

Construction or Substantial Rehabilitation of Multifamily Properties

Eligible Properties

Market rate, low-to-moderate income, affordable, 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 \$130 Million.

Property Type	Maximum Loan to Eligible Cost ³	Minimum Debt Service Coverage
Subsidized ¹	90%	1.1x
Affordable and Middle Income ²	90%	1.1x
Market Rate	87%	1.15x

Loan amounts \$130 Million and above.⁴

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

- (1) At least 90% of the units covered by a project-based Section 8 contract for at least 15 years after the loan closes.
- (2) 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 120% AMI in effect for at least 10 years after the loan closes (no rent advantage to market required).
- (3) Eligible cost includes hard costs and most soft costs plus the as-is value of land (new construction) or project (substantial rehabilitation). Examples of ineligible costs include refundable reserves, preliminary marketing costs, and offsite improvements.
- (4) HUD, in a particular case, may impose more restrictive LTC or DSC limits on loans above \$130 Million.

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

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

0.25% annually; amount due during construction term paid up front at closing.

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 cost and architectural documents by a HUD-approved third party contractor.

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