

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE**

Rental Housing Development Section
Multifamily Housing Program
1800 Third Street, Suite 460-1
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February 7, 2013

MEMORANDUM FOR: Interested Parties

FROM: Laura Whittall-Scherfee, Deputy Director 
Division of Financial Assistance

SUBJECT: **Notice of Funding Availability
Predevelopment Loan Program**

The State Department of Housing and Community Development (HCD) is pleased to announce it is accepting applications for funds from the Predevelopment Loan Program (PDLP). PDLP historically revolves between \$2 to \$7 million annually, subject to loans being made and repayments being returned to the fund. The amount available at the time of issue of this NOFA is approximately \$7.3 million.

This NOFA will be in effect from February 7, 2013 through May 6, 2013 (unless amended or replaced by (HCD) and expires on the latter date.

Eligible Applicants – Local government agencies, nonprofit corporations, limited liability companies where all members are nonprofit public benefit corporations or limited partnerships where all the general partners are nonprofit public benefit corporations are eligible to receive PDLP loans.

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**NOTICE OF FUNDING AVAILABILITY****Predevelopment Loan Program****February 7, 2013**

The State Department of Housing and Community Development (HCD) is pleased to announce it is accepting applications for funds from the Predevelopment Loan Program (PDLP). PDLP historically revolves between **\$2 to \$7 million annually, subject to loans being made and repayments being returned to the fund. The amount available at the time of issue of this Notice of Funding Availability (NOFA) is approximately \$7.3 million.** This NOFA will be in effect from February 7, 2013 through May 6, 2013 (unless amended or replaced by HCD), and expires on the latter date.

Eligible Applicants

Local government agencies, nonprofit corporations, limited liability companies where all the members are nonprofit public benefit corporations, or limited partnerships where all the general partners are nonprofit public benefit corporations are eligible to receive PDLP loans.

Eligible Expenditures

The purposes for which predevelopment loans may be made include, but are not limited to, the costs of, or the costs associated with, land purchase or options to buy land; options or deposits to buy or preserve existing government-assisted rental housing for the purpose of preserving the affordability of the units; closing costs; holding costs which can include, but are not limited to taxes, insurance, and interest; professional services such as architectural, engineering, or legal services; permit or application fees; and bonding, site preparation, related water or sewer development, or material expenses. A full list of eligible expenditures may be found at California Code of Regulations (CCR), Title 25, Section 7005 or at: <http://www.leginfo.ca.gov>.

Eligible Projects

PDLP loans shall be for "assisted housing for occupancy primarily by persons of low income." (Health and Safety Code (H&S), Section 50531(b)). For a project to be eligible, at least 51 percent of the dwelling units must be available to, and affordable to, lower-income households. "Lower income" is defined by CCR, Title 25, Section 6928.

The Income Limits are available from HCD's website at <http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html>.

Unauthorized Costs

The loan may not be used for administrative costs or construction financing expenses (see CCR, Title 25, Section 7005(e)).

Special Conditions

HCD has set a minimum funding target for rural areas based on 20 percent of available funds at the time of this NOFA. This minimum target is \$1,460,000. If, by April 2, 2013, valid rural applications have not been received for at least this amount, the unused portion will be made available to all applicants for the remainder of the fiscal year.

Borrowers will be required to abide by all local, State or federal regulations that are applicable to the proposed housing developments. These may include, but are not limited to zoning ordinances, building codes, planning, historic preservation, environmental and relocation regulations, and Article XXXIV of the California Constitution (see CCR ,Title 25, Section 7008).

Construction activities may require the payment of prevailing wages pursuant to Labor Code commencing with Section 1720 (the law regarding prevailing wages, which is administered by the State Department of Industrial Relations). Construction includes work performed during the design and preconstruction phases of construction including, but not limited to, inspection and land surveying work (see Labor Code Section 1720 (a)(1)).

Limitations, Rates and Terms

Unless a waiver pursuant to CCR, Title 25, Section 7005(f)(15) is requested and approved by HCD, the aggregate amount to be loaned for purposes other than for purchase or refinance of real property or site development shall not exceed \$100,000.

Without exception, no more than \$800,000 shall be committed to any single borrower at any one point in time during the term of this NOFA. Funds committed to a single borrower under prior NOFA(s) do not count towards the \$800,000 in total commitments allowed. In the case where the applicant is a limited partnership, total funding commitments to all of the general partner(s) will be counted when determining whether the \$800,000 cap has been reached. In the case where the applicant is a limited liability company, total funding commitments to all members will be counted when determining whether the \$800,000 cap has been reached.

