BedfordLending

Non-Profit / Affordable Housing Finance Solutions

www.bedfordlending.com

Who is Bedford Lending

- Company formed in 1991
- Headquartered in Bedford, N.H. with 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 lender
- Certified to underwrite HUD loans Nationwide
- Has closed over $3 Billion in loans
- Have preserved over 1,500 units of affordable housing – we frequently work on transactions too small or complex for other lenders to work on.

Financial and Market Challenges for Non-Profits & Municipalities

1. Limited tax credits for affordable housing projects. This has delayed or inhibited many projects.

2. Older properties in portfolio in need of rehab.

3. Current properties that have higher interest rate than today's lower rates.

4. Having limited funds to payoff prepayment of higher interest rate loans.

5. Acquisition and New Construction financing requires 20-25% equity which limits opportunities to further fulfill mission.

6. Financing scattered sites with poor cash flow

Solutions to Challenge #1

1. Limited tax credits for affordable housing projects. This has delayed or inhibited needed projects.

a. 221(d)(4) financing - 85-90%+ construction/rehab debt is higher leverage than any other option available

b. Coupling HUD debt with other grants & equity sources can meet or exceed 100% financing under HUD guidelines, which can make projects feasible that would otherwise be solely dependent on competitive 9% tax credits

c. Loans are vailable nationwide and loan terms do not vary by market, so all areas have equal opportunity

Solutions to Challenge #2

2. Older properties in portfolio in need of rehab.

a. 223(f) refinance – can be used to secure cash out and / or complete capital improvements up to ~$40k per door. No prevailing wages required for construction

b. If major improvements (gut rehab, etc), 221(d)(3) or 221(d)(4) can be utilized

Both programs offer high leverage, non-recourse, long-term fixed rate financing. We also specialize in helping non-profits secure long-term rent increases or convert their housing subsidy free of charge.

Solutions to Challenge #3

3. Current properties that have higher interest rate than today's lower rates.

a. 223(f) refinance – can refinance existing loan with a 35 year amortization at low rates to enhance cash flow. HUD loans typically 50-100bps lower in rate than banks.

"One stage" processing limits underwriting timeline. Lighter soft costs than using HUD for construction, but can still complete substantial repairs.

b. For projects with existing HUD loan, can do streamlined 223(a)(7) loan to drop rate. Very abbreviated, low cost process.

Solutions to Challenge #4

4. Having limited funds to payoff higher interest rate loans.

a. HUD offers high leverage, and any existing pre-payment penalties (inc defeasance, etc) can be paid off with HUD loan mortgage proceeds.

Solutions to Challenge #5

5. Acquisition and New Construction financing requires 20-25% equity which limits opportunities to further fulfill mission.

a. 223(f) acquisition – can secure up to 92.5% with first and second mortgage financing. If second mortgage is from public or quasi-public source (HOME, AHP, etc), can meet or exceed 100% financing. Can also be combined with tax credits or other equity sources.

b. 221(d)(4) – finance up to 90% of costs and can be combined with grants, tax credits, other equity. etc

Solutions to Challenge #6

6. Financing scattered sites with poor cash flow.

a. Both 221(d)(4) & 223(f) HUD loans can finance improvements for scattered site properties under one blanket loan. Stronger revenue from one project can help offset a "weaker" project. The market study must support demand for all.

Of note, depending on distance between properties and property count, due diligence costs can be higher than projects on one or two sites.

Loan Programs

Apartments

Acquisitions and Refinances

- HUD 223(f)
- Agency Loans

HUD 223 (f) Apartment Acquisition and Refinance

- 35 Year Fixed Rate Term
- 85-90% Financing
- Allow Second Mortgage (Can exceed 100%)
- Non Recourse
- Assumable
- 80% Cash Out
- Can complete Improvements
- One Stage Processing – 3-4 months total time

Underwriting Requirements

	Market	Affordable	Broadly Affordable
Loan to Cost/Value	85%	87.0%	90.0%
Debt Coverage Ratio	1.176x	1.15x	1.11x

Affordable defined as

(a) properties that have a recorded regulatory agreement in effect for at least 15 years after final endorsement with 10-90% of the units meeting LIHTC rents or with a project based contract

Broadly Affordable defined as

(a) properties that have a recorded regulatory agreement in effect for at least 15 years after final endorsement with 90%+ of the units meeting LIHTC rents or with a project based contract

Apartment New Construction and Rehab

Apartments

New Construction and Rehab

- HUD 221 (d)(4)

Apartment New Construction and Rehab

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.

New Const and Rehab - 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

Potential Equity Sources that can be 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

Program Benefits

- Maximum 40 Year Loan
- Fixed rate for life of loan
- 85-90+% LTC Financing
- Can blend program with tax credits or grants
- Fixed rate during construction period & construction interest is capitalized in loan
- Interest rate locked prior to closing carries through both construction period and permanent term. Mitigates all interest rate risk during construction period.
- Tenants can be market rate rents, subsidized or a combination
- Non-Recourse financing from Day 1
- One closing – Generally 12 month construction loan that converts to permanent financing.

Program Benefits (Con't)

- Interest Carry Cost is built into the Loan
- Assumable
- Allow up to 20% commercial income
- Builder can get credit profit towards equity
- Recognize entitled value of land
- All soft costs are mortgageable and will be credited as funds spent or reimbursed to borrower at closing

Examples of BLC Affordable Housing Closings

$10,000,000 - New Construction of 83 Unit Workforce Housing Apartment

30% of units are affordable housing and project was financed through the 221(d)(4) program.

$2,500,000 RAD conversion

Secured PBRA and converted Housing Choice Vouchers to PBVs to increase income, which allowed property to be refinanced and complete $200,000 in capital improvements, and secure $400,000 cash out for owners to deploy to other affordable housing properties in their portfolio.

Stabilize and Repair Property

Worked with our affordable housing consultant to source grants, which allowed owner to complete necessary capital repairs to increase occupancy and stabilize property. At stabilization, refinanced property to complete additional $400,000 in improvements. Without Bedford Lending, property would have entered default.

$5,100,000 Refinance 223(f)

Refinanced a bank loan, and reduced interest rate from 6.35% to 3.85% fixed for 35 years, which allowed for long term preservation of affordable housing in market with strong low-income demand.

Section 236 Refinance

BLC assisted non-profit owner with a Mark-up-to-Budget which resulted in a significant rent increase. Able to complete over $1,000,000 in capital improvements.

202 Refinances

Berlin, NH

Center Sandwich, NH

Manchester, NH

Norwich, VT

Northumberland, NH

Philips, ME

Contact Information

Wayne Jean, *President*

Bedford Lending
40 South River Road,
Bedford, N.H. 03110
Ph: 603.647.4646
www.bedfordlending.com