Naturally Occurring Affordable Housing Preservation

NOAH Pool II
Equity Term Sheet

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NOAH Pool II Terms

Hurdle Rate:	5.25%
Equity Term:	10 Years
Affordability Term:	15 Years
Equity Split:	90% Equity Partner / 10% Operating Partner
Cash Flow Split:	90% Equity Partner / 10% Operating Partner

Project & Partner Eligibility

Eligible Projects

- Multifamily apartment acquisitions
- Please see the Owner Operator Guidelines for a full list of underwriting requirements

Eligible Operating Partners

- Both non-profits and for-profits with demonstrated experience, capacity, and financial strength (must meet Freddie Mac underwriting requirements)
- Operating Partner shall cover all pre-closing costs at its sole risk

Project-Level Business Terms

Operating Agreement for Acquired Projects

- Ownership Structure
  - Operating Partner and Equity Partner enter into a single-purpose LLC
  - NOAH Pool II provides a template Member Control Agreement for the new LLC
  - Owner members are the Operating Partner and the Fund is the Equity Partner
  - The single purpose LLC is the Mortgagor for secured loans on the property
- Recorded Land Use Restrictive Agreement
  - 15 years of affordability (5 years beyond the Fund's exit)
  - Affordability may phase in and non-displacement of current residents is strongly desired (over-income residents can maintain occupancy)
- Required income targeting during the term of affordability
  - 75% or more of the units must serve households at 80% AMI or less with rents affordable at 80% AMI or less
  - Of the affordable units, either 20% at 50% AMI or 40% at 60% AMI
  - 25% or less of the units can be unrestricted (market rate)
  - Owners must accept Housing Choice Vouchers
  - Income test is required only for new residents at move-in

- Operating Partner manages day-to-day operations and provides financial and affordability reporting to Equity Partner
- Equity Partner approval will be required for all major decisions of Operating Partner including, but not limited to
  - Additional financing for the project
  - Transfer, sale, or other disposition of the property
  - Annual operating budget, leasing plans, and capital repairs
- Equity Partner has broad rights to remove Operating Partner for defined material causes

Capital Sources for Project Acquisition

- Project 1st Mortgage Loan
  - Cannot exceed 80% of the property acquisition price
  - Operating Partner may work with qualified mortgage company of their choice, but the Fund requires a Freddie Mac "first and last look"
  - Operating Partner may work with qualified seller-servicer of their choice, but the Fund requires a proposal from Community Preservation Corporation (CPC)
- Project Equity Capital
  - 90% of equity from the Fund, invested at closing at stated hurdle rate
  - 10% of equity from Operating Partner, invested at closing
  - Fund equity is $1 million minimum and $8 million maximum

Waterfall & Allocations to Equity Partners

- Net operating cash flow distributed monthly, 20 days after month-end
- Distributable cash allocated 90% to Investor Partner, 10% to Operating Partner
- Taxable income/losses allocated 90% to Investor Partner and 10% to Operating Partner

Transaction Fees & Expenses

- Paid from closing proceeds or capital sources for project acquisition
  - Acquisition Fee to Operating Partner: 1.5% of purchase price
  - Origination Fee to NOAH Impact Fund: 1% of purchase price
  - Operating Partner reimbursement of reasonable and necessary project-level expenses, including third party reports and legal fees, at closing of acquired projects
  - Equity Partner reimbursement of legal costs and any third-party reports requested as part of Equity Partner's underwriting
- Escrows for planned capital repairs and operating reserves (subject to underwriting)

Other Fees

- Construction management fee for significant rehabilitation scope of work payable to Operating Partner as negotiated with Equity Partner
- Reasonable and customary property management fees, including to affiliates of the Operating Partner

Equity Partner Exit Payment

- Equity Partner's exit payment is due at the 10-year anniversary of the property acquisition and shall be 100% of the Fund's equity investment in an acquired project, as increased by the cumulative amount of any shortfall in cash flow distributions to Equity Partner below the Hurdle IRR along with compounding interest
- Following receipt of the full exit payment, the Equity Partner will not retain an ownership interest in the property, but affordability provisions shall continue through the 15-year anniversary of the property acquisition

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