



Vermont Housing Finance Agency

fact sheet

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Homeownership Pre-Development Loan Program for Non-Profit Housing Developers

Fact Sheet and Application

(Revised January 2008)

Program Summary

The Vermont Housing Finance Agency (VHFA or the Agency) Homeownership Predevelopment Loan Program for Nonprofit Housing Developers is a \$550,000 revolving loan fund created by VHFA to promote and assist nonprofits in the development of single family homes. It is intended to provide predevelopment working capital at low cost to eligible nonprofit Housing Developers with efficiency and flexibility. This Program is for predevelopment expenses associated with the construction of single family housing, including condominiums and planned unit developments (PUDs), in which at least 51% of the units are sold at or below VHFA's maximum purchase price limits.

The Agency anticipates that a portion of the homebuyers in the development may seek VHFA financing. In order for VHFA to provide financing to these homebuyers, the Housing Developer will need to provide the Agency's Homeownership Department with certain information and project documents for review and approval. A checklist of the information required may be found on VHFA's web site. Go to www.vhfa.org click on the Homebuyers/owners button and scroll down to Condos/mobile home parks. Approval should be sought before marketing efforts are initiated.

Approval by the Agency to provide financing under this Homeownership Predevelopment Loan Program does not constitute a commitment to provide construction financing. The Agency will consider requests for construction financing according to the requirements of its Homeownership Construction Loan Program, which are based, in part, on the financial feasibility of the proposed development and market conditions at the time a formal application for construction financing is submitted.

Loan Terms

- Interest rate:** 3%, subject to change; please confirm rate with VHFA Development Underwriter at time of application.
- Repayment term:** 3 years maximum, with payment deferred until construction closing
- Fees:** None

Maximum Loan Amount is \$100,000.

Affordability Restrictions
(Project Requirements for
Pre-Development Funds)

51% of the units must be priced at or below VHFA's maximum purchase price limits in effect at the time the application is submitted. (For detail on VHFA's current purchase price and household income limits, go to www.vhfa.org, click on the Homebuyers/owners button and scroll down to Limits.)

**Eligible Uses of
Pre-Development Funds**

All expenses underlying the request for financing must be specific to the proposed development and may include, but are not necessarily limited to, those listed below. Services provided directly by the developer, its employees, or by an individual or company with an "identity of interest" may be disallowed. Only expenses directly related to the development will be considered.

- Market Study acceptable to VHFA
- Architectural and engineering services
- Financial packaging
- Development consultants
- Legal Services
- Appraisals
- Environmental Assessments
- Permit fees
- Option fees or payments (must be refundable)

Eligible Borrowers

The Agency will consider applications from organizations that meet the qualifications listed below, and will give priority to applicants who do not have other resources available to pay for the proposed predevelopment expenses. The applicant must have demonstrated experience in for sale single family housing development consistent with the nature and scope of the proposed development.

- Incorporated under Title 11B of the Vermont Statutes Annotated ("V.S.A.") and qualified as a 501(c)(3) organization by the Internal Revenue Service; or
- Cooperative housing corporations organized under Title 11, V.S.A. Section 1598, as limited equity cooperatives; or
- Municipalities.

Eligible Projects

- The project must be predominately for sale single family homes (including condominiums and PUDs). See also Affordability Restrictions above.
- The applicant must demonstrate site control, which may include a current ownership interest, an in-force option agreement, or a legally binding purchase and sale agreement.
- The project must satisfy the Evaluation Criteria below.

Evaluation Criteria

Once the VHFA Development Underwriter has received and reviewed the application, the Loan Review Committee (composed of VHFA staff) will evaluate the application on the basis of these criteria:

- Project must be developed in an area (or areas) that has demonstrable need and market demand for affordable single family homes.
- Housing Developer must be able to prove experience and financial strength.
- Project should be consistent with local and regional plans, and in towns that support the creation of new housing for low- and moderate-income Vermonters and smart growth principles.

- Project should use and be consistent with smart growth principles with particular attention to proximity and utilization of existing public water, sewer and transportation.
- Quality of construction including building techniques and materials must meet acceptable quality standards and Vermont's residential energy code.
- Design of the project and individual units must be attractive to potential homebuyers as well as to the community in which it is sited; creativity is encouraged.
- The applicant must demonstrate a high likelihood that the project will successfully complete the permit process and will ultimately deliver the proposed number of homeownership units, at the targeted price levels, on time and within budget.
- Applicants are encouraged to use labor and materials provided by or from Vermont-based companies or individuals.

