



# OREGON HOUSING ACQUISITION FUND (OHAF) LOAN PROGRAM MARKET RATE CONVERSION LOAN TERM SHEET

**Description:** The Oregon Housing Acquisition Fund (OHAF) provides short-term financing for the acquisition of market rate projects, unrestricted by regulatory agreements, with the intent that the projects will be transitioned into affordable housing.

**Acceptable Borrowers:** For- and non-profit entities including corporations, partnerships, limited liability companies, municipal or public corporations, or individuals that are duly authorized to conduct business in the state of Oregon.

**Acceptable Property Types:** Market rate multifamily rental housing. Each loan will have no less than 5 dwelling units, together or in aggregate, as collateral. Mixed use properties with housing and commercial are acceptable provided that the effective gross income from commercial tenants cannot exceed 20% of the total effective gross income.

**Minimum Affordability:** Affordability to be guaranteed for the original term of the loan.

- 1) 51% or more of the units are to be rented to households earning 80% or less of median income as defined by HUD; or
- 2) 40% or more of the units are to be rented to households earning 60% or less of median income as defined by HUD; or
- 3) 20% or more of the units are to be rented to households earning 50% or less of median income as defined by HUD.

**Loan Amount:** \$300,000 minimum to \$5,000,000 maximum.

**Maximum LTV:**

1. Non-profit and public jurisdiction borrowers up to 80% of the “as-as” market value;
2. For-profit borrowers up to 75% for based on the “as-is” market value.

**Minimum Debt Service Coverage Ratio (DCR):** 1.20x – NOAH first mortgage payment; 1.15x on all scheduled debt payments.

**Recourse to Borrower:** Fully recourse to the borrower. Sponsors will be required to provide a full payment and performance guaranty if a single asset entity is formed to purchase the property. Individuals will be required to guaranty a loan to a for-profit entity.

**Security:** 1st lien Deed of Trust with an Assignment of Leases and Rents on Secured Property whenever member bank funds are used to fund the loan; otherwise a lower lien position may be acceptable. Interest in personal property in addition to an Assignment of the rental assistance contract and pledge of reserve accounts.

**Interest Rate:** Between 5% and 7%. Rate is calculated by NOAH.

**Term:** Not to exceed 48 months.

**Amortization:** NA

**Payments:** Monthly interest only payments with principal due at maturity. In addition, escrows for taxes and insurance (as applicable) and a monthly deposit to the operating and maintenance reserve.

**Pre-Payment Premium:** None

**Fees:** Origination: 1% of the loan amount (\$5,000 minimum); plus document preparation fee of \$500  
Borrower is responsible for all transaction costs.

**Maximum Forward Commitment:** 12 months.

**Initial Term of Commitment:** The term of any commitment will be (9) nine months to allow time for completion of acquisition.

**Standard Reserves:** Operating and Maintenance Reserve. In addition, a surplus cash reserve is required to be funded each year out of project operations. The amount of such annual reserve contribution will be equal to the amount of surplus cash, if any, based on NOAH's review of the year-end financial statements. Borrower may withdraw funds from this account for predevelopment purposes with NOAH's permission.

**Property Management:** NOAH will require a qualified professional property management firm or agency, acceptable to NOAH, be engaged to manage the property for the term of the loan.

**Required Third Party Reports:** FIRREA compliant appraisal, ordered by NOAH, setting forth "as is" market value and "as-proposed" restricted value.

Appraisal review if loan amount exceeds \$500,000.

Phase I Environmental Report and Environmental Questionnaire.

Capital Needs Assessment which addresses:

- 1) overall condition of the project;
- 2) life/safety issues; and,
- 3) compliance with Fair Housing and the Americans with Disabilities Act.

Pest and Dry Rot Report.

Market Study (if not included in the appraisal).

Other reports as requested by NOAH.

**General Funding Conditions:** ALTA Lender's Title Insurance policy insuring 1<sup>st</sup> lien position or such other lien position as set forth in the Loan Request. All other funding sources will be subordinate with terms acceptable to NOAH.

Flood Hazard Determination (obtained by NOAH)

Evidence of insurance for casualty, public liability, rental interruption and if applicable

flood and boiler and machinery insurance.

Operations and Maintenance plans as required per the environmental review.

Sponsor to provide NOAH with a reasonable financing plan to complete the conversion to affordable housing within the term of the loan. Alternative exit strategy required. Substantial rehab is not allowed during NOAH loan term.

