

**Mayor's Office of Housing and Community Development  
Policy for MOHCD Loan Agreements**

Effective Date: May 29, 2015

The MOHCD Loan Agreement Policy applies to all developments seeking City funding, including recapitalization projects with existing MOHCD loans. Developers are advised to include these assumptions into their development and operating budgets.

**A. LOAN AGREEMENT TERMS**

Term of Loan	<p><b>Predev Loans:</b> 5 years maximum, unless otherwise extended or assumed into a permanent MOHCD loan.</p> <p><b>Perm Loans:</b> 55 years from date of recording Deed of Trust.</p> <p><b>For Gap Loans with MHP:</b> 55 years from date of MHP closing.</p>
Interest Rate	<p>0-3% or Applicable Federal Rate depending upon demonstrated need for financial feasibility.</p> <p>Predevelopment loans will include language for recasting of interest upon rollover to perm.</p>
Repayment	<p>Residual receipts; see Residual Receipts Policy.</p>
Waterfall	<p>MOHCD Base and Residual Ground Lease payments precede MOHCD loan repayments; however, MOHCD may approve the distribution of cash flow to Residual Ground Rent and/or MOHCD loan payments pursuant to project tax projections and feasibility requirements.</p>
Cross-collateralization	<p>Not permitted.</p>
Use of Funds	<p>MOHCD will pay and/or reimburse project expenses incurred after the date of the MOHCD Loan Agreement and permitted in the MOHCD loan budget unless otherwise recommended by the Citywide Affordable Housing Loan Committee and approved by the Mayor.</p>
Security	<p>MOHCD loans or grants must be secured against real property or against the leasehold if the land is owned by the City or another public entity and subject to a ground lease unless otherwise recommended by the Citywide Affordable Housing Loan Committee and approved by the Mayor.</p>

Subordination and Lien Position	MOHCD will subordinate its deed of trust and affordability restrictions for its loans to a 1 <sup>st</sup> mortgage lender if required in the event of default. MOHCD may subordinate to Federal or State-provided loans so long as the Federal or State assistance to the project is more than twice the amount of the MOHCD's total assistance to the project (including both loans and grants).
Subordination After Initial Permanent Conversion	All subordination requests shall be subject to the Subordination Fee and legal and staff time expenses. Subordination requests shall require an extension of the affordability period and the re-underwriting of the project.

**B. WAIVER OF THE LOAN AGREEMENT POLICY**

The Citywide Affordable Housing Loan Committee may recommend a waiver or modification of any portion of this policy for the purpose of assuring project feasibility. All recommendations related to this policy are subject to the Mayor's approval in his or her sole discretion.

**C. POLICY IMPLEMENTATION**

This policy applies to any development that has not received its gap financing commitment from MOHCD by the effective date of the policy.