 months, the applicant must repay the Virginia Housing Predevelopment Loan no later than when the construction loan is closed. This is required even if the applicant receives tax credits through Virginia Housing.
- If the applicant does not obtain a non-Virginia Housing construction loan and obtains a non-Virginia Housing permanent loan within 36 months, the applicant must repay the Virginia Housing Predevelopment Loan no later than when the permanent loan is closed. This is required even if the applicant receives tax credits through Virginia Housing.
- If the applicant does not obtain construction or permanent loan financing within 36 months, the Predevelopment Loan becomes due and payable. Virginia Housing reserves the right to forward the Predevelopment Loan to debt collections.
- Loans for developments that cannot proceed for one of the following reasons may be forgiven:
    - An anticipated funding source necessary to complete the project revokes its funding.
    - The development is determined to be unfeasible due to potential issues with structure and/or future residents; documented proof/reasons must be provided.
- The primary point of contact listed on the application for the organization will receive all communication concerning the loan; including but not limited to, an annual statement.
- Loan funds are issued in three (3) installments. If approved, the borrower will be wired the first installment loan funds at closing. For each consecutive installment, loan funds will be wired after all prior installment activities are completed.
- Loan funds can only be wired to the financial institution of the borrower.

Virginia Housing reserves the right to:

- Negotiate modifications to an applicant's proposal prior to final award
- Request additional information from all applicants
- Conduct clarifying discussions with applicants to obtain specific additional information

1.5. Restrictions

- General operating expenses, developer's fees, and activities not connected with the creation or preservation of affordable housing are not eligible for funding.
- Architectural and engineering reports must be focused on developing a physical program for a structure or parcel of land. The site specific study must define all the details with how to install, fix, and apply all the materials, equipment, and structure of the building. The description of the works must be refined into specification documents which, together with the detailed scale graphic documents, form the basis of the design.
- Funds may not be used for the Virginia Housing Tax Credit Application or the Tax Credit Reservation Fee.
- The planned development site must be identified before an application can be submitted.
- Funds may not be used to pay for activities currently funded by another funding source.
- Legal fees covered must occur at least twelve (12) months before construction or permanent loan closing. For example, fees as a result of closing, such as but not limited to, closing fees and title insurance are not eligible.
- Consultants receiving funds pursuant to this grant may in no way have an existing relationship (current employment, contractual or voluntary) with the organization during the term of this grant.
- A maximum of two predevelopment loans may be open at any time. This includes any related party on the loan, such as investor, owner, developer, etc.
- Predevelopment loans are capped at approved amount and not eligible for increases over the loan term.
- Predevelopment loans are generally appropriate for projects of at least 10 units. Smaller projects will be evaluated on a case-by-case basis.

1.6. Freedom of Information Act

Virginia Housing is subject to, and will at times comply with, the Virginia Freedom of Information Act ("FOIA"). Virginia Housing will endeavor to protect from disclosure any financial information of the Applicant which is exempt from disclosure under FOIA.

1.7. Conflict of Interest

No officer or employee of an applicant or awarded organization shall have a personal interest in a contract with that organization of which he/she is an officer or employee.

2. Application Process

The purpose of this fund is to facilitate the development of high quality affordable multifamily rental housing by providing technical assistance and below-market financing for typical predevelopment expenses.

All applications must meet eligibility criteria in Section 1.1. A Strategic Housing & Program Implementation Officer is available to assist applicants with completing the application and performing due diligence associated with obtaining a REACH loan. For assistance, contact Luke Tate, Strategic Housing Officer at (804) 343-5778.

Agencies seeking funding should apply to Virginia Housing's Notice of Funding Opportunity (NOFO) located in the Grants Management System (GMS) at https://vhdagrants.com/. **For questions concerning this program or assistance with application submission, contact Luke Tate, Strategic Housing Officer at (804) 343-5778.**

Applications are reviewed on a first-come, first-served basis. Funding is limited based on yearly allotment.

