



## RIHousing Preservation Loan Fund Term Sheet

<b>Product Description</b>	RIHousing Preservation Loan Fund (RPLF) provides a flexible source of capital to be utilized for the preservation of existing affordable housing, priority will be given to developments currently funded by RIHousing.
<b>Funding Availability:</b>	\$10,000,000
<b>Maximum Loan Amount</b>	\$30,000 per unit or \$1,500,000
<b>Use of Proceeds</b>	1st or 2 <sup>nd</sup> mortgage financing as part of a refinance or repositioning of the property. Approved capital repairs to maintain properties in good working order. Repairs must be approved by RIHousing in advance of making a loan.
<b>Acceptable Borrowers</b>	For- and non-profit entities. The development team for the project must have a demonstrated track record in successfully developing, marketing, and managing housing or must form a joint venture with an entity with such expertise. Borrowers must demonstrate sufficient financial stability and liquidity to rehabilitate and operate the project.
<b>Eligible Properties</b>	Multifamily rental housing with expiring federal rental subsidies (HUD or USDA Rural Development Programs), and/or low-income housing tax credit developments. Mixed-use properties with housing and commercial are eligible provided that the effective gross income from commercial tenants cannot exceed 20% of the total effective gross income.
<b>Minimum Affordability</b>	Affordability to be guaranteed for the term of the loan. <ol style="list-style-type: none"><li>1. 51% or more of the units are to be rented to households earning 80% or less of median income as defined by HUD; or</li><li>2. 40% or more of the units are to be rented to households earning 60% or less of median income as defined by HUD; or</li><li>3. 20% or more of the units are to be rented to households earning 50% or less of median income as defined by HUD.</li></ol>
<b>Seasoning</b>	Stabilized properties are eligible for this preservation financing. Stabilization is defined as at least three (3) consecutive months at 93% economic and physical occupancy, and achievement of RIHousing's minimum DCR threshold for this time period.

**Payment History** All payments, if applicable, must be current with no loan default history during the past 24 months, and the borrower in good standing at the time of closing.

**Underwriting Parameters**

**Maximum Maturity** Maximum forty years or Co-terminus with new 1<sup>st</sup> mortgage

**Debt Service Coverage** 1.20 on the first and 1.15 overall. RIHousing reserves the right to require a higher DSC depending on deal specifics.

**Recourse** RIHousing will require the Borrower to execute a recourse guarantee for the construction period in a form acceptable to RIHousing.

**Disbursement** Draws to be approved by RIHousing staff and will be based on completed work in place. Loans are expected to be fully advanced in 12 months.

**Additional Financing** RIHousing 1<sup>st</sup> mortgage or other financial institutions debt permitted. Other financing in the form of subordinate loans/grants will be permitted in RIHousing's discretion.

**Expenses** The borrower will be responsible for all third-party expenses of the lender or its agent including, but not limited to: legal fees, engineering and environmental consultants, appraiser, etc.

**Assignability** The loan will not be assignable/assumable by any other party without the express written consent of RIHousing

**Property Management** RIHousing will require a qualified professional property management firm or agency, acceptable to RIHousing, be engaged to manage the property for the term of the loan.

**Rates & Fees**

**Interest Rates** 4% fixed rate and simple interest for second mortgages

**Origination Fee** 2% of the loan amount (\$2,500 minimum)

**Application Fee** For projects not currently financed by RIHousing, \$2,500 prior to Preliminary Commitment by our Board of Commissioners

**Due Diligence Requirements**

**Rehabilitation** Scope of Work approved by RIHousing. Repair funds to be escrowed with and administered by RIHousing.

**New Reserves** For the new transaction, the combination of the initial Operating and Replacement Reserves will be sized to equal six months of operating expenses and six months of debt service. Of this amount, the initial Replacement Reserve will generally be equal to \$2,000 per unit. We reserve the right to require a higher Replacement Reserve based upon the CNA's 20-year projections.

**Tax and Insurance** Borrower will be required to capitalize 6 months tax and insurance escrows and make monthly payments equal to one-twelfth of the annual premiums.

**Third Party Fees** The Borrower will be responsible for paying all third party expenses required to complete the due diligence and close the transaction, including legal fees and any costs of issuance associated with bond transactions. Costs may be capitalized in the development budget.

**Regulatory Agreement** Borrower is required to sign a new affordability agreement restricting the units for 40 years from closing.

This is not an offer to make a loan. This term sheet shall serve as an outline for underwriting criteria and is for discussion purposes only. Terms are subject to change based on project underwriting and RIHousing's Board approval.

April 2018