

NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS
NJHOMES LAUNCHPAD
PREDEVELOPMENT FUND

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FUNDING PURPOSE

The NJHOMES Launchpad Predevelopment Fund is intended to provide access to project-specific assistance on eligible pre-development expenditures for municipalities that are a part of NJHOMES Launchpad that have established partnerships with non-profit developers for affordable housing development within their community.

NJHOMES Launchpad predevelopment fund may be used to provide two (2) types of predevelopment loans:

1. Site-Control Loans (**Site Control Loan**); and
2. Project-Specific Seed Money Loans (**Seed Money Loan**).

NJHOMES Launchpad municipalities include:

1. Borough of Far Hills
2. Borough of Palisades Park
3. City of Salem
4. City of East Orange
5. Montclair Township
6. Township of Mendham
7. Fairfield Township
8. Stafford Township
9. East Amwell Township
10. Evesham Township

Non-profit developer is defined as:

- a non-profit or not-for-profit corporation or company, duly incorporated and in good standing under applicable provincial or federal legislation, that operates exclusively for affordable housing development, social welfare, civic improvement, or any other purpose besides profit. No part of its income is payable or otherwise made available for the personal benefit of any proprietor, member, or shareholder thereof.

FUNDING OVERVIEW

All requests for and uses of either the **Site Control Loan** or **Seed Money Loan** must be related to a specific project which, if deemed feasible, could qualify for funding from federal, state and local affordable housing programs. An overview of both loan types may be found in the table below:

ITEM	SITE CONTROL LOAN	SEED MONEY LOAN
Objective	Covers project costs necessary to determine project feasibility and gain site control for a specific 100% affordable housing projects not exceeding 25 units.	Covers pre-construction costs for a specific 100% affordable housing project not exceeding 25 units.
General Requirements and Restrictions	Loan used prior to site-control.	Non-profit developers must have site control, preliminary financial commitments, and a capable development team.
Eligible Uses	Initial feasibility; Consulting fees; Cost of preliminary financial application; Fees: architects, legal, engineers; Site control expenses; and Title clearance costs.	Cost of construction loan commitments; Architectural plans and specifications; Cost for planning and/or zoning approvals; Costs for engineering studies; and Legal fees.
Loan Terms	Maximum Request: \$75,000 or \$150,000 Interest Rate: 0% Expended Terms: 12 months Repayment Term: 36 months	
Disbursement	100% Advance	
Reporting	Quarterly Reporting required in SAGE until repaid.	
Repayment	Repaid from construction loan or other project income. ¹	

¹At the discretion of NJDCA, the loan repayment may be waived, in whole, or in part if there are impediments to project development which NJDCA determines are reasonably beyond the control of the developer..

PROJECT FUNDING

The maximum loan amount is \$75,000 for either the **Site Control Loan** or the **Seed Money Loan** individually, or \$150,000 in **combined funding**, for any one development. One application per entity is permitted in any given State Fiscal Year (SFY)- July 1 through June 30- and all awards are subject to the availability of funds. Applications are accepted on a rolling basis until the funds are expended.

Organizations must provide a clear project description for an affordable housing development project that demonstrates the project's eligibility for federal, state and local affordable housing resources. ***However, an award from the NJHOMES Launchpad Predevelopment Fund does not guarantee the project will receive additional funding from NJDCA.***

Predevelopment Loans will be secured with the project site if available. Otherwise, funds will be unsecured for up to a 36-month term. The loan may not be used toward general operating expenses, hard construction costs, developer fees and activities not connected with the creation and preservation of the proposed affordable housing project. Applications must identify all secured and anticipated sources and uses of funds.

ELIGIBLE COSTS & PROJECT ACTIVITIES

SITE CONTROL LOAN ELIGIBLE COSTS

All costs must be related to a specific, eligible, affordable housing project (see below for list of eligible project costs). Applicants must identify the specific predevelopment costs in their application for NJHOMES Launchpad Predevelopment Funding.

A Site Control loan may be used to cover specific predevelopment costs. These costs include:

- Initial feasibility study;
- Consulting fees;
- Costs of preliminary financial applications;
- Legal Fees;
- Architectural fees;
- Engineering fees;
- Engagement of a development team;
- Option to acquire property;
- Site control; and
- Title clearance.

Project predevelopment costs may not exceed customary and reasonable project preparation costs.

SITE CONTROL LOAN PROVISIONS

Site Control loans are intended to cover the costs related to determining preliminary feasibility and obtaining site control of a specific, eligible, affordable housing project. The maximum loan amount is \$75,000 for any one development.

Loans made under this program may be forgiven if NJDCA determines that impediments to the development are reasonably beyond the control of the borrower. ***The developer should request Site Control project predevelopment assistance only where there is a reasonable expectation that the project will prove feasible.***

SEED MONEY LOAN ELIGIBLE COSTS

All costs must be related to a specific, eligible, affordable project (see below for list of eligible project costs). Applicants must identify the specific predevelopment costs with their application for the NJHOMES Launchpad Predevelopment Funding.

