

**Board Report**

File #: 2020-0208, **File Type:** Program**Agenda Number:** 9.

**PLANNING AND PROGRAMMING COMMITTEE
MAY 20, 2020****SUBJECT: METRO AFFORDABLE TRANSIT CONNECTED HOUSING PROGRAM****ACTION: APPROVE RECOMMENDATIONS****RECOMMENDATION**

CONSIDER:

- A. APPROVING revisions to the Metro Affordable Transit Connected Housing Program (MATCH Program), as further described in Attachment A; and
- B. AUTHORIZING the CEO or his designee to execute necessary agreements and amendments to agreements related to the MATCH Program.

ISSUE

Revisions to the MATCH Program are needed to expand flexibility and deployment of funds to support affordable housing. In August 2016, the Metro Board of Directors approved investing \$9,000,000 into the MATCH Program. After three years of implementing the MATCH Program, and in response to recent economic shock resulting from the COVID-19 health crisis, staff has identified several opportunities to improve the MATCH Program and maximize the deployment of resources to support the development and preservation of affordable housing units in Los Angeles County.

BACKGROUND

The MATCH Program's primary goal is to help neighborhoods near transit that are experiencing rising housing costs, resulting in the potential displacement of low-income households. When the Program was developed in 2016, it was envisioned that this goal would be achieved through two types of loans:

- *Predevelopment Loan:* Metro provides predevelopment financing for new affordable housing projects. Experienced developers with site control typically finish construction within 2-3 years of the predevelopment loan closing.
- *Housing + Transportation (H+T) Loan:* In the short term, the H+T Loan assists property owners/investors/developers to keep rents low in existing multi-family buildings that are near transit. In the long term, the H+T loan is meant to assist the property

owners/investors/developers in redeveloping the sites at a higher density and affordable rents.

MATCH LLC was formed in 2017 by Metro, Community Development Financial Institutions (“CDFI’s”) and funding partners (“Funding Partners”) to administer the MATCH Program’s revolving loan fund. The partners are composed of:

- *Funding Partners:* California Community Foundation (CCF), California Endowment (CE), and Weingart Foundation (WF);
- *CDFIs:* Low Income Investment Fund (LIIF), Local Initiatives Support Corporation (LISC), and Enterprise Community Partners (ECP).

The Funding Partners have committed to matching Metro’s \$9 million investment for a total investment of \$18 million. Additionally, LIIF has been the administrative agent of the MATCH Program and has managed the day-to-day administration.

To date, Metro and its Funding Partners have made available an equal share of \$12 million which has financed predevelopment activities to construct six new projects with 523 new affordable housing units and to preserve 32 naturally occurring affordable housing units (with plans for the site to be redeveloped into 100 new income-restricted affordable housing units).

DISCUSSION

Findings

- Housing and economic indicators suggest that housing affordability is one the most important issues facing Los Angeles County.
- While funding for affordable housing generally is scarce or insufficient, predevelopment funding is particularly needed to support housing projects during what is often a multi-year process of project planning, entitlements, and securing construction and permanent funding resources.
- Impacts associated with the COVID-19 pandemic are likely to result in delays in securing funding commitments and project approvals as public and private entities respond and adapt to the crisis. Such delays may result in longer holding periods, leading to higher predevelopment expenses, and greater need for predevelopment financing.
- Metro can support/accelerate the construction of affordable units by providing the flexibility identified in consult with partners, who have an intimate knowledge of the gaps and needs for funding affordable housing.
- By responding to this need now, especially when it is so critically needed, staff believes Metro can best achieve the original intent of the MATCH Program.

Program Modifications

Based on three years of operating the MATCH Program, Metro staff and our partners have learned best practices to maximize the leveraging potential of the MATCH funds. In addition, to nimbly respond to economic impacts associated with the COVID-19 pandemic, staff is requesting the following modifications to the MATCH guidelines, as further described in Attachment A:

1. *Loan Types*: Allow for increased flexibility in the types of loans given by making 50% of funds available for either predevelopment or H+T loans.

LOAN TYPE	CURRENT MAXIMUM ALLOCATION (%)	CURRENT MAXIMUM ALLOCATION (\$)	REVISED MAXIMUM ALLOCATION (%)	REVISED MAXIMUM ALLOCATION (\$)
Predevelopment Loan	25%	\$4,500,000	25%	\$4,500,000
H+T Loan	75%	\$13,500,000	25%	\$4,500,000
Flexible: H+T or Predevelopment Loans	-	-	50%	\$9,000,000
TOTAL	100%	\$18,000,000	100%	\$18,000,000

2. *Exposure limits of MATCH LLC*: Increase the maximum principal balance in predevelopment loans to a sponsor/borrower, while adding a cap to the total maximum principal balance (regardless of loan type) to a sponsor/borrower.

PER SPONSOR/BORROWER (MATCH LLC PARTICIPATION)	CURRENT	REVISED
Maximum Principal Balance of Predevelopment Loans	\$1,500,000	\$2,000,000
Maximum Principal Balance of H+T Loans	\$2,000,000	\$2,000,000
Maximum Total Principal Balance of Any Combination of Loans	-	\$3,000,000

3. *Origination period*: Adjust the origination period to allow for a two-year extension beyond the current origination period which ends in August 2020. The two-year extension shall be composed of a one-year base extension and an additional one-year extension option that could be exercised administratively.

Equity Platform

The MATCH Program has been developed with guidance and input from our Program partners and is focused on directing resources where need is greatest. As such, the Program and recommendations before the Board directly relate to the Equity Platform's pillars to: I. Define and Measure; II. Listen and Learn; and III. Focus and Deliver.

DETERMINATION OF SAFETY IMPACT

The recommended action will not have any direct impact on safety.

FINANCIAL IMPACT

The previous Board actions approved funding in the amount of \$9,000,000 for the MATCH Program. Of that amount, \$6,000,000 has been disbursed to the MATCH Program and made available to borrowers. Since this is a multi-year program, the Chief Planning Officer, Project Manager and Cost Center Manager will be responsible and accountable for budgeting the remaining \$3,000,000 in program funds in future fiscal years to the extent available.

Impact to Budget

The source of funds for the MATCH Program is General Funds which are eligible for bus/rail operating and capital expenses. The actions authorizing changes to the MATCH Program guidelines does not require additional budgetary commitments at this time.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The staff recommendation supports implementation of Vision 2028 Strategic Plan Goal 3.2, to catalyze transit-oriented communities and stabilize neighborhoods, as well as Goal 3.4, by playing a strong leadership role in efforts to address homelessness in LA County.

ALTERNATIVES CONSIDERED

The Board could choose not to approve the recommended changes or to modify the recommendations. However, this is not advisable as the recommendations are consistent with carrying out the intent of the MATCH Program to leverage public, private and philanthropic resources to expand the production and preservation of affordable housing.

NEXT STEPS


Upon approval by the Board, staff would draft the necessary amendments to the existing agreements with our partners to implement the recommended changes to the MATCH Program.

ATTACHMENTS

Attachment A - Revised MATCH Guidelines

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Phillip A. Washington
Chief Executive Officer



Next stop: building communities.

**Metro Affordable Transit Connected
Housing (MATCH) Program**

Planning and Programming Committee
May 21, 2020
Legistar File #2020-0208



Recommendation

- > Approve revisions to the Metro Affordable Transit Housing Connection Housing Program (MATCH Program); and
- > Authorize the CEO or designee to execute necessary amendments to agreements related to the MATCH Program.

Background & Issue

- > In August 2016, Board approved investing \$9 million into the MATCH Program revolving loan fund to support development of affordable housing near transit
- > Metro entered into agreements with funding partners and program administrator
- > To date, funding has supported 7 projects with more than 600 units of affordable housing planned
- > Program revisions are recommended to improve deployment of funds

Proposed Changes to MATCH Program

- **Loan Types:** Allow for greater flexibility in fund distribution across categories

<u>LOAN TYPE</u>	<u>CURRENT MAX %</u>	<u>PROPOSED MAX %</u>
Predevelopment Loan	25%	25%
Housing + Transit (H+T) Loans	75%	25%
<i>Flexible:</i> Predev or H+T	-	50%

- **Exposure Limits:** Increase the maximum principal balance allowed in predevelopment loans and add a cap to the total maximum principal balance (regardless of loan type) to a sponsor/borrower

<u>MAX PRINCIPAL BALANCE</u>	<u>CURRENT</u>	<u>REVISED</u>
Predevelopment Loans	\$1,500,000	\$2,000,000
H+T Loans	\$2,000,000	\$2,000,000
Any Combination of Loans	-	\$3,000,000

- **Origination Period:** Adjust origination period which ends August 2020 to allow for a one-year extension with additional one-year option

Next Steps

Upon Board approval:

- > Prepare and execute amendments to existing agreements with MATCH Program partners.

**Metro Affordable Transit Connected Housing Program
(MATCH)**

Amended and Restated

PROGRAM GUIDELINES AND REQUIREMENTS

[____, 2020]

Table of Contents

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 - III. MATCH Program Loan Products; Program Origination Period; Tranches and Top Loss Portion
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 - b. Predevelopment Loans
 - V. CDFI Project Loans Underwriting and Closing Process
 - VI. Reporting
-

As of the date hereof, these Amended and Restated Program Guidelines and Requirements amend, restate, and replace in their entirety those certain Program Guidelines and Requirements dated August 23, 2017. These Amended and Restated Program Guidelines and Requirements have been consented to and accepted by the MATCH Program Parties pursuant to that certain MATCH Fund Consent and Agreement dated _____, 2020.

I. Program Purpose and Summary; Program Parties.

The Metro Affordable Transit Connected Housing Program (the “MATCH Program”) has been established for the purpose of providing funding to preserve, stabilize, and expand affordable housing available to low-income residents in Los Angeles County communities near existing and proposed transit nodes that are being impacted by increased property values. The MATCH Program is a public-private lending partnership with an estimated loan capitalization of \$75 million, leveraged with a \$18 million combined investment from (1) LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY (“LACMTA”) and (2) CALIFORNIA COMMUNITY FOUNDATION (“CCF”), THE CALIFORNIA ENDOWMENT (“TCE”), and WEINGART FOUNDATION (the “Foundation Funders” and, collectively with LACMTA, the “Program Funders”). The goal of the MATCH Program is to deliver innovative financing intended to preserve, stabilize and expand the affordable housing stock available to low-income residents near existing and proposed transit nodes throughout Los Angeles County, which goal is to be in

furtherance of charitable purposes as described in Section 170(c)(2)(B) of the Internal Revenue Code, including relief of the poor and distressed and combatting community deterioration.

