



MEMO

Date: September 27, 2024

To: Kim Anderson – Deputy Director, Planning
Lauren Batalias – Principal Analyst
Joann Martinez – Associate Regional Planner

From: Kristine Williams – Senior Program Director, Enterprise Community Partners

Re: San Joaquin Regional Housing Fund – Recommendations Memo

Purpose

In 2022, the San Joaquin Council of Governments (SJCOG) consulted with HR&A Advisors to begin the work of assessing the feasibility of a countywide housing fund for San Joaquin County. This initiative, termed the San Joaquin Regional Housing Fund, included three primary deliverables: a financial feasibility analysis, an affordable housing needs assessment and an administrative assessment for a proposed fund. Through this work, valuable foundational information around housing trust fund structure and initial financial source options were presented. A recommended governance structure was identified through this process that instituted the SJCOG Board of Directors as the initial governing entity and a 501c3 organization as a subsidiary nonprofit of SJCOG was created. This memorandum seeks to advance the prior work of HR&A Advisors and SJCOG through providing recommendations for the focus of a countywide fund that aligns with the needs of stakeholders and the organizational goals of SJCOG.

Background

SJCOG has been evaluating its role in the regional housing landscape for years. The agency's 2020 "[Refining a Regional Housing Approach to Housing](#)" publication identifies its first priority as the development of a regional housing fund to "support the preservation and production of affordable housing." SJCOG is also the entity that, as mandated by state law, must quantify the need for housing at all income levels for San Joaquin County through the Regional Housing Needs Assessment (RHNA) process. This data is then used to inform land-use planning and the identification of sites at the jurisdictional level. However, local jurisdictions do not have existing financial resources to adequately support the housing needed to develop enough homes for low and very-low-income households within their boundaries.

The most recent RHNA analysis demonstrates a significant shortfall in units affordable to low-income households– 21,637 units needed for very-low and extremely-low-income households relative to less than 5,000 affordable units currently in the County's affordable housing pipeline.¹ It is estimated that it would

¹ 6th Cycle Regional Housing Needs Assessment, San Joaquin County: 2023 – 2031

take a minimum of at least \$50 million in local financing to advance the units in Stockton alone². Further, San Joaquin County Continuum of Care demonstrates the severe lack of development capacity, specifically for permanent affordable housing.³ In 2023, 6,691 San Joaquin County households stayed in an Emergency Shelter. Only 9.5 percent (664) secured housing through permanent housing units.⁴

The initial needs assessment prepared by HR&A notes that, outside of the state Low Income Housing Tax Credit program, there are no existing long-term recurring sources of affordable housing investment at a scale that would support advancing multiple developments. Jurisdictions within the County historically have offered little additional resources outside of federal entitlement funding (HOME, CDBG and ESG). The Regional Housing Fund provides a reliable local funding source for affordable housing gap financing.

Regional Housing Fund Goals

The ultimate goal of the Regional Housing Fund is to provide financial tools to meet and advance San Joaquin County's affordable housing goals as identified in the RHNA and County Housing Element. In addition, the fund can be structured to advance SJCOG's ongoing priorities around sustainability and land-use which could be a focus used to secure additional investment and aligns with the use of Measure K funds. The SJCOG Board of Directors authorized the use of \$5 million from the agency's Measure K Smart Growth Incentive Program to be programmed into the Regional Housing Fund. As such, this funding is intended to advance more efficient land-use patterns by supporting projects that accomplish the following: enhance infill development, support neighborhood revitalization and facilitate downtown improvements. Additionally, the plan notes that for any funding used to support housing development, such developments must have a minimum density of 10 units per acre. It also specifies that any scoring rubric will allow for additional points tied to depth of project affordability and increased density as well as additional requirements for mixed-use projects (50 percent of the project must be made up of housing to qualify). These requirements set some initial threshold standards that can be used to evaluate project feasibility.

