

# Bay Area Transit Oriented Affordable Housing Fund

## PROJECT LOAN TERM SHEET - ACQUISITION

The following Term Sheet is provided for convenience only and does not constitute a commitment to lend or borrow or an agreement to issue or accept a commitment on these or any other terms or to arrange any financing and shall not create a binding or legally enforceable obligation on the Bay Area TOAH Fund or any other party in any way. The terms contained herein are of a summary nature and are not all-inclusive. For more information, please visit the Bay Area TOAH Fund website ([www.bayareatod.com](http://www.bayareatod.com)).

<b>Originating Lenders:</b>	Corporation for Supportive Housing, Enterprise Community Loan Fund, Low Income Investment Fund, Local Initiatives Support Corporation, and Northern California Community Loan Fund.
<b>Loan Type:</b>	<b>Acquisition</b>
<b>Loan Amount:</b>	Maximum loan commitment amount of \$7,500,000, including a maximum of \$750,000 for predevelopment expenses.
<b>Development Parameters:</b>	All acquisition sites must be: <ul style="list-style-type: none"> <li>▪ Located in a Priority Development Area (“PDA”) in the nine-county Bay Area, which consists of the following counties: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma, including incorporated cities.</li> <li>▪ Located within ½ mile of quality transit services, which includes BART, light rail, bus rapid transit, etc.</li> </ul>
<b>Public Sector Support Requirement:</b>	The Fund will require demonstration of local public sector support for the project. For a loan to be considered “Conforming”, a public sector agency must either invest cash or issue a commitment letter for an amount equal to or exceeding 10% of the acquisition cost of the land/property prior to the closing of the Fund loan. The Fund will consider projects that do not demonstrate this support on a limited basis, but these requests will be categorized as “Non Conforming.”
<b>Zoning:</b>	The Project Sponsor/Borrower must demonstrate that the site has already received all necessary zoning approvals or will receive the necessary approvals within 15 months of loan closing.
<b>Loan to Value:</b>	<b>Nonprofit Borrowers:</b> up to <b>110%</b> of the lesser of the as-is appraised value of the real estate or the purchase price, to include funds for predevelopment. <b>For-Profit Borrowers:</b> up to <b>100%</b> of the lesser of the as-is appraised value of the real estate or the purchase price, to include funds for predevelopment.
<b>Equity Requirement:</b>	<b>Nonprofit Borrowers:</b> At least 10% equity contributed at closing, based on total acquisition cost, can be in the form of subordinate debt from local government agencies and grants in lieu of some or all of the equity. <b>For-Profit Borrowers:</b> At least 10% cash equity contributed at closing, based on total acquisition cost.
<b>Eligible Use:</b>	The following project types are eligible: <ul style="list-style-type: none"> <li>▪ <u>Multifamily rental housing</u> – The Fund will prioritize projects that maximize affordability. At a minimum: (A) at least 20% of the units must be designated for occupancy by residents with household income equal to or less than 50% of AMI; or (B) at least 40% of the units must be designated for occupancy by residents with household income that does not exceed 60% of AMI;</li> <li>▪ <u>Homeownership</u> – Must include low to moderate income families;</li> <li>▪ <u>Mixed-use projects</u> – Eligible for fund financing when housing component includes affordable units, and additional uses, such as childcare centers, neighborhood retail, childcare centers or social services, meet community needs;</li> <li>▪ <u>Community Facilities and Catalytic Neighborhood Projects</u> – Financing for stand alone childcare centers, health clinics, charter schools, neighborhood retail, fresh food markets or other community facilities that meet non-housing community needs; and</li> <li>▪ <u>Other</u> – Acquisition of other project types, such as commercial properties, will be considered on a case by case basis.</li> </ul> <p>Fund will consider acquisition of <u>vacant land and operating housing or commercial properties</u> where the intent of the acquisition of the operating property is to preserve and/or improve housing affordability or address another</p>

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	community need.
<b>Eligible Borrowers:</b>	Eligible borrowers may be nonprofit or for-profit corporations, municipal agencies, and joint ventures comprised of such entities, with a track record of developing affordable housing or other projects that meet a community need ("Project Sponsors"). Limited partnerships or limited liability companies affiliated with the Project Sponsors are also eligible.
<b>Sponsor / Borrower Requirements:</b>	Project Sponsors/Borrowers will meet the following requirements: <ul style="list-style-type: none"> <li>▪ Three (3) years minimum affordable housing or non-housing related property development experience;</li> <li>▪ Is in good standing with the applicable county, and any other applicable federal, state and local agencies;</li> <li>▪ Successful track record of obtaining financing resources for similar projects (public and private);</li> <li>▪ Has no material defaults on development financing within the past seven (7) years;</li> <li>▪ Has not experienced a material adverse financial change, based on review of internally prepared and/or audited financial statements; and</li> <li>▪ For affordable housing projects, Sponsor shows evidence of successful completion of at least two (2) projects similar in scope; For community facility projects, Sponsor demonstrates the capacity and development team to successfully execute the Project.</li> </ul>
<b>Recourse:</b>	Acquisition loans will have <b>full recourse</b> to the Project Sponsor, including guarantees from parent organizations, if applicable.
<b>Interest Rate:</b>	Loan pricing will be fixed for the original term of the loan at closing. The interest rate for loans closed during <b>calendar 2015</b> is projected to be between 4.25% and 5.25% depending on loan term.
<b>Repayment:</b>	Interest-only payments, principal due at maturity or upon receipt of identified repayment source, including the closing of construction financing or internally generated funds.  Interest-only payments will be made from a capitalized interest reserve funded through loan proceeds. The interest reserve may be reduced or eliminated if the Project Sponsor demonstrates the financial strength to make out of pocket interest payments, identifies another source to pay interest payments or there is a source of stable cash flow from the acquisition property. If interest reserve is exhausted, Borrower will make payments out of pocket.
<b>Fees:</b>	The Borrower will pay an Origination Fee of 2.00% of the Project Loan, payable upon closing. The Originating Lender may charge an application and/or commitment fee, which will be credited against the Origination Fee.
<b>Covenants:</b>	Standard for this type of loan.
<b>Events of Default:</b>	Standard.
<b>Term:</b>	The maximum acquisition loan term is seven (7) years.
<b>Security:</b>	All acquisition loans will be secured by real estate in a first priority position. Other secured loans will be subject to subordination and standstill agreements.
<b>Loan Conditions:</b>	Loan agreements will require the following conditions prior to closing: <ul style="list-style-type: none"> <li>▪ Standard financial covenants (to be determined)</li> <li>▪ Standard reporting requirements (to be determined)</li> <li>▪ Other reports as required by the Originating Lender</li> </ul>
<b>Third Party Reports:</b>	Summary appraisal with "as-is" market value for the land and any existing buildings. Environmental site assessment, geotechnical survey, and other reports as required by the Lender.
<b>Reporting Requirements:</b>	In addition to the standard reporting requirements for a loan of this nature, Borrower must agree to comply with any additional reporting requirements required by Fund to document the impact of this Fund. All reporting requirements will be clearly defined in the loan documents.
<b>Needs Test:</b>	The Originating Lender must demonstrate how the proposed loan terms facilitate the development of affordable housing projects and other eligible projects.