Borrower to review: 1) Fair Housing and ADA non-compliance issues reported in the Capital Needs Assessment; and, 2) the Department of Justice publication "Readily Achievable Barrier Removal" to determine what modifications are required to comply with Fair Housing and/or ADA. If the borrower identifies readily achievable modifications NOAH will require a reserve equal to 110% of the cost of the modifications be established at closing and that the repairs be completed within 180 days of closing. Should the borrower determine that no modifications are "readily achievable" they will be required to provide a certification at closing that they have received and read the publication "Readily Achievable Barrier Removal" and that no modifications are required at present.

Immediate repair reserve required for any Life/Safety issues identified in the Capital Needs Assessment which will not be addressed prior to loan closing. Reserve amount to be established at 110% of the cost of the estimated repairs.

Read and rely letter from the environmental consultant/engineer.

- Underwriting Checklist:**
- 1) Signed Letter of Interest and Deposit
  - 2) Fee Deposit
  - 3) Preliminary Title Report with copies of all exceptions
  - 4) Financial Pro forma inclusive of Income and Expense Statement and Statement of Sources and Uses for:
    - a. Interim OHAF period
    - b. Long term take out scenario with timeline
  - 5) Sponsor / General Partner financial information
    - a. Financial Statements for the last three fiscal years inclusive of Income and Expense Statement, Balance Sheet and Statement of Cash flows (preferably audited)
    - b. Year-to-date Financial Statement inclusive of Income and Expense Statement and Balance Sheet (dated within last three months)
    - c. Schedule of Real Estate Owned
  - 6) Property information, including:
    - a. Operating Statements for the last three fiscal years and year-to-date, including rent rolls
    - b. Capital Needs Assessment
    - c. Pest and Dry Rot Inspection
    - d. Operations and Maintenance plans for properties with Asbestos and/or Lead-Based Paint
    - e. Evidence that project contractor is licensed lead abatement activities, if the project was constructed prior to 1978
    - f. Zoning Letter/Evidence of current zoning
  - 7) Market Study
  - 8) Appraisal
  - 9) Plans and Specifications (as applicable)
  - 10) Description of Quality Control protocols utilized by General Contractor

specifically any that address building envelope installation oversight / testing (as applicable)

- 11) Environmental Phase I – from consultant with \$1 million in E&O Insurance
- 12) Environmental Engineer E & O Insurance Certificate evidencing \$1 million in coverage
- 13) Environmental Reliance Letter (NOAH to provide form)
- 14) Environmental Questionnaire or OHCS Environmental Review Checklist with Certification (NOAH to provide forms)
- 15) Subsidy Documents from Non-OHCS Funding Sources
- 16) Letters of intent - tax credit investor
- 17) Evidence of property tax exemption
- 18) Information about property management agent/plan
- 19) Development team information
- 20) Consolidated Funding Cycle Application (as applicable)
  - a. Reservation from Oregon Housing and Community Services
  - b. **LIHTC** :OHCS 9% LIHTC Reservation and Extended Use Agreement
  - c. **OAHTC**: Oregon Affordable Housing Tax Credit Program Low—Income Housing Project Reservation letter
  - d. **HOME**: Home Investment Partnership Program Grant Agreement and Home Investment Program Declaration of Land Use and Restrictive Covenants
  - e. **Trust Fund/GHAP**: Grant Program Project Use Agreement, Or, Loan documentation if structured as a loan
  - f. **Weatherization Grant**: Project Use Agreement, Declaration of Restrictive Covenants and Equitable Servitude, Low-Income Weatherization Program
- 21) BOLI Determination Letter

**Borrower Reporting Requirements:**

During the first year of the loan:

- 1) Quarterly Project Status reports detailing actions taken to obtain needed public and private subsidies in addition to other development activities.
- 2) Quarterly operating statements and rent rolls for the project
- 3) Annual borrower financial statements and/or tax returns
- 4) Annual sponsor financial statements and/or tax returns
- 5) Annual guarantor financial statements and/or tax returns, if applicable.

Thereafter:

- 1) Quarterly Project Status reports detailing actions taken to obtain needed public and private subsidies in addition to other development activities.
- 2) Annual operating statements and rent rolls for the project
- 3) Annual borrower financial statements and/or tax returns
- 4) Annual sponsor financial statements and/or tax returns
- 5) Annual guarantor financial statements and/or tax returns, if applicable.

NOAH reserves the right to request more frequent reporting or such additional documentation as it deems necessary to adequately monitor project operations.

*Please be advised that this term sheet is provided for informational purposes only, does not constitute a commitment or any offer from NOAH and is subject to change at any time. Please contact NOAH for questions related to your request or if you require additional information.*