Due Diligence

Stakeholder Feedback

To better understand local developers' financing needs, a series of interviews was conducted with developers that have existing affordable housing pipeline projects in San Joaquin County. All interviewees⁵ indicated that they were currently managing existing projects in some phase of the development pipeline. Projects ranged from small-site preservation and rehabilitation projects to larger multifamily new construction developments. Those interviewed all aligned on the need for a potential fund to support permanent affordable housing (as opposed to transitional-type housing or shelter development). Some developers are beginning to focus more on transit-oriented development as larger funding sources increasingly prioritize denser, infill-type housing (e.g. the Affordable Housing and Sustainable Communities program). A majority of feedback indicated that the local development community utilizes the following financing programs routinely:

² Enterprise Community Partners, 2024 Central Valley Pipeline

³ <http://www.sanjoaquinccoc.org>

⁴ 2023 Homeless Management Information System (HMIS) Lead Agency Performance Monitoring Report

⁵ A full list of all organizations interviewed can be found in the Appendix

- i. Low-Income Housing Tax Credits (both 4% and 9% programs) - LIHTC
- ii. Affordable Housing and Sustainable Communities - AHSC
- iii. Multifamily Housing Program - MHP
- iv. Affordable Housing Program (Federal Home Loan Bank) - AHP
- v. Local federal entitlement programs (Community Development Block Grant, HOME, Emergency Services Grant)
- vi. Homekey
- vii. Federal CARE Act
- viii. Homeless Housing Assistance and Prevention – HHAP
- ix. Public Housing Local Assistance – PHLA

In our due diligence, there was consistent feedback that the RHF should align with the above programs to ensure continuity and leverage potential – this includes project feasibility requirements, the timing of an annual NOFA and/or when letters of commitment are distributed so that developers can align local funding before pursuing larger financing programs. Interviewees also noted financing is needed to support a range of activities including predevelopment financing, site acquisition and general gap financing. However, gap financing was identified as the most beneficial form of financing that could have an immediate impact on advancing developments. While predevelopment and acquisition funding could be utilized it does not guarantee that a project will be completed and would not be the most applicable to existing pipeline projects. Interviewees indicated significant need for local sources of gap funds to help projects better compete for the above-mentioned programs that reward larger proportions of local investment, particularly state and federal tax credit programs.

Many developers also noted that “standard” loan terms (three percent interest rate over 55 years) were amenable, though developers that serve extremely low-income populations and develop permanent-supportive housing indicated that loan repayment can be difficult or infeasible due to low rental income. Instituting “flexible” loan terms based on borrower characteristics would likely be an acceptable middle-ground. Responses were mixed on whether funding delivered in grant form would be beneficial with some concerns cited around prevailing wage requirements as well as whether grants would allow the fund to adequately cover its own operating expenses.

Case Studies

Two existing fund structures were selected for review – the Metropolitan Transportation Commission’s (MTC) Transit Oriented Affordable Housing Fund (TOAH) and California’s Department of Housing and Community Development’s (HCD’s) Golden State Acquisition Fund (GSAF). Both funds are managed by an external Administrative Fund Manager, the Low-Income Investment Fund (LIIF), a community development financial institution (CDFI).

TOAH: MTC’s TOAH Fund – launched in 2011 with an initial \$10 million investment from MTC - was successful in attracting an additional \$40 million from private foundations and different financial institutions to make \$50 million available for new loans to support affordable housing development. Eligible developments include multifamily rental housing and mixed-use projects located within MTC “priority growth areas” with at least 20 percent of the units affordable to households earning less than 50 percent of area-medium income (AMI) or 40 percent of units affordable to households earning less than 60 percent of AMI, , homeownership projects affordable to households with incomes no greater than 80 percent AMI and catalytic neighborhood projects (e.g. childcare centers, health clinics, etc).

When first launched, TOAH offered predevelopment, acquisition, construction, mini-perm, bridge and leverage loans for new markets tax credit financing. In 2018, the TOAH fund was restructured to simplify the participants to only MTC and CDFIs, and removing the tiered investors, private banks and foundations, and to reduce the types of loan products offered. The resulting “TOAH II” structure mirrors that of the GSAF and offers only site acquisition and predevelopment financing. Interview feedback indicates that after some experience with the fund, “simpler was better.” Sample loan terms for both acquisition and predevelopment products can be found in the appendix materials.

