



SMALL SITES PROGRAM PROGRAM GUIDELINES

The Small Sites Program (“SSP” or “Program”) Program Guidelines were originally approved as “Underwriting Guidelines” by the San Francisco Citywide Affordable Housing Loan Committee on July 18, 2014 and subsequently revised on December 8, 2014, June 1, 2015, September 30, 2016 and [new date]. These guidelines apply to all applications for Small Sites Program financing and other projects requiring conformance with the Small Sites Program. SSP applications will be reviewed in the order received and thoroughly underwritten according to these standards in order to determine the project and project team’s eligibility for SSP funds. These Program Guidelines will be updated from time to time in response to market conditions and to clarify Program policies and procedures.

I. SITE ELIGIBILITY/SELECTION

A. Building Type

1. 5-25 occupied residential buildings are prioritized; buildings with fewer than 5 residential units will be considered on a case-by-case basis.
2. Mixed-use buildings are eligible to receive SSP funds provided that the majority of the building is used for residential purposes.
3. All residential units must meet the San Francisco Planning Department’s definition of “dwelling unit” and fully conform with Planning Code requirements applicable to the site, including zoning, General Code compliance, and any relevant neighborhood plan controls. Where there are tenants living in unpermitted units and the unit meets minimum livability standards according to Chapter 5 of the San Francisco Housing Code 2016, legalization of such unit may be eligible for SSP funds.
4. Acquisition price must be substantiated by an appraisal and may not exceed purchase prices for comparable buildings in the area. MOHCD reserves the right to decline an application for funding due to an unreasonable acquisition price. All appraisals submitted with SSP applications must show both the fair market value and the restricted value. It is expected that once restrictions are in place, all future appraisals and refinances will be based on the restricted value.

B. Site Selection Criteria

Applications will be reviewed in the order received; however, in the instance where two applications are received within 30 days of each other and there are not sufficient SSP funds available to finance both projects, applications will be prioritized according to scoring criteria contained in the SSP Notice of Funding Availability (NOFA), published on July 24, 2014, according to the following priority characteristics:

1. Building is at immediate risk for Ellis Act eviction or in the process of an Ellis Act eviction. At-risk buildings include those where tenants are enduring harassment, threats of eviction, and have received offers to buy-out their tenancies, among other indicators.
2. Building is located in a neighborhood with a high level of Ellis Act evictions



3. Existing residents include vulnerable populations: families with minor children, elderly, disabled and catastrophically-ill persons
4. Buildings housing residents with the lowest incomes (assuming other program criteria are met)
5. Buildings which require the lowest amount of subsidy per unit

II. GENERAL CITY FINANCING TERMS

A. Maximum City Subsidy

Maximum City subsidy including acquisition and rehab/permanent financing is:

1. \$300,000 per unit for buildings of 10-25 units
2. \$375,000 per unit for buildings of 3-9 units
3. \$175,000 per bedroom for group or single room occupancy (SRO) housing

In extreme cases, where eviction of vulnerable tenants, as defined in Section I(B)(3) above, is imminent, City will consider additional City subsidy on a case-by-case basis but in no case will City subsidy exceed \$400,000 per unit. Such additional City subsidy may not be applied to units that are occupied by households earning more than 120% AMI.

To calculate the maximum per-unit subsidy, income generating commercial space may be counted as a unit. Leased parking spaces may not be counted as a unit for the purpose of establishing the City subsidy cap. City subsidy includes all sources of funds available through MOHCD for the residential project, including but not limited to SoMa Stabilization funds, Rehab/Lead funds, and CDBG Housing Development Grants (HDG). If the project includes a commercial component, the project sponsor may access additional funds from City sources to pay for the cost of commercial tenant improvements. The SSP will not pay for commercial tenant improvements.

B. Term

1. Loan Term: 30 years ("Loan Term")
2. Restriction Term:
 - a) Declaration of Restrictions Term: For the life of the project, surviving expiration of the Loan Term, default, foreclosure and/or loan repayment.
 - b) Declaration of Restrictions must be recorded in first position on title and is senior to all deeds of trust.

C. Loan Interest Rate

3% annual simple interest. Loan repayments shall be applied first to interest and second to principle. However, if, in any given year, an SSP building generates insufficient cash flow to repay all interest due, unpaid interest due for that year shall be forgiven.