If a loan is approved, applicants will receive a loan commitment and loan closing documents. Disbursement of loan funds will be made in three (3) installments via wire transfer with the first installment at loan closing.

The borrower will receive a welcome letter from Virginia Housing Multifamily Servicing once loan funds are disbursed. This letter will include information on how to access the borrower's portal to obtain financial information at any time.

2.1. Application Requirements

The Application package must include:

- Predevelopment Loan Application and attachments
- Evidence of good standing from the Virginia State Corporation Commission
- Audited Financial Statements from two (2) most recent fiscal years and year-to-date financials
- Conceptual Pro forma Analysis with Proposed Sources and Uses.
- Evidence of local jurisdiction support (if applicable)
- Evidence of development approvals
- Evidence of site control
- Summary of prior and current projects
- Description of the Proposed Development Team or Partners
- Proposed Development Timeline
- Copies of pertinent contracts or agreements (e.g. partnership agreements, etc.)
- W9

- Site plans
- Documentation supporting affordable housing and associated services needs in the market area (e.g. comprehensive plan, appraisal, market study, etc.)
- Documentation of proposed interim or permanent financing.
- Wiring instructions on bank letterhead for the financial institution of the borrower. Include the name, phone number, and email address of the point of contact.
- If a **non-profit organization**, a copy of the organization's 501(c)3 IRS tax exemption letter

2.2. Approval

Applicants approved for the Predevelopment Loan will receive a loan commitment and loan closing documents.

The borrower will receive a welcome letter from Virginia Housing Multifamily Servicing once loan funds are disbursed. This letter will include information on how to access the borrower's portal to obtain financial information at any time.

Note: Closing may take up to ninety (90) days from application approval.

2.3. Disbursement

Disbursement of loan funds will be made in three (3) installments via wire transfer with the first installment at loan closing.

2.4. Reporting

Borrowers must submit a progress reports in the Grants Management System documenting performance milestones. There are two reports available to the borrower.

1. The project timeline report is required to draw funds for the 2nd and 3rd installment. Through the correspondence component, in the grant management system, borrowers will request reporting for their next installment. The grant officer will provide the project timeline report to allow the borrower to document previous installment activities as documented in the application.
2. The annual report will collect the status of actions based on the timeline approved in the loan application, a statement as to whether or not the applicant has begun underwriting a deal with a lender, and a statement as to whether or not the applicant has closed a note with a lender.

The point of contact listed in the application for the borrower will receive an annual request to certify the organization's Tax Identification Number (TIN).

2.5. Contract Amendments

Projects that have not received financing with in the 36 months will need a contract amendment requesting an extension. Extensions are typically provided for 6 months to 1 year and are evaluated case by case.

3. Appendix A

High Cost areas

Northern Virginia/Planning District 8
Alexandria City
Arlington County
Fairfax City
Fairfax County
Falls Church City
Loudoun County
Manassas City
Manassas Park City
Prince William County

Northwest/North Central Virginia Area Pool
Albemarle County
Augusta County
Charlottesville City
Clarke County
Culpeper County
Fauquier County
Fluvanna County
Frederick County
Fredericksburg City
Greene County
Harrisonburg City
King George County
Madison County
Nelson County
Orange County
Rappahannock County
Rockingham County
Shenandoah County
Spotsylvania County
Stafford County
Staunton City
Warren County
Waynesboro City
Winchester City

Richmond MSA

Amelia County
Caroline County
Charles City County
Chesterfield County
Colonial Heights City
Cumberland County
Dinwiddie County
Goochland County
Hanover County
Henrico County
Hopewell City
King & Queen County
King William County
Louisa County
New Kent County
Petersburg City
Powhatan County
Prince George County
Richmond City
Sussex County

Tidewater MSA

Chesapeake City
Gloucester County
Hampton City
Isle of Wight County
James City County
Mathews County
Newport News City
Norfolk City
Poquoson City
Portsmouth City
Suffolk City
Surry County
Virginia Beach City
Williamsburg City
York County