GSAF: The Golden State Acquisition Fund seeks to preserve and expand affordable housing through the provision of acquisition financing. GSAF was initially seeded in 2012 with a \$23 million investment from HCD. These funds were then leveraged to attract additional capital from a seven-member CDFI consortium. In 2023, HCD provided an additional infusion of \$50 million. GSAF funds are recycled through a revolving fund model in which repaid loan proceeds are reinvested into new projects. Although initially capitalized as a \$93 million fund, because of its revolving nature, to date the program has invested over \$540 million in acquisition financing for the creation and preservation of affordable housing across the state. GSAF has more stringent affordability requirements than TOAH, requiring 100 percent of all units in multifamily rental developments to be affordable to households at or below 60 percent AMI and does not support standalone commercial developments. Table 1 includes a side-by-side comparison of both funds.

Metropolitan Transportation Commission Transit-Oriented Affordable Housing Fund (TOAH)	Golden State Acquisition Fund (GSAF)
Fund Amount	
<ul style="list-style-type: none"> • \$40M <ul style="list-style-type: none"> ○ \$10M seeded by MTC ○ \$30M from CDFIs 	<ul style="list-style-type: none"> • \$100M revolving fund <ul style="list-style-type: none"> ○ \$23M seeded by HCD’s Affordable Housing Innovation Fund ○ \$50M additional HCD infusion
Max Loan Amount	
<ul style="list-style-type: none"> • Acquisition – \$10,000,000 • Predevelopment – \$1,000,000 	<ul style="list-style-type: none"> • \$13,950,000, including up to \$750,000 in predevelopment
Fund purpose and/or use	
<p>Provide acquisition and predevelopment financing for the development of equitable transit-oriented development (TOD), including affordable housing, mixed-use developments and commercial space with community services.</p> <ul style="list-style-type: none"> • Projects must be located in Plan Bay Area 2050 Growth Geographies and/or in Transit Priority Project Areas • Rental Housing: minimum of 20% of the units restricted to households earning below 50% AMI or minimum of 40% of units restricted to households earning 60% AMI or below • 75% of funds must be spent on affordable housing • Up to 25% of funds can be used for commercial facilities for community serving purposes, such as childcare centers, health clinics, fresh food outlets or other retail space.⁶ 	<p>Promotion of new and preservation of existing affordable housing through the acquisition of vacant land or existing properties for rental or homeownership development.</p> <ul style="list-style-type: none"> • Must be located within the State of California • Rental Housing: 100% of units restricted to 60% or below AMI (or meet mixed-income rules) • Homeownership: Restricted to households at or below 80% AMI • Mixed-Income: Minimum 75% of residential units developed as affordable housing to receive full loan; if less than 75%, project loan will be adjusted
Management structure	
Fund manager: Low Income Investment Fund (LIIF) ⁷	Fund manager: Low Income Investment Fund (LIIF) ⁸

⁶ [Transit-Oriented Affordable Housing Fund](#), Metropolitan Transportation Commission.

⁷ In addition to Administrative Fund Manager, LIIF is also an originating lender for the TOAH Fund, along with four other leading CDFI’s - Community Vision, Corporation for Supportive Housing, Enterprise Community Loan Fund, and LISC Bay Area.

⁸ The consortium partners include Century Housing Corporation, Corporation for Supportive Housing, Enterprise Community Loan Fund, Housing Trust Silicon Valley, Local Initiatives Support Corporation, the Low Income Investment Fund, Community Vision (formerly Northern California Community Loan Fund), and Rural Community Assistance Corporation.

