



ADDENDUM – ACQUISITION/REHABILITATION LOAN PROGRAM

ADDITIONAL REQUIREMENTS FOR LOANS WITH BALLOON PAYMENTS¹

Loan Terms	<ul style="list-style-type: none"> • Loan term not less than 17 years. • Amortization up to 35 years. • Affordable housing deed restriction for a minimum of 20 years.
Loan Amount	<ul style="list-style-type: none"> • A debt coverage ratio higher than 1.15x may be required for loans greater than \$40 million. • Loans greater than \$40 million may require a loan to value (LTV) lower than 90% of restricted value or loan to cost (LTC) lower than 100% of development costs.
Replacement Reserves	<p><u>Initial Deposit to Replacement Reserve</u></p> <ul style="list-style-type: none"> • A minimum of \$1,000 per unit for family properties more than 25 years old. • A minimum of \$750 per unit for senior properties more than 25 years old. • For family or senior properties less than 25 years old, the initial deposit to be determined via Physical Needs Assessment (PNA) recommendations and approved by CalHFA. <p><u>Replacement Reserve per unit per year</u></p> <ul style="list-style-type: none"> • A minimum of \$400 per unit per year for family properties more than 25 years old. • A minimum of \$300 per unit per year for senior properties more than 25 years old. • For family or senior properties less than 25 years old, the replacement reserve per unit per year to be determined via PNA recommendations and approved by CalHFA.
Development Team Experience	<p>In addition to our standard Acq/Rehab Program underwriting requirements, developer must demonstrate 10 years or more of recent ownership and development experience of comparable scale, at least 5 years of which have been in multifamily affordable housing developments. Management company shall evidence comparable experience.</p>
Exit Strategy	<p>Borrower must demonstrate an exit strategy for loan payoff at maturity, acceptable to CalHFA and shall include:</p> <ul style="list-style-type: none"> • Demonstration of potential for sale and re-syndication. • Financial analysis to stress-test for feasible acquisition based upon an interest rate increase, loan to value, and capitalization rate analysis for end of loan term. • Operating expense increase projected at 3% per year. • Real estate taxes increase projected at 2% per year. • Income increase projected at 2% per year. • Replacement reserves inflate at 1% per year.

Evaluation Check Points	<ul style="list-style-type: none"> • Annual Asset Management review of the project including a physical inspection and annual audits. • In year 10 of the permanent loan, CalHFA shall perform a property analysis, which includes a Physical Needs Assessment (PNA) that is prepared and completed by an independent third party PNA consultant (at the Borrower's expense), demonstrating financial feasibility for refinancing. • At its discretion, at the end of year 5 of the permanent loan or in any subsequent year up to year 10 of the permanent loan, CalHFA may conduct a comprehensive physical review which may require an independent third party PNA (at the Borrower's expense).
End of Term Marketability	<p>Year 14 of Permanent Loan</p> <ul style="list-style-type: none"> • Borrower to demonstrate is has a capable and willing partner to purchase the property. • Borrower to obtain appraisal to establish demand and market value in accordance with CalHFA requirements. • Appraisal shall include a market analysis of the current rent structure and regulatory requirements.
End of Term Loan to Value	<p>Loan to value to be measured against restricted values based upon continuing restrictions beyond year 15 of the permanent loan period. Considerations may include changes in capitalization rates, interest rates and related factors potentially affecting value.</p>
Questions	<p>Questions regarding the Acquisition Rehabilitation Loan Program addendum can be directed to CalHFA's Multifamily Program's Division:</p> <ul style="list-style-type: none"> • Ruth Vakili, Loan Officer, Multifamily Programs • 500 Capitol Mall, MS 1420, Sacramento, CA 95814 • Phone: 877.922.5432 or directly at 916.326.8816 • Email address: rvakili@calhfa.ca.gov <p style="text-align: center;">or</p> <ul style="list-style-type: none"> • James Morgan, Housing Finance Chief, Multifamily Programs • 500 Capitol Mall, MS 1420, Sacramento, CA 95814 • Phone: 877.922.5432 or directly at 916.326.8806 • Email address: jmorgan@calhfa.ca.gov

¹ All other CalHFA Acq/Rehab Program requirements shall be applied except as noted herein.

IMPORTANT DISCLOSURE INFORMATION:

The information provided in this program description is for guidance only. While we have taken care to provide accurate information, we cannot cover every circumstance nor program nuance. This program description is subject to change from time to time without prior notice. The California Housing Finance Agency does not discriminate on any prohibited basis in employment or in the admission and access to its programs or activities.