



CITY OF OAKLAND

ACQUISITION AND CONVERSION TO AFFORDABLE HOUSING (ACAH) PROGRAM

TERM SHEET FOR ALL DEVELOPER SUBPROGRAM

Through funding from the City of Oakland’s Measure KK Bond Acquisition and Conversion to Affordable Housing (ACAH) Program, the City of Oakland provides loans to eligible borrowers for acquisition- and rehabilitation-related costs associated with protecting and preserving long-term affordable housing throughout the City of Oakland.



The City has provided this term sheet to developers applying through the “All Developer” subprogram of the ACAH Program Affordable Housing Developers as information only. Please note that the information summarized on the term sheet does not represent all City funding requirements and is subject to change. For additional information on the Measure KK Bond-funded programs, visit <https://www.oaklandca.gov/topics/measure-kk-at-work> and consult all application materials, guidelines, and documentation released in connection with the City’s Notice of Funding Availability (NOFA) release. This term sheet is not a commitment to lend or borrow, nor an agreement to issue or accept a commitment on these or any other terms. It does not create a binding or legally enforceable obligation of the City or any other party in any way.

Program Term	Description
Program Description	The ACAH Program selects qualified developers to acquire and rehabilitate existing vacant or occupied single- or multi-family properties, providing low-interest loans in order to protect and preserve long-term affordable housing throughout the City of Oakland, including the creation of affordable rental, ownership, and lease-to-own housing for lower income households.
Eligible Borrowers	<ul style="list-style-type: none"> • Affordable housing developers that meet the City’s developer experience requirements
Minimum Developer Experience Requirements	<ul style="list-style-type: none"> • Development entity must have acquired at least one (1) residential development project • If rehabilitation is proposed, applicant must have completed at least one (1) rehabilitation • Project Manager assigned to project must have experience with at least one (1) comparable, successfully completed project, or be assisted by consultant or other staff person with at least 3 comparable, successfully completed projects • Construction/rehabilitation management experience must be demonstrated if rehabilitation is proposed (either internal or through 3rd party consultant) • Alternative experience may be provided subject to staff review and approval • A developer that does not meet the criteria for experience may be considered an “Emerging Developer” and must meet the requirements set forth below

Program Term	Description
Emerging Developer	<p>Developer is considered an “emerging developer” by meeting the following criteria: applicant has less than five (5) years of experience as a developer and/or five (5) or fewer acquisition, rehabilitation or new construction projects completed in the last 10 years. A developer that does not meet the City’s minimum developer experience requirements must meet one of the following requirements, subject to City review and approval:</p> <ul style="list-style-type: none"> • Enter a joint venture agreement or memorandum of understanding with an organization that does meet the criteria (MOU is acceptable at time of application; JV is required prior to loan closing) • Enter a contractual agreement with an experienced housing development consultant with at least three (3) acquisition or rehabilitation residential projects for the predevelopment and construction phases • Provide actionable and budgeted staffing plan demonstrating that qualified staffing will be added to the developer’s organization during the predevelopment and construction phases
Eligible Projects	<ul style="list-style-type: none"> • Acquisition only, or acquisition/rehabilitation of unsubsidized residential properties of any size <ul style="list-style-type: none"> ○ <i>Rehabilitation-only projects are NOT eligible</i> • Tenure Types: <ul style="list-style-type: none"> ○ Affordable rental ○ Affordable homeownership ○ Affordable rental-to-homeownership (“lease to own”) projects • Project type may be Permanent Affordable Housing, Permanent Supportive Housing, or Transitional Housing • Target Populations: multifamily, seniors, special needs groups • Conversion of existing structures to an ADU <ul style="list-style-type: none"> ○ <i>New construction of an attached or detached ADU is not eligible</i>
Eligible Uses	<p>In general, ACAH funds must be used for gap financing and may be used for most costs associated with acquisition and rehabilitation, such as:</p> <ul style="list-style-type: none"> • Pre-acquisition due diligence costs • Option fees and purchase costs • Holding costs such as taxes, insurance, and debt service • Soft costs such as environmental assessments, due diligence reports, property inspections, construction estimates, legal costs, architecture and engineering costs, appraisals, gap financing costs • Rehabilitation hard costs • Developer fee • Temporary relocation costs up to 60 days <p><i>Ineligible uses: new construction, permanent relocation, mortgage assistance, rental operating subsidies, operating reserves, furnishings, services provision</i></p>