The “Originating CDFIs” are ENTERPRISE COMMUNITY LOAN FUND, INC. (“ECLF”), LOCAL INITIATIVES SUPPORT CORPORATION (“LISC”), LOW INCOME INVESTMENT FUND (“LIIF”), and any other Community Development Financial Institution that is subsequently approved by each of the Program Funders and executes an Origination and Participation Agreement in substantially the same form as executed by ECLF, LISC, and LIIF.

MATCH LLC, a California limited liability company, has been formed as the operating entity to implement, manage, and administer the MATCH Program and to serve as an intermediary to leverage funds from Program Funders with the separate funds of the Originating CDFIs, all of which is to be carried out in accordance with these Program Guidelines and Requirements (these “Program Guidelines and Requirements”) and the MATCH Program Documents (as defined below), and all of which is undertaken by MATCH LLC for charitable purposes as described in Section 170(c)(2)(B) of the Internal Revenue Code, including relief of the poor and distressed and combatting community deterioration.

The Program Funders, the Originating CDFIs, MATCH LLC, and the Program Administrative Agent are the “MATCH Program Parties.”

The Program Funders have committed to fund the MATCH Program as follows:

LACMTA	\$9,000,000 (50%*)
California Community Foundation	\$4,000,000 (22.22*)
The California Endowment	\$3,500,000 (19.44*)
Weingart Foundation	<u>\$1,500,000 (8.33%*)</u>
Total	\$18,000,000

[*percent of Program Funder’s interest in each Subordinated Participation Interest (as defined in III below).]

The aforesaid commitment of each Program Funder is subject to reduction pursuant to the terms and provisions of Section 1.9 of each Program Funder Agreement.

LIIF has been retained by MATCH LLC to serve as the “Program Administrative Agent” pursuant to the Program Administrative Agent Agreement (as defined in II below).

The term “Program Effective Date” shall mean the Effective Date set forth in the Distribution Agreement (as defined in II below).

II. Distribution Agreement and Program Documents; Conflicts.

All Program Parties will execute the MATCH Program Distribution Agreement (the “Distribution Agreement”) which will govern the distribution of funds, allocations of CDFI Project Loan losses, and related matters. MATCH LLC will enter into a separate “Program Funder Agreement” with LACMTA and each Foundation Funder and a separate “Origination and Participation Agreement” with each Originating CDFI. These Program Guidelines and Requirements, the Distribution

Agreement, the Funder Agreements, the Origination and Participation Agreements, and the Program Administrative Agent Agreement, together with all accompanying exhibits and schedules, comprise the “MATCH Program Documents.”

Certain terms and provisions of these Program Guidelines and Requirements overlap or duplicate similar terms and provisions in the other MATCH Program Documents. Such terms and provisions of these Program Guidelines and Requirements and of the other MATCH Program Documents are intended to be construed together so as to give full effect to the separate provisions of these Program Guidelines and Requirements and those of other MATCH Program Documents. For example, where the Program Funder Agreements, the Distribution Agreement, and/or the Origination and Participation Agreements provide for requirements or conditions as to certain matters that are in addition to, but not in conflict with, the related provisions in these Program Guidelines and Requirements, then such additional requirements or conditions and the related provisions in these Program Guidelines and Requirements shall both apply. In the event of any direct inconsistencies or ambiguities as between the terms and provisions of these Program Guidelines and Requirements and those of any of the other MATCH Program Documents, the term and provisions that are more detailed or that otherwise provide more specificity shall apply. However, the terms and provisions of the Distribution Agreement shall prevail over the terms and provisions of these Program Guidelines and Requirements and of any other MATCH Program Documents as to all matters relating to payments, distributions, application, allocation, and handling of payments, revenues and other proceeds in connection with the CDFI Project Loans.

III. MATCH Program Loan Products and Product Allocation Limits; Program Origination Period; Tranches-Top Loss Portion.

The MATCH Program provides two (2) loan products: the Housing + Transportation Loan Product (“H+T Loans”) and the Predevelopment Loan Product (“Predevelopment Loans”). The funds committed by the Program Funders to the MATCH Fund shall be allocated between H+T Loans and Predevelopment Loans in accordance with the following (the “Product Allocation Limits”):

<i>MATCH Loan Product</i>	<i>%</i>	<i>\$</i>
<u>Predevelopment Loans</u>	25%	\$4,500,000
<u>Flexible-H+T Loans or Predevelopment Loans</u>	50%	\$9,000,000
<u>H+T Loans</u>	25%	\$4,500,000
Total	100%	\$18,000,000

The aforesaid Product Allocation Limits shall apply notwithstanding any contrary provision of these Project Guidelines and Requirements.

The direct project H+T Loans and Predevelopment Loans (“CDFI Project Loans”) to MATCH Program eligible borrowers (“CDFI Project Loan Borrowers”) are originated by the Originating CDFIs, with a “Subordinate Participation Interest” therein acquired by MATCH LLC utilizing funds from Program Funders.

CDFI Project Loans shall only be originated during the period commencing on the Program Effective Date and ending on August 23, 2021 (the “Program Origination Period”). The Program Origination Period may be extended by MATCH LLC for another twelve (12) months upon the unanimous approval by the Program Funders.

For the purposes of allocating CDFI Project Loan Losses (as defined in the Distribution Agreement) among the Program Funders and the Originating CDFIs, each CDFI Project Loan is comprised of the following Tranches, in order of subordination:

- Tranche A (first subordinate position), LACMTA;
- Tranche B (second subordinate position senior to Tranche A), LACMTA and the Foundation Funders pari passu; and,
- Tranche C (senior position), Originating CDFI.

That portion of CDFI Project Loan Losses to be allocated to the Program Funders as per Tranche A and Tranche B is referred to as the “Top Loss Portion.” The allocation to the Program Funders of the Top Loss Portion of any CDFI Project Loan Loss shall be implemented through the distribution of Non-Scheduled CDFI Project Loan Proceeds (as defined in the Distribution Agreement) in accordance with the order and priorities set forth in Section 2 of the Distribution Agreement.

IV. Standard Underwriting Criteria.

The underwriting criteria set forth in the following Tables shall be required as to all H+T Loans and Predevelopment Loans, as applicable (the “Standard Underwriting Criteria”). The following definitions shall apply with respect to the Standard Underwriting Criteria:

Guarantor means the entity, which may be a Sponsor, that provides a repayment or other guaranty in connection with a CDFI Project Loan.

Program Project means an affordable housing project that a CDFI Project Loan Borrower intends to own, operate and develop on the Property and that meets all of the applicable Standard Underwriting Criteria.

Property means (1), with respect to a H+T Loan, an existing, occupied multifamily housing property (or several properties that qualify together as a “scattered site” per the regulations applicable to the sources of funding) that the CDFI Project Loan Borrower is contemplating to own, operate and develop as the Program Project, and (2), with respect to a Predevelopment Loan, a property (or several properties that qualify together as a “scattered site” per the regulations applicable to the sources of funding) that the CDFI Project Loan Borrower is contemplating to acquire and develop as the Program Project.

Sponsor means the primary operating entity engaged in the development, ownership, and/or operation of affordable housing that, in the case of a nonprofit, is controlled by its board of directors, and, in the case of a for-profit, is owned and controlled by the principal individuals.

a. H+T Loans.

The goal of the H+T Loans is to help affordable housing developers purchase multifamily properties in advance of gentrification and displacement forces that might occur in order to preserve and expand the number of affordable units, with likely capacity on eligible sites to at least double the number of units or square footage. The purpose of this goal is to benefit low-income residents by preserving the existing units in the short term, and in the long term to redevelop the sites with permanent affordable housing at higher density. H+T loans provides patient funding for affordable housing developers to purchase qualified multifamily properties and hold them for 5 – 10 years with short term affordability restrictions while community and site-specific plans are completed to significantly increase the number of affordable units.

**H+T LOAN CRITERIA AND REQUIREMENTS
TABLE**

<p>1. <u>H+T Loan:</u> Eligible Program Project and Program Property</p>	<p>Program Projects must meet the following criteria related to the Property under consideration:</p> <ul style="list-style-type: none"> • Each Property must meet the Site Requirements set forth below; • Each Property must satisfy minimum standards for safe, decent, and sanitary housing and might require some level of post-closing repair and rehabilitation as part of acquisition, at a minimum addressing health and safety concerns raised in the Property Condition Report (as described in <u>Section 26</u> below); • The Property (including all the sites that constitute the Program Project, as applicable) must have an existing minimum unit size of 20 units, with likely capacity to at least double the number of units or square footage when redeveloped. Priority will be given to projects that will significantly increase affordable housing opportunities on site.
<p>2. <u>H+T Loan:</u> Eligible Borrower</p>	<p>Eligible CDFI Project Loan Borrowers are non-profit developers or for-profit developers in joint-venture with non-profit developers:</p> <ul style="list-style-type: none"> • with a minimum of 5 years of experience in affordable housing development, a successful track record of obtaining entitlements and financing (public and private), completing and operating at least 4 affordable housing projects similar or larger in scope, size and budget than the Program Project submitted for consideration; • adequate organizational capacity and stability, without material defaults or material adverse financial change; and, • familiarity with the displacement issues affecting low-income residents in the targeted communities.

