Housing Authority of Prince George's County
Affordable Housing Bond Finance Program Term Sheet & Financing Guide

PROGRAM DESCRIPTION	
Goal:	The Housing Authority of Prince George's County (HAPGC) Affordable Housing Bond Finance Program (AHBFP) provides tax-exempt bond financing that also generate "as-of-right" 4% Federal Low-Income Housing Tax Credits ("LIHTC") for multifamily rental housing projects developed by private for-profit and not-for-profit developers/owners. The goal of the program is to promote affordable rental housing opportunities for low-to-moderate income individuals, families and seniors through flexible financing that supports a wide range of housing types, including new construction, adaptive reuse of non-residential buildings, and preservation of existing housing units. The program encourages a variety of projects that are responsive to the particular needs of a location and populations within the diverse communities throughout Prince George's County, including urban, suburban and rural areas.
Eligible Uses:	*New Construction:* New construction of multifamily rental housing, including the creation of new units through the adaptive reuse of existing non-residential structures. *Preservation:* Preservation and rehabilitation of existing affordable multifamily rental housing. Housing that was initially financed privately, or through federal and/or state programs, including Federal Section 8, Section 236, Section 202, Public Housing, or Low-Income Housing Tax Credit (LIHTC) programs, USDA Rural Development and other similar programs are eligible.
Bonds:	HAPGC will fund the first mortgage loans for qualifying income restricted projects through the sale of tax-exempt private activity bonds. For mixed income projects, HAPGC may elect to fund units reserved for households earning above 60% AMI for Metropolitan Washington, DC, provided the project meets specific housing related goals for the targeted individuals and families.
AFFORDABILITY REQUIREMENTS	
Affordability Requirements:	The project must meet Bond/LIHTC low-income set aside requirements: • At least 20% of the units reserved for low-income households earning at or less than 50% AMI; or • At least 40% of the units set aside for households earning at or less than 60% AMI.
Rent Limits:	For all income-restricted units, gross rents cannot exceed 30% of the applicable percentage of AMI, for Metropolitan Washington, DC, adjusted for family and bedroom sizes. In some cases, HAPGC may allow an income band if required by other funders of the project to accommodate specific public policy goals. For example, maximum rents set at 57% of AMI may be permitted for a unit restricted for households earning up to 60% of AMI.
Maximum Income Limits:	LIHTC Units: At initial occupancy tenant incomes must not exceed the applicable low-income set aside for the percentage of Area Median Income (AMI) for Metropolitan Washington, DC, adjusted for family size, as described in Affordability Requirements. Non-LIHTC Income Restricted Units: Subject to terms set forth in the HAPGC-AHBFP Rental Housing Guide and/or those requirements imposed by other funding or credit enhancement sources.

Regulatory Agreement:	Borrowers will be required to enter into a Regulatory Agreement to ensure compliance with IRS and HAPGC-AHBFP policy guidelines including but not limited to, income restrictions, LIHTC requirements, restrictions on transfers, and financial reporting, typically for a period of at least 30 years for new construction projects and for a period of at least 40 years for preservation and supportive housing projects. The Regulatory Agreement must be executed prior to the issuance of the bonds. Requirements imposed by other loan, investment, credit enhancement, and/or subsidy sources may be more restrictive but must be consistent with the HAPGC Regulatory Agreement.
BORROWER REQUIRMENTS	
Eligible Borrowers:	The borrower may be a for-profit or not-for-profit organization. The sponsor and principal participants in the project must not be in default under any existing mortgage financing and must meet all HAPGC-AHBFP credit review criteria.
FIRST MORTGAGE LOAN TERMS	
Construction Loan Amount:	Bond proceeds must fund at least 50% of the total development cost of the project. Not less than 95% of costs funded by bond proceeds must be "good costs" as determined by bond counsel.
Permanent Loan:	Amount: Maximum 85% LTV of as-built or replacement cost appraised value (or such other level established by a credit enhancement provider acceptable to HAPGC-AHBFP), based on an independent appraisal commissioned by the lender and acceptable to HAPGC. Income to Operating Expense: Annual minimum of 1.15:1.0 coverage or as set by the permanent credit enhancer and acceptable to HAPGC. Debt Service Coverage: Annual minimum of 1.15:1.0, or as set by permanent credit enhancer and acceptable to HAPGC-AHBFP. Prepayment: Mortgage loans financed under the HAPGC-AHBFP) generally cannot be prepaid prior to a date which is 10 years from the closing date.

Interest Rate:	A fixed or floating rate set at closing depending on risk, market conditions, and loan type.
Credit Enhancement and Mortgage Insurance:	Credit enhancement is required in the full amount of the first mortgage loan. Such enhancement may take the form of a direct pay letter of credit from a highly rated (AA) institution or a credit facility provided by a Government Sponsored Enterprise (GSE). Other acceptable forms of credit enhancements include mortgage insurance provided by FHA. *Note:* AHBFP is HAPGC's primary vehicle for financing affordable housing projects. Bonds issued under AHBFP are not rated by any of the credit rating services. As a result, developers are required to provide, and pay for, a credit enhancement facility acceptable to HAPGC unless the bonds are to be privately placed.
Term/ Amortization:	Expected permanent term of 30 years for first mortgages, with a 30-year amortization schedule. Projects using FHA mortgage insurance may have a 40-year amortization, with applicable term.