Program Term	Description
Maximum Loan Amount	<ul style="list-style-type: none"> • \$400,000 per unit for buildings with 1-4 units • \$375,000 per unit for buildings with 5-9 units • \$300,000 per unit for buildings with 10+ units • \$7.5 million project maximum
Rehabilitation Requirements	<p>Rehabilitation projects must carry a minimum contingency of 20% of hard costs at project application, which may be reduced to 15% at project loan closing as approved by City. Rehabilitation must prioritize health and safety hazards, accessibility, and structural rehabilitation needs, including: 1) Correction of health and safety hazards, immediate health deficiencies and/or code violations; 2) Accessibility Improvements; and 3) Structural rehabilitation work such as roofing replacement, seismic strengthening, foundation, drainage, exterior wall restoration and painting, energy efficiency improvements, electrical and plumbing system improvements. Other rehabilitation scope of work is subject to City approval.</p>
Rehabilitation Documentation	<p><i>At Application:</i></p> <ul style="list-style-type: none"> • Description of anticipated rehabilitation scope of work, supported by estimate from 3rd party contractor or construction estimator <p><i>Prior to Loan Closing:</i></p> <ul style="list-style-type: none"> • Applicant must provide a Physical Needs Assessment (PNA) or Capital Needs Assessment (CNA) for 5+ unit projects; projects of 1-4 units must provide a home inspection report with preliminary cost estimates or a cost estimate provided by a licensed contractor • Updated rehabilitation estimate <p><i>Post-Closing Prior to Start of Rehabilitation:</i></p> <ul style="list-style-type: none"> • Plans and Specifications • Payment and Performance Bonds not less than 100% of the cost of scheduled rehabilitation if City funds are used for rehabilitation • Monthly invoices and change orders are subject to City approval <p><i>At Project Completion:</i></p> <ul style="list-style-type: none"> • Developer is required to provide a detailed accounting of all project costs, either prepared by an outside certified accountant (for projects with rehabilitation costs equal or greater than \$150,000 per unit) or by developer's in-house accountant and certified by an authorized representative of the developer (for projects with rehabilitation costs less than \$150,000/unit)

Program Term	Description
Loan Documents	<ul style="list-style-type: none"> • Loan Agreement (sets forth terms of loan and scope of project) • Regulatory Agreement (recorded against the property, restricts rents/resident payments and occupancy, and governs project operations) or, if a homeownership project, an Affordability Agreement (recorded against the property, ensures continued affordability of the ownership units)* • Promissory Note (sets forth terms of loan repayment) • Deed of Trust (recorded against fee or leasehold interest as appropriate, secures loan obligations) • Subordination Agreement(s) with other lenders as applicable • Completion Guaranty, if required by the City <p><i>*City will not subordinate its Regulatory Agreement or Affordability Agreement to private lenders</i></p>
Loan Terms	<ul style="list-style-type: none"> • Maximum loan term: 55 years • Interest rate: 3.0% simple interest per annum
Repayment Terms	<ul style="list-style-type: none"> • Principal and interest are due at the earliest of date of maturity or takeout through sale or refinancing; no prepayment penalty • City must consent to any proposed refinancing of senior debt on the project.
Origination Fee	One percent (1%) of the City loan amount, due and payable at the City loan closing.
Developer Fee	A flat developer fee of the sum of \$80,000 plus \$10,000 per unit, up to a maximum of 5% of total development costs (excluding the developer fee).
Performance Retention	Loans of less than \$1 million – \$50,000 retention Loans of \$1 to \$3 million – \$75,000 retention Loans over \$3 million to \$7.5 million – \$100,000 retention
Maximum Income Levels	Rental Units: <ul style="list-style-type: none"> • At or below 80% of AMI; if incomes of existing tenants exceed 80% of AMI upon acquisition, vacancies must be filled with households at or below 60% of AMI. Homeownership Units: <ul style="list-style-type: none"> • Units must be sold to households at or below 80% of AMI; in lease-to-own projects, prospective homebuyers are income-qualified at initial tenancy, not at unit sale <p><i>All existing tenants may stay in their home regardless of income; permanent relocation or eviction not allowed</i></p>

