

DEPARTMENT OF HOUSING

PREDEVELOPMENT LOAN PROGRAM

Program Outline

Purpose: The purpose of the program is to provide loans to housing developers for predevelopment costs incurred in connection with the construction, rehabilitation, or renovation of housing for low- and moderate-income persons and families.

Eligible Applicants: Non-profit corporations, housing authorities, municipal developers, municipalities, business corporations or partnerships that include one of the above entities, and for-profit developers.

Eligible Activities: Eligible predevelopment costs are expenses that are not administrative and are necessary before the construction stage of a project begins. Eligible expenses include, without limitation, architectural design up to 100% plans and specifications, feasibility and environmental studies, option payments to acquire the site (acquisition is not eligible), appraisals, and market studies. Procurement must comply with DOH Procurement Standards. Loan funds may not be used to reimburse the borrower for expenses *paid* prior to the date of application for the loan, including the repayment of other predevelopment financing. The program also does not pay for expenses *incurred* more than 6 months prior to the application date, even if not paid.

Eligible Projects: Proposed projects to be supported with predevelopment funding must be eligible for financial assistance from DOH and must provide housing for those at or below 100% of the area median income.

Standard Financial Terms: Loans are available for up to \$300,000, with a minimum loan of \$50,000. Except as otherwise required by DOH, loans will be provided at 0% interest, with repayment due upon the closing of construction financing for the project, or 24 months, whichever occurs first. Loans are secured by a mortgage on the project property (if owned by the applicant) or by appropriate alternative collateral. Loan terms may differ for for-profit borrowers.

Application Process: Applications are accepted on a rolling basis.

Selection Criteria: The criteria for approval of an application will include the capacity of the applicant and its development team to carry out both the predevelopment activities and the proposed project, and the extent to which the proposed project is feasible and effectively addresses the housing needs of low- and moderate- income persons in the surrounding community and the State.