CalHFA
California Housing Finance Agency
1121 L Street, Seventh Floor • Sacramento • CA • 95814-3974 • (916) 322-3991 • www.calhfa.ca.gov

CONSTRUCTION LOAN PROGRAM

Program Description	The Construction Loan Program is designed to provide construction loans at commercially competitive rates and terms to developments approved for CalHFA permanent financing that are otherwise subject to State prevailing wage requirements. Construction funds may be provided on a taxable or tax exempt basis. CalHFA's objective is to provide one-stop shopping to our borrowers in order to simplify the financing process and reduce transaction cost.
Eligible Projects	• Approved for CalHFA permanent financing, and • Otherwise subject to State prevailing wage requirements.
Qualifications	• Available to for-profit, non profit or public agency sponsors.
Loan Amount	• Maximum: 90% loan to cost or 90% loan-to-value, whichever is less subject to CalHFA approval. For purposes of the Construction Loan, value will be determined "as restricted" plus the value of the available tax credits.
Source of Funds	• Tax exempt or taxable, depending upon the needs of the development.

Rate & Terms (subject to change)	• Term: 12 to 36 months, subject to CalHFA review and approval of project construction and rent-up schedules.
	• Maximum Loan Amount: $35,000,000
	• Loan Rate (for both tax-exempt and taxable loans)
	  o Initial Loan Rate: is the most recent Reset Rate prior to closing and is fixed for a minimum of six months and a maximum of nine months.
	  o Reset Rate: Computed on Reset Dates, 150 basis points plus the average one-month Libor of all Wednesdays in the previous calendar quarter.
	  o Reset Dates: January 1, April 1, July 1, and October 1
	  o First Reset of the Loan Rate Shall occur on the earliest Reset Date after loan closing, but no sooner than 6 months after loan closing; the Loan Rate shall be reset to the Reset Rate computed on that date.
	  o Subsequent resets of the Loan Rate shall occur quarterly on the Reset Date and the Loan Rate shall be reset to the Reset Rate computed on that date.
	  o Maximum change in the Loan Rate on any Reset Date is 35 basis points.
	  o Maximum change in the Loan Rate over the loan term is 200 basis points.
	• Monthly interest-only payments (capitalized) through permanent loan closing.

Fees (subject to change)	• Application Fee: $500, due at time of application. • Origination Fee: 1% for construction loan, due and payable prior to the CalHFA Board Meeting and .50% for permanent loan, payable upon issuance of the permanent loan commitment. • Bond Origination Guarantee Fee (for tax-exempt bonds): 1% of bond allocation is due at time of final commitment approval (cash or Letter of Credit); amount held shall be reduced to 1% of permanent loan amount at construction closing and fully refunded at permanent loan closing. • Attorney Fees: $10,000 (capitalized). • Construction Inspection Fee: not to exceed $1,500 per month.
Permanent/Take-Out Financing	• CalHFA permanent loan closing at stabilized occupancy, or at CalHFA discretion, upon construction completion with acceptable security.
Guaranty	• Loans are generally recourse to the Borrower. • Additional security required in the form of Letter of Credit or cash escrow in the amount of 5% of the construction loan amount, released upon permanent loan closing or rolled over into construction defects escrow and operating reserve. Required amount may be decreased or increased at the sole discretion of CalHFA. • A Completion and Repayment Letter of Credit in the amount of 10% of the construction contract is required. • A Completion and Repayment Guarantee of 100% of the construction contract amount may be accepted from Sponsor or Sponsor's parent corporation in lieu of letter of credit at CalHFA's sole discretion. • Assignment of rights under non-CalHFA financing and tax credit equity commitments is required.
Subordinate Financing	• The construction loan will be secured by a First Deed of Trust. All non-CalHFA loans, leases, development, and regulatory agreements must be subordinate to the CalHFA construction loan documents.
Reserve Requirements	• Rent-up Reserve, based upon estimated rent-up period and market assessment, shall be sufficient to pay operating expenses and any required debt service through loan closing.
Occupancy Requirements	Same as applicable CalHFA permanent loan program.
Regulatory Requirements	Same as applicable CalHFA permanent loan program.
Due Diligence	All of the listed due diligence efforts are required and are at the Borrower's expense, unless otherwise noted: • Property Appraisal: will be ordered by CalHFA, a market study may be required (same as CalHFA permanent loan). • Phase I Environmental: required, and Phase II if indicated by Phase I results (same as CalHFA permanent loan). • Seismic Review: (same as CalHFA permanent loan).

	• Physical Needs Assessment: if rehabilitation only (same as CalHFA permanent loan). • Design Review: at CalHFA expense. • Construction Cost Estimation: performed by either CalHFA or third party, at CalHFA's discretion. • Other studies may be required at CalHFA's discretion.
Contracting Requirements	• Contractor selection subject to CalHFA approval, based upon contractor qualifications, experience, and credit. • Payment and Performance Bonds are required in the amount of 100% of the construction contract price. In its sole discretion, CalHFA may accept, in lieu of bonds, a construction completion guarantee secured by a Letter of Credit or cash equal to no less than 15% of the contract price. • State Prevailing Wages must be paid on construction financed through CalHFA. Prevailing wage monitoring and compliance is subject to review and approval by CalHFA. • Retention shall be held equal to 10% of the contract price. CalHFA, at its discretion, may approve earlier retention release for selected subcontractors and material suppliers to the extent that total retention remains at least 5% of the contract price through completion. • Insurance: Builder's Risk is required with CalHFA named as insured, in addition to other standard CalHFA insurance requirements.
Questions	Questions regarding the Construction Loan Program can be directed to CalHFA's Multifamily Programs Division: • Ruth Vakili, Multifamily Loan Officer • P.O. Box 4034 Sacramento, CA 95812 • Phone: 800.736.2432 or directly at 916.445.7953 • Email address: rvakili@calhfa.ca.gov • Web site: www.calhfa.ca.gov

IMPORTANT DISCLOSURE INFORMATION:

The information provided in this program description is for guidance only. While we have taken care to provide accurate information, we cannot cover every circumstance nor program nuance. This program description is subject to change from time to time without prior notice. CalHFA does not discriminate on the basis of disability in employment or in the admission and access to its programs or activities.

12/03