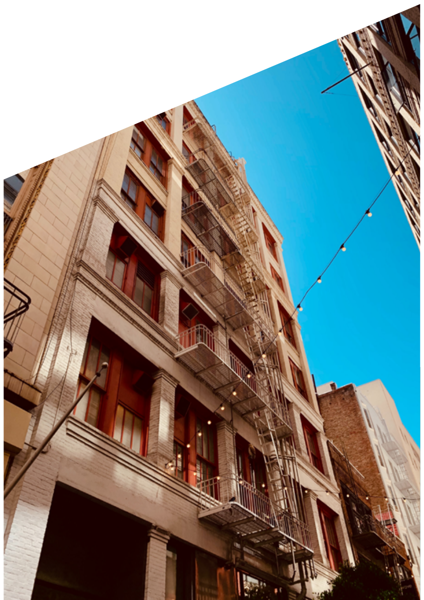

Multifamily Housing Bonds

San Francisco—CalHFA Conduit Issuer & Bond Recycling Program

Term sheet effective for loans closing after January 1, 2025

The City and County of San Francisco ("SF") and CalHFA have worked together to create the SF-CalHFA Conduit Issuer and Bond Recycling Program ("SF-CalHFA Bond Program"), which is designed to preserve and recycle prior year(s) tax-exempt private activity bond volume cap that was originally issued by SF, and would otherwise expire upon repayment of its related construction financing ("Original Bonds"). The SF-CalHFA Bond Program is designed pursuant to a Memorandum of Understanding ("MOU") between CalHFA and SF. This program facilitates access to tax-exempt bonds by using preserved private activity bond volume cap ("Recycled Bonds"). The use of these Recycled Bonds may reduce the need for current year private activity bond volume cap managed by the California Debt Limit and Allocation Committee ("CDLAC"). This program is for developers seeking construction and/or rehabilitation financing for eligible projects located in the City of San Francisco that provide affordable multifamily rental housing for individuals, families, seniors, veterans, or special needs tenants.

Qualifications

Available to for-profit, nonprofit or public agency sponsors.

Rules of Recycling

- New loans to finance an Eligible Project (as defined in this Term Sheet) utilizing Recycled Bonds must be closed and funded within 6 months of the effective date of the preservation ("Preservation Date") of the Original Bonds.
- The issuance of the Recycled Bonds ("Bond Refunding") must occur within 4 years of the issuance of the Original Bonds.
- Typically, the Preservation Date of the Original Bonds occurs at the earlier of repayment of the construction loan or conversion of construction financing to permanent financing (at which time the bonds funding the original construction debt will be preserved vs. redeemed/repaid).
- Maturity of any loans to Eligible Projects funded with Recycled Bonds must be within 34 years of the Original Bond issuance date.
- Recycled Bonds are subject to public notice requirements (TEFRA) by CalHFA.
- Recycled Bonds cannot be used to qualify for 4% federal LIHTCs.
- Volume cap cannot be recycled more than once.
- Recycled Bonds can only be used for multifamily housing.
- Recycled bonds may fund new construction or Existing Projects (defined below). For Existing Projects, rehabilitation expenditures must meet or exceed 15% of the portion of the acquisition cost of the property and fixtures, financed by the tax-exempt bonds for the project.

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Eligible Projects

The SF-CalHFA Bond Program may provide Recycled Bonds to new construction multifamily projects (“New Construction Project”) and/or existing multifamily projects (“Existing Project”) with the following financing structures:

- New Construction Projects that are 100% affordable projects, financed pursuant to CDLAC’s regulatory requirements, which are seeking new volume cap tax-exempt bonds and 4% LIHTC.
- Recycled Bonds may be provided to finance any amount up to 45% of the New Construction Project’s total development costs.
- The New Construction Project may apply to CDLAC for a new bond cap allocation sufficient to fund any portion of the remaining 55% of total development costs. Recycled Bonds are not eligible for inclusion in the New Construction Project’s 50% aggregate basis test.
- New Construction Projects that consist of at least 20% of total affordable units that meets the minimum occupancy requirements outlined below.
- Recycled Bonds may be provided to finance any amount up to 100% of the New Construction Project’s total development costs.
- Acquisition, Refinance, and/or Rehabilitation of existing multi-family projects (“Existing Projects”) which will either preserve or increase, by a minimum of 20%, the number of units subject to affordable regulatory restrictions.
- The SF-CalHFA Bond Program may refinance affordable Existing Projects which are extending the affordability restrictions of up to 100% of total units (excepting any onsite manager’s unit). The SF-CalHFA Bond Program will provide loan proceeds for up to 100% of the Existing Project’s total development costs. However, any intent to include new bond cap for purposes of 4% federal tax credits, must be for at least 55% of the financing.
- The SF-CalHFA Bond Program may provide the acquisition and substantial rehabilitation of market-rate Existing Projects which are converting existing units to an affordability structure which meet the Minimum Occupancy Requirements outlined below. The SF-CalHFA Bond Program will provide loan proceeds for up to 100% of the Project’s total development costs.

