

## RRLF During Construction

Rental Revolving Loan Fund (RRLF) funds may come in during construction and convert to permanent, if approved by VHFA. RRLF funds will be interest-only during construction and start amortizing at permanent closing.

RRLF funds during construction will work as follows:

- RRLF funds can be treated like a standard construction loan, with the project making regular draws of RRLF funds.
  - To submit a requisition to VHFA, projects will need to provide:
    - 1) A brief memo or email with a summary of the request;
    - 2) An updated “RRLF Flow of Funds” worksheet, populated by line item;
    - 3) Architect’s sign-off on General Contractor’s AIA Request for Payment, if applicable;
    - 4) All lien waivers, signed, notarized, and with notary numbers;
    - 5) Invoices for all soft costs being requisitioned; and
    - 6) Construction Inspection sign-off on the requisition in the form of a monthly report from the construction inspector to VHFA following the inspector’s site visit for that month.
- To use RRLF funds during construction, the project must agree to pay for VHFA’s construction inspector to 1) perform a plan review, including a review of the construction contract (or contracts with subcontractors if the borrower is the General Contractor/Construction Manager), and 2) perform monthly construction inspections for the duration of construction. Projects will need to account for construction inspection costs in their pro forma/budget. (Initial Plan Reviews are usually between \$675-\$1,000 and monthly inspections are usually between \$500-\$1,000 per month of construction, but VHFA will provide borrower with exact costs following a quote from the construction inspector).
- RRLF funds may be used first during construction, prior to other construction loans or construction period sources, as long as there is a single construction closing with all construction lenders and all lenders reach an agreement about construction period priority.
- If projects start work prior to a construction closing with VHFA, projects can later ask for reimbursement from RRLF funds during construction as long as that work has 1) been documented by the contractor according to VHFA’s standards described above, and 2) reviewed and approved by VHFA’s construction inspector prior to reimbursement.
- VHFA will review each development team, and at the discretion of the agency, may approve owner/developers to act as General Contractor. In cases where the owner/developer is acting as General Contractor, there should be clear agreements with all subcontractors that detail the work to be performed and the agreed upon pricing.
- VHFA may, at the discretion of the agency, waive requirements for bonding and completion guarantees where total exposure to a single project is \$2 million or less.