

VHFA
PREDEVELOPMENT LOAN PRODUCT
TERMS & CONDITIONS

ELIGIBLE PURPOSES: Financing of predevelopment and preconstruction costs related to affordable housing projects, new construction or substantially rehabilitated, intending to apply for an allocation of Low Income Housing Tax Credits (LIHTC) or leveraging VHFA source of funds for take out, permanent financing. A take-out financing plan is required as part of an application.

Projects leveraging VHFA predevelopment funds will provide VHFA a first opportunity to serve as the construction and/or permanent lender on the project. Current rates and terms for VHFA financing can be found [here](#) or at vhfa.org/developers.

Specific uses of funds are limited to compensate contracted services and shall not be used to compensate applicants for staff time. Reimbursement of third party costs must be based on market rate and/or arms-length negotiated fees. Funds are limited to cover services within given ranges in the following Eligible Uses Table:

Eligible Uses Table

Use Category	Funding Limit
<ul style="list-style-type: none"> • Appraisals¹ • Market Studies • Financial Planning / Legal • Evaluation / Cost Estimate • Phase I Environmental Studies 	Up to \$10,000
<ul style="list-style-type: none"> • Site Design / Survey • Building Design / Architecture & Engineering • Energy Analyses • Historic Preservation – Analysis or Application Activities 	Up to \$50,000
<ul style="list-style-type: none"> • Percolation and other Septic Suitability Tests • Toxic + Hazardous Waste Tests / Other Environmental Tests² • Water Quality Tests • Specialized Studies approved by VHFA staff³ • Options or Purchase and Sales Contracts⁴ / Land Banking⁵ • Permit fees 	Up to \$100,000

ELIGIBLE BORROWERS: Borrowers with a demonstrated need will receive priority. Project proposals utilizing pre-development funds must have a development plan that proposes a minimum requirement of 50% affordable units and affordability not to exceed 100% AMI in market rate units.

¹ Max of \$2,500 for appraisal cost

² Only after contaminants have been identified on site

³ Includes studies to preserve at-risk affordable housing units

⁴ Max of \$3,000 per parcel

⁵ Requires VHFA to hold a first lien position on any parcels using pre-development funds for land banking

LOAN AMOUNTS:	Up to \$100,000 total exposure for a single project
INTEREST RATE:	Based on the agency cost of funds, currently projected to be 3%
CLOSING COSTS:	\$600 commitment fee; \$100 application fee - commitment fees are credited to a successful project budget
TERM:	Earlier of 24 months or the time of construction closing
REPAYMENT TERMS:	Interest only payments will be required on a quarterly or biannual basis, per staff discretion. In certain cases, staff may exercise discretion and defer all principal and interest payments, due at maturity (see Term). Outstanding repayments can be rolled into permanent financing for developments that proceed to construction.
COLLATERAL:	Collateral may be required at the discretion of VHFA staff to the extent available from the borrower.
CLOSING DOCUMENTATION	<p>For both land banking and predevelopment funds:</p> <ol style="list-style-type: none"> 1) Evidence of site control established by one of the following: <ul style="list-style-type: none"> > option to purchase > right of first refusal > purchase and sales agreement <p>For land banking only, in addition to evidence of site control #1</p> <ol style="list-style-type: none"> 2) A site plan 3) An appraisal 4) A sources by uses acquisition budget
APPLICATION PROCESS:	On a rolling basis.