



## Capital Magnet Fund Preservation and Production Program – Term Sheet

### **Program Purpose:**

The Capital Magnet Fund (CMF) is intended to provide Owners/Developers of existing affordable housing developments with incentives to maintain these developments as quality affordable housing for a minimum period of thirty (30) years beyond any current use and deed restriction. It is also available as a source for newly created affordable housing opportunities.

RIHousing anticipates CMF funding will provide additional gap financing to increase utilization of private activity tax-exempt bonds (PAB) to preserve and build more affordable rental housing. RIHousing anticipates CMF financing will be combined with tax-exempt bonds; syndication proceeds from the sale of 4% Housing Tax Credits, to bring the level of financing necessary to fund project costs based on the amount equity generated.

**Funding Availability:** \$6,080,000

**Funding Type:** Proposed structure is flexible depending on the underwriting and may include, but is not limited to, secondary cash flow notes, amortizing and deferred loans.

**Maximum Funding Amount:** The lesser of \$40,000 per unit or \$999,000 per development

**Availability of Funds:** Funds are offered on a rolling basis, subject to the availability of funds.

**Eligible Applicants:** Eligible applicants include for-profit and non-profit developers and Public Housing Authorities.

**Income Targeting:** Developments must provide benefit to low and moderate-income individuals and families with gross annual incomes at or below 80% of Area Median Income adjusted for family size. Mixed-income developments are encouraged to apply. Preference will be given to projects providing housing to extremely low-income (0-30% AMI) and very low-income households (31-50% AMI).

**Loan-to-Value Ratio:** Maximum combined 1<sup>st</sup> and 2<sup>nd</sup> mortgage LTV of 100%

**Debt Service Coverage Ratio (DSCR):** Minimum DSCR of 1.15 in year one

**Term:** Not to exceed the term of the First Mortgage; may require balloon payment after 5-10 years, depending on project needs and the availability of funds

**Interest Rate:** 1%-3% depending on developer/borrower underwriting

**Amortization:** Up to 40 years

**Funding Priorities:**

The CMF financing represents a limited resource with a large mandate. To ensure that resources are committed and expended in the most efficient manner that most positively impacts the state, RIHousing has established Threshold Criteria and funding priorities.

**Threshold Criteria:**

- **Readiness to Proceed:** Owner/Developer must demonstrate ability to proceed to closing on all financing within six months of commitment of funding and to begin construction within nine months of commitment.
- **Financial Feasibility:** Development must demonstrate financial feasibility for the expected term of financing.
- **Marketability:** Development must demonstrate historic sustainable occupancy and operations and current and future demand for the housing.
- **Owner/Developer Capacity:** Owner/Developer must demonstrate capacity to market and operate the development.

**Priorities:**

- Proposals that provide for the highest leveraging of other federal, state and private resources.
- Development that has or will contribute to a comprehensive neighborhood revitalization strategy, community building initiative or similar local initiative.
- Proposals that address critical housing needs that includes addressing housing obsolescence.
- Developments that incorporate “Universal Design,” “Healthy Housing,” “Green Building” and “Energy Star” or other energy efficient technologies into the scope of work.
- Proposals that address critical housing needs including, but not limited to: workforce housing; supportive housing for persons with disabilities; family housing; and housing for seniors.
- Mixed income proposals that serve a range of household incomes.