<ul style="list-style-type: none"> • LIIF is responsible for developing Fund legal documents and closing the Fund. • LIIF also manages the Fund’s day-to-day operations, including project loan approvals, financial management and reporting. 	<ul style="list-style-type: none"> • LIIF is responsible for development of marketing, application and underwriting materials • Marketing the Loan Fund to potential customer base • Establishing terms and conditions for Project Loan applications • Disbursing Project Loan funds and receiving Project Loan repayments • Maintaining records and accounts of the Fund Manager Loans • Complying with the reporting requirements
Governance structure	
<ul style="list-style-type: none"> • Structured as a Limited Liability Company (LLC), and includes three members: LIIF, Enterprise Community Loan Fund (ECLF), and Community Vision. • The TOAH fund currently relies on the originating lender approval process for all conforming loans. Any non-conforming loans (those that do not meet the TOAH Fund standard underwriting criteria), must be reviewed and approved by the TOAH Credit Committee, which is made up of 3 CDFI Originating Lenders. LIIF, as Managing Member, holds a permanent seat on the committee, while the other 2 spots rotate annually. • MTC Commissioners initially approved general program guidelines and resolutions to lend the money to TOAH LLC <ul style="list-style-type: none"> ○ Fund Manager and MTC staff have historically managed program details 	<ul style="list-style-type: none"> • GSAF, LLC is the single purpose entity created to hold the GSAF funds and to participate in project loans. • GSAF, LLC is made up of four members, LIIF, ECLF, RCAC, and Century Housing • GSAF relies on originating lenders to approve project loans through their respective credit approval process • GSAF does not currently have a formal governing body however, all loans are subject to HCD approval⁹
Eligible borrowers	
<ul style="list-style-type: none"> • Nonprofit or for-profit corporations, municipal agencies and their joint venture entities or affiliated limited partnerships or limited liability companies. 	<ul style="list-style-type: none"> • Nonprofit and for-profit developers, cities, counties, and other public agencies within California • Joint ventures comprised of such entities, with a track record of developing affordable housing

⁹ The originating lender provides the Fund Manager with documentation regarding the project, the Fund Manager then sends the loan to HCD for approval. Once HCD receives the information, they have 5 business days to respond, if there is no response, it is deemed approved.

5th and Howard – San Francisco, CA



Photo credit: City and County of San Francisco – Housing Portal

- Developer: Tenderloin Neighborhood Development Corporation (TNDC)
- Total Units: 203
- TOAH Fund Financing: \$6.44 million

In 2009, Tenderloin Neighborhood Development Corporation (TNDC) purchased a vacant site utilizing a loan from Enterprise Community Loan Fund and San Francisco Mayor’s Office of Housing and Community Development (MOHCD) funds. This site would eventually become, 5th and Howard, one of the largest affordable housing developments in San Francisco. 5th and Howard is a 205,000 sq ft., mixed-use development that includes 203 affordable units for individuals earning between 75% to 120% AMI. On-site amenities include community rooms, outdoor terraces, indoor bike parking, and ground-floor community space.¹⁰

¹⁰ [5th and Howard](#), Tenderloin Neighborhood Community Development.

Liberty Square - Stockton, CA



Photo credit: Visionary Home Builders

- Developer: Visionary Home Builders of California (VHB)
- Total Units: 74
- GSAF Financing: \$1.25 million (Community Vision)

With a \$1.25 million loan originated by Community Vision (formerly Northern California Community Loan Fund), Visionary Home Builders was able to purchase a vacant office building and create 74 affordable units through adaptive reuse. Liberty Square residents include veterans and families earning between 30% and 60% of Area Median Income (AMI). Amenities of this development include a computer lab, community center, daycare, and teen center with 10,000 sq. feet for services.¹¹

Recommendations

Uses of Funds – Gap Financing

Considering the goals of the fund, needs in the community, examples of what works in other communities and funds, and the prospects for pairing resources, Enterprise recommends initial flexibility for the uses of the fund and targeting them towards projects that are shovel-ready but for these and other funds projects are poised to be awarded by other sources. For example, should SJCOG be successful in securing an award from the California Department of Housing and Community Development's (HCD) Local Housing Trust Fund program (expected awards by end of 2024), the RHF will have an initial funding amount of \$10 million. In order to demonstrate the fund's immediate value, we recommend providing gap financing that will help move at least two qualifying pipeline developments closer to completion. In the short-term this was identified as the most valuable type of financial support to advance affordable projects. Additionally, many stalled pipeline projects are already structured as eligible for HCD support. As additional resources are identified SJCOG can re-evaluate the desired uses of the RHF.

¹¹ [Not Just Housing: Creating Opportunities for Central Valley Neighborhoods to Thrive](#), Community Vision.

Regional Housing Fund Governance

Building on the Administrative Assessment and Governance Plan assembled by HR&A, Enterprise has additional recommendations as it relates to the governance structure of the Regional Housing Fund.

