

## Construction or Substantial Rehabilitation of Healthcare Properties

### Eligible Properties

Licensed Nursing Homes, Assisted Living, Intermediate Care, and Board and Care.

- a) Must provide continuous protective oversight.
- b) Must offer three meals per day.
- c) Facility must be licensed by state.
- d) Non-resident day care not to exceed 20% of gross area and 20% of gross income.
- e) May include up to 25% non-licensed independent living units.

### Commercial Space Limitation

Limited to 10% of gross floor area and 15% of gross income.

### Minimum Scope of Work

All new construction plus renovation of existing buildings that meet one of the following conditions:

- a) Renovation costs more than 15% of post-rehabilitated value.
- b) Renovation will replace more than 50% of two or more major building systems (e.g., electrical, plumbing, mechanical, building envelope, structural).

### 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.

### Interest Rate

Single fixed rate for both the construction I-0 period and the permanent loan term, determined by market conditions at time of rate lock. Rate lock deposit is 0.5% and refunded at closing.

### Loan Parameters

Maximum loan amount will be the least of the applicable limits.

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Property Type	Maximum Loan to Value <sup>2</sup>	Maximum Loan to Eligible Cost <sup>1</sup>	Minimum Debt Service Coverage
Assisted Living	75%	90%	1.45x
Other (Skilled Nursing, etc.)	80%	90%	1.45x

<sup>1</sup>Cost of offsite improvements, working capital and operating deficit reserve are ineligible.

<sup>2</sup>Maximum LTV may be increased by 5% for nonprofit borrower entities.

For Substantial Rehabilitation financing, there will be an additional limitation.

<b>100% of the cost of rehabilitation</b>	+	90% of the as-is value of the property	or	<b>the lesser of</b>
				100% existing indebtedness, if the property is owned
				85% of eligible acquisition cost, if the property is to be purchased

**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 (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.

**Mortgage Insurance Premium**

0.77% due to HUD at closing and annually thereafter (0.45% for qualifying LIHTC projects), escrowed monthly.

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### **HUD Application Fee**

0.30% of estimated loan amount due with submission of application, half of which is refundable if loan is declined by HUD.

### **Third Party Reports**

Appraisal, Environmental and Capital Needs Assessment.