Predevelopment Loan Program Guidelines

Adopted August 24, 2026

1.0 Background

Predevelopment costs pose risk to development projects, because there are many ways for a project to fail prior to beginning construction. A project may run into unforeseen site constraints or fail to attract necessary investment. Meanwhile, predevelopment expenses must be incurred in order to study the site and design the project so the developer may pursue land use entitlements and pitch the project to potential funders. The risk is in some ways even greater for affordable housing projects, where developers must go through highly competitive public subsidy processes, and it may take years and multiple funding rounds to fully finance a project. Affordable housing developers need flexible public capital to lessen the risk of predevelopment activities so they can bring their projects to fruition more swiftly and with more certainty.

2.0 Mission and vision

Predevelopment funding is a priority of the City of Vancouver, because it enables projects to progress efficiently through design and begin the process of leveraging the other funds needed to bring affordable housing to our city.

The Affordable Housing Fund (AHF) identifies predevelopment expenses as eligible costs, and the City's Housing Action Plan cites creation of a predevelopment loan program as a priority.

The Predevelopment Loan Program (PLP) aims to provide low-cost public capital to pay for predevelopment activities so that developers – particularly nonprofits and community-based organizations with constrained organizational capacity and cash reserves – can complete the necessary studies, design, and engineering to get a project ready for permits and financing, without having to bear all of the risk themselves.

3.0 Loan overview and terms

Purpose	Loans to reimburse predevelopment expenses for AHF projects
Eligible borrowers	Developers with AHF awards
Eligible projects	Affordable housing projects with AHF awards
Eligible uses	Predevelopment activities eligible under the AHF Admin Plan
Source	AHF interest and program income
Starting loan fund	$3,000,000
Maximum loan	The lesser of $750,000 or 25% of the AHF award
Minimum loan	$100,000
Interest rate	0-4%, determined project-by-project. Factors that will be considered when setting the interest rate may include: • Borrowing agency size and balance sheet • Project level of affordability • Level of loan security
Term	36 months max, aligned with expected closing timeline
Repayment	Loan is paid off at the first disbursement on the construction loan.
Forgivability	The City may forgive repayment of the loan if, in the sole opinion of the City, the project becomes infeasible due to financial, regulatory or other circumstances beyond the control of the borrower.
Payment structure	Accrued interest, payment fully deferred until maturity
Security/recourse	Varies according to site control and lender requirements, see section 6.0
Origination fee	1.0% of the approved loan amount. Due at closing, may be deducted from loan proceeds. Fee will offset costs of program administration.

4.0 Eligibility

4.1 Eligible projects and applicants

Developers of affordable housing projects with AHF awards are eligible to apply. Eligible entity types include nonprofit developers, for-profit developers, and the Vancouver Housing Authority. Entities formed by nonprofits or public corporations for the purposes of developing affordable housing, such as limited liability companies, general partnerships, joint ventures, and limited partnerships are eligible. Private individuals are not eligible. Developers must provide evidence of:

- Site control
- Existing AHF award
- Reasonable plan for securing full project funding
- Defined path to construction closing within term
- Line-item predevelopment budget breakdown

No single entity may hold more than 25% of the total predevelopment loan fund capacity at any given time.

When there are more applications than funds available, loans will be prioritized according to the following factors:

Factor	Borrower type	Borrower location	Amount requested	Site control
Priority	1. By-and-for organizations 2. Nonprofit developers 3. For-profit developers	1. Local 2. Non-local	1. Smaller amounts 2. Higher amounts	1. Land owned by City 2. Land owned by VHA 3. Land owned by developer 4. Land with developer PSA

4.2 Eligible costs and activities

Only activities performed and costs incurred after the AHF award date are eligible to be reimbursed by the predevelopment loan. All costs must be explicitly tied to the project. The line-item predevelopment budget will be reviewed during underwriting and must indicate which line items are AHF eligible.

