

221(d)(4) Loan Program



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Who is Bedford Lending

Company formed in 1991

Headquartered in Bedford, N.H. with 8 offices nationwide

Approved to finance Apartment, Healthcare, and Hospital loans

Management averages 30 years commercial experience

Maintains highest designations –MAP and LEAN Approved

Direct FHA and USDA Lender

Certified to underwrite HUD loans Nationwide

Has closed over \$2 billion in loans

Low income & historic tax credit consultant

221(d)(4)

The 221 (d)(4) program provides construction and permanent financing for new construction and substantial rehabilitation for multifamily and senior housing (62 and older without services) properties.

Finance Opportunities

- New Construction
- Acquisition and Substantial rehab of existing apartment buildings
- Repositioned properties (i.e. office, retail, municipal, mill)
- Blanket Properties that need renovation
- Senior Housing – 62 and Older
- Single Room Occupancy (Rooming House)

*Potential Equity Sources That can we used
with the Program*

- Historical Tax Credits
- 4 & 9% Low Income Tax Credits
- New Market Tax Credits
- TIF Funds
- Tax Abatements
- CDB Grants
- Other public grants
- Entitled land value
- Builders profit credit

Type of Tenants

- A common myth is that the property must offer reduced rents or subsidies to qualify for the program. **This is not accurate.** Properties can be:
- 100% market rate
- 100% subsidized (Section 8 Vouchers and HAP Contracts)
- Combination of Market and Subsidized rents

Program Benefits

- Maximum 40 Year Loan
- Fixed rate for life of loan
- 83.3-90 % Financing
- Can blend program with tax credits or grants
- Fixed Rate during construction period
- Tenants can be market rate rents, subsidized or a combination
- Non-Recourse financing from Day 1

Program Benefits (Con't)

- Interest Carry Cost is built into the Loan
- One closing – Construction loan converts to permanent financing. This eliminates interest rate risk and multiple fees. Also removes risk of loan being re-sized if actual rents are less than proforma rents.
- Assumable Loan
- Allow commercial income - 10% of gross floor area and 15% of potential gross income.
- Builder can get credit profit towards equity
- Recognize entitled value of land
- Soft costs are MORTGAGABLE

Substantial Rehab Qualification

Substantial Rehabilitation: a property qualifies as substantial rehabilitation if it meets one of the following criteria:

- The cost of repair, replacements and improvements exceeds the greater of 15% of the estimated replacement cost after completion of all repairs, replacements, and improvements, or \$6500 per unit adjusted by the local HUD field office high cost of percentage for that area. say \$12,000/unit and up.
- Two or more major building components are being substantially replaced. Additions are permitted in substantial rehabilitation projects, but the costs for the additions of new units (not building component additions) are not included in the eligibility test.

Underwriting Requirements

	Market	Affordable	Project Based
Loan to Cost	83.3%	87.0%	90.0%
Debt Coverage Ratio	83.3%	87.0%	90.0%

Affordable defined as (a) properties that have a recorded regulatory agreement in effect for at least 15 years after final endorsement, (b) properties that meet at least the minimum Low Income Housing Tax Credit (LIHTC) of 20% of units at 50% of the Area Median Income (AMI), or 40% of units at 60% of AMI, with economic rents (i.e. portion paid by tenants) on those units no greater than LIHTC rents, mixed income properties if the minimum low income unit rent and occupancy restrictions and regulatory agreement meet the above criteria (i.e. properties need not use LIHTC's to be considered affordable so long as they comply with (a) and (b)). Rental Assistance defined as properties that have at least 90% of their units supported by a project based rental assistance contract.

Key Issues

1. Strength of the Market
2. Careful review of Projections
3. Securing accurate construction numbers.
4. Experience Management Company
5. Borrower

Loan Process

Step 1 - Client complete workbook that includes a construction budget and projections.



Step 2 - BLC will complete a Free analysis and review findings with the borrower – Often times we need to assess the market and call appraisers to document the assumptions.



