



# PREDEVELOPMENT LOAN

## APPLICATION AND PROGRAM GUIDE

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## COMMUNITY DEVELOPMENT FINANCE AUTHORITY

The Community Development Finance Authority (CDFA) is a statewide nonprofit public authority focused on maximizing the value and impact of community development, economic development, and clean energy initiatives throughout New Hampshire. The organization leverages a variety of financial and technical resources, including the competitive deployment of grant, loan, and equity programs.

At CDFA, we see a future New Hampshire whose communities are economically and socially resilient, reflect and respect their natural surroundings, and are places where people want to live, work, and play

CDFA invests in the people of New Hampshire by:

- deploying a well-tuned, effective investment system;
- enabling its partners to make transformational and sustainable changes; and
- taking an innovative and collaborative approach to development finance.

## PROGRAM OVERVIEW AND OBJECTIVES

CDFA seeks to help communities, businesses, and nonprofit organizations advance projects from concept initiation & planning to funding & implementation, by providing:

1. Sophisticated technical assistance; and
2. Dependable funding at the beginning phases of project development.

These two areas of identified need, coupled with CDFA's mission to invest in New Hampshire's people and communities, led to creation of the Predevelopment Loan Program.

The program offers loans for predevelopment activities, such as: studying the feasibility of renovating a downtown building, gathering public input on a project idea, developing a business plan for a new facility, creating architectural drawings, or seeking planning and zoning approval. Loans of up to \$100,000 are available. Eligible projects must stand a reasonable chance of being financed and initiated within two years of the award.

In its pilot phase, the Predevelopment Loan Program supported two projects. The first: an \$85,000 loan to fund the documentation, design, and draft programming of a downtown revitalization project that included a historic theatre. These predevelopment activities set the stage for the eventual purchase and renovation of the subject buildings. The second: a loan of \$24,000 supported the historic assessment of a mill building central to the applicant community's downtown economic revitalization plan. The completed assessment led to a successful capital campaign to renovate the mill.

In each case, a predevelopment loan enabled the project to move forward more quickly and helped solidify a case for large-scale financing to complete the project and repay the predevelopment loan. Both resulted in renovated buildings that have helped anchor downtown rejuvenation, spur additional economic development, and create new jobs in the heart of their community.

The Predevelopment Loan Program seeks to achieve the following objectives:

- provide financial and technical resources to explore and refine potential community economic development projects that would not otherwise move forward;

- develop a more robust community economic development technical assistance and financing network;
- help move qualifying projects to final approval and financing; and
- use successful results to promote the program and expand its reach and effectiveness.

## ELIGIBILITY

Eligible applicants include community development corporations, other nonprofit organizations involved in community development, employee and other types of cooperatives, municipalities, and for-profit businesses.

## GUIDELINES

### Loan Amount

Eligible organizations may apply for \$10,000 to \$100,000 in loan funds.

### Loan Term

Up to 24 months, based on anticipated closing of final construction/project financing, with ability to extend based on satisfactory progress and ability to close within a proposed extension period.

### Interest

Loans will accrue simple interest at a rate of 6% during the term of the loan. Typically interest and principal is due and payable at the closing for the proposed project's final construction financing package.

### Collateral/Guaranty

Loan collateral or a guaranty is not a required element of the Predevelopment Loan Program. Depending on individual circumstances, CDFA may seek security for predevelopment loans if assets are available (through a mortgage, property lien, guaranty, etc.).

### Permitted Uses of Funds

All reasonable, third-party predevelopment costs are permitted, including: preliminary feasibility assessment, architectural and engineering studies, environmental assessment, energy audit, renewable energy consultation, historic and development consultants, schematic or other drawings, option payments or property acquisition, legal fees, pre-authorized staffing costs by the applicant organization, and any other costs approved by CDFA.

Up to 15% of the total loan amount (not to exceed \$15,000) may be spent on preliminary feasibility assessment, including early market scoping, market studies, cost estimates, community meetings, etc. Funds may not be used for prepayment of developer fees or for costs incurred before a loan is approved.

