Bay Area Preservation Pilot (BAPP)
Loan Term Sheet

The terms summarized below are not all-inclusive and are provided for convenience only. This term sheet is not a commitment to lend or borrow, nor an agreement to issue or accept a commitment on these or any other terms. It does not create a binding or legally enforceable obligation of the Lender or any other party in any way.

Term	Description
Loan Product	Mini-permanent loan to enable the purchase and hold of qualified multifamily properties to ensure long-term affordability.
Lender/Originating CDFI	Enterprise Community Loan Fund or the Low Income Investment Fund for both Notes A, Notes B, and Notes C.
Eligible Borrowers	Non-profit developers, including Community Development Corporations (CDCs) and Community Land Trusts (CLTs) that either develop affordable housing or provide property management or resident services: acting solely or in joint-venture with for-profit developers, with a minimum of 5 years of experience in affordable housing development, a successful track record of obtaining public and private financing, completing and operating at least 4 affordable housing projects similar or larger in scope, size and budget; in joint ventures, at least one of the team members must satisfy the experience threshold on its own. If the Borrower is a Single Purpose Entity (SPE), the requirements above will apply to the Guarantor, as deemed acceptable to the Lender.
Eligible Projects	Occupied properties containing a minimum of 4 units (100% housing, at least 80% occupied at the time of acquisition; and potentially mixed-use properties) with rents affordable to households at or below 80% AMI. Properties must be located in Transit Priority Areas (TPAs) and/or Priority Development Areas (PDAs).
Note A Maximum Amount (Senior Position)	Note A financing will be limited to 85% Loan to Value (LTV), based on the lesser of the purchase price or the "as is" market value determined in accordance with a Lender-commissioned appraisal
Note B Maximum Amount (Subordinate Position)	An amount satisfying a minimum 3:1 leverage ratio on the MTC/Note B investment. The leverage calculations include CDFI Funds/Note A, developer equity and/or subordinate local government soft debt or equity/grants contributed at acquisition.
Note C Amount (Subordinate, First Loss Position)	A need-based amount determined by the financing gap after maximizing Notes A and B, determined by the Lender.
Eligible Costs	Acquisition Costs: including purchase price, closing costs, financing fees, immediate repairs required by Lender, real estate tax reserves, capitalized operating and/or replacement reserves, interest and debt service reserves required by Lender (minimum reserve requirements TBD during underwriting), capitalized developer fee.
Concentration	The maximum exposure from the Program to a specific Borrower (or Guarantor if Borrower is a SPE) is $2,500,000 outstanding at any given time for Notes B and C.
Maximum Loan Term	Maximum 10-year term. Principal and all accrued interest are due at the earliest of: a) date of maturity or b) takeout through sale or refinancing. No prepayment penalty.
Repayment Terms	Note A: Monthly interest only in year 1. For the balance of the term, monthly principal and interest payments based on a maximum 30-year amortization, as approved by Lender. Principal due at maturity. Note B: Interest-only paid annually from available project cash flow; principal due at maturity Note C: Interest free. No payments during the term of the loan. To the extent resale or refinancing proceeds are insufficient to repay Note C, some portion or all of the Note