	<p>With respect to joint ventures, at least one of the team members must separately satisfy the foregoing experience threshold and other requirements.</p> <p>If the CDFI Project Loan Borrower is a Single Purpose Entity (SPE), the requirements in the 3 bullet items above can be met by the Guarantor or Sponsor, as deemed acceptable to the Originating CDFI.</p> <p>In regards to joint ventures with non-profit developers, the MATCH Program encourages strong joint venture partnerships with neighborhood-based community development corporations (CDC) or community based organizations (CBO) as a strategy to optimize developers' different strengths and expertise and to use the CDCs' and CBOs' familiarity with communities, particularly in addressing displacement issues. A joint venture agreement shall specify an active role for the CDC or CBO partner in regards to the following activities: development and design of the Program Project for the population served, property management or resident services.</p>
<p>3. <u>H+T Loan:</u> Eligible Costs and Uses</p>	<p>CDFI Project Loan Borrower's use of H+T Loan funds shall be for costs associated with the acquisition of a Property that meets the eligibility requirements in these Program Guidelines and Requirements. The eligible costs include purchase price, closing costs (including due diligence items), financing fees, carrying costs such as immediate repairs required by the Originating CDFI, real estate tax reserves for year one (Property Tax Exemption Reserve, as may be required by Originating CDFI), capitalized operating, replacement, and interest reserves required by the Originating CDFI, and other carrying costs as deemed acceptable by the Originating CDFI.</p>
<p>4. <u>H+T Loan:</u> Site Requirements</p>	<ul style="list-style-type: none"> • The Property must be located within a half mile of an High Quality Transit Nodes ("HQTN"). An HQTN is defined by LACMTA, for the purposes of the MATCH Program, as a fixed guideway station or intersection of 2 buses (of any bus operator) with 15 minutes maximum frequency peak period headways. • Preference will be given to projects that evidence a safe path of travel to transit from the Program Project (i.e. residents of the Program Project must be able to safely walk or bike to a nearby transit stop or station on existing or planned sidewalks or bicycle lanes and crosswalks at major intersections). LACMTA will verify this condition through one of the following: <ul style="list-style-type: none"> ○ CDFI Project Loan Borrower shall provide photos and a map documenting the current conditions and path of travel for pedestrians and bicyclists from the subject Property to the nearest public transit stop. If the current path of travel condition is deemed safe by LACMTA's First/Last Mile department, this requirement is met;

	<ul style="list-style-type: none"> ○ If an adequate safe path of travel does not exist, CDFI Project Loan Borrower shall provide a written commitment that any planned future project at the Site must include a safe path of travel for pedestrians and bicyclists from the Property to the nearest transit stop.
<p>5. <u>H+T Loan:</u> Program Charitable Purpose Requirement:</p> <p>Safe Harbor and other Tests</p>	<p>MATCH Program funds shall be used only to fund Program Projects that meet or will meet one of the following tests for the period that commences upon the closing of the corresponding CDFI Project Loan and that ends upon the repayment of such CDFI Project Loan (the “<u>Program Charitable Purpose Requirement</u>”):</p> <ul style="list-style-type: none"> ● <u>Safe Harbor Test</u>. The Program Project will provide relief to the poor and distressed because the Program Project will be one in which (a) at least 75% of the units are designated for occupancy by residents that qualify as Low-Income (defined as household income equal to or less than 80% of Average Median Income (“AMI”), and (b) either (y) at least 20% of the units must be designated for occupancy by residents that qualify as Very Low-Income (defined as household income equal to or less than 50% of AMI); or (z) at least 40% of the units must be designated for occupancy by residents with household income that does not exceed 60% of AMI (the “<u>Safe Harbor Test</u>”). Unit(s) set aside for the property manager(s) is (are) omitted from the calculations to determine compliance with the Safe Harbor test. <p>The Safe Harbor Test requirements are intended to incorporate the requirements and other provisions set forth in Internal Revenue Services’ Revenue Procedure 96- 32 (“<u>Rev. Proc. 96-32</u>”), as the same may be amended from time to time.</p> <ul style="list-style-type: none"> ● <u>Facts and Circumstances Test</u>. The Program Project will provide relief to the poor and distressed by satisfying the “facts and circumstances” test described in Section 4 of the Rev. Proc. 96-32, as it may be amended from time to time. ● <u>Combatting Community Deterioration Test</u>. The Program Project will combat community deterioration in one of the blighted areas of the County of Los Angeles, (e.g., neighborhoods and areas designated as Empowerment Zones, HUD Revitalization Areas, Community Development Block Grant eligible neighborhoods, Urban Renewal Areas, Redevelopment Project Areas and other City, State or Federal designations indicating a blighted neighborhood). <p>No more than 15% of the aggregate principal amount of any CDFI Project Loan may be used to fund non-residential (community, commercial or retail) space, so long as such elements directly serve or support the affordable housing component of the applicable Program Project and support the charitable goals of MATCH LLC.</p>

	<p>MATCH LLC regards such non-residential space as a furtherance of its charitable purposes in that such space will enhance the benefit of the related affordable housing to its low-income residents by creating convenience and accessibility to services and support elements that might otherwise be more difficult to access if not located near their residential units.</p>
<p>6. <u>H+T Loan:</u> Program Charitable Purpose Requirement:</p> <p>H+T Loan Closing Requirements and Compliance</p>	<ul style="list-style-type: none"> • The following requirements must be met upon the closing of an H+T Loan: <ul style="list-style-type: none"> a. A MATCH PROGRAM REGULATORY AGREEMENT has been executed by the CDFI Project Loan Borrower and recorded against the Property (a "<u>H+T Loan Regulatory Agreement</u>"); b. A CDFI PROJECT LOAN AGREEMENT RIDER has been executed by the applicable Originating CDFI and the CDFI Project Loan Borrower and delivered to the Program Administrative Agent ("<u>H+T Loan Rider</u>"); c. An ORIGINATING CDFI CHARITABLE PURPOSE CLOSING CERTIFICATE has been executed by the applicable Originating CDFI and delivered to the Program Administrative Agent (the "<u>Originating CDFI Charitable Purpose Closing Certificate</u>"), and in which Certificate the Originating CDFI (i) confirms that the Program Project furthers the Originating CDFI's Charitable Purpose and (ii), as determined by the Originating CDFI's during its underwriting and review process, identifies the Program Charitable Purpose Requirement test (i.e. either the Safe Harbor Test, the Facts and Circumstances Test, or the Combatting Community Deterioration Test) that the Program Project meets or will meet; <p>The H+T Loan Regulatory Agreement, the H+T Loan Rider, and the CDFI Charitable Purpose Closing Certificate shall be in the form attached to the Origination and Participation Agreements.</p> d. For Program Projects intended to meet the Safe Harbor Test, the CDFI Project Borrower shall submit an OCCUPANCY AND MANAGEMENT PLAN that demonstrates how it intends to meet the applicable income and rent restrictions, includes a preliminary profile of the Program Project's current rents and renters' incomes, and addresses how the CDFI Project Loan Borrower will adjust the rents to make them affordable to the existing tenants, as needed; • Program Projects intended to meet the Safe Harbor Test will have a reasonable transition period to comply as allowed in Rev. Proc. 96-32, which shall include, for any Program Project that does not require substantial construction or rehabilitation, a reasonable period of not less than one year to meet the Safe Harbor actual occupancy requirement. Following the closing, the CDFI Project Loan Borrower

	<p>will only re-rent vacant units to tenants that meet the income eligibility restrictions.</p> <ul style="list-style-type: none"> • The Program Projects for H+T Loans are initially intended (subject to the aforesaid reasonable transition period) to comply with the Safe Harbor Test. However, if a Program Project does not appear to be able to meet the Safe Harbor Test parameters, it can satisfy one of the other Program Charitable Purpose Requirement tests note above. • Within 6 months of closing, the CDFI Project Loan Borrowers shall submit an updated OCCUPANCY AND MANAGEMENT PLAN, reflecting the actual current rents and renters' incomes with respect to all existing tenancies and demonstrating how they compare to the restrictions set forth in the H+T Loan Regulatory Agreement and any other restrictions applicable to the subject Property. • Any relocation of tenants will be conducted in accordance with applicable laws and regulations. The relocation consultant selected by the CDFI Project Loan Borrowers should be acceptable to the applicable Originating CDFI. During the term of the CDFI Project Loan, at least 3 months prior to relocation requirements being triggered, the CDFI Project Borrowers will be required to submit to the applicable Originating CDFI a relocation plan and budget that satisfy any applicable laws and regulations; • Monitoring: CDFI Project Loan Borrowers will be required to submit an annual self-certification of compliance with the Program Charitable Purpose Requirement and the corresponding income and rent restriction requirements.
<p>7. H+T Loan: Property (welfare) Tax Exemption; Public Agency Restrictions</p>	<p>If the CDFI Project Loan Borrower's cash flow projections for a Property assume a welfare tax exemption, the CDFI Project Loan Borrower will be required to:</p> <ul style="list-style-type: none"> • Demonstrate prior to closing how they intend for the Property to qualify for the exemption through a detailed plan acceptable to Originating CDFI, addressing all qualification requirements; in particular they will need to demonstrate their plans to secure an enforceable and verifiable agreement with a public agency, a recorded deed restriction, or other legal document that restricts the Program Project's usage and that provides that the units designated for use by lower income households are continuously available to or occupied by lower income households at rents that do not exceed those prescribed by applicable laws and regulations. This might include demonstrating local government support to record deed restrictions on title through a regulatory agreement; • Make sure all restrictions recorded by public agencies are short term (up to 2 years and renewable, or co-terminus with the CDFI Project Loan but subject to release at the Originating CDFI's request); exceptions to the term of the restrictions will be considered by

	<p>Originating CDFI on a deal by deal basis, at its discretion and with approval of the Funders, with the understanding that restrictions that would survive the term of the CDFI Project Loan will need to be reflected in the appraised value and underwriting assumptions;</p> <ul style="list-style-type: none"> • Secure the exemption within 12 months following the CDFI Project Loan closing. <p>If a Program Project can demonstrate sufficient cash flow to service the debt without securing a welfare exemption, the requirement above mentioned may be waived through the Originating CDFI's standard underwriting process.</p> <p>CDFI Project Loan Borrowers will be advised to discuss carefully with local jurisdictions the utilization of appropriate funding as subordinate financing to support the recording of restrictions on title. If CDFI Project Loan Borrower and local government intend to utilize any federal sources such as HOME Investment Partnerships Program (HOME), Community Development Block Grant (CDBG), Neighborhood Stabilization Program (NSP), during the term of the CDFI Project Loan, CDFI Project Loan Borrower must include an assessment of relocation requirements arising from use of federal sources.</p>
<p>8. <u>H+T Loan:</u> Payoff, Release of H+T Loan Regulatory Agreement, and Equity Recapture</p>	<p>Upon the payoff of a H+T Loan (however occurring), the H+T Loan Regulatory Agreement will be <u>removed from title</u>.</p> <p>The following "<u>Equity Recapture</u>" provisions shall apply if, upon the final payoff of an H+T Loan wherein the applicable CDFI Project Loan Borrower is utilizing the proceeds of a sale or a refinance of the underlying Property, the H+T Loan Regulatory Agreement recorded against the applicable Property is <u>not</u> being replaced with other recorded affordability restrictions against the Property that (A) have a term of at least thirty (30) years, (B) restrict rent and income as to 100% of the residential units (which shall include all existing units and future units that are currently entitled as of the payoff but shall exclude any manager unit(s)) to occupancy by tenants having income of 60% of AMI or lower, and (C) are imposed by a local government agency or other entity (but not MATCH LLC or the Program Administrative Agent) with the capacity to monitor such for enforcement ("<u>100% Long Term Restrictions</u>"):</p> <ol style="list-style-type: none"> a. The proceeds of the CDFI Project Loan Borrower's sale or refinancing <u>plus</u> the balance of any remaining capitalized operating reserves, capitalized replacement reserves, Sinking Fund proceeds, and/or Debt Coverage Reserve funds, if any, shall be applied in the following order and priority: <ol style="list-style-type: none"> 1. <u>First</u>, to the repayment of the CDFI Project Loan principal, CDFI Project Loan interest, and accrued fees (including any Accrued MATCH LLC Payments, as defined below, ₁ owing to MATCH LLC);

