

Predevelopment Loan Program

PROGRAM BULLETIN

Date: September 20-2019

To: Development Community

From: Eric Shorter, Director of Development

Subject: Predevelopment Loan Program

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Overview

Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) created a Pre-development Loan Program (the “Program”) by Program Regulation. The Program was created to address the difficulties encountered by housing sponsors in raising capital necessary to retain site control and determine the feasibility of prospective housing Developments (the “Development”). In June 19, 2017, as part of the Governor’s program to reduce regulatory barriers, the Program Regulations were repealed. The purpose of this Program Bulletin is to outline eligibility and guidelines for the Program.

Outline

On a case-by-case basis, RIHousing will consider requests for predevelopment resources to Developers (*as defined below*) for costs associated with predevelopment loan activities. Such activities (“Eligible Uses”) include, but are not limited to:

- Architectural and engineering studies, environmental assessments or the costs associated with other Development Professionals;
- Filing fees and/or costs and expenses incurred in obtaining permits and approvals and applying for public or private grants;

- Site control costs such as deposits under real estate purchase and sale agreements or to acquire options or extensions of options or purchase and sale agreements on real estate;
- Other predevelopment loan activities approved by RIHousing.

Additionally, RIHousing will consider the use of Predevelopment Loan funds to provide an advance of project developer fee to pay development consultant fees only if the project can demonstrate that a permanent loan closing will occur within 120 days of receipt of the advance.

A Developer may apply for more than one Predevelopment Loan; however, a Developer is limited to one Predevelopment Loan per project.

Developers must submit a completed Predevelopment Loan Application for consideration by the Predevelopment Loan Committee composed of RIHousing staff.

RIHousing seeks to maximize the availability of affordable housing in the State of Rhode Island, and to use monies allocated for that purpose efficiently. Accordingly, RIHousing will give priority to Applications from Developers seeking to increase the housing stock in Rhode Island for Low Income Households (*as defined below*). In addition, RIHousing shall give priority to Applications submitted by Developers most likely to proceed quickly to construction or closing of financing.

Program Terms:

Developer: A non-profit corporation which has been approved as a Section 501(c)(3) corporation by the Internal Revenue Service or otherwise determined to be exempt from federal income taxation, and which is engaged in providing housing to Low-Income Households, and which corporation has not been formed principally for the purpose of obtaining a Predevelopment Loan.

Low Income Households: Persons or families, as the case may be, having aggregate family income equal to or less than eighty percent (80%) of the area or statewide median income (whichever is higher), adjusted for family size, in accordance with standards of the United States Department of Housing and Urban Development (HUD) in effect at the time of approval of the Application.

Maximum Loan Amount: Projects with a total development cost less than \$1,000,000, loan limit of \$100,000 for Eligible Uses defined above.

Projects with a total development cost greater than \$1,000,000, loan limit is \$250,000 for Eligible Uses defined above.

Loan Term: Maximum loan term is 24 months.

Interest Rate: The interest rate will be set at closing in the amount of 3-month U.S. LIBOR plus 3%; in no event shall the rate be less than 4% or greater than 7%.

Loan Payment Terms: Interest shall accrue and is payable in full upon repayment of the principal balance of the loan.

Loan Repayment Terms: The earlier of the Loan Term or the closing of the financing for the development.

Disbursement Procedures: Any request for the disbursement of Predevelopment Loan proceeds shall be accompanied by invoices, in form satisfactory to RIHousing, from each Development Professional to be paid with such Loan proceeds.

Ineligible Uses: Work conducted on contaminated sites without an approved EPA remediation plan in place.

Application or origination fees required by RIHousing under any of its programs.

Closing Costs: Applicants will be required to pay all necessary and reasonable closing costs incurred by RIHousing during the course of closing, which can be included in the loan.

If approved for a Predevelopment Loan, the Developer shall enter into, execute, deliver and provide RIHousing with such promissory notes, mortgages, security instruments and loan agreements as RIHousing may require evidencing the Predevelopment Loan. Such instruments and

documents will provide for the disbursement of Predevelopment Loan proceeds over time upon submission of evidence of the work having been completed and impose penalties and/or legal or equitable remedies available to RIHousing in the event of default, fraud or misrepresentation.

All Predevelopment Loan questions and correspondence should be addressed to Carlos M. Morales at (401) 450-1328 or cmorales@rihousing.com.