

# Bay Area Transit Oriented Affordable Housing Fund

## PROJECT LOAN TERM SHEET – SECURED PREDEVELOPMENT

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>Secured Predevelopment</b>
<b>Loan Amount:</b>	Maximum loan commitment amount of \$750,000. Non-revolving.
<b>Development Parameters:</b>	All developments 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 the project has public sector support in the form of cash or commitment equal to or exceeding 10% of the acquisition price. 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. <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.
<b>Equity Requirement:</b>	<b>Nonprofit Borrowers:</b> At least 10% equity contributed at closing, can be in the form of subordinate soft debt from local government agencies, and grants to cover predevelopment costs. <b>For-Profit Borrowers:</b> At least 10% cash equity contributed at closing.
<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 target low to moderate income families;</li> <li>▪ <u>Mixed-use projects</u> – Eligible for fund financing when housing component meets above criteria and additional uses, such as neighborhood retail, childcare centers or social services, meet community needs; and</li> <li>▪ <u>Other</u> – Use for other property types, such as commercial properties, will be considered on a case by case basis.</li> </ul> <p>Loan proceeds may be used for a broad range of activities, including but not limited to: architecture, engineering, environmental studies, soils reports, surveys, market studies, appraisals, deposits or other site control expenses, escrow, title, and brokers fees, hazard insurance, liability insurance, property taxes, site security, financing fees, and debt service expenses.</p>
<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</li> </ul>

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	<p>property development experience;</p> <ul style="list-style-type: none"> <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>	Secured predevelopment 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 rate 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>	<p>Interest-only payments, principal due at maturity or upon receipt of identified repayment source, including the closing of construction financing or internally generated funds.</p> <p>Interest-only payments may be made from an interest reserve funded through loan proceeds, or paid directly from the borrower. If interest is to be paid by directly by the borrower, the source of stable cash flow must be identified and underwritten.</p>
<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>Events of Default:</b>	Standard.
<b>Term:</b>	The maximum secured predevelopment loan term is seven (7) years. Loans with terms of five (5) years and less will be considered "Conforming".
<b>Security:</b>	All secured predevelopment 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>	<p>Loan agreements will require the following project-specific reports prior to closing:</p> <ul style="list-style-type: none"> <li>▪ Project milestone schedule</li> <li>▪ Project draw schedule</li> <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 Originating 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 the Fund to document the impact of the 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.