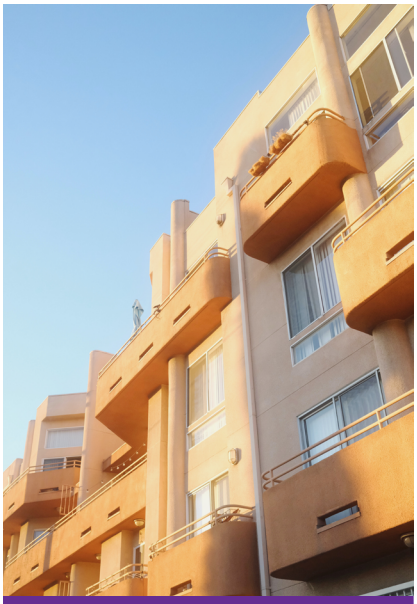

Multifamily First-Lien Loans

Taxable Permanent Loan Program

CalHFA's (the Agency's) Taxable Permanent Loan Program ("Perm Loan") provides long-term financing for affordable multifamily rental housing projects. Eligible projects include newly constructed or acquisition/rehabilitation developments that provide affordable housing opportunities for individuals, families, seniors, veterans, and special needs tenants ("Project").

Loan Amount

- Minimum Perm Loan amount of $5,000,000.
- Minimum 1.15x initial debt service coverage ratio (DSCR)(including any financing with amortizing debt). If a Project includes an Agency subsidy loan, the maximum DSCR at Year 1 shall not exceed 1.20x, unless approved by Agency in its sole discretion. Agency underwriting, prior to both the construction and permanent loan closings, must show an on-going minimum DSCR of 1.15x through the term of the CalHFA permanent, first-lien loan. CalHFA may, in its sole discretion, require that the initial DSCR be higher than 1.15x, as deemed necessary to mitigate risk and to meet the Agency's underwriting requirements. In case of subordinate financing provided by CalHFA, the Combined LTV (CLTV) shall not exceed 120% (maximum). However, if the exit analysis requirements are not met per the Agency's underwriting standards, the CLTV shall not exceed 100%.
- The lesser of 90% of the Project's current restricted appraised value or 100% of total Project development costs. For Perm Loans that will finance a cash equity payment to the Borrower, the Perm Loan amount will be restricted to no more than 80% of the Project's then current restricted appraised value.

Qualifications

- Available to for-profit, nonprofit, and public agency sponsors.
- The Perm Loan may be used with or without 9% low income housing tax credits.
- For Section 8 Projects, final Perm Loan commitment will be conditioned upon review and acceptance by CalHFA of the HAP or AHAP contract.
- The Perm Loan will be credit-enhanced by the HUD/FHA Risk Sharing Program.
- 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**.

Fees *(subject to change)*

Application Fee: $10,000 non-refundable, due at time of application submittal, and credited toward the CalHFA Perm Loan Funding Fee at Perm Loan closing. The applicant may be subject to a new Application Fee if the CalHFA commitment expires prior to construction loan closing.

Perm Loan Funding Fee: 1.50% of the greater of the Perm Loan amount indicated in the Final Commitment or the actual Perm Loan amount at Perm Loan closing. 50% of the fee is due at Final Commitment, with the balance, including any fee increase related to an increase in the actual Perm Loan amount, due at Perm Loan closing.

California Housing Finance Agency
500 Capitol Mall Suite 1400, MS-990
Sacramento, CA 95814

Multifamily Programs
(916) 326-8800
MultifamilyLending@calhfa.ca.gov

Last revised: 01/2024

Taxable Permanent Loan Program

Fees continued

Credit Enhancement Fee is included in the interest rate.

Annual Monitoring Fee: $7,500 annually (not to be duplicated if used in conjunction with CalHFA's *Conduit Issuer Program*)

Inspection fees are estimated at $500 per month for the term of the construction.

Letter of Interest Fee: $5,000 at LOI request, and credited toward the CalHFA Perm Loan Funding Fee

See CalHFA standard **Conduit Issuer Program Term Sheet** *for information on conduit issuance fees.*

Rate & Terms *(subject to change)*

Interest Rate

- **17-Year Balloon Loans:** 10-Year Constant Maturing Treasury plus CalHFA spread
- **30-Year Balloon and Fully Amortizing Loans:** 10-Year Constant Maturing Treasury plus CalHFA spread
- **Estimated CalHFA Spread 17-Year Balloon:** 2.00% to 3.25%
- **Estimated CalHFA Spread 30-Year Balloon:** 2.15% to 3.35%
- **Estimated CalHFA Spread Fully Amortizing Loans:** 2.20% to 3.50%

Rate may be locked up to 30 days prior to the construction loan closing. Rate may be locked for the term of the construction period, not to exceed three years, unless CalHFA grants extensions as outlined below, in its sole discretion.

Amortization/Term

- **Amortization:** Up to 40 Year Amortization
- **Term:** Fully Amortizing, and 17- or 30-Year Balloons available.[1]
- **Perm Loan Increase or Decrease Requirements:** Any increase or decrease in the committed Perm Loan amount must be approved by the Agency and shall include the payment of a fee to be determined at the time of Perm Loan modification approval.
- Up to two, three-month extension(s) permitted upon payment of a fee equal to 0.25% of the Perm Loan amount plus possible additional financial costs related to the extension for each three-month extension. An extension of the Rate Lock for construction closing shall not affect the availability of these two optional extensions. Any extension of the Rate Lock related to construction closing shall be in the Agency's sole discretion.
- **Breakage Fee (if applicable):** due between construction loan closing and Perm Loan closing and calculated based on hedge termination cost.