Program Term	Description
Maximum Affordable Housing Costs	Rental Projects: <ul style="list-style-type: none"> • 30% of 30% of AMI for extremely low-income units; 30% of 50% of AMI for very low income units; and 30% of 60% of AMI for low income units • For households with incomes between 60-80% of AMI, City’s rent standard allows rents based on 30% of the household’s actual income Homeownership Projects: <ul style="list-style-type: none"> • For low income households - 30% of 70% of AMI
Reserves	<ul style="list-style-type: none"> • Replacement reserves (rental projects): 0.5% of the replacement cost of the structure annually, up to \$500 per unit • Operating reserves (rental projects): capitalized at 3 months operating expenses and must-pay debt service, annual deposits of 2% annual gross rental income
Maximum Partnership and Asset Management Fees	Partnership Management and Asset Management Fees: <ul style="list-style-type: none"> • Non-tax credit projects: maximum \$12,500 per year • Tax credit projects: maximum \$15,000 per year Incentive Management Fees: <ul style="list-style-type: none"> • If no monitoring findings, developer may keep a portion of surplus cash flow as defined in Promissory Note
Annual City Monitoring Fees	<ul style="list-style-type: none"> • Rental projects: Base Fee of \$610 plus \$8/unit during term of Regulatory Agreement • Rent-to-own projects: Base Fee of \$610 plus \$8/unit during rental phase
Compliance Monitoring and Reports	City reserves right to monitor compliance with the Regulatory Agreement during the term of the Regulatory Agreement or Affordability Agreement to ensure that owner-occupancy requirements are met. Project owners shall be required to submit reports to the City as follows: <ul style="list-style-type: none"> • Annual reports including information described in Regulatory Agreement or Affordability Agreement as applicable. • Quarterly reports during the rental term with demographic data through the City’s online asset management portal, City Data Services.
Record Keeping	As defined in the Regulatory Agreement, records must be maintained and kept in the control of the project owner during the term of the Regulatory Agreement or Affordability Agreement as applicable.
Insurance Requirements	Prior to loan closing, developer will be required to submit evidence of insurance coverages that meet the City’s requirements then in effect and as required for the proposed project. Contact the City for additional information.
Resident Engagement and Training Requirements	Developer is required to submit the proposed resident engagement and community engagement plan for all project tenure types; prior to loan closing, developer is required to submit an updated plan; during project operations for rental projects, developer is required to meet ongoing resident engagement requirements.

Program Term	Description
Marketing Plan; Property Management Plan; and Asset Management Plan	Developer is required to submit detailed draft marketing, property management and asset management plans with the application for rental projects or rent-to own projects; developer is required to submit detailed draft marketing plan for ownership projects. Developer is required to submit an updated Marketing and Management Plan to the City for its review and approval prior to closing for all project tenure types.
Contract Compliance Requirements	<p><u>Acquisition/Rehabilitation Projects:</u></p> <ul style="list-style-type: none"> • Applies to rehabilitation work valued at 2k and higher <ul style="list-style-type: none"> • Payment of prevailing wages (state or federal, as applicable) • Electronic Certified Payroll Submittals • Applies to rehabilitation work valued at 25k and higher <ul style="list-style-type: none"> • <i>The above requirements, plus:</i> • City of Oakland Equal Benefits Ordinance • Applies to rehabilitation work valued at 50k and higher <ul style="list-style-type: none"> • <i>The above requirements, plus:</i> • 50% City Local Employment Program • 15% City Apprenticeship Program • Applies to rehabilitation work valued at 100k and higher: <ul style="list-style-type: none"> • <i>The above requirements, plus:</i> • 50% City Local and Small Local for Profit and Not for Profit Business Enterprise Program (L/SLBE) • City of Oakland Living Wage Ordinance – as per ordinance requirements <p><u>Acquisition-Only Projects:</u></p> <ul style="list-style-type: none"> • L/SLBE Program, Local Employment Program, Living Wage Ordinance, and Equal Benefits Ordinance apply at amounts specified above.
Fair Housing and Accessibility	Projects must meet requirements of the Americans with Disabilities Act and the Fair Housing Act, among other local, state, and federal laws as applicable. Projects with federal funds must meet Section 504 of the Rehabilitation Act of 1973.
Application Process and Loan Commitment	Projects are selected through a Request for Proposals (RFP) process subject to the release of a Notice of Funding Availability (NOFA) from the City. Applications will be reviewed for completeness, project feasibility and developer capacity. Projects are then scored and ranked based on priorities as established in the ACAH NOFA. If an application is approved, a commitment letter will be prepared and sent to the applicant for acceptance within seven days. Funds are reserved for a period of 18 months from the date of the commitment letter, subject to extension by the Director of HCDD.

Program Term	Description
Contact Information	For general information about ACAH, you may contact: Meghan Horl Housing Development Specialist City of Oakland Housing and Community Development Department 250 Frank H. Ogawa Plaza, Suite 5313 Oakland, CA 94612 Email: mhorl@oaklandca.gov Phone: (510) 238-6171