

PREDEVELOPMENT LOAN PROGRAM (PDLP)

**2014
Notice of Funding
Availability**



**State of California
Governor Edmund G. Brown Jr.**

**Claudia Cappio, Director
Department of Housing and Community Development**

**Laura Whittall-Scherfee, Deputy Director
Division of Financial Assistance**

December 2014

NOTICE OF FUNDING AVAILABILITY (NOFA) PREDEVELOPMENT LOAN PROGRAM

Purpose of Program

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.

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 [California Code of Regulations, Title 25, Section 7005](#).

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 [State Income Limits](#).

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 \$1,450,000. If valid rural applications have not been received for at least this amount by February 28, 2015, the unused portion will be made available to all applicants for the remainder of the term of the NOFA.

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 allowed under CCR, Title 25, Section 7005(a)(5) may require the payment of prevailing wages pursuant to the California Labor Code commencing with Section 1720 (the law regarding prevailing wages, which is administered by the State Department of Industrial Relations). Applicable construction activities may include work performed during the design and preconstruction phases of construction including, but not limited to, site preparation, 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 preparation shall not exceed \$100,000. For a loan in excess of \$100,000 for purposes other than the purchase or refinance of real property or site development to be considered for a waiver by HCD, the loan must be secured by real estate, with a loan-to-value ratio not to exceed 100 percent of the fair market value.

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. Payment of all principal and accrued interest is due upon closing of construction or permanent financing, but no later than two years.

Borrowers must provide adequate security for loan funds advanced by HCD. If the Borrower owns any land associated with the project, a deed of trust shall be recorded against the fee estate prior to release of any PDLP funds. If the borrower does not yet own any land associated with the project, but acquires it during the term of the loan, a deed of trust will be recorded against the fee estate at the time the acquisition transaction is closed (unless full repayment is made at that time). Additionally, a Promissory Note, and an Assignment of Professional Services, if applicable, will be executed by the Borrower in favor of HCD for all loans.

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

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

Authority 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 Program Regulations are accessible on HCD's website at [PDLP Webpage](#). Other regulations cited in this NOFA are accessible at [Office of Administrative Law website](#) and Program Statutes are accessible at [PDLP Statutes](#).

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.

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 December 5, 2014.** Loan applications may be downloaded from HCD's website at [PDLP Webpage](#). Applicants must return the original application, and one copy, to the PDLP at the address listed (page 5). Applications must be signed by an authorized representative of the Sponsor organization or entity, as verified by a resolution included in the application submittal. Electronic or facsimile submittals will not be considered.

Applications will be received on an over-the-counter (first-come-first-serve) 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.

Applications will also be evaluated by HCD for such factors as: (1) affordable housing development experience, (2) reasonable expectation, as determined by HCD, for obtaining construction or permanent financing at terms as proposed in the application, (3) the need for housing in the identified area and proposed cost of the land and/or housing development, and (4) 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.

If at any point in time during this open NOFA the PDLP Program should receive complete and eligible applications on the same day requesting more funding than the remaining available amount of funds, priority will be given to applications in the following order:

- (1) If the percentage of awards restricted for the rural set-aside has not been met, then to projects located in rural areas;
- (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;
- (3) the percentage of units in the Assisted Housing development that will be occupied by Very Low Income Persons/Households;
- (4) projects that incorporate innovative or energy efficient design and techniques which promote affordable development costs and/or operating expenses; and
- (5) those applications that include matching financing from local government agencies or federal programs.

In the event of oversubscription, incomplete applications may be disqualified from rating and ranking in the sole judgment of HCD. In the event there is no oversubscription, staff will provide ongoing technical assistance to those applicants who have submitted eligible, but incomplete applications.

Completed loan applications and PDLP staff recommendations will be considered by the Deputy Director of HCD's Division of Financial Assistance or the Internal Loan 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
Division of Financial Assistance
Predevelopment Loan Program
P.O. Box 952054, MS 650
Sacramento, CA 94252-2054

Application Packaging and Submittal

Applications must be submitted on forms provided or approved by HCD. Application forms must not be modified. The Application form will be available on HCD's website on or about December 5, 2014. HCD will only accept applications through a postal carrier service such as U.S. Postal Service, UPS, Fed Ex or other carrier services that provide date stamp verification confirming delivery to HCD's office at:

Predevelopment Loan Program
Department of Housing and Community Development
Division of Financial Assistance
2020 W. El Camino Avenue, Suite 500
Sacramento, CA 95833

A complete original application, plus one copy, must be received by HCD via postal carrier **no later than 5:00 p.m. on Thursday, April 30, 2015**. No facsimiles, late applications, incomplete applications, application revisions, electronically transmitted, or walk-in application packages will be accepted. Applications must meet all eligibility requirements upon submission. Applications having material internal inconsistencies may not be rated and ranked. For application questions, contact the following Predevelopment Loan Program staff:

Steven Marshall, Program Manager
(916) 263-6115/Fax: (916) 263-3393
E-mail: steven.marshall@hcd.ca.gov

Deborah Palmer, PDLP Loan Officer
(916) 263-1412/Fax: (916) 263-2764
Email: deborah.palmer@hcd.ca.gov

Website: [PDLP Webpage](#)