A Seed Money Loan may be used to cover specific predevelopment costs:

- Costs of obtaining firm construction loan commitments;
- Architectural plans and specifications;
- Planning and/or Zoning Approvals;
- Engineering Studies; and
- Legal Fees.

SEED MONEY LOAN PROVISIONS

Seed Money loans are intended to cover preconstruction project costs that NJDCA determines to be customary and reasonable. The maximum loan amount is \$75,000 for any one development. Project predevelopment costs may not exceed customary and reasonable project preparation costs.

Applicant must provide evidence of the following with application:

- That the proposed development is financially feasible;
- There is a market need for the proposed development;
- Site control has been secured (as evidenced by a deed, a sales contract, or an option contract to acquire the property);
- Receipt of a preliminary letter of commitment for either construction financing or a permanent mortgage financing from a private lender, if such financing is required for the development; and
- Demonstration of the developer's staff capacity to implement the proposed development.

Loans made under this program may be forgiven if there are impediments to the development that NJDCA determines are reasonably beyond the control of the borrower. The developer should request project Seed Money predevelopment assistance only where there is a reasonable expectation that the project will prove feasible.

INELIGIBLE ACTIVITY COSTS FOR PREDEVELOPMENT FUND LOANS (SITE CONTROL LOANS & SEED MONEY LOANS)

The following are ineligible costs under the NJHOMES Launchpad Predevelopment Fund:

- Construction hard costs;
- Tax Credit Application or related Fees;
- Developer fees;
- General operating expenses of the organization; and
- Any activities not connected with the creation or preservation of the proposed affordable housing project.

Other restrictions include:

- Architectural and engineering reports must be focused on developing a physical program for a structure or parcel of land. The site-specific study must define all details related to the installation, repair and application of all the materials, equipment, and structure of the building. The description of the works must be refined into specification documents which, together with the detailed scaled drawings, form the basis of the design.
- The project site must be identified before an application can be submitted.
- Funds may not be used to pay for activities currently funded by another funding source.
- Legal fees related to closing are only permissible for Site Control Loans. All other legal fees must be incurred at least twelve (12) months before construction or permanent loan closing.
- Consultants receiving funds pursuant to this grant may not have an existing relationship (current employment, contractual or voluntary) with the organization during the term of this loan.

ELIGIBLE PROJECT ACTIVITIES

The NJHOMES Predevelopment Fund is intended to ensure developers have project-specific assistance on eligible predevelopment expenditures. This Fund will enable a developer to determine the financial feasibility or assist with pre-construction costs of an NJDCA affordable housing development -eligible activity. An NJDCA affordable housing development-eligible activity includes:

- Funds to develop and support affordable rental housing and homeownership opportunities through the acquisition, new construction, reconstruction, or rehabilitation of permanent, affordable housing that includes suitable amenities.

INELIGIBLE PROJECT ACTIVITIES

The following are ineligible activities under the NJHOMES Launchpad Predevelopment Fund:

- Public housing projects;
- Performing owner-occupied rehabilitation;
- Group homes, congregate housing or single room occupancy (SRO) units;
- Acquisition, rehabilitation, or construction of nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, or student dormitories;
- Rehabilitation of mobile homes;

- Acquisition, rehabilitation, refinancing, or new construction if any part of a development or its land is located within the boundaries of a 100-year floodplain (a flood determination must be provided for each parcel associated with the project);
- Acquisition, rehabilitation, or construction of any developments that exceed 25 units;
- Any housing activity funded under Title VI of NAHA, prepayment of mortgages insured under the National Housing Act, public housing developments, or acquisition, rehabilitation, or construction of any developments funded under HUD's former Rental Rehabilitation Program;
- Costs for supportive services, homeless prevention activities, operating expenses, or for the use of commercial facilities for transient housing;
- Acquisition, rehabilitation, or construction of transitional housing or emergency shelters that are designed to provide temporary daytime and/or overnight accommodations for homeless persons;
- Tenant-based rental assistance; and
- Payment of delinquent taxes, fees or charges.

REPAYMENT

Predevelopment loans are to be repaid from the first available construction funds or other available project income.

If the applicant does not obtain construction or permanent loan financing within 36 months, the Predevelopment Loan becomes due and payable. Loans made under this program may be forgiven if NJDCA determines that impediments to development are reasonably beyond the control of the borrower.

REPORTING

Grantees shall submit quarterly progress reports via SAGE until the loan is repaid. Progress reports will provide detailed updates on achievement of project milestones, explanations of and mitigation strategies to address milestones that are behind schedule and an updated project timeline, where necessary.

APPLICATION PROCESS

Applications are reviewed on a first-come, first-served basis and shall be available via SAGE. An Application Guide will be available on the SAGE site along with the NJDCA NJHOME website. NJDCA Housing Production Unit staff are available to assist applicants with completing the application and performing due diligence associated with obtaining a NJHOMES Launchpad Predevelopment Loan.