Step 3 - Complete a concept documents and submit to HUD.



Step 4 – Schedule meeting with borrower at HUD Office.



Step 5 – If meeting is favorable will order a limited appraisal and market study and submit to HUD with drawings and exhibits.

Loan Process cont.

Step 6 - HUD presents to loan committee. If approved, will issue a commitment letter.



Step 7 - Finish 3rd party reports and client needs full plans and specs.



Step 8 – Submit for final approval.



Step 9 – Secure new commitment.



Step 10 – Price loan guarantee in secondary market.



Step 11 – Close Loan.

Creative Solutions

Bedford Lending prides itself on developing creative finance solutions. The following is a list of 5 examples that you may be able to use for your project.

1. Able to increase allowable land equity with approvals
2. HUD vs. Bank financing
3. Builders profit credit
4. Financing using tax credits – can create 95-100% financing
5. Affordable housing projects – 90% financing

*Able to increase allowable land equity
with approvals*



Able to increase allowable land equity with approvals

Challenge

A developer was seeking maximum financing for the new construction of a 120-unit market rate apartment project. Banks were requiring 30% equity or \$5.4 million (\$18 million project x 30%). The purchase and sales on the unimproved land was \$2 million and the estimated soft costs to secure approvals was \$50,000. Client wanted to use the as-improved value as equity.

Solution

BLC was engaged as the lender and advisor to develop a cost-effective finance solution.

Able to increase allowable land equity with approvals

Results

- Through our extensive experience and reputation, Bedford Lending was successful in securing pre-approval which allowed our client to obtain credit for the \$3.5 million as-improved value of the land. Between the recognized value and beneficial loan terms, client's equity was reduced from **\$5.4 million** to **\$1.8 million**.
- Client has engaged Bedford Lending for three other projects.

HUD vs. Bank financing



HUD vs. Bank financing

Challenge

A developer was seeking maximum financing to develop an 83-unit multifamily project comprising 25 units of workforce housing and 58 market rate units. He was attempting to use the approved land as equity. In addition, the client was seeking non-recourse financing. The equity required by the banks was too high to be viable and the client was seeking alternative solutions.

Solution

BLC was engaged as the lender and advisor to develop a cost-effective finance solution.

HUD vs. Bank financing

Results

- BLC introduced client to construction manager and architect that reduced construction costs by \$2.5 million through negotiated competitive bids and value engineering.
- Through our HUD loan program, client's equity required at closing was \$2 million less than banks, allowing project to move forward. In addition, the loan was structured to enable the client to convert the project to condominiums after three years.
- The loan was structured as a 40 year, non-recourse loan.
- Client is now working on second project with Bedford Lending.

Builders profit credit



Builders profit credit

Challenge

Our client, a qualified contractor, was looking for maximum financing to construct a 60-unit apartment building. Banks were requiring 30% equity, had a 20-year term, and full personal recourse.

Solution

Under our direct 221(d)(4) HUD program, it enabled the qualified contractor to secure a builders profit credit as equity. Between the builders profit credit and favorable terms, client's cash equity was reduced by \$1.6 million.

*Financing using tax credits – can create
95-100% financing*



Financing using tax credits

Opportunity

In addition to our lending programs, Bedford Lending offers a variety of real estate advisory services including tax credit consulting, historical and new markets tax credit analysis, financial advisory, and HUD preservation analysis. This expertise often allows us to secure equity sources that fill critical equity gaps.

Many of the sources can be used as equity at closing. Please call for more details.

*Affordable housing projects – 90%
financing*



Affordable housing projects – 90% financing

Opportunity

Under our HUD program, a developer can secure a maximum of 90% financing for new construction and substantial rehab loans. This is eligible for properties that have HAP/project-based affordability tenants.

In Summary

- HUD is one of the best options for new construction and rehabs.
- Provides up to 83% to 90% Construction Loans

Contact Information

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