

[TEMPLATE DOCUMENT – 8-30-23 DRAFT]

Housing Blueprint Loan Term Sheet:

Borrower: [REDACTED]

Developer: [REDACTED]

Project Address: [REDACTED]

Amount: Up to \$ [REDACTED]

Interest Rate: 2% simple interest per annum. Interest will accrue on funds actually disbursed.

Amortization: Loan will be repaid from 50% of annual net cash flow (NCF). NCF includes cash flow remaining after payment of must-pay debt service, operating expenses, operating reserves, and deferred developer fee. Payments made will be applied first to accrued interest, then to principal. All outstanding principal and accrued but unpaid interest will be due on the maturity date.

Term: Term to be coterminous with term of first-position permanent loan.

Security: Second position deed of trust against the property, or such lower priority lien position as the FCRHA may accept in its sole discretion. The value of the property, as determined by an appraisal acceptable to the FCRHA and consistent with the terms of the Notice of Funding Availability, must exceed the aggregate debt of the Blueprint loan together with all higher priority loans.

Affordability: Borrower will rent [REDACTED] units to households with an initial household income of no more than [REDACTED] % of the area median income (AMI) [and ___ units to households with an initial household income of no more than ___ % of AMI]. After initial qualification and occupancy, a household's income may not exceed 100% of AMI or, if the property is subject to low-income housing tax credit (LIHTC) restrictions, the maximum income permitted under the LIHTC program.

Borrower may not charge more than one-twelfth of 30% of the applicable AMI tier for rent. If tenants will pay their own utilities, then Borrower may not charge more than one-twelfth of 30% of the applicable AMI tier, minus the FCRHA's standard utility allowance amount, for rent.

[Borrower may satisfy the affordability requirements by using income averaging. If approved, Borrower may rent units to

households with an initial qualifying income of up to 80% of AMI, so long as the average of income limitations does not exceed 60% AMI.]

Blueprint affordability restrictions will appear in one or more agreements recorded in the land records for the property and will run with the land for the greater of 30 years or the term of the first position permanent loan, even if Blueprint loan is repaid before such time.

Option & ROFR: [Borrower will provide FCRHA with an option to purchase the property and a right of first refusal for the property. The FCRHA's option and ROFR rights will be subject to – and otherwise on the same terms as – the option and ROFR rights of Borrower's developer and/or investor, as set forth in Borrower's partnership/operating agreement, subject to the approval of the FCRHA.]

Developer Fee: Borrower may pay a developer fee to Developer, the total and deferred amounts of which are subject to the approval of the FCRHA. Borrower may recoup its deferred developer fee in full before making amortization payments on the Blueprint loan, but only (i) after the FCRHA has approved an audited financial statement for the relevant year, (ii) after all reserves are fully funded and replenished, (iii) if Borrower is not in default under any loan documents, and (iv) if there is no deferred maintenance at the property.

Borrower will make no other payments to Developer (or affiliates of Developer) without the prior consent of the FCRHA.

Monitoring Fee: Borrower will pay to the FCRHA an annual monitoring fee of \$7,500, escalating at 3% annually, for monitoring project compliance with Blueprint affordability requirements. The monitoring fee is "must pay" and not cash flow dependent.

Reserves: At Funding, Borrower will establish a repair and replacement reserve in the amount required by Borrower's first position lender and/or investors.

Transfers: Borrower may not transfer the property, in whole or in part, by operation of law or otherwise, without the prior approval of the FCRHA, not to be unreasonably withheld. Borrower may, however, transfer the property to an affiliate under common control, provided that Borrower must notify the FCRHA in advance.

No interests in the Borrower may be transferred without the prior approval of the FCRHA, not to be unreasonably withheld, except (i) for cause, as set forth in Borrower's partnership/operating

agreement or (ii) for transfers of the investor's interests to the Borrower to Borrower's general partner / managing member after the end of the LIHTC compliance period.

Senior Loan: The first position loan must amortize and have a fixed interest rate.

First position lender must enter into intercreditor / subordination agreement with FCRHA on terms reasonably acceptable to the FCRHA including, without limitation, the right to cure defaults, to acquire the senior debt, and to acquire ownership of the property.