## HOW TO APPLY

**Pre-application consultation with CDFA staff is required before submitting a formal application. To discuss your project idea and possible loan needs, please contact CDFA at 603-226-2170, or email Director of Economic Development Kevin Peterson at [kp@nhcdfa.org](mailto:kp@nhcdfa.org).**

All applications must be completed and submitted on CDFA's Grants Management System ([www.nhcdfragrants.org](http://www.nhcdfragrants.org)). More information on how to use the Grants Management System can be found on the CDFA Resource Hub ([link](#)). The application must include details on the proposed project, the extent to which the project aligns with program objectives, and any relevant information to help CDFA determine the applicant's capacity to complete or coordinate predevelopment activities.

All applicants will be subjected to programmatic and financial review.

An outline of CDFA's Predevelopment Loan Program application can be found in Appendix A. CDFA's scoring rubric for the Predevelopment Loan Program can be found in Appendix B.

Upon receipt of a completed application, CDFA will provide a final decision on any predevelopment loan request within 30 days.

## EVALUATION

All Predevelopment Loan Program applicants receive programmatic and financial review.

Proposed projects for predevelopment loan funding must have a reasonable chance to proceed to final planning, financing and implementation. Applications must address the following scoring criteria:

- The applicant has site control and has received or is seeking approval for all applicable environmental, zoning, building, planning, and sanitation laws and regulations needed for the proposed project.
- The proposed project has a public purpose or provides clear, quantifiable public benefits.
- The proposed project has demonstrated community support, or a plan to develop such support.
- The applicant has the management, organizational and financial capacity to coordinate and oversee predevelopment activities.
- CDFA's support is necessary to enable predevelopment activities and to help advance the proposed project to the final stages of planning, financing and implementation. No other funding sources are available to cover predevelopment activities related to the proposed project or, if available, are insufficient to cover all anticipated predevelopment costs.

Appendix B provides the scoring rubric.

## APPENDIX A: APPLICATION OUTLINE

Below is an application outline for the Predevelopment Loan Program. Applications are accepted on a rolling basis until funds are expended. Applications may be submitted at any time through our online Grants Management System ('GMS') ([www.nhcdgrants.org](http://www.nhcdgrants.org)). More information on how to use the Grants Management System can be found on the CDFA Resource Hub ([link](#)).

Hard copy or emailed applications will not be accepted.

### I. Applicant Information

- **Primary Contact**
- **Authorized Official/Authorized Official email**
- **Organization Information**
- **DUNS# / Executive Council District / CCR#**

### II. Statutory Eligibility

- **Choose Eligible Applicant Type (select ONE)**
  - Community development corporation
  - Nonprofit organization involved in community development
  - Employee cooperative
  - Other type of cooperative
  - Municipality
  - Business
- **Proposed Project Type**
  - Community Economic Development
  - Housing
  - Both
- **Eligibility Threshold Attachments**
  - Articles of Incorporation
  - Bylaws
  - IRS Determination Letter (if applicable)
  - Proof of Good Standing – New Hampshire Secretary of State

### III. Proposed Project Information

- **Project Name**
- **Project Address** (if identified)
- **Executive Summary**  
Briefly describe the proposed project.
- **Property Description**  
Provide detailed information on the subject property, its ownership structure, and the status of site control.  
  
Provide copies of any existing studies, reports, agreements, purchase-and-sales documents, engineering information, etc.  
  
Please describe the historical significance of your project property, if applicable. (i.e. Is it listed on the National and/or State Register of Historic Places? Is it located in a local historic district?)
- **Proposed Project Timeline and Readiness**  
Provide a proposed technical assistance/predevelopment timeline, including the anticipated closing date

for final project financing.

Provide a list and status of Federal/state/local permits, approvals, agreements, or other requirements necessary to complete the project (i.e. environmental, historical, zoning, planning, site-plan review). If not yet secured, describe the strategy and timeline for securing them.

#### **IV. Public Benefit and Purpose**

- **Project Information and Public Benefit Attachments**

- Map of project location or area
- Photos and/or renderings of project property
- Evidence of planning, zoning, and/or any other state or local approvals (if applicable)
- Evidence of site control (Purchase and Sale or Lease Agreement) (if applicable)
- Letters, news articles, studies in support of project (Use “other attachments” for add’l documentation)
- Historical Information (if applicable)

- **Community Input and Support**

What process was used or is proposed to gather community input on the proposed project?  
Has this project been the subject of any public hearings or forums? Explain with relevant detail.