Currently, the SJCOG Board of Directors is the recommended governance body. The Board will be supported by an Advisory Committee which will be responsible for making fund allocation recommendations. Stakeholder feedback indicates that, eventually, it may be more expedient to allow for administrative approval of Advisory Committee recommendations to allow for more time-efficient processing and to ensure that funding decisions are not subject to political influence.

Next Steps

Within the next calendar year, SJCOG should focus on continuing to set up the administrative infrastructure necessary to launch the fund. This involves the creation and onboarding of the Advisory Committee. This committee should help set formal programmatic priorities for the RHF. These priorities should be limited to start (for example, promote the production of affordable housing by providing gap financing to “shovel-ready” projects). Following the establishment of this committee, members should assist in the selection of a more formal Fund Manager. A third-party agency with experience managing other funds would be ideal. The Fund Manager will also be able to utilize its own credit approval process without the need for SJCOG or the Advisory Committee to draft its own. Once selected, the Fund Manager can manage the inaugural launch of the RHF and assist the Advisory Committee in drafting and approving initial threshold, feasibility and priority objectives. Should SJCOG wish to sustain the RHF, staff and the Advisory Committee should jointly develop an initial fundraising plan.

Initial short-term sequence (6 months)



Sequence following inaugural awards (ongoing)



The consideration of developing the Regional Housing Fund represents a significant step forward in pursuing much needed local subsidy to advance regional affordable housing goals. Identifying the fund’s priorities and mission is an important first step toward ensuring alignment between investing in housing and the climate and land-use goals of SJCOG. Providing initial gap financing will have the most immediate impact on advancing pipeline developments that are otherwise ready to begin construction. Through its work on developing the Regional Housing Fund, SJCOG is continuing to lead in its role as a regional convener bringing together stakeholders and public agencies in an effort to address San Joaquin County’s housing shortfall.

Appendix

Regional Housing Fund Interview Questionnaire

1. What specific goals would you want to see a countywide fund advance (e.g. climate resiliency, target populations, tenure, etc.)?
2. What are the financing needs you have that are not currently being met through other funding sources?
3. What other financing programs do you typically use for developing housing? How could this fund best coordinate with the other housing programs you utilize?
4. What amount of funding do you feel the fund would need to maintain for it to contribute meaningfully to advancing your pipeline developments? For example, if the Fund were to provide a mix of acquisition and predevelopment financing, how much acquisition or predevelopment funding would you need to move your projects forward?
5. What kind of financing vehicle would be most useful to you? Grant, forgivable loan, traditional loan or something else?
6. What financing terms (interest rate, length of time, collateral, type of repayment) would best fit your project needs?
7. If this were an ongoing source of funds, what type of application would be best? (Rolling over-the-counter, NOFA once a year, twice a year, etc.?)
8. Do you have recommendations on how to assess projects for feasibility/award?

Interview Participants

- Central Valley Low Income Housing Corporation (CVLIHC) – Jon Mendelson
- Housing Authority of the County of San Joaquin - Peter Ragsdale
- Service First of Northern CA – Vernell Hill
- UPHoldings - Jessica Berzac
- Visionary Home Builders of CA - Carol Ornelas

PREDEVELOPMENT LOAN TERM SHEET

The terms summarized below are not all-inclusive and are provided for convenience only. For more details, please visit www.bayareatod.com. This term sheet is not a commitment to lend or borrow, nor an agreement to issue or accept a commitment on these or any other terms. It does not create a binding or legally enforceable obligation of the Bay Area TOAH Fund II or any other party in any way.

