

CHFA Taxable Bond Construction to Permanent Financing for Use with the Upcoming 9% LIHTC Round



Terms

CHFA has made available construction and permanent taxable bond financing for use with the upcoming 9% LIHTC applications. CHFA will use its standard construction to permanent financing structure with two promissory notes: a construction note and a permanent note. Each note will have its own rate, loan amount, and term. Beginning at the initial closing and through the duration of the construction period, the notes will accrue interest, respectively, based on the construction note rate and the permanent note rate with no principal amortization. Interest payment will be due and payable on a monthly basis, in arrears, and may be capitalized in the development budget.

It is anticipated that, upon maturity, the construction note will be retired with other development financing or equity proceeds. At construction loan maturity, the permanent loan will automatically begin amortizing at the rate and term specified in the permanent note.

For the purposes of initial loan sizing at the application for a letter of financing interest, CHFA will assume a construction rate of 3.34% and a permanent rate of 4.16% (based on the September 2, 2020 Secured Overnight Financing Rate (SOFR) and 10 year Treasury rate of 0.09% and 0.66% respectively plus a cushion of 0.75%). At the time of rate lock, the final rate for the construction and permanent loans will be based on the current respective indices.

Closing must take place on or before November 30, 2021. If the closing takes place after this date, CHFA reserves the right to re-evaluate pricing. Accordingly, CHFA will determine the best execution for each project.

The terms of this financing are as follows:

- Construction Loan Rate – The final fixed rate will be based on the SOFR *plus* 250 basis points. This rate will be locked consistent with CHFA's rate lock procedure and current CHFA Multifamily Financing Program Parameters and Fees [guidelines](#).
- Construction Loan Term – This term is not to exceed 24 months. (Upon request and approval, a longer term may be permitted, subject to a rate premium.)
- Construction Loan Amortization – Interest only payments are due until maturity.
- Construction Loan Early Prepayment – Prepayment is available beginning in month 16 provided the construction loan proceeds have been disbursed in full.
- Permanent Loan Rate – This fixed rate will be based on the 10-year Treasury rate *plus* 275 basis points. This rate will be locked consistent with CHFA's rate lock procedure and will follow current CHFA Multifamily Financing Program Parameters and Fees [guidelines](#).

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- Permanent Loan Term – The permanent term may not exceed 22 years (assuming the construction term is 24 months).
- Permanent Loan Amortization – The permanent loan will have an amortization term of 35 years. Monthly amortization payments of principal and interest will commence on month 25 (assuming a 24 month construction term).
- Permanent Loan Early Prepayment – The permanent loan may be prepaid in full after year 15, provided the loan is refinanced with CHFA at the then-offered terms and conditions and subject to availability of funding sources and all other applicable requirements, including covenants of continued affordability.
- Permanent Loan Early Amortization – Early amortization is not permitted. Amortization will commence in month 25.
- Disbursement – Both the construction and permanent loan proceeds will be disbursed on a pari-passu basis during the construction phase of development.
- Loan Origination Fee – This will be based on current Multifamily Financing Program Parameters and Fees [guidelines](#).
- Bond Cost of Issuance – The costs of the taxable bond issuance will be absorbed by CHFA.
- Eligible Projects – Only projects applying for the upcoming 9% LIHTC round are eligible. Other projects (including 9% LIHTC awardees from previous years) are not eligible.

Required Documents

Applicants may apply for this financing with reduced documentation. The following items found in the CHFA-DOH Consolidated Application (and applicable attachments) will be required:

- Exhibit B – Cover Sheet.
- Exhibit C – Summary Sheet.
- Exhibit D – Application (must be fully completed).
- Exhibit 3.1a – Qualified Development Team Contact Information.
- Exhibit 4.9c – Exploded Trade Payment Breakdown.
- Exhibit 4.9e – Project Cost Summary.

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- Exhibit 5.1a – Rental Income Calculation Sheet.
- Exhibit 5.2a – Detailed Income & Expense Form.
- Exhibit 5.2b – Line by Line Explanation of Expenses.
- Exhibit 5.2d – Real Estate Taxes.
- Exhibit 5.3 – Cash Flow Projection.
- Exhibit 6.3 – Development Budget.
- Exhibit 6.4 – LIHTC Calculation.
- Exhibit 6.5 – Sources of Funds.
- Exhibit 6.6 – Existing Debt.
- Exhibit 11.3 – Application Fee.

CHFA reserves the right to request additional documentation upon review.

Applications and required documentation must be sent to LIHTCTaxableFin@chfa.org no later than 4:00 PM on Friday, October 23, 2020.

Applicants are encouraged to explore all financing options and multiple letters of financing interest will be accepted for review with the 9% LIHTC application. The use of CHFA financing will not affect the review or scoring of a 9% LIHTC application.

While the receipt of a letter of financing interest from CHFA is not guaranteed, letters of financing interest for successful applications are anticipated to be issued by November 6, 2020.

For more information, please contact:

Debbie Alter
deborah.alter@chfa.org

or

Michelle Onofrio
michelle.onofrio@chfa.org