[1] *Balloon loans and terms are subject to approval by the Agency and will not be provided unless such financing is supported by Agency's underwriting and exit analysis.*

Taxable Permanent Loan Program

Loan Closing Requirements

- 90% stabilized rental housing occupancy for 90 days as evidenced by rent rolls.
- DSCR of at least 1.15x as underwritten at time of Perm Loan closing.
- 90% of tax credit investor equity shall have been paid into the Project.
- Project income is sufficient to pay operating expense and the required debt service and reserves.
- For mixed-use Projects, 100% non-residential or commercial occupancy as evidenced by executed leases or guarantees, if applicable.
- *Deposit Account Control Agreement* between CalHFA, the Borrower and lending institution holding the Development Account is in form and substance acceptable to all parties and ready to be executed at Perm Loan closing.
- The project equity out may be held back until the completion of any necessary rehabilitation, if applicable.
- All closing requirements outlined on the Agency's Final Commitment Letter and document checklist, as applicable.

Prepayment

The Perm Loan may be prepaid at par after 15 years of the Perm Loan period. Additionally, the Perm Loan may be prepaid after 10 years of the Perm Loan period subject to a yield maintenance calculation equal to the *Fannie Mae Prepayment Premium* (*Standard Yield Maintenance – Fixed Rate)* at the time of Final Commitment, which can be found at:

multifamily.fanniemae.com/media/5646/display

The Perm Loan may not be prepaid prior to 10 full years of the Perm Loan period.

All prepayments require a prior written 120-day notice to CalHFA.

Subordinate Financing

Financing or grants are encouraged from local governments and third parties to achieve project feasibility. All financing, leases, development and regulatory agreements must be coterminous (or have a longer term than the combined terms of any CalHFA Loan) and be subordinate to CalHFA financing. Any exception to this policy, including joint priority (pari passu) will require prior approval from the Agency and/or the CalHFA Board of Directors (if applicable). A *Lien Priority/Position Estoppel* from any subordinate lenders in form and substance acceptable to CalHFA will be required prior to construction financing closing, if applicable.

Ground Lease

Any Project application that contemplates a ground lease must accommodate CalHFA's requirement that the Perm Loan shall be secured against both the fee and leasehold interests in the property. The ground lease term must exceed any CalHFA subsidy or permanent loan term(s) by 10 years or more. The term of the ground lease must be equal to or longer than the term of the CalHFA Regulatory Agreement(s).

Taxable Permanent Loan Program

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 (i.e., 30% @ 60% AMI; 10% @ 50% AMI).

Any units restricted by the Agency pursuant to this program, including those units restricted in addition to the minimum requirements set forth above, shall be rented at rents up to 30% of the applicable income restriction using the occupancy assumptions required in the Agency's Regulatory Agreement. Rents for all restricted units must be at least 10% below market rents as evidenced by current market study or an appraisal.

CalHFA's regulated units must represent a comparable 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 to be provided at the Owner/Borrower's expense (refer to the program's document checklist for a full list):

- **Appraisal*** (a construction lender's appraisal with appropriate reliance provided to CalHFA may be acceptable).
- **HUD-2530 previous participation clearance.**
- **Construction Costs review** for new construction projects (construction lender's review may be acceptable with appropriate reliance, if required by the Agency, in its discretion).
- **Physical Needs Assessment*** (PNA) for rehabilitation projects with a Replacement Reserve Needs Analysis (RRNA) over time for the initial 20-year term (other lender's PNA/RRNA may be acceptable). A RRNA for a longer time period may be required if the Perm Loan term is greater than 20 years.
- **Phase I and Phase II (if applicable) Environmental Site Assessment*** including, but not limited to, impact reviews that meet federal environmental requirements (such as historic preservation and noise remediation). The Purpose section of Phase I must state "a purpose of the Phase I is to document compliance with HUD policy pursuant to 24 CFR §58.5(i)(2) or §50.3(i)".

Taxable Permanent Loan Program

Due Diligence continued

- **Market Study*** with scope of study and vendor satisfactory to CalHFA.
- **NEPA Review.**
- **Termite/Dry Rot reports*** by licensed company.
- **Seismic review*** and other studies may be required at CalHFA's discretion.

***Note**: *Third-party reports shall be completed within 180 days prior to the CalHFA's final commitment approval and may be subject to a new or updated report if the report(s) was completed more than 180 days prior to construction loan closing, in CalHFA's sole discretion.*

Required Impounds and Reserves

- **Replacement Reserve:** Initial cash deposit required for existing Projects with annual minimum deposits between $250 and $500 per unit/per year are required depending on the Project type and PNA/RRNA findings.
- **Operating Expense Reserve (OER):** A minium of 4 months of operating expenses, reserves, debt service, and monitoring fees due at Perm Loan closing and held for the life of the CalHFA Perm Loan by CalHFA. In the event OER funds are drawn down during the term of CalHFA Perm Loan, the OER must be replenished over a period of 12 months to the original level.
- **Impounds held by CalHFA:** One year's prepaid earthquake, hazard and liability insurance premiums, and property tax assessments are collected at loan closing. An earthquake insurance waiver is available for projects which have met CalHFA earthquake waiver standards during rehabilitation or construction.
- **Transition Operating Reserve (TOR):** required for Projects with state or locally administered rental subsidy contracts with contract terms that are less than 20 years or less than the CalHFA Perm Loan term.
- Other reserves as required (at CalHFA's discretion).

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. Not printed at taxpayer expense.