Eligible predevelopment activities must be eligible costs under the AHF Admin Plan, including but not limited to:

- Appraisals
- Architectural fees
- Closing costs

- Development fees and permits
- Engineering fees
- Environmental assessments and fees
- Financing fees
- Geotechnical studies
- Insurance
- Interest
- Professional services
- Surveys and inspections

Ineligible costs include but are not limited to:

- Case management to stabilize residents
- Construction, including sales tax
- Purchase/acquisition
- Rental assistance
- Housing stabilization assistance
- Operating costs / staff expenses
- Rent buy-down
- Replacement reserves

5.0 Process

5.1 AHF award and loan pre-approval

City Council will provide pre-approval for a predevelopment loan in conjunction with the AHF award approval, up to the maximum amount permitted according to the project specifics.

5.2 Loan application

Agency must submit the following documents:

- Loan request cover sheet
- Current schedule
- Current proforma showing planned sources and uses and projected source commitment dates
- Current predevelopment budget showing eligible costs for predevelopment loan
- Any documents related to site control
- Agency annual operating budget

5.3 Underwriting and approval

The City's underwriter will review the project according to the AHF underwriting standards. Additionally, they will confirm that:

- The loan amount would not exceed 25% of the AHF award for the project.
- The total loan amount for the agency would not exceed 25% of the predevelopment loan fund capacity.

Once the underwriter has given their approval, City staff will take the loan to the Director of Economic Prosperity & Housing (the "EPH Director") for approval.

5.4 Loan documents

All loans will be secured with a Loan Agreement (the "Agreement"), Promissory Note (the "Note), and Assignment of Contracts and Work Product (the "Assignment"). Additional methods such as a Deed of Trust (the "Deed") may be used to secure the loan depending on the status of site control (see section 6.0).

Once the underwriter and EPH Director have given their approval, staff will prepare the Agreement, Note, Assignment, and any other documents used to secure the loan.

Once all parties have agreed to the documents, staff will send the documents electronically for signatures. The Agency is responsible for recording the Assignment and paying the recording fee. If a Deed of Trust is used, the Agency will be responsible for recording the Deed and paying the recording fee.

5.5 Reimbursement

The City will reimburse eligible predevelopment costs on a pari passu basis with other committed funding sources. Reimbursements will be made in proportion to each funding source's share of eligible predevelopment costs. For example, if the City provides 25% of eligible predevelopment funding and other committed sources provide 75%, each payment request will be reimbursed 25% by the City and 75% by the other funding sources. Backup documentation submitted with each payment request must include vendor invoices and an updated predevelopment schedule of values showing amounts billed to date and remaining.

5.5 Paying off the loan

The predevelopment loan, including accrued interest, shall be paid off in full at the time of closing on the construction financing.

6.0 Securing the loan

6.1 Scenarios and protections

Scenario 1: City-Owned Land with an Active DDA

Conditions: The City retains underlying ownership of the parcel. The developer holds exclusive development rights via an active, executed Disposition and Development Agreement (DDA).

Security Structure:

- Loan Agreement
- Promissory Note
- Assignment of Contracts and Work Product

Scenario 2: Developer-Owned Land (Fee Simple)

Conditions: The developer already owns the project site outright. However, they may face restrictions from existing acquisition lenders or be protective of the title ahead of approaching LIHTC or HTF funding cycles.

Security Structure:

- Loan Agreement
- Promissory Note
- Assignment of Contracts and Work Product
- Deed of Trust
    - The Deed will include an explicit subordination clause ensuring this lien will drop to a junior position behind any future senior construction lender or state housing funder.
    - If the primary land title cannot be encumbered, then no Deed will be used, and instead the interest rate will be increased by 100 basis points (+1.0%).

Scenario 3: Pre-Acquisition Site Control (PSA or Option Agreement)

Conditions: The developer does not own the land yet. They hold a signed Purchase and Sale Agreement (PSA) or an Option Agreement, with the final land acquisition scheduled to close simultaneously with the permanent construction financing stack.

Security Structure:

- Loan Agreement
- Promissory Note
- Assignment of Contracts and Work Product
- Interest rate will be increased by 100 basis points (+1.0%).