

ATTACHMENT A

Preservation Loan Fund Term Sheet

Product Description:	The Affordable Housing Trust (AHT) Preservation Loan Fund (PLF) provides a flexible source of capital to be utilized for the preservation of existing affordable housing, priority will be given to developments currently funded by RIHousing.
Funding Availability:	\$4,000,000
Maximum Loan Amount:	\$30,000 per unit or \$ \$2,000,000 per development.
Use of Proceeds:	1 st or 2 nd mortgage financing as part of a refinance or repositioning of the property. Approved capital repairs to maintain properties in good working order. Repairs must be approved by RIHousing on behalf of AHT in advance of making a loan.
Acceptable Borrowers:	For- and non-profit entities. The development team for the project must have a demonstrated track record in successfully developing, marketing, and managing housing or must form a joint venture with an entity with such expertise. Borrowers must demonstrate sufficient financial stability and liquidity to rehabilitate and operate the project.
Eligible Properties:	Multifamily rental housing with expiring federal rental subsidies (HUD or USDA Rural Development Programs), and/or low-income housing tax credit developments. Existing non-regulated (i.e., market rate) properties with more than 50% of the current rents that are equal to or less than 80% of area median income. Mixed-use properties with housing and commercial are eligible.
Minimum Affordability:	Affordability must align with the housing program with the most restrictive affordability requirements. It must also be guaranteed for the term of the loan.

Seasoning: Stabilized properties are eligible for this preservation financing. Stabilization is defined as at least three (3) consecutive months at 93% economic and physical occupancy, and achievement of Lender's underwriting guidelines for the specific funding program associated with the development.

Payment History: All payments, if applicable, must be current with no loan default history during the past 24 months, and the borrower in good standing at the time of closing.

Underwriting Parameters

Maximum Maturity: Maximum forty years or coterminous with new 1st mortgage.

Debt Service Coverage: 1.20 on the first mortgage and 1.15 overall. Lender reserves the right to require a higher DSC depending on deal specifics.

Recourse: Lender will require the Borrower to execute a recourse guarantee for the construction period in a form acceptable to Lender.

Disbursement: Draws to be approved by Lender based on completed work in place. Loans are expected to be fully advanced in 12 months.

Additional Financing: RI Housing 1st mortgage or other financial institution debt permitted. Other financing in the form of subordinate loans/grants will be permitted at Lender's discretion.

Expenses: Borrower will be responsible for all third-party expenses of Lender or its agent including, but not limited to: legal fees, engineering and environmental consultants, appraiser, etc.

Assignability: The loan will not be assignable/assumable by any other party without the express written consent of Lender.

Property Management:

Lender will require a qualified professional property management firm, acceptable to Lender, to manage the property for the term of the loan.

Developer Fee:

Preservation with tax-exempt financing and 4% LIHTC only:

5% of acquisition and 10% of construction and soft costs not including new reserves and Developer’s Fee (the “Base Fee”). Developers may increase the developer fee to 15% of the Fee Based Development Cost (as defined above) as long as any amount above the Base Fee is deferred.

Preservation without LIHTC and Rollover RI Housing Debt:

For non-LIHTC transactions with existing RI Housing debt that will be “rolled over” rather than be repaid, the maximum developer fee will be equal to 5% of the construction cost.

A minimum fee of \$500 per unit will be provided to a sponsor of a preservation transaction if substantial rehabilitation of units is involved

Rates & Fees

Interest Rates:

An interest rate quote will be provided at the time of application. Subject to Lender's right to change the interest rate on or prior to the Closing Date to reflect changes in Lender's cost of funds.

Origination Fee:

2% of the loan amount (\$2,500 minimum) if the Preservation loan is amortizing. **Application Fee:** For projects not currently financed by RI Housing, \$2,500 prior to Preliminary Commitment by Lender.

Due Diligence Requirements

Rehabilitation:

Scope of Work approved by Lender. Repair funds to be escrowed with and administered by RI Housing on behalf of AHT.



New Reserves:

For the new transaction, the combination of the initial Operating and Replacement Reserves will be sized to equal six months of operating expenses and six months of debt service. Of this amount, the initial Replacement Reserve will generally be equal to \$2,000 per unit. Lender reserves the right to require a higher Replacement Reserve based upon the CNA's 20-year projections.

Tax and Insurance:

Borrower will be required to capitalize 6 months of tax and insurance escrows and make monthly payments equal to one-twelfth of the annual premiums.

Third-Party Fees:

The Borrower will be responsible for paying all third-party expenses required to complete the due diligence and close the transaction, including legal fees and any costs of issuance associated with bond transactions. Costs may be capitalized in the development budget.

Regulatory Agreement:

Borrower is required to sign a new affordability agreement restricting the units for 40 years from closing.

This is not an offer to make a loan. This term sheet shall serve as an outline for underwriting criteria and is for discussion purposes only. Terms are subject to change based on project underwriting and approval by the AHT or the RI Housing Board, as applicable.

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