Originating Lenders	Corporation for Supportive Housing, Enterprise Community Loan Fund, Low Income Investment Fund, Local Initiatives Support Corporation, and Community Vision Capital and Consulting.
Eligible Borrowers	Nonprofit or for-profit corporations, municipal agencies and their joint venture entities or affiliated limited partnerships or limited liability companies.
Eligible Uses	Predevelopment costs for acquisition of Eligible Properties
Max Loan Amount	Up to \$1,000,000
Max Loan Term	36 months + up to 12 months extension
Eligible Properties & Affordability Requirements	<ul style="list-style-type: none"> ▪ Multifamily Rental Housing – Minimum resident household income requirements: 20% units <50% AMI or 40% units <60% AMI ▪ Mixed-use Projects ▪ Stand Alone Community Facilities and Catalytic Neighborhood Projects ▪ Additional opportunities, such as homeownership, vacant land or commercial properties.
Eligible Locations	Must be located within a Plan Bay Area 2050 Growth Geography, as defined by the Bay Area Metropolitan Transportation Commission, or a "Transit Priority Area", as defined in the California Public Resources Code §21155(b)(3).
Sponsor/Borrower Equity Requirement	Minimum of 5% (10% for For-Profit Sponsors) in cash at closing. Nonprofit Sponsors may include subordinate soft debt from government agencies, grants and contributed land equity in lieu.
Interest Rate and Amortization	Rate determined by Originating Lender. Interest-only payments via an interest reserve funded from loan proceeds, or other viable alternative funding sources evidenced by Sponsor.
Fees	Origination Fee determined by Originating Lender. Borrower must pay costs of due diligence and Originating Lender legal work undertaken, regardless of whether loan closes.
Collateral	Loans may be uncollateralized or collateralized. Originating Lender determines the type and amount of collateral required, if any. Regulatory agreement containing 30-year affordability covenants recorded on property.
Recourse/Guaranty	100% recourse to SPE borrowers. 100% payment guaranty required from Sponsor, plus personal guarantees from for-profit principals who are partners or members in the borrower entity.
Exit Fee	Should Borrower pursue an alternative development plan that is deemed as non-compliant, the Originating Lender will recoup an exit fee. The exit fee will be waived if Borrower can evidence that it made a good faith effort throughout the term of the Loan to pursue a compliant use.
Prepayment	No prepayment penalty.

Contact

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Low Income Investment Fund
San Francisco
Los Angeles
New York
Washington, DC
Atlanta

ACQUISITION LOAN TERM SHEET

The terms summarized below are not all-inclusive and are provided for convenience only. For more details, please visit www.bayareatod.com. This term sheet is not a commitment to lend or borrow, nor an agreement to issue or accept a commitment on these or any other terms. It does not create a binding or legally enforceable obligation of the Bay Area TOAH Fund II or any other party in any way.

Originating Lenders	Corporation for Supportive Housing, Enterprise Community Loan Fund, Low Income Investment Fund, Local Initiatives Support Corporation, and Community Vision Capital and Consulting.
Eligible Borrowers	Nonprofit or for-profit corporations, municipal agencies and their joint venture entities or affiliated limited partnerships or limited liability companies.
Eligible Uses	Acquisition, inclusive of predevelopment costs.
Max Loan Amount	Up to \$10,000,000
Max Loan Term	5 years
Eligible Properties & Affordability Requirements	<ul style="list-style-type: none"> ▪ Multifamily Rental Housing – Minimum resident household income requirements: 20% units <50% AMI or 40% units <60% AMI ▪ Mixed-use Projects ▪ Stand Alone Community Facilities and Catalytic Neighborhood Projects ▪ Additional opportunities, such as homeownership, vacant land or commercial properties.
Eligible Locations	Must be located within a Plan Bay Area 2050 Growth Geography, as defined by the Bay Area Metropolitan Transportation Commission, or a "Transit Priority Area", as defined in the California Public Resources Code §21155(b)(3).
Loan to Value	<u>Nonprofit Sponsor</u> : up to 120%. <u>For-Profit Sponsor</u> : up to 95%
Debt Service Coverage	Minimum of 1.10 DSC
Sponsor/Borrower Equity Requirement	Minimum of 5% (10% for For-Profit Sponsors) in cash at closing. Nonprofit Sponsors may include subordinate soft debt from government agencies, grants and contributed land equity in lieu.
Interest Rate and Amortization	Rate determined by Originating Lender. Interest-only payments via an interest reserve funded from loan proceeds, or other viable alternative funding sources evidenced by Sponsor. Some Originating Lenders may require amortization to commence after year 3 of the loan.
Fees	Origination Fee determined by Originating Lender, not to exceed 1.5% for loans of \$2MM or greater. Borrower must pay costs of due diligence and Originating Lender legal work undertaken, regardless of whether loan closes.
Collateral	1st lien deed of trust. Regulatory agreement containing 30-year affordability covenants recorded on property.
Recourse/Guaranty	100% recourse to SPE borrowers. A repayment guaranty from Sponsor (or principal(s) of any for-profit partners or members) is required in the following amounts: for operating properties, the loan amount that is in excess of 75% of the lesser of the purchase price or the as-is property appraised value. For all other properties, a minimum of 50% of the loan amount.
Exit Fee	Should Borrower pursue an alternative development plan that is deemed as non-compliant, the Originating Lender will recoup an exit fee. The exit fee will be waived if Borrower can evidence that it made a good faith effort throughout the term of the loan to pursue a compliant use.
Prepayment	No prepayment penalty.