2. Second, to the CDFI Project Loan Borrower, an amount equal to (A) all acquisition and predevelopment costs directly expensed by the CDFI Project Loan Borrower through equity (or debt unrelated to the CDFI Project Loan) less (B) any Excess Net Cash Flow (as defined in Section 21 below under “Initial Term; Sinking Fund; Net Cash Flow”) retained by, or distributed to, the CDFI Project Loan Borrower (the positive sum of A. less B. is referred to as “Net CDFI Project Loan Borrower Equity”);
3. Third, to the CDFI Project Loan Borrower, a preferred equity payment not to exceed a five percent (5%) internal rate of return on the Net CDFI Project Loan Borrower Equity;
4. Fourth, any remaining sale or refinancing proceeds after payment of the amounts in 1. thru 3. above is referred to as “Net Equity” and shall be applied as follows:
 - A. Except as provided in B. below, if 100% Long Term Restrictions are not being recorded against the Program Project upon a H+T Loan payoff (and regardless of the recordation of any other restrictions), then 100% of the Net Equity will be “recaptured” and disbursed to MATCH LLC for distribution to LACMTA and the Foundations;
 - B. Notwithstanding A. above, if restrictions are being recorded against the Program Project upon a H+T Loan payoff that do not restrict 100% of the residential units (excluding manager units) but that otherwise comply with all of the other requirements of 100% Long Term Restrictions set forth in the first paragraph of this Section 8, then the Net Equity shall be allocated on the following sliding scale based on the “proportion” of units that will be subject to such to occupancy by tenants having income of 60% of AMI or lower restrictions:
 - If between 35-100% (but less than 100%) of the units are restricted to 60% AMI or lower, the equivalent percentage of Net Equity will be allocated to the CDFI Project Loan Borrower (e.g., 80% affordable units results in 80% of the balance of Net Equity to the CDFI Project Loan Borrower) and the remaining percentage of the Net Equity will be “recaptured” and disbursed to MATCH LLC for distribution to LACMTA and the Foundations (e.g., 20% of unrestricted units results the “recapture” of 20% of the Net Equity);
 - If less than 35% of the units are restricted to 60% AMI or lower, 100% of the Net Equity will be “recaptured” and disbursed to MATCH LLC for distribution to LACMTA and the Foundations;

	<p>Any Net Equity that is required pursuant to the preceding provisions to be “recaptured” and distributed to LACMTA and the Foundations is referred to as “<u>Recaptured Equity</u>.”</p> <p>b. No later than 45 days prior to the date targeted for the payoff of a H+T Loan, the CDFI Project Loan Borrower shall be required to submit a certification to the Originating CDFI setting forth such borrower’s calculations of costs to date and a equity distribution request to the Originating CDFI. The final determination of equity shall be made by the Program Administrative Agent.</p>
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<p>9. <u>H+T Loan:</u> Maximum H+T Loan Amount and Funding Tranches</p>	<p>Maximum H+T Loan Amount will be determined on per loan basis and shall consist of the sum of the following:</p> <ul style="list-style-type: none"> • The “<u>Applicable CDFI Portion</u>”, which shall be equal to a percentage from <u>75% to 85%</u> of the Appraised Property Value, which percentage shall be designated by the Originating CDFI in its discretion; and, • The “<u>Applicable MATCH LLC Portion</u>”, which shall be equal to the <u>lower</u> of (a) the difference between <u>120%</u> of Appraised Property Value and the <u>Applicable CDFI Portion</u> (i.e. <u>75% to 85%</u> of Appraised Property Value) or (b) <u>\$2,000,000.</u> <p>“<u>Appraised Property Value</u>” shall mean the “As Is Market Value” of the Property securing a H+T Loan, as set forth in the appraisal described in <u>Section 28</u> below and included with the Borrower Submission Package for the subject H+T Loan.</p> <p>Each H+T Loan will include the following Tranches of funding:</p> <ul style="list-style-type: none"> • <u>Tranche C</u> is in the senior position and consists 100% of the Applicable CDFI’s Portion of the H+T Loan; • <u>Tranche B</u> is in the second subordinate position senior to Tranche A and consists of 72.22% of the <u>Applicable MATCH LLC Portion</u> of the H+T Loan. Tranche B is funded with the LACMTA and the Foundation Funders funds pari passu in the following percentages: 30.77% from LACMTA and 69.23% from the Foundation Funders’ funds (which Foundation Funders’ funds are comprised of a pro-rata proportion of each Foundation Funder’s committed Program Loan amount); • <u>Tranche A</u> is in the first subordinate position, in junior position to Tranche B and consists of 27.78% of the <u>Applicable MATCH LLC Portion</u> of the H+T Loan. Tranche A is funded by LACMTA. <p>The Originating CDFIs will be able to seek participations (“<u>Senior Participation</u>”) from another party (including, without limitation, another Originating CDFIs participating in the MATCH Program), subject to the Originating CDFI acting as the “Lead Lender” or “Agent” as to the Senior Participation.</p>
<p>10. <u>H+T Loan:</u> Term; Additional H+T Term</p>	<p>H+T Loans shall have an “<u>Initial Term</u>” of not more than 5 years. If the Initial Term is 5 years, then a H+T Loan may have an additional term of not more than 5 years (an <u>Additional H+T Term</u>”) at option of the CDFI Project Loan Borrower upon Originating CDFI approval and contingent upon the following conditions:</p>

	<ul style="list-style-type: none"> • Originating CDFI’s review and approval of an updated repayment plan, which provides for repayment of the loan prior to the expiration of the Additional H+T Term; • Evidence of the CDFI Project Loan Borrower’s continued intent to meet the Program Charitable Purpose Requirement; no default of the Program Charitable Purpose Requirement has occurred; • Evidence of entitlements secured for the Program Project as planned; • CDFI Project Loan Borrower meeting the other underwriting and other provisions of these Program Guidelines and Requirements that are applicable to the Additional H+T Term, including the reserves and DCR requirements; • Approval of the extension by the Originating CDFI and all of the Program Funders; • Updated financial statements for the CDFI Project Loan Borrower and Guarantor(s) which (i) satisfy the required financial covenants, (ii) show that there has been no material adverse change with respect to CDFI Project Loan Borrower, Sponsor and Guarantor’s financial condition, the Program Project, or the Program Project Financing, and (iii) all financial reporting and payments under the loan are current; • No material adverse change has occurred with respect to the Program Project or Property; • Payment of Originating CDFI’s legal costs, and any other costs (third party or otherwise) associated with the extension of the CDFI Project Loan term; and, • No Event of Default has occurred and is continuing and the CDFI Project Loan Borrower is current on all payments required under the H+T Loan.
<p>11. <u>H+T Loan:</u> Outside Maturity Date</p>	<p>Notwithstanding the foregoing, no maturity date of any H+T Loan shall occur, or be extended, beyond the 12th anniversary date of Project Effective Date.</p>
<p>12. <u>H+T Loan:</u> Repayment; Initial Term; Interest and Reserves; Additional H+T Term: Amortization</p>	<ul style="list-style-type: none"> • <u>5-year Initial Term: Interest only; Interest Reserve.</u> Interest shall be paid by the CDFI Project Loan Borrower first from property cash flow, and second from an interest reserve established as part of the loan budget and advanced from loan proceeds as interest costs are incurred. An interest reserve shall be established if the projected Property cash flow during the Initial Term cash does not support interest payment with a minimum Debt Service Coverage Ratio (DSCR) of 1.20:1.0. Sizing of the interest reserve shall reflect any