#### **V. Management Capacity**

- **Management Team**

- **Staff** - Describe your organization’s current staff and their capacity to carry out/oversee the proposed work. Please describe who will be responsible for oversight, reporting, and other compliance activities. In addition to staff, what roles will your Board of Directors, volunteers, consultants, and others have in the implementation of the feasibility and/or predevelopment activities?
- **Board** - List of or link to Board of Directors (including individual board member affiliations)

- **Financial Capacity (For further information consult CDFA’s Resource Hub)**

- Fiscal Year start and end dates
- Operating Budget – Current Fiscal Year
- Operating Budget-to-Actual – Most Recently Completed Fiscal Year
- Most Recent Financial Statement – submit one of the following:
  - Audited financial statement (required for orgs w/annual operating budget >\$1M); or
  - Reviewed financial statement (required for orgs w/annual operating budget of \$500K-\$1M); or
  - IRS Form 990 (required for orgs w/annual operating budget <\$500K)
  - The above list outlines the minimum requirements, but please submit the most detailed and comprehensive document that you have. For instance, if your organization has \$400,000 in annual operating revenue, and you have an audited financial statement prepared each year, please submit the most recent audit (NOT the IRS 990). There is no need to submit multiple documents for this section.
- Management-prepared financial statements for the current Fiscal Year (Balance sheet, profit-and-loss statement, cash flow statement)
- Organization Financial Overview – A narrative describing the organizations’ current financial situation.
- Operating Reserve – Does your organization have one (Y/N). If yes, amount & status.
- Endowment – Does your organization have one (Y/N). If yes, amount & status.
- Line of Credit – Does your organization have one (Y/N). If yes, amount & status.

#### **VI. Project Funding and Budget**

- **Project Funding**

Why does the proposed project need technical assistance and/or predevelopment funding?  
What other sources have you pursued and what is the status of other funding?

- **Project Budget (Sources and Uses)**

Indicate CDFA and other sources.  
Include a description of each budget line item.

- **Budget Narrative**  
Provide a detailed description of sources and uses, how amounts were derived, etc.
- **Potential loan collateral/guaranty**  
Describe any potential collateral that may be available to secure the loan.

## **VII. Certification**

Prior to application submission, CDFA requires an Authorized Official of the organization to sign a certification.

An Authorized Official can be the Executive Director, Chief Executive Officer, Board Officer, or other person authorized by the applicant organization. The Authorized Official will be asked to certify that the application is being submitted with the full knowledge and approval of the organization's Board of Directors and that the organization will comply with New Hampshire conflict of interest laws (as defined by RSA 7:19-a and RSA 292:6-a) and CDFA's Privacy Policy (in compliance with RSA 91- A, New Hampshire's Right-to-Know law.).

Should the applicant organization be awarded a predevelopment loan, CDFA will require a board resolution approving the proposed loan terms and documents.

## APPENDIX B: PREDEVELOPMENT LOAN PROGRAM SCORING RUBRIC

<u>Review Category</u>	<u>5 points</u>	<u>3 points</u>	<u>1 point</u>
Project Readiness	Clear timeline defined; all key elements are in place; final financing package nearly complete; closing date set	Tentative timeline defined; most key elements are coming together; some financing secured; tentative closing estimated	Timeline not very clear; early in project development; most project elements still to be completed; little or no financing secured; no closing date
Site Control	Affected site is owned, leased or controlled by applicant or affiliate	P&S or other formal agreement in place with tentative closing set	No site control secured, but general agreement with seller
Permitting	All relevant permits secured	Some permits secured, others in process	No permits secured, but applications submitted
Community Benefit	Multiple benefits for a wide variety of people in the community; project would serve a broad cross-section of residents	Benefits some community residents; project would serve a more-narrow or limited cross-section of the population	Limited community benefit; project would serve a narrow or very limited segment of a community or population
Community Support	Strong and documented community support	Some tentative community support, but more work needs to be done	Plan for community input developed but no clear statement of community support yet
Management Team	Strong team with experience developing or managing large and complex projects	Good team, some experience with project development and/or management	Good team, but little or no experience with project development or management
Organizational Capacity	Organization has positive track record with project development and/or management; strong mission alignment	Organization has done one or more projects in the past; good mission alignment	Little or no previous history with project development and/or management; limited mission alignment
Financial Capacity	Strong balance sheet and extensive experience raising capital funds	Good balance sheet, but limited experience raising capital funds	Shaky financial situation or little to no experience with capital projects
Need for CDFA funding	No other sources available; CDFA funds will make or break the success of the project, or result in significant savings	Some other funding sources may be available	More than one other pre-development source available but not tapped
Intangible/other factors	Strong intangible factors that warrant loan capital	Moderate intangible factors that warrant loan capital	Limited intangible factors that warrant loan capital

