California Housing Finance Agency

TAX-EXEMPT ACQUISITION/REHABILITATION LOAN PROGRAM

In partnership with local governments, CalHFA may offer a Tax-Exempt Acquisition/Rehabilitation Loan ("Acq/Rehab Loan") that provides short-term financing to preserve and/or increase the affordability of existing multifamily rental housing developments that house individuals, families, seniors, veterans and special needs tenants. An Acq/Rehab Loan must be paired with a CalHFA Permanent Loan ("Perm Loan").

Qualifications	• Available to for-profit, non-profit, and public agency sponsors. • Substantial rehabilitation of the project must meet minimum CDLAC, TCAC, and HUD standards. • The Acq/Rehab Loan may be used with or without 4% low income housing tax credits. • For Section 8 Projects, final commitment is conditioned upon review and acceptance by CalHFA of the HAP or AHAP contract. • For existing CalHFA portfolio loans, the current owner is required to pay off all outstanding CalHFA debt. Visit www.calhfa.ca.gov for the CalHFA Portfolio Loan Prepayment Policy. • The Acq/Rehab Loan will be credit-enhanced through CalHFA's HUD/FHA Risk Sharing Program. • Projects must comply with the Davis-Bacon Act and/or California prevailing wage requirements. • The Acq/Rehab Loan must be paired with a CalHFA Perm Loan.
Loan Amount	• Minimum Acq/Rehab Loan amount of $1,000,000. • Lesser of 90% of post-rehabilitation restricted value or 100% of development costs.
Fees (subject to change)	• Application Fee: $5,000 non-refundable, due at time of application submittal. • Acq/Rehab Loan Fee: 1.00%, half due at final commitment, with balance due at Acq/Rehab Loan closing. • CalHFA Legal Fee: $40,000 with half due at Acq/Rehab Loan closing and the balance at Perm Loan closing. • Credit Enhancement, Bond Issuer, Bond Counsel, and Trustee Fees included in the interest rate. • Perm Loan Monitoring Fee: $7,500 annually. • Rehabilitation period inspection fees should be estimated at $500 - $1,000 per month. • Administrative Fee: $1,000 due at Acq/Rehab Loan closing. • CDLAC Allocation Fee: 0.035% of the bond amount, $1,200 of which is due at time of CDLAC application submittal with the remaining fee due at Acq/Rehab Loan closing, payable to CDLAC. • CDLAC Performance Deposit: 0.50% of the requested bond amount, not to exceed $100,000, due at time of CDLAC application submittal. Deposit refunded after bond closing, upon receipt of authorization letter from CDLAC.
Rates & Terms (subject to change)	• Interest Rate is equal to (a+b)/c: a. 2 year U.S. Treasury plus 1.40%-2.15% times the portion of the Acq/Rehab Loan that exceeds the Perm Loan amount. b. 10 year U.S. Treasury plus 2.50%-3.25% times the Perm Loan amount. c. Acq/Rehab Loan amount. • The rate is fixed for the term of the Acq/Rehab Loan and locked up to 30 days prior to Acq/Rehab loan closing.

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Rates & Terms (subject to change) *Continued*	• Acq/Rehab Loan Payment/Term: interest only, for up to 36 months. • A six-month extension is permitted upon payment of a fee equal to 0.50% of the Acq/Rehab Loan amount. • The Acq/Rehab Loan is fully disbursed at closing, with CalHFA administering the rehabilitation account and draw process.
Subordinate Financing	Financing and/or grants are encouraged from local governments and third parties to achieve project feasibility. All non-CalHFA financing, leases, development and regulatory agreements must be coterminous (or have a longer term than the combined Acq/Rehab Loan and CalHFA Perm Loan terms) and be subordinate to the CalHFA financing.
Occupancy Requirements	Must maintain the greater of (A) existing affordability restrictions, or (B) either (i) 20% of the units must be rent restricted and occupied by individuals whose incomes are 50% or less of the area (county) median gross income as determined by HUD ("AMI") with adjustments for household size ("20% @ 50% AMI"), or (ii) 40% or more of the units must be both rent restricted and occupied by individuals whose income is 60% or less of the AMI, with adjustments for household size ("40% @ 60% AMI"): however in the latter case, a minimum of 10% of the units must be at 50% or less of AMI ("10% @ 50% AMI"). CalHFA's regulated units must represent a pro-rata share of the available unit sizes (by bedroom count and square feet), and be disbursed throughout the project.
Due Diligence	The following due diligence is required and shall be provided at the Borrower's expense: • HUD-2530 previous participation clearance. • Property appraisal (ordered by CalHFA). • Independent 3rd Party Construction Cost Review – when required by CalHFA. • Physical Needs Assessment (PNA) for rehabilitation projects with a Replacement Reserve Needs Analysis (RRNA) over time for the initial 20-year term (ordered by CalHFA). • Phase I Environmental Site Assessment report including but not limited to impact reviews that meet federal environmental requirements (such as historic preservation and noise remediation). • Market Study satisfactory to CalHFA. • NEPA Review. • Termite/Dry Rot reports by licensed company. • Seismic review and other studies may be required at CalHFA's discretion.
Guarantee	• Acq/Rehab Loans are full recourse prior to pay off and closing of the CalHFA Perm Loan. • Payment and performance bonds required (letter of credit may be substituted subject to CalHFA approval). • A Payment and Completion Guaranty is required.

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