OVERVIEW – SITE DEVELOPMENT LOANS

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WHAT IS A SITE DEVELOPMENT LOAN AND HOW DO I GET ONE?

• Statutory Authority From Section 523 [42 USC 1490c(b)(3)] and Section 524 [42 USC 1490d(a)(1)]
• Regulation 7 CFR Part 1822, Subpart G, plus RD Instruction 444.8 and 1944-I, Exhibit F
• Application Steps:
  o Letter to USDA Rural Development with the following information included in or attached to the letter: (444.8, XI A)
  o Name and address of the nonprofit, public, or tribal organization applicant.
  o Organizational and other authorizing documents, names and addresses of the applicant's members, directors, and officers; and if another organization is a member of the applicant organization its name, address, and principal business.
  o A current, dated, and signed financial statement showing assets, and liabilities, together with information on the repayment schedule and status of each debt. Most recent audit, if available.
  o Evidence of inability to obtain credit from other sources at affordable interest rates and loan terms for very-low, low, and moderate income site development.

Competitive Fixed Rate Flexible Repayment Term (Two Years + Extensions)
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- Regulation 7 CFR Part 1822, Subpart G, plus RD Instruction 444.8 and 1944-I, Exhibit F
- Application Steps (continued):
  - General description of the project which includes:
    - Location and size of tract or tracts to be bought and developed.
    - Number and size of individual sites planned together
    - Detailed plot plan, if available.
    - Preliminary engineering plans, if available.
    - Estimate cost and amount of loan request.
    - Explanation of applicant's financial contribution to the project.
    - A map showing the location of and other supporting information on neighborhood and existing community facilities and utilities.
    - How water and sewage systems, paved streets, sidewalks, lighting, and other utilities will be provided.
    - Evidence of need for the proposed sites by low- and moderate-income families (market survey or study).
    - Written evidence of any State, county or local planning, zoning or other ordinances imposing additional restrictions or requirements upon the proposed sites.
ARE THERE SITE DEVELOPMENT LOAN APPLICATION FORMS?

• Regulation 7 CFR Part 1822, Subpart G, plus RD Instruction 444.8 and 1944-I, Exhibit F
• Forms:
  o RD Instruction 444.8, Exhibit B, Loan Resolution
  o RD 400-1, Equal Opportunity Agreement
  o RD 400-4, Assurance Agreement
  o RD 400-6, Compliance Statement
  o RD 1910-11, Applicant Certification
  o OMB 1890-0014, Survey on Ensuring Equal Opportunity for Applicants including a DUNS # and CFDA 10.411
  o HUD 935.2B Affirmative Fair Housing Marketing Plan (SFH)
  or
  o HUD 935.2A Affirmative Fair Housing Marketing Plan (MFH)...yes, site development loans can also be used to purchase and develop affordable multi-family rental housing sites!
WHAT HAPPENS ONCE AN APPLICATION IS ELIGIBLE?

- Environmental Documentation & Review for Applications Determined Eligible is MANDATORY prior to Loan Approval or Breaking Ground:
  - Environmental Assessment Checklist (RD Instruction 1970-A, Exhibit C)
  - Exclusion by RD Staff following 1970-B, CEs if 1-4 dwelling sites impacting less than 10 acres.
  - EA by RD Staff following RD 1970-C for 5+ dwelling sites or 10+ acres with consultation:
    - SHPO / THPO (Historic Preservation, and possible Archeological Survey)
    - NRCS (Important Farmland and Wetlands)
    - FEMA, FWS (Flood and Coastal Resources)
    - FWS (Threatened / Endangered Species)
    - BLM, NOAA, NPS, USFS (Federal Land or River Designations)
    - State / Tribal Agencies (State EPA, Natural Resources, Agriculture, Tribes)
  - Preliminary Public Notice (14 to 30 days)
  - Final Public Notice
• Eligible Loan Purposes are purchase and development of adequate and affordable sites for very-low, low and moderate income households, including expenses incurred after receipt of an application for:
  o Construction of essential access roads, streets, utilities, and related equipment which will become a permanent part of the development.
  o If public water and waste disposal facilities are not available and cannot reasonably be provided on a community basis with other financing, including RD WEP loans and grants, funds may also be included for this purpose.
HOW MANY GOVERNMENT EMPLOYEES DOES IT TAKE TO MAKE THESE LOANS? 😊

• Well, more than one...right?! Area, State and National office roles include:
  
  o Environmental Review,
  o Application Technical Assistance,
  o Review of Engineering and Legal Agreements,
  o Review of Appraisal (as-is value, and as-developed value up to 100% LTV),
  o Recommendation to State Director (State Directors obtain National office concurrence for loan requests greater than $400,000),
  o Issue Letter of Conditions,
  o Contract Document Review,
  o Preconstruction Conference,
  o Closing and Draws,
  o Collection of Payments, and
  o Lien Releases
DOES THE LOAN HAVE TO BE REPAYED?

• Yes --- site loans are fully secured loans, not grants.
  o Secured by a RD first mortgage,
  o Lot prices established by the as-developed appraisal, and the actual cost of purchase, development and resale,
  o No established interest or principal payments are due except from lot sales proceeds,
  o Proceeds are collected from each individual lot sale, less seller paid expenses, typically financed with a Section 502 direct or guaranteed loan to the buyer, and
  o Extensions beyond the two year loan term are approved by the National office