## APPENDIX C: LOAN DOCUMENTATION AND ADMINISTRATION

If a predevelopment loan is approved, the following will constitute the loan documentation. Following approval, approximately two weeks is needed for loan processing.

### **Loan Commitment Letter**

This letter includes the amount authorized by CDFA that may be drawn for the project, specific loan terms, and any special conditions pertaining to the loan commitment.

### **Loan Agreement**

Borrowers must enter into a loan agreement with CDFA using a standard master loan agreement form, which is designed to be easily amended to cover any anticipated subsequent CDFA loan commitments to the borrower for the same project. The loan agreement includes a 'maximum loan amount' that CDFA might provide to the project. In some cases, this amount will exceed the initial loan amount authorized by CDFA thus anticipating the possibility of future allocations.

### **Promissory Note**

The note is the evidence of indebtedness. This document also specifies the 'maximum loan amount' for which the borrower may qualify for a particular project.

### **Board Resolution**

The board of directors of the borrowing organization must authorize borrowing up to the 'maximum loan amount,' the granting of guarantees or assignments (if required), and designation of an individual to sign the documents with CDFA on the borrowing organization's behalf. A written resolution documenting the board's approval is required.

In cases where the borrower and the developer are separate, legal entities, both the borrower and developer are required to execute the loan documents. In addition, the developer, as the recipient of the construction/final loan proceeds that will retire CDFA's loan, may be required to guarantee repayment. In some cases, the CDFA loan will be closed prior to the creation of the entity that will serve as the developer. In such cases, the loan agreement may stipulate that the borrower will have a separate developer agreement and guarantee executed when the development entity is formed.

## **LOAN ADMINISTRATION**

If a predevelopment loan is approved, the following will constitute loan administration.

### **Disbursements**

After a loan is executed, the borrower submits claims for reimbursement through CDFA's Grants Management System (GMS) and attaches invoices approved for payment, as well as work products, and other documentation. If all or part of the disbursement will cover the cost of an application or commitment fee, instead of an invoice, borrower attaches a copy of the document indicating the amount to be paid, the date when payment is required and the name and address of the payee. Detailed instructions for submitting claims in GMS are provided with signed loan documents.

### **Loan Modification**

If project costs and activities justify, the borrower may request an increase in the loan amount above the approved 'maximum loan amount' in the loan agreement. The request must be submitted in writing, along with detailed justification and a revised project budget. If CDFA approves an increase above the previously approved loan amount, CDFA will execute a Loan Increase Commitment Letter. The letter revises the schedule of approved costs and disbursements contained in Exhibit A of the loan agreement, and serves functionally as a loan amendment.

### **Repayment Terms**

The full amount of principal and accrued interest is due and payable on or before the closing date for the final project financing package. There is no penalty for prepayment. CDFA may forgive repayment of this loan if, in the sole opinion of CDFA, the project becomes infeasible due to financial, regulatory, or other circumstances beyond

the control of the borrower. Borrower must submit a written request to forgive repayment with a detailed explanation why the project will not move forward and why the borrower is unable to repay the balance owed.

**Reporting**

Borrower must provide a brief progress report on the overall project with each claim request. If the borrower does not have a claim to submit in a calendar quarter, borrower must provide a brief written update on project progress by the end of each calendar quarter (March 31, June 30, September 30, December 31).

Prospective applicants are required to consult with CDFA staff before submitting a formal application to the Predevelopment Loan Program. For more information, please contact Kevin Peterson, Director of Economic Development, at 603-226-2170 or email [kp@nhcdfa.org](mailto:kp@nhcdfa.org).