D. Repayment, Refinance and Subordinate Financing



1. Full Loan Repayment: Loan to be repaid in full at conclusion of the Loan Term or upon any transfer of title that results in loss of affordability.
2. Residual Receipts Payments:
 - a) For any year when the replacement reserve balance is less than 1.5 times the original capitalized replacement reserve required in Section IV(B)(3), below: 1/3 of residual receipts may be retained by the project sponsor/owner and the remaining 2/3 must be deposited into the project's replacement reserve account.
 - b) For any year when the replacement reserve balance exceeds 1.5 times the original capitalized replacement reserve required in Section IV(B)(3), below: 1/3 of residual receipts may be retained by the project sponsor/owner and the remaining 2/3 must be distributed to MOHCD for debt repayment.
3. Refinancing of Senior Debt:
 - a) MOHCD encourages sponsors to seek the longest term first mortgage possible. To the extent that the first mortgage includes a balloon payment, refinancing of senior debt is acceptable. Refinanced senior debt terms are subject to MOHCD's approval. Once approved, MOHCD will subordinate to the new loan, accordingly.
 - b) MOHCD may extend the term of its loan at a refinance for the purpose of preserving affordability.
 - c) Cash-out Refinances:
 - i. Cash-out refinances are allowable only for the purpose of improving and rehabilitating the same building for which debt is being financed.
 - ii. In general, 100% of the cash-out amount must be deposited into the building's replacement reserve or be utilized for an immediate capital project. However, if the project sponsor can demonstrate that reserves are adequately funded for a 20 year period and if hard rehab costs exceed \$20,000 per unit, then the reserves may be used to pay for construction management and project management fees associated with the rehab, provided that the sum of the two fees does not exceed 10% of hard costs.
 - iii. Where reserves are fully-funded and there is excess cash-flow available for debt service, MOHCD will require that a portion of the cash-out equity be used to repay the City's loan which can then be made available to support new SSP projects.
 - d) At no time may the project sponsor borrow hard debt against the property that exceeds the supportable mortgage according to the appraised restricted value of the property and/or the restricted rental income.
4. Subordinate Financing:



Financing subordinate to the City's loan and lines of credit secured against the property are prohibited, except for the purpose of acquiring the site when sufficient other financing sources are not available or when necessary to finance capital projects that benefit the health, safety or efficiency of the building, such as seismic or energy efficiency improvements. All subordinate financing must be approved in writing by MOHCD. Sponsor must be able to demonstrate adequate cash flow for payment of subordinate debt and the ability to refinance or otherwise repay subordinate debt in a timely manner without additional resources from the City.

E. Income and Rent Restrictions

1. At SSP Loan Closing:

- a) If the total City subsidy per unit is equal to or less than \$250,000 for standard residential/mixed-use buildings or \$100,000 per unit for group housing/SRO buildings, the project sponsor may close an SSP loan without compliance with this Section II(E)(1)(d-i). The project sponsor must notify all tenants according to Section II(E)(1)(c), below, and ensure that income certification occurs within the first year of operation. Unless project sponsor provides evidence of eligibility for the welfare property tax exemption, it must assume 100% of property taxes will be due in its operating budget.
- b) Area Median Income (AMI) means area median income as published annually by MOHCD, derived from the Income Limits determined by HUD for the San Francisco area, adjusted solely for household size, but not high housing cost area, also referred to as "Unadjusted Median Income". Households occupying SSP buildings are considered within the income limits of the Program so long as their income is equal to or less than 120% AMI.
- c) 100% of tenant-occupied units ("households") must be notified of the intention to acquire and restrict the building under the Small Sites Program. Such notification must include language indicating that the City's Rent Stabilization and Arbitration Ordinance will no longer apply.
- d) As an indication of general tenant approval of the proposed building purchase and the tenants' willingness to participate, a minimum of 75% of existing households must acknowledge their agreement and 66% of households must income certify for the building to be eligible for inclusion in the SSP. Up to 34% may be over income (above 120% AMI) or refuse to certify without rendering the property ineligible. Regardless of whether a unit's occupant(s) complete the income certification process or are over income at SSP loan closing, all units must be restricted for the life of the project.
- e) Average household income of a minimum of 66% of households must not exceed 80% of AMI at the time of SSP loan closing. Project sponsors may include proposed rent levels for vacant units in this calculation.
- f) If an existing household's rent is equal to or exceeds 30% of household's gross monthly income, the household's lease will be upheld at the then-current monthly rent level. At the next anniversary of tenancy or SSP loan closing, the household will be subject to rent increases according to Section II(E)(2).



- g) If an existing household's rent is less than 30% of household's gross monthly income, their rent will be increased to a minimum of 20% of the household's gross monthly income and, if required for project financial feasibility, up to a maximum of 30% of household's gross monthly income. As necessary, such rent increases may be phased in over a period of up to 5 years.
- h) If an existing household's income is greater than State "Low Income" or 80% of median family income (MFI), as published annually by the Department of Housing and Community Development (HCD), therefore rendering the unit ineligible for the welfare property tax exemption, then the pro rata share of the property tax assessment shall be charged to the household in the form of increased rent. Such rent increase may be phased in over a period of up to 5 years, but in no event may the property tax rent increase cause any household's rent to exceed 30% of its gross household income or 120% AMI rent, whichever is less.
- i) If an existing household does not comply with income certification and to the extent that the household is not currently paying more than 120% AMI rent, such household's rent will be increased, at a minimum, by the amount of the unit's pro rata share of property taxes up to a maximum of 120% AMI rent, as long as the overall average rents do not exceed 80% AMI.
- j) MOHCD policy for all units is that tenant households be housed in units with a bedroom count that matches household size. The following guidelines shall apply in cases where households are under-housed or over-housed.
- i. Given the challenges of relocating under-housed households, MOHCD will allow the acquisition of buildings where no more than 1 unit is occupied by a household defined as overcrowded according to Section 503 of the San Francisco Housing Code only in the event that a relocation strategy is identified and approved by MOHCD prior to loan closing. Overcrowded households may be relocated into an appropriately sized unit within the property, if currently available, and, if not, when one becomes available. Overcrowded households may also be relocated to non-Low Income Housing Tax Credit funded properties within the sponsor's SSP portfolio without a lottery as a reasonable accommodation. The unit that becomes vacant will, therefore, become available for lease to another low- to moderate- income household through MOHCD's standard marketing and lottery process. The overcrowded household may not supersede an active waitlist in order to be relocated.
 - ii. Following project rehabilitation, if SSP households are over-housed (i.e., residing in a unit with a bedroom count that exceeds the household size), the household's existing living arrangement will be allowed until such time that another appropriately sized unit in the building becomes available, at which time the household will be required, subject to the waiver language below, to move into the appropriately-sized unit. Rent for that household shall decrease to reflect the smaller unit size, adjusted to match the AMI rent level that the household paid in its original unit. Building owners may request a hardship waiver from MOHCD if such a transfer is unduly burdensome to the tenant.



- k) Project sponsors must execute new leases or provide written 30-day notice of change of terms in existing leases with tenants that clearly delineate the Small Sites Program rent restrictions in conformance with Section II(E)(2) and that the tenancy is not subject to the San Francisco Residential Rent Stabilization and Arbitration Ordinance. Tenant leases are subject to MOHCD review and approval.

2. Ongoing Affordability:

- a) SSP buildings must achieve an average of 80% AMI rents over time as the building experiences turnover. Average rents in the building are evaluated by MOHCD only at vacancy, as described in Section II(E)(2)(b), below. In a fully occupied building, average rents will fluctuate year-to-year due to mandatory annual rent increases and/or changes in the published AMI levels without falling out of compliance with the program. Additionally, once a tenant household has qualified to rent a unit, changes in the household's income will not disqualify the household from continuing to reside in an SSP property.
- b) At each vacancy, SSP building owners are required to ensure that the building achieves 80% AMI average rents. For each unit that becomes vacant, prior to re-occupancy, the rent for such unit shall be set at the amount necessary to bring the Site's combined average rents as close as is possible to 80% AMI. Rent for any single unit may be set up to a maximum of 120% AMI in order to comply with the preceding sentence. Notwithstanding the foregoing, if an existing tenant has become severely rent burdened (see Subsection (e), below) during tenancy, upon vacancy of a unit in the building, and to the extent that the building has adequate cash flow, such tenant may apply to the building owner to reduce rent to as low as 30% of tenant's gross monthly income, resulting in a higher rent on the vacant unit. If more than one tenant is severely rent burdened, such rent reduction will be equally distributed among the parties.
- c) Rents must increase annually by the greater of 2% or the change in annual operating expenses, up to a maximum of 3.5%. If, in any given year, the owner requires a rent increase greater than 3.5% in order to maintain financial feasibility, the owner may petition MOHCD for such an increase, which approval shall be subject to the Director's sole discretion and in compliance with MOHCD's loan documents. For those households that hold rent subsidy vouchers, such as Section 8 and VASH, owner shall request and make best efforts on an annual basis to receive an increase in contract rent equivalent to the percentage change in Fair Market Rent (FMR) or equivalent payment standard, whichever is greater. Annual rent increases are required even if the average rents for the building increase above 80% AMI due to annual rent increases and/or changes in the published AMI levels.
- d) If a household's income increases during tenancy to greater than State "Low Income" or 80% of median family income (MFI), as published annually by the Department of Housing and Community Development (HCD), therefore rendering the unit ineligible for the welfare property tax exemption, then the pro rata share of the property tax assessment may be charged to the tenant in the form of increased rent. Such rent increase may be phased in over a period of up to five years. If such household's income subsequently decreases and the unit



becomes eligible for the welfare property tax exemption, such tenant's rent will be reduced by the pro-rata share of the property taxes that are attributable to that unit.

- e) If the owner's application of a rent increase in the manner described in this section results in any individual household's rent rising above 50% of that household's gross annual income (i.e., "severely rent burdened"), the owner may freeze the rent of the severely rent burdened household for the year, provided that:
 - i. The owner must demonstrate to the satisfaction of MOHCD that the property maintains short- and long-term financial sustainability in the form of positive cash flow, adequately funded reserves, and other indicators as MOHCD may reasonably request; and,
 - ii. At each annual income recertification, the ability of all households to pay required rent increases will be reassessed, as will the owner's requirement to demonstrate short- and long-term financial sustainability if the owner requests a continued rent freeze for any severely rent-burdened household.
- f) Rents may increase no more than once per year, according to the inflation factor described above, regardless of whether the tenant is on a month-to-month lease.
- g) If an owner increases rents or offers a vacant unit for rent at a rate that exceeds program rules, the resulting excess cash flow will be due to the tenants who were overcharged and the owner will be in default of the terms of its loan.

III. FIRST LOAN TERMS

A. Preferred Lenders

All SSP applicants must leverage City debt with a first mortgage. A list of preferred lenders who are familiar with the Small Sites Program is on MOHCD's website; however, applicants are free to select a lender who is not on the preferred lender list if the applicant is able to find better terms elsewhere and the lender is able to comply with program requirements. Applicants are subject to the underwriting requirements of the senior lender for approval of the first mortgage.

B. Suggested First Loan Terms

Understanding the need for a range of loan terms that are dependent on underwriting standards by outside lenders, MOHCD has established the following suggested loan terms for the SSP. While it is MOHCD's strong preference for SSP applicants to obtain loans with the combination of all terms listed, certain terms may be omitted or refined based on the senior lender's underwriting requirements and based upon whether the project includes commercial space. MOHCD's loan approval is subject to its review of all underlying third-party financing terms and determination that such terms are not in conflict with the terms of MOHCD's loan agreement and ancillary documents.

1. Acquisition loans that automatically convert to permanent with a 10-year minimum term
2. 30-year amortization schedule
3. 1.10 to 1.15 Debt Service Coverage Ratio



4. Nonrecourse to the borrower
5. Low interest rates
6. No more than 1.5% lender loan fees
7. No cross-collateralization

IV. RESIDENTIAL DEVELOPMENT PROFORMA ASSUMPTIONS

A. Debt Service Coverage Ratio (DSCR)

1. Minimum: 1.10:1
2. Maximum: 1.20:1
3. Calculation Method: DSCR should be calculated after accounting for reserve deposits. DSCR should be calculated by dividing Net Operating Income (NOI), defined as revenue minus expenses minus replacement reserve deposits, by first mortgage payments (NOI/first mortgage payments). The goal in all cases is to maximize the amount of leveraged debt.