Financing and Servicing Fees:	**Application Fee**: With the submission of an application, project sponsor will pay a nonrefundable five-thousand-dollar ($5,000) application fee. **HAPGC-AHBFP Credit Underwriting Fee**: A credit underwriting fee of 10 basis points (.10%) of the bond amount requested will be due at bond closing. **Inducement Resolution Fee**: Upon approval of an Inducement Resolution by the full HAPGC Board, the borrower will pay a fee equal 15 basis points (.15%) of the bond amount requested, will be due at bond closing. **HAPGC-AHBFP Commitment Fee**: Upon execution of the Commitment Letter between HAPGC and the borrower, the borrower will pay 25 basis points (.25%) of the bond amount requested, will be due at bond closing. **Financing Fee**: A financing fee of 100 basis points (1%) of the bond amount will be due at bond closing. **HAPGC-AHBFP Servicing Fee**: An annual fee equal to the present value of 25 basis points (.25%) of the original bond amount will be included in the financing. <u>**Other Fees**</u>: **Credit Enhancement Fees**: The borrower will be responsible for any fees charged by credit enhancement providers and such fees will be recognized as an expense that may be included in the mortgage. **Third Party Fees**: The borrower will be responsible for any fees related to third party vendors whose services are required for approval of financing including, but not limited to, appraisals, market studies, environmental testing etc. which costs may be included in the bond financing.

	HAPGC-AHBFP Estimated Underwriters' Fee: 1% of the total bond amount. This fee does <u>not</u> apply to back-to-back projects or Private Placement projects. **Other Closing Fees**: In addition to the fees above, projects financed under HAPGC-AHBFP are required to pay for a portion the financial advisor fee for the transaction. Projects funded under other financing vehicles (i.e. the private placement and back-to-back programs) are required to pay the fees listed above, excluding underwriters' fees, and certain other costs of issuance. These fees include: Trustee's fees, Financial Advisor Fee TEFRA Fee and Bond Counsel Fees.
PRO FORMA REQUIREMENTS	

Developer's Fee:	The maximum allowable developer fee is not to exceed 10% of acquisition plus 15% on all other projects costs, excluding reserves, partnership expenses, syndication fees and developer fee. (Developer fees may also be governed by insurers/credit enhancers or investors.) HAPGC may require a reduction in paid developer fee in order to reduce public subsidy. Deferred Fee is considered an equity contribution and source for the project. Any deferred developer fee is subject to HAPGC-AHBFP review.

Reserves:	*Replacement Reserve Capitalized:* $1,000 per unit Reserve for Replacement requirement for preservation projects only. There are no capitalized reserve requirements for new construction. *Replacement Reserve Annualized:* For new construction and rehabilitation projects, $250 per unit per year in annual Reserves for Replacement, payable monthly. This amount may be subject to increases for certain rehabilitation and adaptive reuse projects. *Operating Reserves:* If required by an equity investor, credit enhancer, or other governmental entity providing subsidy financing to the Project, operating reserves may be funded in an amount of up to three months of debt service plus three months of operating expenses (6 months). New construction may also require lease-up reserves until required occupancy targets are met.
Contingencies:	Hard Cost Contingency: 5% of hard costs for new construction projects and 10% of hard costs for preservation and adaptive reuse projects. Soft Cost Contingency: Maximum 5% of soft costs less developer fee, reserves, and bond issuance costs. May be reduced and are subject to agency review in order to reduce public subsidy.

OTHER DEBT	
GAP Financing:	Subordinate Mortgage financing from agencies including the HOME funds (DHCD), the Housing Trust Fund Corporation (HTFC) and others may also be provided to make a specific project financially feasible and must be subordinate to the first mortgage.
EQUAL OPPORTUNITY GOALS	
Affirmative Fair Housing Marketing Plan:	Must comply with all HAPGC marketing guidelines and submit an Affirmative Fair Housing Marketing Plan acceptable to HAPGC's Office of Fair Housing and Equal Opportunity, which must be approved prior to project sign-off for the mailing of the Official Statement.
CONTACT INFORMATION	
Pre-application Questions and Application Submittal	Borrowers who would like to be considered for financing should submit a project narrative, proposed budget and milestone timeline including supplemental funding approvals to the staff below. HAPGC - AHBFP will schedule a meeting with applicant, upon your request, to discuss program requirements. **Email**: HAPGCBond@co.pg.md.us **Mailing Address**: James F. McGraw, III Housing Authority of Prince George's County Affordable Housing Bond Finance Program 9200 Basil Court, 5th Floor Largo, MD 20774 301-883-5557

HAPGC - AHBFP in its sole discretion, may, at any time and without prior notice, terminate the effectiveness of this Term Sheet, amend or waive compliance with any of its terms, or reject any or all requests/proposals for funding.