Other Loans: Other than the loans represented in the application for this Blueprint loan, Borrower may not subject the property to any deed of trust or other lien, whether senior or subordinate to the Blueprint loan, without the prior approval of the FCRHA.

Borrower may not obtain any unsecured loans without the prior approval of the FCRHA, except for an unsecured loan that is cash flow dependent and the repayment of which would come after amortization of the Blueprint loan in priority of payment from NCF.

Refinancing: The Blueprint loan will become due on any refinancing of the senior loan. The FCRHA, in its sole discretion, may agree to keep the Blueprint loan in place on a refinancing of the senior loan upon such terms and conditions as it may negotiate.

Closing & Funding: Subject to certain conditions, Borrower will execute Blueprint loan documents concurrently with closing on its construction loan documents (Closing).

- a. For new construction projects, subordinate financing should be modeled to be disbursed after first trust debt. The FCRHA may consider earlier disbursement on a case-by-case basis and, at a minimum when the below criteria are met:
 - i. Payment and Performance Bond provided that specifies "with FCRHA as named insured";
 - ii. No outstanding or pending defaults under any loan, construction, or other project-related agreement; and
 - iii. Mutually acceptable intercreditor agreement (ICA) with construction lender.
- b. For acquisition/rehab projects, depending upon underwriting risk and sufficiency of collateral, NOFA funds may be disbursed during rehabilitation on a case-by-case basis.

When project construction is completed, if there are savings in the development budget, then at the discretion of the FCRHA such savings may be used to reduce the amount of the Blueprint loan provided at Funding, so long as such reduction would not impact the project's basis under LIHTC regulations.

Closing Conditions: Fully executed construction loan documents and construction contract.

Fully executed partnership/operating agreement of Borrower, with admission of investor.

Fully executed loan commitment for permanent loan, and all necessary approvals for any other permanent and/or ongoing funding sources.

If not already provided, a satisfactory appraisal (see "Security", above), dated no earlier than 6 months before Closing.

Lender's title insurance policy for the benefit of the FCRHA, from a title company acceptable to the FCRHA.

If not already provided as part of Borrower's loan application, the following items, as the FCRHA may reasonably deem necessary: zoning letter from Fairfax County Department of Planning and Zoning, site plan, building permits, description of significant litigation, Borrower organizational documents (including good standing certificate and authorizing resolutions), ALTA survey reasonably satisfactory to the FCRHA, and legal opinion of Borrower's counsel.

All site control, equity, and non-FCRHA loan documents must be reasonably acceptable to FCRHA.

Final underwriting acceptable to the FCRHA, including sources and uses, development budget, annual operating expenses, 15-year cash flow analysis, development schedule.

FCRHA loan documents fully negotiated and in final form.

Such other items and information as the FCRHA may reasonably require.

[Early Funding
Conditions:

Certification of architect that at least XX% of the construction contract price has been expended.

Payment and performance bond specifying the FCRHA as a named insured.

Mutually acceptable intercreditor agreement with construction lender.

No outstanding defaults under any loan, construction, or other project-related agreement.

Such other items and information as the FCRHA may reasonably require.]

Funding Conditions: Completion of construction, evidenced by FCRHA's receipt of all of certificate of substantial completion from project architect, final construction lien releases, all occupancy permits, and a set of as-built drawings for the project.

Satisfactory title bringdown.

Execution by an Assistant Secretary of the FCRHA.

Such other items and information as the FCRHA may reasonably require.

Use of Insurance Proceeds After Casualty: After a casualty event, Borrower must restore so long as restoration is reasonably practicable. Borrower's first-position lender may not have unilateral ability to repay itself from casualty insurance proceeds after all casualty events.

The FCRHA may permit full or partial exceptions to any provision in this term sheet in its sole discretion. In the event of any conflict between this term sheet and any fully executed FCRHA loan document, the terms of the FCRHA loan document will control. No third party may rely on the contents of this term sheet.

FCRHA:

By: _____
Name:
Title:

BORROWER -

By: _____
Name:
Title: