

Mixed-Use Pre-development Loan

To increase the availability of affordable rental housing and to revitalize aging downtown structures, we extend secured, short-term working capital loans to both for-profit and non-profit developers. These projects are generally for the stabilization and soft costs associated with the design and development phase of a project.

Requirement for Community Needs Tracking

- At least 50% of housing units must be reserved for affordable apartment rental or sale to individuals or families earning 80% or less of area median income or demonstration that the project is part of a municipality approved revitalization plan providing a needed community or social service.
- Periodic reporting is required.

Project/Borrower Characteristics

- Project developer should have experience in real estate development and a history of successful project initiation and completion.

Other Conditions

- Borrower must be a legally organized entity.
- Borrower should demonstrate the financial resources and capacity to carry any existing or projected short-term operating deficit. Borrower must be able to demonstrate and/or provide a minimum of two months debt service reserve.
- Market demand must be adequately demonstrated by market data, current market study, property operating statistics and survey of realtors operating in the project market area.
- Project must demonstrate a potential for a positive cash flow. Debt coverage ratio must be adequate to service the debt being extended and any other sources of financing.
- Underwriting based on alternate cashflow sources; potential for equity appreciation; experience and history of the entity developing the project; and the potential for equity contributions from federal, state, local or grant sources. General community support, impact and the economic contribution of the project to the community will be considered in underwriting.

Loan Amounts

Minimum: \$25,000
Maximum: \$100,000

Rate Structure

Based on current market conditions and risk analysis

Maturity Terms

Loans may be extended up to 24 months on an interest only basis

Collateral

1st or 2nd deed of trust on the site being developed or other real estate or alternate collateral

Origination Fees

1 to 2% depending on transaction size and complexity

Late Payment Fees

5% to a maximum of \$250 after the 10th day

Prepayment Penalty

None

Loan-to-Value Guidelines

Generally 10% equity required; up to 100% based on risk analysis, guarantor strength

Guarantees

Property owners, principals, partners or majority stockholders generally; parent organization, if applicable

Environmental Assessments

Phase 1 required on real estate secured transactions, Phase 2 may be required based on Phase 1 findings; housing transactions may require due diligence; remediation required

Acceptable Equity

Existing equity or enhanced equity appreciation based on the preliminary appraisal