B. Reserves

1. Capitalized Operating Reserves: 25% of budgeted 1st full year operating expenses (including hard debt service) in an interest-bearing account.
2. Operating Reserve Deposits: None unless balance drops below 25% of prior year's operating expenses (including hard debt service). Any such required payments would be made from cash flow that remains after all other required payments are made (e.g. hard debt service, other reserve payments, etc.).
3. Capitalized Replacement Reserves: The higher of \$2,000 per unit or the amount necessary to pay replacement costs for the next 10 years, as specified in an approved CNA and taking into account any renovation achieved through the Small Sites Program that cannot be supported by replacement reserve deposits due to inadequate operating income. Replacement reserves must be deposited into an interest-bearing account.
4. Replacement Reserve Deposits: The higher of the amount needed according to an approved 20-year CNA or the amounts listed in the table below as permitted by available cash flow. May be updated every seven (7) years based on a revised CNA acceptable to the City. In addition to the deposits listed below, all property taxes that were included in the project's development budget and later refunded by the City's tax collector and 50% of the balance of unused construction contingency must be deposited into the project's replacement reserve account.

Number of units, including commercial units	Replacement reserve deposits PUPY, including commercial units
<10	400
11-25	350



5. Capitalized Vacancy Reserves: The monthly rent for commercial and residential units that are vacant at acquisition multiplied by the number of months the unit will remain vacant during predevelopment, rehabilitation and marketing/lease-up.

C. Fees

1. Developer Fee: A flat developer fee will be calculated as the sum of \$80,000, payable at acquisition and \$10,000 per unit, payable at the end of rehabilitation, if rehabilitation is applicable, up to a maximum of 5% of total development cost (excluding the developer fee). Projects may be eligible for additional developer fee where the scope includes creation of accessory dwelling units. The portion of developer fee that is payable at the end of rehabilitation will be at-risk for costs exceeding final approved budget at commitment of financing by MOHCD. If the project's development budget is unable to support the level of developer fee indicated, the project sponsor may request that the remaining fee be deferred over a maximum 10-year period, payable after all other required expenses are paid but before the residual receipts split.
2. Asset Management Fee: Asset management fee to be calculated at \$75 per unit per month with annual growth rate of 3.5%.
3. Property Management Fee: Maximum property management fee to be calculated at \$65 per unit per month or the amount published by the U.S. Department of Housing and Urban Development Management Fee Schedule, as adjusted for specific project characteristics, whichever is greater. The property management fee shall increase at an annual growth rate of 3.5%.
4. Construction Incentive Fee: 50% of remaining construction contingency may be retained by the project sponsor as an incentive fee at construction completion. See Section IV(D) below.

D. Contingencies

1. Construction Contingency
 - 15% of construction costs
 - Purpose: Contingency for unforeseen conditions, minor errors and omissions. 50% of any contingency funds remaining after sponsor's receipt of a certificate of completion from the San Francisco Building Department may be retained by the sponsor as an incentive fee. The remaining 50% must be deposited into the building's replacement reserve account.
2. Soft Cost Contingency: 15% of soft costs, excluding developer and administrative fees, construction loan interest, and reserves. Unspent funds allocated to soft costs shall return to MOHCD as excess proceeds.

E. Relocation:

1. SSP sponsors are required to submit a relocation plan to MOHCD within 30 days of SSP loan closing. At a minimum, such plan must include the following provisions and is subject to MOHCD approval.
 - a) A detailed relocation budget
 - b) Relocation of tenants shall be temporary, not to exceed 90 days
 - c) Tenants shall not incur costs related to relocation
 - d) A Relocation consultant or other similar staffing to provide advisory services to tenants



- e) Notice will be given to tenants immediately after acquisition and 30 days prior to commencement of relocation
 - f) Adequate temporary housing will be provided that is in decent, safe, and sanitary condition and of comparable size
2. SSP tenants may be temporarily relocated to non-Low Income Housing Tax Credit funded properties within the sponsor's SSP portfolio without a lottery for a period of no more than 29 days. Non-SSP tenants are not permitted to temporarily relocate to SSP properties.

V. OPERATING PROFORMA ASSUMPTIONS

A. Vacancy Allowance:

- 5% of annual residential rent income
- 20% of annual commercial rent income. This percentage may be reduced, subject to MOHCD approval, to as low as 5% upon demonstration of a long term stable tenant and/or strong market conditions that would facilitate rapid lease-up, should the commercial space become vacant. This percentage may also be increased if weak market conditions exist.

B. Increases in Gross Income

- 2.5% annually

C. Increases in Operating Expenses

- 3.5% annually

VI. OTHER UNDERWRITING GUIDELINES

- A. Architect and Engineering Fees:** If the scope of rehab requires architectural drawings (as opposed, e.g., to hiring a design/build contractor), then MOHCD's "Guidelines for Architect and Engineering Basic Services" shall apply. All architectural contracts should be full-service and include all necessary consultants. They should also use standard AIA forms (or approved equivalent). Owner addenda are encouraged, including requiring the architect to design to a specified construction budget. Contracts must be signed prior to the commencement of any design work. Additional services will be allowed if there are significant changes in the A/E scope. Fees for Architecture/Engineering services should follow the schedule set forth in the Guidelines for Architect and Engineering Basic Services.
- B. Construction Management Fees:** Sponsor must identify specific staff or consultant(s) who will provide construction management functions on behalf of the owner, including permit applications and expediting, cost analysis, completion evaluations, change order evaluations, scope analysis and schedule analysis. It is the owner's responsibility to ensure its construction management staff/consultant has adequate experience and availability to carry out the job; however, MOHCD may request additional information about the construction manager to establish capacity. Owner is expected to negotiate the most competitive fee possible with the construction manager. Construction management fees may not exceed \$25,500 per project: \$2,500 per month for up to 6 months of pre-construction and \$3,500 per month for up to 3 months of construction. Projects may be eligible for additional construction management fees where the scope includes creation of accessory dwelling units.
- C. General Contractor Fees/Price**



1. **Selection of contractor by RFP:** When the sponsor selects a contractor through a negotiated bid process, the RFP should require competitive cost proposals that specify Overhead and Profit (OH&P) percentages and General Conditions (GC) costs as separate line-items. Values for specific trade work, subcontractor work, and all other costs under the purview of the general contractor should be listed separately and exclude OH&P and GC mark-ups. The fee is a criterion, but not the sole criterion for selection. Selection process and selection results must be approved by the City with respect to LBE/SBE participation, wage requirements and proposed contract price.
 2. **Overhead and Profit:** May not exceed 15% of the contract price.
 3. **General Conditions:** These costs must be documented and reasonable given the conditions at the site.
 4. **Contractor's Contingency:** If applicable, contractor's contingency must be tracked and documented as a separate line item.
 5. **Subcontractor Pricing:** General contractors shall submit for the City's review a schedule of values that lists: 1) all proposed subcontractor pricing, without any general contractor markup; 2) clearly identified general contractor fees, as separate line-items, including overhead, profit, and general conditions; and 3) a final contract price. Subcontractor and sub-tier mark-up shall not exceed 15% in the aggregate, including on change orders. The City reserves the right to review all bids.
 6. **Change Orders:** All change orders shall be reviewed and approved by the City. Mark-up on change orders shall be limited to 15% in the aggregate, inclusive of any general contractor's mark-up.
- D. Project Management Capacity:** Sponsor's project manager must have experience with at least one comparable, successfully completed project or be assisted by a consultant or other staff person with greater experience and adequate time to commit. When using a consultant, the consultant's resume should demonstrate that the consultant has successfully completed managing all aspects of at least two (2) comparable development projects in the recent past.
- E. Asset Management Capacity:** Development teams must provide information requested by MOHCD to describe asset management staffing plans and show how they manage the financial performance and capital needs of their existing and future assets. MOHCD will use the information provided to verify that their approach to asset management meets the City's stewardship expectations particularly with regard to timely performance of capital needs assessments, maintaining adequate replacement reserves and timely collection of tenant rents.
- F. Excess Proceeds:** Following issuance by the San Francisco Department of Building Inspection of a Notice of Completion or similar document signifying full completion of the MOHCD-approved rehabilitation program, up to \$100,000 of MOHCD loan proceeds remaining after payment of all approved rehabilitation expenses may be retained by borrower for deposit into the project's reserves. Any amount above \$100,000 shall be returned to MOHCD and loan documents shall be amended to reflect the lower loan amount.



VII. EXCEPTIONS

MOHCD reserves the right to waive any portion of MOHCD's Small Sites Program Guidelines, or to make exceptions on a case-by-case basis, for the purpose of preserving at-risk buildings as permanently affordable housing. Such waivers and/or exceptions shall be granted through the written approval of the Director of MOHCD, in his/her sole discretion, in consultation with the senior lender. Waivers and exceptions will not apply to the senior debt unless approved by the senior lender.

DRAFT