<p>Payments</p>	<p>shortfall in meeting the DSCR for the Initial Term (or a portion of it as the discretion of the Originating CDFI). The Interest Reserve will be established at the closing pursuant to a withholding of the applicable interest reserve amounts by the Originating CDFI and MATCH LLC from their respective portions of the H+T Loan proceeds. The withheld amounts will be applied by the Originating CDFI and MATCH LLC towards monthly interest payments as they become due and payable. For the avoidance of doubt, CDFI Project Loan interest shall only accrue on portions of the withheld interest reserve that are applied to interest pursuant to the preceding sentence.</p> <ul style="list-style-type: none"> • <u>Additional H+T Term; Amortization Payments:</u> <p>During any Additional H+T Term, amortizing principal and interest over a 25-year period with even monthly payments (“<u>Amortization Payments</u>”) shall be payable. The Amortization Payments shall be set forth in an “<u>Amortization Schedule</u>” to be prepared by the applicable Originating CDFI at the commencement of the Additional H+T Term.</p> <p>Amortization Payments will be paid on a bifurcated basis as follows:</p> <ul style="list-style-type: none"> ○ The amount of each Amortization Payment that is allocable to the Applicable CDFI Portion of the subject H+T Loan (the “<u>CDFI Amortization Portion</u>”) will be paid monthly by the CDFI Project Loan Borrower to the Originating CDFI; ○ The amount of each Amortization Payment that is allocable to the Applicable MATCH LLC Portion of the subject H+T Loan (the “<u>MATCH LLC Amortization Portion</u>”) shall be paid annually from “<u>Residual Receipts</u>,” which shall mean, with respect to the applicable CDFI Project Loan, the amount by which the gross revenues received in each annual period starting with the commencement of the Additional H+T Term (an “<u>annual period</u>”) by the applicable CDFI Project Loan Borrower in connection with the subject Property <u>exceed</u> the sum of (i) the subject Property’s annual operating expenses for such annual period and (ii) the total of all monthly CDFI Amortization Portions paid to the Originating CDFI during such annual period. Residual Receipt payments received by MATCH LLC will be applied first to accrued and unpaid interest under the applicable Subordinated Participation Interest, then to principal balance thereunder. <ul style="list-style-type: none"> • <u>Additional H+T Term; Accrued MATCH LLC Payments.</u> <p>Any MATCH LLC Amortization Portion of the Amortization Payments that are not paid to MATCH LLC because of the insufficiency of Residual Receipts in any year or years are referred to as the “<u>Accrued MATCH LLC Payments</u>.” Accrued MATCH LLC Payments shall be paid as follows:</p>
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	<ul style="list-style-type: none"> ○ If in any annual period(s) there are any excess Residual Receipts after the full payment of the MATCH LLC Amortization Portion of Amortization Payments that are applicable to such current annual year, then such excess shall be paid to MATCH LLC and applied, to the extent thereof, to any then outstanding Accrued MATCH LLC Payments. ○ Upon the maturity or any earlier payoff of an H+T Loan, there shall become due and payable to MATCH LLC the full amount of any outstanding Accrued MATCH LLC Payments.
13. <u>H+T Loan:</u> Prepayment	There will be no prepayment penalty charged on any prepayment of a H+T Loan.
14. <u>H+T Loan:</u> Collateral	Each H+T Loan shall be secured by first lien Deed of Trust against the Property and by a first lien against Program Project related rights, interests, and assets including entitlement submission, architectural and engineering, studies, and contracts.
15. <u>H+T Loan:</u> Recourse/ Guaranty	<p>H+T Loans are 100% recourse to the CDFI Project Loan Borrower.</p> <p>Repayment Guaranty: If CDFI Project Loan Borrower is a SPE, a repayment guaranty is required, as deemed appropriate by the Originating CDFI, from either (i) the Sponsor/parent company of SPE CDFI Project Loan Borrower and/or (ii), for a for-profit sponsor only, the principals of the SPE CDFI Project Loan Borrower or the principals of the members or partners of the SPE CDFI Project Loan Borrower. The Repayment Guaranty will guarantee payment of an amount equal to (a) the portion of the principal amount of the H+T Loan that exceeds 75% of Appraised Property Value of the subject Property <u>plus</u> (b) accrued and unpaid interest and all Originating CDFI costs and expenses including enforcement and collection costs.</p> <p>For-profit/Non-profit Joint Venture: a repayment guaranty as described above is required from the entity or entities as are determined by the Originating CDFI.</p>
16. <u>H+T Loan:</u> Sponsor Equity	The greater of \$100,000 or 3-5% of acquisition costs (defined as purchase price and closing costs), funded in cash prior to, or at closing. Exceptions can be made for non-profit CDFI Project Loan Borrowers subject to approval by Originating CDFI. The percentage is at the discretion of Originating CDFI.
17. <u>H+T Loan:</u> Sponsor Concentration;	The maximum exposure of MATCH LLC, through its Subordinated Participation Interests, to a specific "sponsor" is \$3,000,000 for both H+T Loans and Predevelopment Loans, provided that the maximum principal balance for any H+T loans shall be \$2,000,000 (potentially through several

<p>Project Concentration</p>	<p>H+T Loans), and the maximum principal balance for any Predevelopment Loans shall be \$2,000,000 (potentially through several Predevelopment Loans); provided, however, the aforesaid maximums for H+T Loans and Predevelopment Loans shall not be construed as increasing the overall \$3,000,000 maximum exposure to any specific sponsor. The maximum \$3,000,000 exposure to any specific sponsor may be increased upon the approval of all Program Funders' and the applicable Originating CDFI.</p> <p>Project Concentration: A specific Program Project can only get support from one of the two products offered through the MATCH Program.</p>
<p>18. H+T Loan: Origination Fee</p>	<p>The CDFI Project Loan Borrower shall pay a CDFI Project Loan origination fee (applied to the total CDFI Project Loan amount) as determined by the Originating CDFI, due upon CDFI Project Loan closing. The Originating CDFI may charge a good faith deposit, which shall be credited against the Origination Fee.</p> <p>MATCH LLC is not entitled to receive any portion of any origination fee charged by a Originating CDFI.</p>
<p>19. H+T Loan: Interest rate</p>	<p>H+T Loan interest rates will be a blended rate comprised of the following:</p> <ol style="list-style-type: none"> a. An interest rate on the Applicable CDFI Portion of the H+T Loan at a rate determined by the Originating CDFI in accordance with its then normal rates for similar acquisition loans; b. An interest rate on the Applicable MATCH LLC Portion of the H+T Loan at an "all-in" rate of <u>3.25%</u>, which rate consists of <ol style="list-style-type: none"> 1. 1% interest rate on LACMTA's funds and 2% interest rate on the funds from the Foundation Funders, which rates will be blended for an interest rate of <u>1.5%</u> payable on the Applicable MATCH LLC Portion; and 2. The following fees: <ul style="list-style-type: none"> • Program Administrative Agent Fee <u>1.0% (100 bps)</u> • MATCH LLC Fee: <u>0.4% (40 bps)</u> • Servicing Fee to Originating CDFI: <u>0.35% (35 bps)</u> <p>The Originating CDFI will have the option, at its discretion, to re-set the interest rate for the Applicable CDFI Portion for the Additional H+T Term, with approval from the Program Funders <u>unless</u> such reset is to conform to the Originating CDFI's then standard interest rate for similar loans as determined from time to time based upon such Originating CDFI's costs of funds.</p>
<p>20. H+T Loan:</p>	<p><u>Capitalized Operating Reserve</u>: A "<u>Capitalized Operating Reserve</u>" of six (6) months of stabilized expenses, shall be funded from the H+T Loan at</p>

<p>Operating and Replacement Reserves Requirements</p>	<p>closing and held by the applicable Originating CDFI (calculation assumes property tax exemption has been secured). No ongoing deposit requirement from cash flow.</p> <p><u>Capitalized Replacement Reserve</u>: A “<u>Capitalized Replacement Reserve</u>” shall be funded from the H+T Loan at closing and held by the applicable Originating CDFI, and sized to address repair needs that could affect the value of the collateral as identified by the Property Condition Report for the term of the CDFI Project Loan.</p>
<p>21. <u>H+T Loan:</u> Initial Term: Sinking Fund; Net Cash Flow</p>	<ul style="list-style-type: none"> • During the Initial Term, Net Cash Flow (as defined below) from the Property, subject to a cap at an amount to be determined during underwriting by the Originating CDFI as appropriate for a specific Program Project, will be deposited by the CDFI Project Loan Borrower into a “<u>Sinking Fund</u>” held by the Originating CDFI; “<u>Net Cash Flow</u>” shall mean, with respect to a H+T Loan, the amount by which the annual gross revenues received by the applicable CDFI Project Loan Borrower in connection with the applicable Property exceed the sum of annual operating expenses for such Property (excluding any CDFI Project Loan or Sponsor administrative fees, developer fees, or asset management fees, but including property management fees that are consistent with management fees allowed for LIHTC properties) and all interest payments due under the applicable CDFI Project Loan. “<u>Excess Net Cash Flow</u>” shall mean any Net Cash Flow remaining after the required amount thereof has been deposited into the Sinking Fund. Excess Net Cash Flow will be retained by, or distributed to, CDFI Project Loan Borrower. • Sinking Fund’s eligible uses, as determined by the Originating CDFI, include: payment of any interest due at the end of the Initial Term (to Originating CDFI or MATCH LLC); repayment of the CDFI Project Loan at maturity or upon any earlier acceleration; funding the Debt Service Reserve for the Additional H+T Term, as approved by Originating CDFI at the end of Initial Term. At such time as the CDFI Project Loan is paid off (principal and interest), any remaining Sinking Fund proceeds shall be distributed to the CDFI Project Loan Borrower; provided, however, if the Equity Recapture provisions set forth in <u>Section 8</u> above apply upon such pay off, any remaining Sinking Fund funds shall be applied in accordance with such Equity Recapture provisions.
<p>22. <u>H+T Loan:</u> Additional H+T Term; Debt Service Reserve</p>	<p>If projected Property cash flow for the Additional H+T Term will not support a 1.15:1.0 DSCR on the Applicable CDFI Portion of the H+T Loan, then a “<u>Debt Service Reserve</u>” for the payment of the CDFI Amortization Portion of the Amortization Payments shall be funded by the CDFI Project Loan Borrower on or before the commencement of the Additional H+T Term. The Debt Service Reserve will be sized to meet, along with projected Property cash flow, a 1.15:1.0 DSCR on the Applicable CDFI Portion of the H+T Loan during the Additional H+T Term. Any remaining Sinking Fund proceeds from the Initial Term shall be applied to the Debt Service</p>

	Reserve upon the commencement of the Additional H+T Term. The extent of any such Sinking Fund proceeds so applied will reduce the CDFI Project Loan Borrower's Debt Service Reserve capitalization requirement.
23. <u>H+T Loan:</u> Future Development Plans	The CDFI Project Loan Borrower shall provide to the Originating CDFI a Program Project description, development budget, sources and uses proforma (construction and permanent phases), proforma projections of income and expenses during the CDFI Project Loan term demonstrating the Program Project can service the debt and pay off the CDFI Project Loan within the term, letters of interest from funding sources for all phases that can be reasonably obtained during the underwriting period – including market-rate and subsidized debt and equity providers – must be reviewed and evaluated by the Originating CDFI.
24. <u>H+T Loan:</u> Program Project Milestones	<p>A Budget for predevelopment costs for the H+T Loan must be submitted to, and approved by Originating CDFI prior to final approval of an H+T Loan.</p> <p>All H+T Loans to include conditions and milestones to be met by specific dates, as deemed appropriate by Originating CDFI; those conditions and milestones might include, but not be limited to:</p> <ul style="list-style-type: none"> • Architectural work and filing plans with the appropriate municipal building department • Filing entitlement requests and environmental remediation plans • Applying for loans and grants, tax credits, equity, and other items required to bring the Program Project to a construction loan closing.
25. <u>H+T Loan:</u> Evidence of Permissive Zoning	The CDFI Project Loan Borrower shall provide to the Originating CDFI evidence that the redevelopment of the Property, as proposed, is permissible under applicable zoning ordinances or regulations or alternatively, a statement of the proposed action required to make the proposed redevelopment of the property permissible and the basis for the belief that obtaining the required entitlements is feasible.