Security

In all cases, a promissory note and a Homeownership Predevelopment Loan Agreement (and, in some cases, a mortgage) will be signed by the Borrower. The Loan Agreement generally requires the following: 1) monthly written progress reports; 2) a proposed disbursement schedule; 3) documented disbursement requests; 4) VHFA's right, at its option, to assume and/or assign professional service contracts, permits and any interest in the land, including the purchase option, if the project is terminated or abandoned; 5) The Agency reserves the right to require other forms of security as it deems appropriate to the level of risk in each project and with each Housing Developer-applicant.

Items and Information Required for Homeownership Predevelopment Loans for Non-Profit Housing Developers

Please answer as many of these questions as possible given the current status of your proposed project. Note that if you have submitted an application for the same project to the Vermont Housing and Conservation Board and/or the Vermont Community Development Program, you may send VHFA a copy, instead of completing the following questions.

- 1. Development Team** Provide name, address, contact person and phone number of Borrower and the organization's status (see Eligible Borrowers above.) Also, provide the following information for each member of the development team: Name of organization or company, complete address, name(s), telephone number(s) and email address(es) of contact person(s). Development team members may include development partners, architects, engineers, consultants, attorneys, general contractors, etc. The Housing Developer must submit, with the loan application package, a current financial statement and a listing of other projects developed that are of similar size and scope. If the Agency has a history of experience with the Housing Developer on similar projects, the project list may be waived at the option of the Agency
- 2. Project Information** Provide name and location of project. Describe the scope of the project, and why a Homeownership Predevelopment Loan is being requested of VHFA. Specifically describe how the project will benefit from this Loan Program. Provide a listing of the unit types and designs with price ranges for each unit type.
- 3. Market Demand** A Market Study is required as part of any request for a Homeownership Predevelopment Loan. Proceeds from the Homeownership Predevelopment Loan may be used to pay for the cost of the Market Study. The Market Study will be critical to the Agency's decision to provide any additional funding to the project. The Market Study must demonstrate that there is a need and demand for homes of the proposed design, size and price range including an analysis of the depth of the market for households at the targeted income levels. It must also confirm that there are sufficient potential homebuyers in the market with incomes sufficient to purchase the homes at the proposed prices. Applicants should either provide an independent Market Study, or the name of the firm who will be providing the Study, if not completed, along with a copy of the scope of work. The Market Study may be provided by an Appraiser acceptable to the Agency and may be part of a Project Appraisal.
- 4. Site** Provide a narrative description of the site and attach site and topographic maps with relevant development features (buildings, roads, sewer lines, wetlands, etc.) Describe any known or suspected construction challenges specific to the site, including topology, soil, ledge, wetland, hazardous waste or other conditions, that may have significant impact on the cost of housing. Indicate current zoning. Describe any zoning changes or other regulatory approvals (including Act 250) needed to implement the proposed development project, along with the expected timetable for those approvals. Describe support or resistance from neighborhood or abutters, and document that the project, as proposed, meets the applicable zoning requirements.

5. **Site Control** Provide the current status of ownership and provide a copy of documents that give site control to the applicant. These may include, but are not limited to, an in-force option agreement, a legally binding purchase and sale agreement, or a copy of current deed of record.
6. **Justification of Purchase Price** Provide documentation that demonstrates preliminary support for the proposed land acquisition price. This may include an Appraisal (if available), a recent sales history of the site or other comparable property sales that have occurred within the last 12 months in the same market area.
7. **Project Plans and Specs** Provide preliminary (or final, if available) project plans and specifications for infrastructure and housing units.
8. **Community and Public Benefits of Project** Cite the expected specific neighborhood and community benefits of the project.
9. **Proposed Development Schedule** Provide target dates for the following events: submission of financing applications; regulatory and zoning reviews and approvals; building permits; receipt of financing commitments; construction start and completion dates; and anticipated sales schedule.
10. **Preliminary Budget and Pro Forma** Provide the proposed project construction budget, including detailed sources and uses of funds (including rates and terms), construction schedule and proposed plan of repayment. Include the name of the intended construction lender and the anticipated terms and conditions of financing, if known.
11. **Detailed Use of Predevelopment Funds** Provide a detailed listing of the expenses proposed to be funded from Homeownership Predevelopment Loan proceeds and from any other funding sources.