

## 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 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 \$75 Million.

Property Type	Maximum Loan to Eligible Cost <sup>3</sup>	Minimum Debt Service Coverage
Subsidized <sup>1</sup>	90%	1.11x
Affordable <sup>2</sup>	87%	1.15x
Market Rate	85%	1.18x

Loan amounts \$75+ Million and above. HUD may impose restrictive limits on loan amount above \$100 million.

Property Type	Maximum Loan to Eligible Cost <sup>3</sup>	Minimum Debt Service Coverage
Subsidized <sup>1</sup>	87%	1.15x
Affordable <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 new loan closes.

<sup>2</sup>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 new loan close.

<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.

In addition, loan cannot exceed the programmatic 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, 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**

Prior to construction, reserves for interest, taxes, insurance, 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 urban renewal 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.