Applicants with existing PDLP loans are further limited to no more than \$1.4 million in total outstanding PDLP loans, including any funds awarded during this NOFA. Funds awarded to all general partners of a limited partnership, and all members of a limited liability company will be counted in determining this cap.

Loans are made for a term of one to two years and bear simple interest at a rate of three percent per annum on the outstanding balance. Payment is deferred during the term of the loan.

Borrowers must provide adequate security for loan funds advanced by HCD.

Loans for acquisition must be secured by the real property. The loan-to-value of all combined debt on the property may not exceed 100 percent, as supported by a current appraisal.

Additional requirements regarding use of funds, and rates and terms are contained in CCR, Title 25, Sections 7005 and 7006.

Authority and Purpose of Program

PDLP is subject to the requirements of H&S Code Section 50530 et seq. (Program Statutes), and CCR, Title 25, Section 7000 et seq. (Program Regulations). These regulations are accessible on HCD's website at: <http://www.hcd.ca.gov/fa/pdlp/>. Other regulations cited in this NOFA are accessible at www.oal.ca.gov and statutes are accessible at www.leginfo.ca.gov.

In addition to these general statutes and regulations, affordable rents shall be limited by the provisions of H&S Code Section 50053 and CCR, Title 25, Section 6918. Affordable housing costs (for ownership projects) shall be limited by H&S Code Section 50052.5 and CCR, Title 25, Section 6920. Applicants are advised to fully familiarize themselves with the foregoing statutes and regulations.

The purpose of PDLP is to provide short-term predevelopment loans (one to two years) for necessary expenses, other than administration and construction, which are incurred by eligible sponsors in the process of, or prior to, securing financing for construction, preservation or rehabilitation of assisted housing, and which are payable immediately upon construction loan closing.

Application Process

Those eligible sponsors seeking loans must submit a PDLP application on HCD forms, which must not be modified. **The latest application has a revision date of February 2013.** Loan applications may be downloaded from HCD's website at <http://www.hcd.ca.gov/fa/pdlp/>. Applicants must return the original application, and one copy, to the PDLP at the address listed on page five. Electronic or facsimile submittals will not be considered.

Applications will be received on an over-the-counter basis. **It is highly recommended that the applicant contact PDLP staff before submitting an application to confirm funding availability.** Applications will be reviewed for completeness, eligibility of applicant and compliance with this NOFA, H&S Code Sections 50052.5, 50053, 50093.5 and 50530 et seq. and CCR, Title 25, Sections 6918, 6920 and 7000 et seq. Should PDLP receive complete and eligible applications for more than the available

amount of funds, priority will be given to: (1) the rural set-aside; and (2) projects located in public transit corridors as defined in H&S Code Section 50093.5, or projects used for the preservation and acquisition of existing government-assisted rental housing at-risk of conversion to market-rate use. Within this category, the Department shall give priority to those applications that include matching financing from local government agencies or federal programs.

Applications will also be evaluated by HCD for such factors as affordable housing development experience, reasonable expectation, as determined by HCD, for obtaining construction or permanent financing at terms as proposed in the application, the need for housing and proposed cost of the land and/or housing development, and other factors listed in CCR Title 25, Section 7004(d). Applications having material internal inconsistencies or lacking essential information will be considered incomplete and be held pending clarification, correction or completion. Staff will provide ongoing technical assistance to those applicants who have submitted eligible, but incomplete applications.

Completed loan applications and the staff recommendations will be considered either by the Deputy Director of the Division of Financial Assistance or HCD's Local Assistance Loan and Grant Committee (Committee).

HCD reserves the right to reject an application from applicant(s) with a history of non-compliance, and/or non-performance, on other HCD program loans or grants.

Right to Modify or Suspend

HCD reserves the right, at its sole discretion, to suspend, amend, or modify the provisions of this NOFA. If such an action occurs, HCD will notify all interested parties.

Disclosure of Application

Information provided in this application will become a public record available for review by the public pursuant to the Public Records Act. As such, any materials provided will be disclosable to any person making a public records request. As such, HCD cautions you to use discretion in providing information that is not specifically requested, including but not limited to, bank account numbers, personal phone numbers and home addresses. By providing this information to HCD, the applicant is waiving any claim of confidentiality and consents to the disclosure of all submitted material upon request.

Please direct requests for applications or more information to:

Department of Housing and Community Development
Predevelopment Loan Program
P.O. Box 952054, MS 460
Sacramento, CA 94252-2054

Staff contact for the Predevelopment Loan Program:

Diane Snyder, Program Manager
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website: <http://www.hcd.ca.gov/ca/pdlp/>

Physical Address:
1800 Third Street, MS 390
Sacramento, CA 95811

Thank you for your interest in the Predevelopment Loan Program.