



RIHousing Preservation Loan Fund Term Sheet (as of 8/10/2019)

Product Description	RIHousing Preservation Loan Fund (PLF) 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.
Funding Availability:	\$10,000,000
Maximum Loan Amount	\$30,000 per unit or \$1,500,000
Use of Proceeds	1st or 2 nd 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.
Acceptable Borrowers	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.
Eligible Properties	Multifamily rental housing with expiring federal rental subsidies (HUD or USDA Rural Development Programs), and/or low-income housing tax credit developments. Existing non-regulated (i.e market rate) properties with more than 50% of the current rents that are equal to or less than 80% of area median income. 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.
Minimum Affordability	Affordability to be guaranteed for the term of the loan.

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
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
3. 20% or more of the units are to be rented to households earning 50% or less of median income as defined by HUD.

Seasoning

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 mortgage

Maximum forty years or Co-terminus with new 1st

Debt Service Coverage

1.20 on the first mortgage 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 based on completed work in place. Loans are expected to be fully advanced in 12 months.

Additional Financing

RIHousing 1st mortgage or other financial institutions debt permitted. Other financing in the form of subordinate loans/grants will be permitted at 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.

Developer Fee

Preservation with tax-exempt financing and 4% LIHTC only:

5% of acquisition and 10% of construction and soft costs not including new reserves and Developer's Fee (the "Base Fee"). Developers may increase the developer fee to 15% of the Fee Based Development Cost (as defined above) as long as any amount above the Base Fee is deferred

Preservation without LIHTC and Rollover RIHousing Debt for applications received as of August 1, 2019:

For non-LIHTC transactions with existing RIHousing debt that will be "rolled over" rather than be repaid, the maximum developer fee will be equal to 5% of the construction cost.

A minimum fee of \$500 per unit will be provided to a sponsor of a preservation transaction if substantial rehabilitation of units is involved

Rates & Fees

Interest Rates

4% fixed rate and simple interest for second mortgages

Origination Fee

2% of the loan amount (\$2,500 minimum) if the Preservation loan is amortizing. There is no origination fee if the Preservation loan is paid out of surplus cash.

Application Fee

For projects not currently financed by Rhode Island Housing, \$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 Rhode Island Housing.

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.

Revised 10.06.2020