<p>26. <u>H+T Loan:</u> Property Condition Report</p>	<p>CDFI Project Loan Borrower shall provide a current Property Condition Report acceptable to Originating CDFI (or Originating CDFI will order one at the CDFI Project Loan Borrower's expense), covering a period equal to the term of the H+T Loan.</p> <p>Originating CDFI's willingness to make the H+T Loan will be conditioned upon CDFI Project Loan Borrower's agreement to address life and safety issues, if any, within a timeframe approved by Originating CDFI. Report fees are the responsibility of the CDFI Project Loan Borrower regardless of whether the H+T Loan closes.</p>
<p>27. <u>H+T Loan:</u> Seismic Requirements</p>	<p>The following types of properties are ineligible for H+T Loans except on an exception basis:</p> <ul style="list-style-type: none"> • Unreinforced masonry buildings • Buildings constructed on a slope in excess of 30 degrees • Buildings with un-reinforced tuck-under parking built prior to 1980. • Properties located in Alquist Priolo Zones <p>The following types of properties require Probable Maximum Loss (PML) studies prepared by an engineer qualified to perform geological assessments, engaged by CDFI Project Loan Borrower, meeting the Originating CDFI requirements. The studies must show a probable maximum loss that does not exceed 20%, using a 10%/50 year exceedance probability.</p> <p>(1) Seismic zones 3 and 4</p> <ul style="list-style-type: none"> ○ Reinforced masonry buildings and pre-cast concrete or tilt-up buildings constructed prior to 1994 ○ Reinforced concrete frame or reinforced concrete shear wall buildings constructed prior to 1976 ○ Wood frame buildings on unbraced cripple walls ○ Wood frame buildings without anchorage to foundation ○ Any building with a soft story at the first level above grade <p>(2) Seismic zone 4 only</p> <ul style="list-style-type: none"> ○ Buildings on sites with significant liquefaction potential ○ Buildings with tuck-under parking constructed prior to 1988 <p>Originating CDFI will consider exceptions to all categories above when, prior to closing, CDFI Project Loan Borrower can provide an engineering plan and demonstrate sufficient funding to perform the scope of work recommended by the plan to bring a PML below 20%. The CDFI Project Loan Borrower will be required to complete the scope of work within 6 months of closing.</p>

<p>28. <u>H+T Loan:</u> Appraisal</p>	<p>An appraisal must be completed with an As Is Market Value and Prospective Market Value at Stabilization based on restricted rents, reflecting restrictions that would survive the term of the H+T Loan for more than a year. The appraisal must be commissioned by the Originating CDFI in accordance with its appraisal requirements. An Appraisal must include an insurable value.</p>
<p>29. <u>H+T Loan:</u> Environmental Requirements</p>	<p>The CDFI Project Loan Borrower shall provide to the Originating CDFI a current (within 6 months of loan closing) Phase I Environmental Site Assessment of the Property. If a current Assessment is not available, Originating CDFI will order a new one or, if an available Assessment is more than six months old, the Originating CDFI may require an update thereof. The Assessment or any update thereof shall be conducted by a qualified environmental firm and prepared in accordance within industry standards using the most recent ASTM Standard Practice E1527, “Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process”. A Phase II Environmental Site Assessment will be required if the Phase I recommends obtaining a Phase II. Phase I Environmental Site Assessment and Phase II, if necessary, must be acceptable to Originating CDFI. As with all third party reports, the CDFI Project Loan Borrower shall be responsible for the expense, regardless of whether the H+T Loan closes.</p>
<p>30. <u>H+T Loan:</u> Financial Statements</p>	<p><u>For-profit CDFI Project Loan Borrowers</u> must provide current accountant-reviewed or compiled financial statements for three full reporting years, certified financial statements for three full reporting years for principals, and year-to-date and operating statements, as well as a Real Estate Owned Schedule.</p> <p><u>Nonprofit CDFI Project Loan Borrowers</u> must provide audited financial statements for three full years, and year-to-date and operating statements for the current year, as well as a Real Estate Owned Schedule.</p> <p><u>Applicable to All CDFI Project Loan Borrowers:</u> Updated financial statements to be provided at least annually for CDFI Project Loan Borrowers, Sponsors, and/or Principals. More frequent reporting may be required at the Originating CDFI’s discretion.</p> <p>All CDFI Project Loan Borrowers and guarantors shall be required to provide details regarding any unsecured debt and contingent liabilities, as requested by the Originating CDFI.</p>

<p>31. <u>H+T Loan:</u> Financial Covenants</p>	<p>The following covenants are to be met at CDFI Project Loan closing and tested on an annual basis based on the financial statements required under the “Financial Statements” in <u>Section 30</u> above.</p> <p>The CDFI Project Loan Borrower/Sponsor/Guarantor entity (as determined by Originating CDFI) must have a stable financial history and strong financial position, as demonstrated by meeting at least two of the following three key financial ratios:</p> <ul style="list-style-type: none"> • Acid ratio: cash and cash equivalents to current liabilities equal to at least 0.4: 1; • positive cash flow from operations, on average for the past three years; and • total debt to net assets (equity) no greater than 3.5:1. <p>Specific requirements for certain H+T Loans:</p> <p>For H+T Loans where Tranches B (Program Funders in pari passu position) and C (CDFI funds) in aggregate are above 100% LTV:</p> <ul style="list-style-type: none"> ○ Additional liquidity covenant: the CDFI Project Loan Borrower/sponsor (as determined by Originating CDFI) need to demonstrate that it has in cash the equivalent of the amount of Tranche B of the H+T Loan above 100% LTV. The calculation does not include Tranche A (LACMTA top loss); ○ The ongoing financial covenants are similar to the standard covenants for secured H+T Loans except for the following: ○ The acid ratio is modified to: “cash and cash equivalents to current liabilities equal to at least 0.6: 1”; ○ The financial covenant is modified to: “meeting at least two of the following three key financial ratios, including in any case the acid ratio” <p>In addition, the CDFI Project Loan Borrower/Sponsor shall certify:</p> <ul style="list-style-type: none"> ○ no negative financial history (bankruptcy, etc.); and ○ no failure to perform under loans, investor agreements or regulatory agreements.
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<p>32. <u>H+T Loan:</u> Additional Secured Debt</p>	<p>Any additional debt secured on the Property shall be subordinate to the H+T CDFI Project Loan. The debt terms and subordination agreement shall be acceptable to the applicable Originating CDFI.</p>
<p>33. <u>H+T Loan:</u> Insurance Requirements</p>	<p>Liability, property and hazard insurance required from an insurance company with an acceptable rating (minimum A, category VI).</p>
<p>34. <u>H+T Loan:</u> Good Faith Deposit</p>	<p>To be provided to the Originating CDFI by applicant, if required, prior to any third-party reports being ordered. Third party reports may include appraisal, Phase I environmental assessment, property condition report, plan and cost review for proposed scope of work to be done during the term of the loan. The required third-party reports will be determined by the Originating CDFI based upon the scope of the Program Project. Amount of the deposit (might be called application or due diligence fee) will be at the discretion of the Originating CDFI.</p>

b. Predevelopment Loans

The Predevelopment Loan product provides predevelopment financing for CDFI Project Loan Borrowers who are developing a new affordable housing, transit oriented development project on an eligible Property.

**PREDEVELOPMENT LOAN CRITERIA AND REQUIREMENTS
TABLE**

<p>35. <u>Predevelopment Loan:</u> Eligible Program Project and Property</p>	<p>Program Projects must be related to the production of new affordable units through new construction or substantial rehab. CDFI Project Borrower shall demonstrate evidence of site control and an achievable strategy and schedule of milestones for acquiring the property, developing the project, securing the construction and permanent financing. Predevelopment Loans support projects that will use Low Income Housing Tax Credits and local subsidies but might also compete well for permanent financing such as the Strategic Growth Council’s Affordable Housing and Sustainable Communities (AHSC) program or Los Angeles County’s affordable housing funds.</p> <p>The planned Program Project must have a minimum unit size of 49 units.</p>
<p>36. <u>Predevelopment Loan:</u> Eligible Borrower</p>	<p>Eligible CDFI Project Loan Borrower are non-profit developers or for-profit developers in joint-venture with non-profit developers:</p> <ul style="list-style-type: none"> with a minimum of 5 years of experience in affordable housing development, a successful track record of obtaining entitlements and financing (public and private), completing and

	<p>operating at least 4 affordable housing projects similar or larger in scope, size and budget than the Program Project submitted for consideration;</p> <ul style="list-style-type: none"> • adequate organizational capacity and stability, without material defaults or material adverse financial change; • familiarity with the displacement issues affecting low-income residents in the targeted communities; and, <p>With respect to joint ventures, at least one of the team members must individually satisfy the foregoing experience threshold and other requirements.</p> <p>If the CDFI Project Loan Borrower is a Single Purpose Entity (SPE), the requirements in the 3 bullet items above can be met by the Guarantor or Sponsor, as deemed acceptable to the Originating CDFI.</p> <p>In regards to joint ventures with non-profit developers, the MATCH Program encourages strong joint venture partnerships with neighborhood-based community development corporations (CDC) or community based organizations (CBO) as a strategy to optimize developers' different strengths and expertise and to use the CDCs' and CBOs' familiarity with communities, particularly in addressing displacement issues. A joint venture agreement shall specify an active role for the CDC or CBO partner in regards to the following activities: development and design of the Program Project for the population served, property management or resident services</p> <p>When the CDFI Project Loan Borrower entity includes a for-profit, priority will be given to partnerships that include community based (CDC or CBO) nonprofit developers with <u>limited access</u> to other predevelopment loan sources.</p>
<p>37. <u>Predevelopment Loan: Eligible Costs and Uses</u></p>	<p>Predevelopment Loan proceeds shall be used for Program Project predevelopment costs, as acceptable to the Originating CDFI, which include but are not limited to: architecture, engineering, environmental studies, surveys, market studies, entitlements and permits, various consulting expenses, appraisals, deposits or other site control expenses, escrow, title and broker fees, property taxes, site security, financing fees and other holding/carrying costs.</p> <p>Draw requests shall be accompanied by invoices related to the Program Project. Draw requests shall not be submitted more than once a month. The Predevelopment Loan proceeds shall not be used to cover the organization's administrative expenses.</p>
<p>38. <u>Predevelopment Loan: Site Control</u></p>	<p>CDFI Project Loan Borrower must have demonstrable site control of the subject Property through ownership, a purchase and sale agreement, an Exclusive Negotiating Agreement, a Disposition and</p>