PROJECT LOAN TERM SHEET

The following Term Sheet is provided for convenience only and does not constitute a commitment to lend or borrow or an agreement to issue or accept a commitment on these or any other terms or to arrange any financing and shall not create a binding or legally enforceable obligation on the Golden State Acquisition Fund (GSAF) or any other party in any way. The terms contained herein are of a summary nature and are not all-inclusive.

Originating Lenders:	Low Income Investment Fund, Century Housing, Corporation for Supportive Housing, Enterprise Community Loan Fund, Local Initiatives Support Corporation, Community Vision Capital & Consulting, Housing Trust Silicon Valley, & Rural Community Assistance Corporation.
Project Loan Amount:	Maximum loan commitment amount is \$13,950,000 (includes fees, interest and acquisition costs)
Development Parameters:	All developments must be: <ul style="list-style-type: none"> • Located in the State of California • If Rental: 100% of units restricted to households at or below 60% of AMI • If Homeownership: restricted to households at or below 80% AMI • If Mixed-Use: no less than 75% of total square footage to be acquired will be developed as affordable housing (at or below 60% AMI); if below 75% project loan amount will be adjusted. • If Mixed-Income: no less than 75% of number of proposed residential units will be developed as affordable housing (at or below 60% AMI); if below 75% project loan amount will be adjusted.
Loan to Value:	Nonprofit Borrowers can borrow up to 100% of the lesser of the as-is appraised value or the purchase price. For-Profit Borrowers can borrow up to 95% of the lesser of the as-is appraised value or the purchase price.
Loan Proceeds:	Loan proceeds may be used for the acquisition of vacant land or improved property.
Eligible Borrowers:	Nonprofit or for-profit corporations, cities, counties, and other public agencies within California, and joint ventures comprised of such entities, with a track record of developing affordable housing.
Interest Rate:	Loan pricing (fixed or variable) will be favorable and determined by originating lender based on market conditions.
Interest Payments:	Some or all of interest payments will be made from a capitalized interest reserve held from the loan proceeds, as determined by originating lender.
Fees:	Origination Fee determined by originating lender. Good Faith deposits for third party reports will be required, as determined by originating lender.
Covenants	Standard for this type of loan. All loans will include project milestones to be met with regard to architectural work, filing plans, entitlements, TCAC applications, etc.
Events of Default	Standard.
Project Loan Term:	The project loan term will be subject to discretion of originating lender; maximum loan term is five (5) years, including extensions.
Security:	All Project Loans will be secured by a deed of trust on the development site. Each project will be required to record a regulatory agreement (subordinate to the DOT) maintaining the long-term affordability of the project (if not already in place).
Third Party Reports:	May include FIRREA-compliant appraisal, Phase I environmental assessment, geotechnical survey, property condition report, plan and cost review for proposed scope of work, and other reports as required by lender.
Future Development Plans:	Required underwriting materials may include letters of interest from other funding sources, including market-rate and subsidized debt and equity providers.
Zoning:	Evidence that the project, as proposed, is permissible under applicable zoning ordinances or regulations. Alternatively, lenders may consider a realistic proposed plan of action for making the project permissible under applicable zoning regulations.
Insurance:	Liability and hazard insurance required from insurance company with an acceptable rating (minimum AM Best A VIII).