

Bay Area Transit Oriented Affordable Housing Fund

PROJECT LOAN TERM SHEET – LEVERAGED LOAN

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).

Originating Lenders:	Corporation for Supportive Housing, Enterprise Community Loan Fund, Low Income Investment Fund, Local Initiatives Support Corporation, and Northern California Community Loan Fund
Loan Type:	Leveraged Loan for a New Markets Tax Credit (“NMTC”) transaction
Loan Amount:	Maximum loan commitment amount of \$7,500,000.
Development Parameters:	<p>All developments must be:</p> <ul style="list-style-type: none"> ▪ 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. ▪ Located within ½ mile of quality transit services, which includes BART, light rail, bus rapid transit, etc. ▪ Located in a NMTC eligible census tract, or meets other NMTC eligibility criteria
Eligible Use:	<p>Eligible project types include community facilities, child care centers, charter schools, arts facilities, health clinics, food markets, neighborhood retail and other uses that are desired by the residents of the neighborhood.</p> <p>Loan for NMTC eligible predevelopment, acquisition, construction and/or mini-permanent financing to an Investment Fund, LLC (“Fund, LLC” or “Borrower”) used to leverage an investment in a NMTC eligible transaction. Note that construction must be part of the project, per NMTC regulations.</p>
NMTC Allocation:	Several of the Originating CDFIs for the Fund have received NMTC allocations. This leveraged loan product would be used only when one of the originating CDFIs was providing NMTC allocation for the transaction.
Eligible Borrowers:	Eligible borrowers may be nonprofit or for-profit corporations, municipal agencies and redevelopment 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.
Sponsor / Borrower Requirements:	<p>Project Sponsors/Borrowers will meet the following requirements:</p> <ul style="list-style-type: none"> ▪ Three (3) years minimum affordable housing or non-housing related property development experience; ▪ Is in good standing with the applicable county, and any other applicable federal, state and local agencies; ▪ Successful track record of obtaining financing resources for similar projects (public and private); ▪ Has no material defaults on development financing within the past seven (7) years; and ▪ Has not experienced a material adverse financial change, based on review of internally prepared and/or audited financial statements.
Loan to Value:	<p>No direct loan-to-value (“LTV”) calculation due to no direct real estate collateral for the Leveraged Loan.</p> <p>Maximum implied loan-to-value of 80%, based on appraised value of real estate collateral held by the Community Development Entity (CDE).</p> <p>At the CDE level, the Qualified Low-Income Community Investments (“QLICs”) LTV may be higher because this includes capital from tax credit equity that isn’t looking to the collateral for repayment.</p>
Recourse:	Leveraged loans cannot be directly guaranteed by the Qualified Active Low-Income Community Businesses (“QALICBs”) but should be guaranteed by the Project Sponsor, or other related parties to the extent permissible under the NMTC structure.

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	The CDE's QLICIs to a QALICB will be full recourse to the Financial Sponsor, including guarantees from parent organizations, if applicable.
Interest Rate:	Loan pricing will be fixed rate for the original term of the loan at closing. The interest rate for leveraged loans closed during calendar 2015 is projected to be between 6.5% and 7.5%. The lower tier QLICI loan(s) will be lower due to the blending of debt and equity, to be determined by the final NMTC structure.
Repayment:	Interest-only payments, principal due at maturity. No prepayments or principal repayments will be allowed due to the NMTC structure.
Fees:	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.
Covenants:	Standard for this type of loan, at the QALICB level.
Events of Default:	Standard and customary, including any NMTC recapture event.
NMTC Standstill:	So long as a NMTC recapture event has not occurred, originating lender will agree to a Standstill Agreement through the date of expiration of the NMTC compliance period.
Term:	The leveraged loan term must be seven (7) years, matching the term of the NMTC compliance period.
Collateral:	<p>Current regulations prohibit the direct assignment or pledge of real estate, or other collateral, held by the CDE.</p> <p>Instead, Borrower will grant and convey to originating lender a continuing first priority security interest in and to all of Borrower's right, title and interest in:</p> <ul style="list-style-type: none"> ▪ Borrower or Fund LLC's CDE membership interest ▪ Any and all rights and privileges of Borrower with respect to the funds in any and all deposit and investment accounts ▪ Any and all proceeds of the foregoing of every type granted, assigned, pledged or otherwise encumbered as collateral security for the Leveraged Loan obligations <p>In addition, the CDE will be required to make or have Qualified Investments or Qualified Loans to QALICBs, which will be loans secured by a first priority security interest in the underlying real estate.</p>
Collateral Agent:	The originating lender should act as the CDE manager and if not, the originating lender should seek a role as collateral agent for the CDE.
Loan Conditions:	Customary affirmative and negative commercial loan covenants for QLICI loans, per NMTC standards.
Third Party Reports:	Appraisals, environmental site assessment, geotechnical survey, and other reports as required by the Originating Lender.
Reporting Requirements:	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 the Fund to document the impact of the Fund. All reporting requirements will be clearly defined in the loan documents.
Needs Test:	The Originating Lender must demonstrate how the proposed loan terms facilitate the development of affordable housing projects and other eligible projects.