	<p>Development Agreement or other form of site control as approved by the Originating CDFI.</p>
<p>39. <u>Predevelopment Loan: Sites Requirements</u></p>	<ul style="list-style-type: none"> • Site must be located within a half mile of an HQTN. • Preference will be given to projects that evidence a safe path of travel to transit from the Program Project (i.e. residents of the Program Project must be able to safely walk or bike to a nearby transit stop or station on existing or planned sidewalks or bicycle lanes and crosswalks at major intersections.) LACMTA will verify this condition in the same manner as set forth above with respect to H+T Loans.
<p>40. <u>Predevelopment Loan: Program Charitable Purpose Requirement; Closing Requirements</u></p>	<p>The Program Project, as planned, must meet the Program Charitable Purpose Requirement. The following requirements must be met upon the closing of a Predevelopment Loan:</p> <ul style="list-style-type: none"> • An ORIGINATING CDFI CHARITABLE PURPOSE CLOSING CERTIFICATE has been executed by the applicable Originating CDFI and delivered to MATCH LLC, and in which Certificate the Originating CDFI (i) confirms that the Program Project furthers the Originating CDFI’s Charitable Purpose and (ii), as determined by the Originating CDFI’s during its underwriting and review process, identifies the Program Charitable Purpose Requirement test (i.e. either the Safe Harbor Test, the Facts and Circumstances Test, or the Combatting Community Deterioration Test) that the planned Program Project will meet; • A CDFI PROJECT LOAN AGREEMENT RIDER has been executed by the applicable Originating CDFI and the CDFI Project Loan Borrower and delivered to MATCH LLC (“<u>Predevelopment Loan Rider</u>”). <p>The Originating CDFI Charitable Purpose Closing Certificate and the Predevelopment Loan Rider shall be in the form attached to the Origination and Participation Agreements.</p> <p>As part of the Annual Reporting submittals described in <u>VI</u> of these Program Guidelines and Requirements, CDFI Project Loan Borrowers will be required to submit an annual self-certification that the planned Program Project will meet the Program Charitable Purpose Requirement.</p>

<p>41. <u>Predevelopment Loan: Maximum Predevelopment Loan Amount; Initial and Supplemental Tranches</u></p>	<ul style="list-style-type: none"> • The maximum Predevelopment Loan amount is \$1,500,000, which amount may be advanced as one (1) loan or as two (2) loans, as described in A. and B. below. <p>The Originating CDFI's funding obligation with respect to a Predevelopment Loan shall be limited to \$500,000, which amount shall be advanced on the first \$1,000,000 of any Predevelopment Loan on a 50/50 basis with a \$500,000 advance from MATCH LLC. Any Predevelopment Loan amounts in excess of \$1,000,000 shall be advanced 100% by MATCH LLC.</p> <p>A. If a Predevelopment Loan is less than \$1,000,000, there will be no Supplemental Loan (as defined in B.).</p> <p>B. If a Predevelopment Loan is at least \$1,000,000, but less than \$1,500,000 (an "<u>Initial Predevelopment Loan</u>"), then the Originating Lender may make a subsequent "<u>Supplemental Predevelopment Loan</u>" to the same CDFI Project Loan Borrower for the same Program Project in an amount up to the difference between \$1,500,000 and the amount of the Initial Predevelopment Loan.</p> <p>For the purposes of determining the funding obligations as between the Originating CDFI and the MATCH LLC (and the other provisions of these Program Guidelines and Requirements) an Initial Predevelopment Loan and the related Supplemental Predevelopment Loan are considered as single Predevelopment Loan, unless the context otherwise dictates. An Initial Predevelopment Loan and the related Supplemental Predevelopment will be cross-defaulted.</p> <p>In addition to any other conditions that an Originating CDFI may elect to impose with respect to an Initial Predevelopment Loan that is in excess of \$1,000,000, any advance of such excess to a CDFI Project Loan Borrower will be contingent on such CDFI Project Loan Borrower demonstrating committed construction/permanent financing for the Program Project (including Low Income Housing Tax Credit award, Letters of Interest for equity and soft commitment for conventional debt), and meeting all financial covenants, reporting requirements and milestones per the loan agreement, as confirmed by the Originating CDFI.</p> <p>In addition to any other conditions that an Originating CDFI may elect to impose with respect to a Supplemental Predevelopment Loan, any advance of such Supplemental Loan to a CDFI Project Loan Borrower will be contingent on such CDFI Project Loan Borrower demonstrating committed construction/permanent financing for the Program Project (including Low Income Housing Tax Credit award, Letters of Interest for equity and soft commitment for conventional debt), and meeting all financial covenants, reporting requirements and milestones per the loan</p>
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	<p>agreement, as confirmed by the Originating CDFI.</p> <ul style="list-style-type: none">• For Predevelopment Loans, “<u>Applicable CDFI Portion</u>” shall mean <u>50%</u> of the first <u>\$1,000,000</u> of the Predevelopment Loan amount, and “<u>Applicable MATCH LLC Portion</u>” shall mean <u>50%</u> of the first <u>\$1,000,000</u> and <u>100%</u> of the Predevelopment Loan amount in excess of <u>\$1,000,000</u>.• Each Predevelopment Loan will include the following Tranches of Funding:<ul style="list-style-type: none">• Tranche C is in the senior position and consists 100% of Applicable CDFI Portion of each Predevelopment Loan;• Tranche B is in the second subordinate position senior to Tranche A and consists of 72.22% of the Applicable MATCH LLC Portion of each Predevelopment Loan. Tranche B is funded with the LACMTA and the Foundation Funders funds pari passu in the following percentages: 30.77% from LACMTA and 69.23% from the Foundation Funders’ funds (which Foundation Funders’ funds being comprised of a pro-rata proportion of each Foundation Funder’s committed Program Loan amount);• Tranche A is in the first subordinate position, in junior position to Tranche B and consists of 27.78% of the Applicable MATCH LLC Portion of each Predevelopment Loan. Tranche A is funded by LACMTA.
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42. <u>Predevelopment Loan: Term</u>	<p>Up to 24 months, with a 12-month extension option subject to replenishment of the interest reserve as deemed appropriate by the Originating CDFI and approval of the extension by the Originating CDFI and all of the Program Funders.</p> <p>The maturity date of any Supplemental Predevelopment Loan shall be co-terminus with the maturity date of the related initial Predevelopment Loan.</p>
43. <u>Predevelopment Loan: Outside Loan Maturity Date</u>	<p>Notwithstanding the foregoing, no maturity date of any Predevelopment Loan shall occur, or be extended, beyond the 12th anniversary date of Project Effective Date.</p>
44. <u>Predevelopment Loan: Repayment and Interest</u>	<p>Interest only shall be paid from an interest reserve (as described in <u>Section 52</u> below) established as part of the Predevelopment Loan budget and advanced from Predevelopment Loan proceeds as interest costs are incurred. Originating CDFI will consider CDFI Project Loan Borrower resources to approve a partial interest reserve, subject to the CDFI Project Loan Borrower/sponsor meeting a 1.20:1.00 Debt Coverage Ratio at the corporate level (the Originating CDFI will determine the appropriate entity to apply the ratio to). Principal repaid at the earliest of: (i) maturity (ii) upon refinancing or (iii) receipt of identified repayment sources.</p>
45. <u>Predevelopment Loan: Prepayment</u>	<p>There will be no prepayment penalty charged on any prepayment of a Predevelopment Loan.</p>
46. <u>Predevelopment Loan: Collateral</u>	<p>Unsecured</p>
47. <u>Predevelopment Loan: Recourse/ Guaranty</u>	<p>Predevelopment Loans are 100% recourse to CDFI Project Loan Borrower.</p> <p>Repayment Guaranty: If CDFI Project Loan Borrower is a SPE, repayment guaranty in the full amount of the Predevelopment Loan is required, as deemed appropriate by the Originating CDFI from either (i) the Sponsor/parent company of SPE CDFI Project Loan Borrower and/or (ii), for a for-profit sponsor only, the principals of the SPE CDFI Project Loan Borrower or the principals of the members or partners of the SPE CDFI Project Loan Borrower.</p> <p>For-profit/Non-profit Joint Venture: guarantee as described above required from an entity or entities determined by the Originating CDFI.</p>
48. <u>Predevelopment Loan: Sponsor Equity</u>	<p>The greater of \$50,000 or 3-5% of predevelopment costs (defined as predevelopment costs to construction closing, as estimated by CDFI Project Loan Borrower), funded in cash prior to, or at closing.</p>

	Exceptions for non-profit borrowers subject to approval by Originating CDFI. The percentage at the discretion of Originating CDFI.
49. <u>Predevelopment Loan: Sponsor Concentration; Project Concentration</u>	The same limitations as set forth in <u>Section 17</u> above.
50. <u>Predevelopment Loan: Origination Fee</u>	<p>CDFI Project Loan Borrower shall pay a loan origination fee (applied to the total CDFI Project Loan) as determined by the Originating CDFI, due upon loan closing. The Originating CDFI may charge a good faith deposit, which shall be credited against the Origination Fee.</p> <p>MATCH LLC is not entitled to receive any portion of any origination fee charged by a Originating CDFI.</p>
51. <u>Predevelopment Loan: Interest rate</u>	<p>Predevelopment Loan interest rates will be a blended rate comprised of the following:</p> <ol style="list-style-type: none"> a. An interest rate on the Applicable CDFI Portion of the Predevelopment Loan at a rate determined by the Originating CDFI in accordance with its then normal rates for similar predevelopment loans; b. An interest rate on the Applicable MATCH LLC Portion of the Predevelopment Loan at an “all-in” rate of <u>3.25%</u>, which rate consists of <ol style="list-style-type: none"> 1. 1% interest rate on LACMTA’s funds and 2% interest rate on the funds from the Foundation Funders, which rates will be blended for an interest rate of <u>1.5%</u> payable on the Applicable MATCH LLC Portion; and 2. The following fees: <ul style="list-style-type: none"> • Program Administrative Agent Fee <u>1.0% (100 bps)</u> • MATCH LLC Fee: <u>0.4% (40 bps)</u> • Servicing Fee to Originating CDFI: <u>0.35% (35 bps)</u>
52. <u>Predevelopment Loan: Interest Reserve</u>	As determined by the Originating CDFI, some or all of the projected loan interest for the term of the Predevelopment Loan is capitalized at closing in an interest reserve. The Interest Reserve will be established at the closing pursuant to a withholding of the applicable interest reserve amounts by the Originating CDFI and MATCH LLC from their respective portions of the Predevelopment Loan proceeds. The withheld amounts will be applied by the Originating CDFI and MATCH LLC towards monthly interest payments as they become due and payable. For the avoidance of doubt, CDFI Project Loan interest shall

