

## Construction or Substantial Rehabilitation of Multifamily Properties

### Eligible Properties

Market rate, low-to-moderate income and subsidized multifamily properties.

### Commercial Space Limitation

Limited to 25% of net rentable area and 15% of underwritten effective gross income (up to 30% of underwritten EGI permitted in Urban Renewal Areas and Opportunity Zones).

### Minimum Scope of Work

All new construction plus renovation of existing buildings when renovating costs exceed \$15,000 per unit (adjusted for inflation) times a local cost factor, typically 190% - 270%.

### Davis-Bacon Wages

Payment of prevailing wages, as determined by the Department of Labor, is required for all contractors and subcontractors.

### Borrower

Single-asset, special-purpose entity, either for profit or nonprofit.

### Recourse

Non-recourse.

### Loan Parameters

Loan amounts up to \$125 Million.

Property Type	Maximum Loan to Eligible Cost <sup>3</sup>	Minimum Debt Service Coverage
Subsidized <sup>1</sup>	90%	1.11x
Affordable and Middle Income <sup>2</sup>	90%	1.11x
Market Rate	87%	1.15x

Loan amounts \$125 Million and above.<sup>4</sup>

Property Type	Maximum Loan to Eligible Cost <sup>3</sup>	Minimum Debt Service Coverage
Subsidized <sup>1</sup>	87%	1.15x
Affordable and Middle Income <sup>2</sup>	80%	1.25x
Market Rate	75%	1.30x

<sup>1</sup> At least 90% of the units covered by a project-based Section 8 contract for at least 15 years after the loan closes.

<sup>2</sup> Affordable: Regulatory Agreement in place with minimum set-aside (e.g., 40% of units at 60% AMI, or 20% of units at 50% AMI) in effect for at least 15 years after the loan closes and with rent advantage to market; Middle Income: Regulatory Agreement in place with minimum set-aside of 50% of the units at up to 120% AMI in effect for at least 10 years after the loan closes (no rent advantage to market required).

<sup>3</sup> Eligible cost includes hard costs and most soft costs plus the as-is value of project or land. Examples of ineligible costs include refundable reserves, preliminary marketing costs, and offsite improvements.

<sup>4</sup> HUD, in a particular case, may impose more restrictive LTC or DSC limits on loans above \$125 Million.

In addition, loan cannot exceed the statutory per-unit maximum, as adjusted by HUD for project location.

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### Interest Rate

Single fixed rate for both the construction I-O period and the permanent loan term, determined by market conditions at time of rate lock. Rate lock deposit is 0.5%, refunded at closing.

### Term and Amortization

Interest-only term during construction period and cost certification, followed by 40 years fully amortizing.

### Prepayment and Assumption

Negotiable prepayment, with best pricing for 10 years of call protection (can be a combination of lockout and/or penalty); loan is fully assumable, subject to HUD approval.

### Escrows

At closing, nonmortgageable escrows are required for working capital (2%-4% of the loan) and initial operating deficit; balances will be released to the borrower after 6 consecutive months of break-even operations.

Post construction, taxes, insurance and mortgage insurance premium will be escrowed monthly and a capital needs reserve maintained with monthly deposits in accordance with HUD guidelines on a property-specific basis (minimum \$250/unit/year).

### Mortgage Insurance Premium

0.65% annually (0.70% for projects under Section 220, 0.25%-0.35% for affordable and subsidized properties, and 0.25% for properties with Green Building certification from a list of accepted standards). Note that any MIP due during the the construction period will be escrowed at the initial closing, prior to the start of construction.

### HUD Application Fee

0.15% of estimated loan amount due with submission of initial application, plus 0.15% due with final application (entire 0.30% due with final application for affordable and subsidized properties). HUD Application Fees are reduced for properties in Opportunity Zones.

### Third Party Reports

Appraisal, Market Study, Environmental, and future Capital Needs Assessment, plus a review of the final construction and architectural documents by a HUD-approved third party contractor.