Note: *Recycled Bonds under the SF-CalHFA Bond Program are subject to availability.*

Minimum Occupancy Requirements

Either:

- 20% of the units must be rent restricted and occupied by individuals whose incomes are 50% or less of the area median income as determined by HUD (“AMI”) with adjustments for household size (“20% @ 50% AMI”), or
- 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 CalHFA 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 a current market study or an appraisal current within 6 months.

Affordability Period

The affordability period shall be 55 years from the Recycled Bond closing. Borrower will be required to enter into a Regulatory Agreement which will be recorded against the Project for the Qualified Project Period (as defined in the CalHFA Regulatory Agreement for the issuance of the conduit bonds). This includes the later of the federally-required qualified project period, repayment of the Bond-funded loan, redemption of the Bonds, termination of Section 8 assistance, as applicable, the full term of the CDLAC Resolution requirements or 55 years.

MOHCD Underwriting Requirements

In order to be eligible for financing pursuant to the SF-CalHFA Bond Program, Borrower must structure and document the Project to meet the following requirements of MOHCD, as confirmed by MOHCD in its sole discretion:

Reserve Requirements:

a) **New Construction:** Lesser of:

   i) 0.6% of unit construction cost, defined as all hard construction costs excluding cost of site work and podium foundations but including construction contingency, or

   ii) $500/unit/year. After the first 5 years of operation, the Sponsor may request adjustments to the above amount every five (5) years based on a CNA, which is required to be submitted to MOHCD every five (5) years after the project's construction completion.

b) **Acquisition-Rehab:** The greater of: i) the amount needed according to an approved CNA, or ii) $500/unit/year. May be updated every five (5) years based on a revised CNA acceptable to City.

Services Staffing Minimums: For general population units Operating budget should assume a staffing ratio of no more than 1 FTE (Full Time Employee) Services Connector/Resident Services Coordinator per 100 units (rounded to the nearest .5 FTE), in addition to supervision and program expenses/supplies. Sponsors to provide MOHCD with a sources and uses Services budget, with major line items identified in the uses (staff, admin costs, contracts etc.) and each source clearly identified with commitment status. If Borrower fails to provide Supportive Services in the amount shown in the approved 20-Year Cash Flow Proforma, Borrower will provide notice to the City within ten (10) business days of the date the Supportive Services were terminated, which notice will include, at a minimum, a proposed plan to restore the Supportive Services within a reasonable period of time. If at the time such notice is provided, Borrower is unable to propose a feasible plan for restoring the Supportive Service, Borrower will include in the notice a detailed explanation as to the cause of the termination of Supportive Services and the reasons why it would not be feasible to restore the Supportive Services within a reasonable period of time.

Community Engagement and Reporting Rules for Rehabilitation of Existing Occupied Properties: MOHCD will require approval of: a resident engagement plan; relocation plan; and monthly reports during construction where existing tenants are impacted. These communications must also meet the City's standards for language access. Through this process MOHCD can support developers and ensure that they are able to successfully engage with tenants.

Property Management Experience: The selected property management company receive full points from TCAC for property management experience and be approved by MOHCD.

Rider

SF will require a Rider to be attached to the Regulatory Agreement, in the form published at https://www.sf.gov/information/multi-family-housing-forms-documents-policies-and-guidelines, for any financing made pursuant to the SF-CalHFA Bond Program, the requirements of which shall be monitored and enforced by MOHCD in its sole discretion.

Fees *(subject to change)*

Negative Arbitrage: Borrowers accessing Recycled Bonds under the SF-CalHFA Bond Program will be required to draw down the entirety of the Recycled Bonds within 6 months from the date the Original Bonds were preserved ("Bond Preservation Effective Date").

Bond Recycling Transaction Fee: $25,000, due at bond closing.

Annual Monitoring Fee: For bonds issued pursuant to this term sheet, 12.5 bps of the total bond issuance amount due at construction loan closing and due annually thereafter until permanent loan conversion. After permanent loan conversion, billed annually in advance, 12.5 bps of unpaid principal balance amount of bond financed loan(s) until bonds are fully redeemed. Minimum Annual Monitoring Fee shall be $5,500 through the term of the CalHFA Regulatory Agreement, which includes both the Qualified Project Period and the CDLAC compliance period, if applicable.

The up-front issuer fee and other applicable fees are set pursuant to the San Francisco Mayor's Office of Housing and Community's (MOHCD) Multifamily Securities Program Manual, which can be accessed here:

https://sfmohcd.org/sites/default/files/Documents/MOH/Housing%20devel-op-ment/Multifamily%20Securities%20Program%20Manual.pdf

If used in conjunction with a CalHFA permanent loan product, the annual monitoring fee outlined on the CalHFA permanent loan program term sheet will not be charged in addition to the Annual Monitoring Fee set forth herein.

The Borrower shall be responsible for all other costs of Bond issuance including fees of the underwriter, trustee, rating agencies, lender, compliance administrator, all Bond counsel legal fees, and any other parties required to complete the transaction. ■