	may be forgiven if Borrower remains compliant with the Program goals and affordability restrictions.
Origination Fee	The greater of $30,000 or 1% on the total amount of project loans (A, B, and C), to be paid to Lender.
Interest Rate	Note A: At the Lender's discretion. Note B: Fixed for the term of the loan at a rate not to exceed 2%. Note C: 0%, fixed for the term of the loan.
Collateral	First Deed of Trust against the property
Recourse / Guaranty	100% recourse to SPE borrowers. A payment guaranty is required from the sponsor (or principal(s) of any for-profit partners or members) in an amount equal to the amount of the Note A principal that is in excess of 55% LTV and shall remain constant throughout the term of the loan. A full guarantee on principal in respect of Note B, as well as interest and fees accruing and incurred on both Notes A and B.
Developer Equity Required	Minimum of 5% of Eligible Costs. Soft debt from a public entity, subordinate to the project loan, can be substituted for Developer Equity.
Debt Service Coverage Ratio (DSCR)	Property operations must support a minimum DSCR of 1.15:1.0 on Note A and 1.05:1.0 on the aggregate (Notes A and B). DSCR shall be calculated after funding of any required ongoing operating and replacement reserves.
Affordability Restrictions During Term of Project Loans (Lender Restrictions)	Project Loans will include a recorded deed restriction for the term of the project loan, restricting at least 75% of the units to tenants earning no more than 80% AMI. Tenants in place at acquisition are not required to meet the income restrictions; however, once a unit is vacant, Borrower is required to place new tenants that meet the income eligibility restrictions. Prior to acquisition, Borrower will be required to submit an occupancy and management plan that demonstrates how it intends to meet the income and rent restrictions and include a preliminary profile of the property's current rents and renters' incomes. Within 3 months of closing, Borrower shall submit an updated occupancy and management plan, reflecting the actual current rents and renters' incomes, demonstrating how they meet the minimum restrictions, including any rent adjustment necessary to make the units affordable to the existing tenants. If needed, any required relocation shall be conducted in accordance with applicable laws and regulations. The relocation consultant selected by Borrower should be acceptable to Lender. During the term of the project loan, at least 3 months prior to relocation requirements being triggered, Borrower will be required to submit to Lender a relocation plan and budget that satisfy any applicable laws and regulations. Borrower will be required to submit an annual self-certification of compliance with affordability restrictions.
Property (welfare) tax exemption (Public Agency Restrictions)	If Borrower's cash flow projections for a specific property assume a welfare tax exemption, Borrower will be required to: Demonstrate prior to closing how Borrower intends for the property to qualify for the exemption through a detailed plan acceptable to Lender Secure the exemption within 12 months of project loan closing If projects can demonstrate sufficient cash flow to service the debt without securing a welfare exemption, the requirement above mentioned may be waived.
Exit Fee Test	Should Borrower pursue an alternative development plan or disposition that is deemed by the Lender as non-compliant with the Program's stated goals and affordability requirements, the Lender will recoup from Borrower an "exit fee" equal to the difference between:

	The amount of interest which would have accrued on the project loans as of the origination date and through the final payoff if such interest was charged at a rate equal to (A) the stated interest rate (i.e. the blended rate for Notes A, B, and C) plus 4.00% (400 bps); and The amount of interest that has accrued and will accrue at the stated interest rate as of the origination date through the final payoff. The exit fee will be waived if Borrower can evidence that it made a good faith effort throughout the term of the project loan to pursue a compliant use.
Project Milestones	All project loans to include conditions and milestones to be met by specific dates, as deemed appropriate by Lender
Future Development Plans	Project description, development budget (including construction and permanent phases), and proforma projections of income/ expenses must be reviewed and evaluated by Lender.
Evidence of Permissible Zoning (for redevelopment)	Evidence that the redevelopment of the property, as proposed, is permissible under applicable zoning ordinances or regulations; alternatively, a statement of the proposed action required to make the proposed redevelopment permissible.
Financial Reporting	Updated financial statements to be provided at least annually for Borrowers, parent organizations, and/or Principals. More frequent reporting may be required at Lender's discretion. All Borrowers and guarantors shall be required to provide details regarding any unsecured debt and contingent liabilities, as requested by Lender. Nonprofit Borrowers: must provide audited financial statements for three full years, and year-to-date and operating statements for the current year, as well as a Real Estate Owned Schedule. For-profit Borrowers: must provide current accountant-reviewed or compiled financial statements for three full reporting years, personal financial statements for three full reporting years for principals, and year-to-date and operating statements, as well as a Real Estate Owned Schedule.
Financial Capacity	Borrower /Guarantor-entity, or the appropriate entity as determined by Lender, must have a stable financial history and strong financial position, as demonstrated by meeting at least two of the following three key financial ratios: cash and cash equivalents to current liabilities equal to at least 0.4: 1.; positive cash flow from operations, on average for the past three years; and total debt to net assets (equity) no greater than 3.5:1. Lender will adjust for the impact of public soft debt (residual receipt debt, including accrued interest) in the calculation of the ratios. In addition, Borrower/Guarantor shall certify: no negative financial history (bankruptcy, etc.); and no failure to perform under loans, investor agreements or regulatory agreements.
Third Party Reports/Good Faith Deposit	Borrower to provide a Good Faith Deposit in an amount at the discretion of Lender prior to any required third party reports being ordered. Third party reports may include "as-is" market value appraisal, Phase I environmental assessment and Phase II, if necessary, property condition report, seismic study, plan and cost review for proposed scope of work to be done during the term of the project loan. The required third-party reports will be determined by Lender based upon the scope of the project. Third party report fees are the responsibility of the Borrower/Guarantor regardless of whether the project loan closes.
Insurance Requirements	Liability, property and hazard insurance required from an insurance company with an acceptable rating (minimum AM Best A VI)