



# GREATER MINNESOTA HOUSING FUND

Affordable Homes. Stable Communities.

## Predevelopment Lending

Brainerd Lakes Area Housing Forum | October 2024



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# Our priorities for housing access

GMHF invests in innovative and emerging strategies by developing new models, conducting demonstration projects, and launching new programs and financing tools at scale to address key housing priorities:



Support the **preservation of existing affordable housing**



Support **successful homeownership**



Support developers and communities to create **new affordable housing**



Support unhoused Minnesotans **and work to end homelessness**

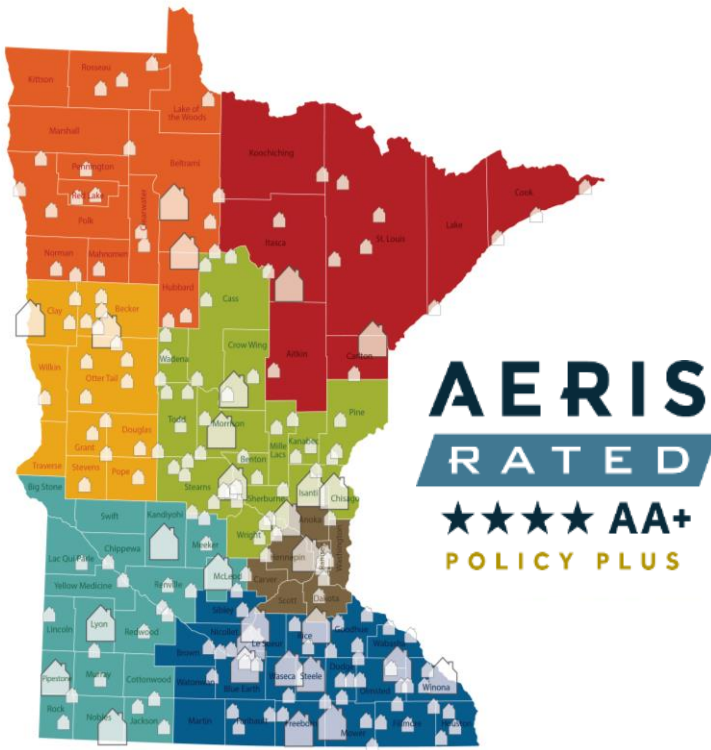
GMHF's innovations in successful regional approaches have become national models.

# Statewide Impact

More than just a lender, GMHF is known for its innovative and creative approaches to Minnesota's affordable housing challenges.

GMHF is Minnesota's leading non-profit funder of affordable housing with:

- \$1.1B invested
- 200+ Minnesota communities served
- 21,000+ homes financed for individuals and families with children from low to moderate income households
- \$3.74B mobilized and leveraged
- Robust research, innovation, advocacy



# Programs & Initiatives

## Emerging Developers of Color Program

This program offers grant funding, low-cost financing, technical assistance and training to support developers of color who are creating community-aware housing solutions.

## Housing & Health Equity Initiative

This initiative links healthcare partners with the housing community to create investment and innovation in housing —the most critical social determinant of health.

## Rural & Tribal Capacity Building Program

This program supports housing development and innovation in Greater Minnesota through grants, financing, advocacy and equity investment. Funded by GMHF and Blandin Foundation.

## Green Lending Initiative

This initiative works to create partnerships, programs, financing, and investment opportunities that advance green housing solutions in new and existing homes.

# What is “Capacity Building”?

***Time*** to do the work

***Talent*** to know how to get it done, extra help

***Tools*** unique to the situation

***Treasure*** to accomplish the goal

# Laying the Groundwork for Housing Development

- ✓ Technical assistance
- ✓ Grants and loans
- ✓ Predevelopment resource identification
- ✓ Strengthen local collaborations
- ✓ Advocacy for rural communities





Support for  
projects at  
GMHF

# GMHF Technical Assistance

## *Technical Assistance from Concept to Completion*

- ✓ Rural & Tribal Housing Capacity Building Program
  - Time, Talent, Tools, Treasure
- ✓ Emerging Developers of Color Program
  - Workshops, Coaching, Grant and Loan Funding
- ✓ GMHF Lending Team provides technical assistance related to a project's financial feasibility:
  - Underwriting income and expenses
  - Loan sizing and structuring debt
  - Coordinating with other funders
  - Determining borrower/guarantor financial capacity



## Lending at GMHF

# What type of lending does GMHF do?

- We are a CDFI (Community Development Financial Institution). We offer short-term, mezzanine, and long-term lending for the creation of new housing and preservation of existing housing
- Loans are offered at a fixed interest rate, lowering costs for the life of the loan
- Loan products for multifamily development projects and single-family construction/gap loans
- Loan products typically combined with other funding sources to help get projects fully funded



## Types of GMHF Lending

### Predevelopment Loans

Covers cost of a project at the beginning stages (before construction costs or mortgage costs)

**Term:** up to 36 months

### Acquisition Loans

For purchase of land or buildings before construction/rehab or mortgage costs

**Term:** up to 36 months

### Construction & Bridge/Gap Loans

For construction of new housing units or rehab of existing housing

**Term:** up to 36 months

### Permanent Financing (1<sup>st</sup> Mortgage)

Long-term financing for multi-family properties

**Term:** up to 25 years

### Construction-to-Perm 1<sup>st</sup> Mortgage

Converts a construction loan for building a project into long-term mortgage

**Term:** up to 25 years

### Mezzanine Loans (2<sup>nd</sup> Mortgage)

Low-cost financing that supports development of projects by replacing owner equity.

**Term:** up to 15 years

# Predevelopment Lending

- ✓ Flexible financing for predevelopment costs
- ✓ Examples of eligible uses include: architect design, consulting fees, application fees, third-party reports, legal fees and land acquisition
- ✓ Monthly interest-only payments with loan terms ranging from 12-36 months, and typical loan size between \$100,000 - \$500,000
- ✓ Loan is repaid upon when construction starts or when permanent (mortgage) financing is in place

# Evaluating a Predevelopment Loan Application

GMHF evaluates a project for a predevelopment loan by reviewing:

- ✓ Budget showing proposed sources and uses
- ✓ Borrower financials and ability to provide loan guarantee
- ✓ Timeline for project funding application and awards
- ✓ What is the take-out financing for the predevelopment loan?

# Birchwood Apartments, Grand Marais

Developer: One Roof Community Housing

- Acquisition/Rehab of 24-unit Rural Development property
- Project was awarded tax credits in 2023 Consolidated RFP
- Developer is using GMHF predevelopment loan to pay for architect design, tax credit application fees, consulting fees, legal fees and third-party reports
- Predevelopment loan will be repaid when the project closes on construction financing in 2025



Photo: Developer's website

# Thank you.