	<p>only accrue on portions of the withheld interest reserve that are applied to interest pursuant to the preceding sentence.</p>
<p>53. <u>Predevelopment Loan: Future Development Plans</u></p>	<p>The CDFI Project Loan Borrower shall provide to the Originating CDFI a Program Project description, development budget, sources and uses proforma (construction and permanent phases), letters of interest from funding sources for all phases that can be reasonably obtained during the underwriting period – including market-rate and subsidized debt and equity providers – must be reviewed and evaluated by the Originating CDFI.</p>
<p>54. <u>Project Milestones</u></p>	<p>A Budget for predevelopment costs must be submitted by the CDFI Project Loan Borrower to, and must be approved by, the Originating CDFI prior to final approval of a Predevelopment Loan.</p> <p>All Predevelopment Loans to include conditions and milestones to be met by specific dates, as deemed appropriate by Originating CDFI; those conditions and milestones might include, but not be limited to:</p> <ul style="list-style-type: none"> • Architectural work and filing plans with the appropriate municipal building department • Filing entitlement requests and environmental remediation plans • Applying for loans and grants, tax credits, equity, and other items required to bring the housing Program Project to a construction loan closing.
<p>55. <u>Predevelopment Loan: Evidence of Permissive Zoning</u></p>	<p>The CDFI Project Loan Borrower shall provide to the Originating CDFI evidence that the redevelopment of the Property, as proposed, is permissible under applicable zoning ordinances or regulations or, alternatively, a statement of the proposed action required to make the proposed redevelopment of the property permissible and the basis for the belief that obtaining the required entitlements is feasible.</p>
<p>56. <u>Predevelopment Loan: Financial Statements</u></p>	<p><u>For-profit CDFI Project Loan Borrowers</u> must provide current accountant-reviewed or compiled financial statements for three full reporting years, certified financial statements for three full reporting years for principals, and year-to-date and operating statements, as well as a Real Estate Owned Schedule.</p> <p><u>Nonprofit CDFI Project Loan Borrowers</u> must provide audited financial statements for three full years, and year-to-date and operating statements for the current year, as well as a Real Estate Owned Schedule.</p> <p><u>Applicable to All CDFI Project Loan Borrowers:</u></p>

	<p>Updated financial statements to be provided at least annually for CDFI Project Loan Borrowers, Sponsors, and/or Principals. More frequent reporting may be required at the Originating CDFI's discretion.</p> <p>All CDFI Project Loan Borrowers and guarantors shall be required to provide details regarding any unsecured debt and contingent liabilities, as requested by the Originating CDFI.</p>
<p>57. <u>Predevelopment Loan: Financial Covenants</u></p>	<p>The following covenants are to be met at CDFI Project Loan closing and tested on an annual basis based on the financial statements required under the "Financial Reporting" in <u>Section 56</u> above.</p> <p>The CDFI Project Loan Borrower/Sponsor/Guarantor entity (as determined by Originating CDFI) must have a stable financial history and strong financial position, as demonstrated by meeting at least two of the following three key financial ratios:</p> <ul style="list-style-type: none"> • Acid Ratio: cash and cash equivalents to current liabilities equal to at least 0.6: 1; • cash flow from operations equal to at least 3% of unrestricted revenue, on average for the past three years; and • total debt to net assets (equity) no greater than 3.5:1. <p>The amount of unsecured debt shall be sized to ensure that unrestricted net assets are equal to at least 125% of total unsecured debt, including the proposed unsecured Predevelopment Loan.</p> <p>In addition, the CDFI Project Loan Borrower/sponsor shall certify:</p> <ul style="list-style-type: none"> • no negative financial history (bankruptcy, etc.); and • no failure to perform under loans, investor agreements or regulatory agreements. <p>The Originating CDFI shall approve of any CDFI Project Loan Borrower or Guarantor additional unsecured debt that is not in the ordinary course of CDFI Project Loan Borrower's and/or Guarantor's business.</p>
<p>58. <u>Predevelopment Loan: Insurance Requirements</u></p>	<p>Liability, property and hazard insurance (if Property is owned) required from an insurance company with an acceptable rating (minimum A , category VI).</p>
<p>59. <u>Predevelopment Loan: Good Faith Deposit</u></p>	<p>To be provided to the Originating CDFI by applicant, if required, prior to the Originating CDFI's underwriting work. Amount of the deposit (might be called application or due diligence fee) will be at the discretion of the Originating CDFI.</p>

V. CDFI Project Loans Underwriting and Closing Process.

As the intermediary between the Program Funders and the Originating CDFIs, MATCH LLC will directly, and through its agent, the Program Administrative Agent, oversee and coordinate the process by which the Program Administrative Agent (on behalf of MATCH LLC) and the Program Funders confirm compliance of each CDFI Project Loan with these Program Guidelines and Requirements.

The funding decision as to an Originating CDFI's portion of each CDFI Project Loan is to be made by the applicable Originating CDFI (who shall have no financial interest in the underlying development project) based upon the underwriting conducted by the Originating CDFI utilizing the Standard Underwriting Criteria set forth in these Program Guidelines and Requirements. Neither MATCH LLC nor the Program Administrative Agent will have a credit review or underwriting role in connection with the CDFI Project Loans.

The Program Administrative Agent and the Program Funders will review the Loan Package, as defined in subsection b. below, submitted by the Originating CDFI for each CDFI Project Loan to confirm that such Loan Package indicates compliance with these Program Guidelines and Requirements per the process hereby described.

a. Preliminary Request.

The Originating CDFI shall make a request (the "Preliminary Request") to the Program Administrative Agent with respect to a proposed CDFI Project Loan by providing (i) a term sheet signed by the CDFI Project Loan Borrower; (ii) the designation of the proposed CDFI Project Loan as either a H+T Loan or a Predevelopment Loan, (iii) such items of the Loan Package (as described in subsection b. below) as are available at the time of the request (items submitted for Preliminary Request might consist of (and as examples only)—as appropriate for the applicable MATCH Program loan product—a description of the Program Project, the form of site control, a current occupancy preliminary description, a preliminary sources and uses proforma, or a project timeline to pay off); and (iv) preliminary confirmation via email that the proposed CDFI Project Loan appears to conform with the MATCH Standard Underwriting Criteria and that the applicable Program Project will be able to meet the Program Charitable Purpose Requirement.

The Preliminary Request should list any exceptions to the Standard Underwriting Criteria anticipated by the Originating CDFI at the time of submission. The Program Administrative Agent will seek an initial indication of support for the exception(s) from the Program Funders, provided that any such indication will not be construed as an approval of the exception(s). Within five (5) business days after the Program Administrative Agent's receipt of the Preliminary Request (and all required components thereof), the Program Administrative Agent will send the Originating CDFI a notice (a "Reservation of Funds") that (a) the MATCH LLC funds are available and will be reserved for the proposed CDFI Project Loan for a ninety (90)-day period (the "90-Day Reservation Period") during which the Originating CDFI will, subject to subsection b. below, underwrite the CDFI Project Loan or (b) the MATCH LLC funds are not available because the proposed CDFI Project Loan would exceed the applicable Product Allocation Limits, as determined by the Program Administrative Agent based upon the then outstanding CDFI Project Loans.

Notwithstanding any contrary provision of this Article V, MATCH LLC's participation in a CDFI Project Loan proposed by an Originating CDFI shall be subject to the following preconditions (the "CDFI Preconditions"):

- i. Since the Program Effective Date, no material adverse change in such Originating CDFI's financial condition or ability to carry out the charitable purposes of the MATCH Program has occurred; and
- ii. No more than two of the CDFI Project Loans previously originated by such Originating CDFI have experienced an Event of Default under the applicable CDFI Project Loan Documents, which Events of Defaults are continuing after applicable notice and cure.

b. Program Funders' Confirmation; Commitment of MATCH LLC Funds:

After receipt of the Reservation of Funds notice and the Borrower Submission Package (as defined in subsection g. below) and the completion of the Originating CDFI's underwriting, the Originating CDFI shall send to the Program Administrative Agent the following items (collectively, the "Loan Package"): (i) the applicable Borrower Submission Package, (ii) a certificate executed by the Originating CDFI (a "CDFI Lending Certificate"), in the form attached to each Origination and Participation Agreement, certifying that the proposed CDFI Project Loan conforms with the MATCH Standard Underwriting Criteria other than those exceptions, if any, as are specified in the Certificate ("Proposed Underwriting Exceptions"), and (iii) an Originating CDFI Charitable Purpose Closing Certificate executed by the Originating CDFI, in the form attached to each Origination and Participation Agreement.

The Program Administrative Agent shall send the Loan Package to the Program Funders within two (2) business days of receipt from the Originating Lender. The Program Funders and MATCH LLC shall have ten (10) business days (the "Review Period") (i) to confirm that the proposed CDFI Project Loan complies with these Program Guidelines and Requirements (a "Compliance Confirmation") and (ii) to approve or reject any Proposed Underwriting Exceptions. If there is no response from a Program Funder or MATCH LLC to the Program Administrative Agent (in writing or via electronic communication) within such Review Period, then such Program Funder MATCH LLC shall be deemed to have provided a Compliance Confirmation and its approval of any Proposed Underwriting Exceptions.

The Originating CDFI shall set up a call for interested Program Funders and the Program Administrative Agent on or before the 10th business day of the Review Period to discuss the subject CDFI Project Loan transaction. In advance of that call, any Program Funder may send questions in writing to the Program Administrative Agent, to be forwarded to and addressed by the Originating CDFI. Those written questions shall be addressed on the call if they have not been addressed in writing prior to the call to the satisfaction of the Program Funders. The call is not mandatory, and if all Program Funders have provided their respective Compliance Confirmations and Proposed Underwriting Exceptions approvals and/or have not sent any questions, the Originating CDFI will cancel the call. If the call occurs, all Program Funders shall have two (2) business days after the call (and the Review Period shall be extended as may be necessary to accommodate such two (2) business day period) to provide (in writing or via electronic communication) their respective Compliance Confirmation and approval or rejection to any Proposed Underwriting Exceptions; provided, however, if there is no response from a Program Funder to the Program Administrative Agent (in writing or via electronic communication) within such two (2) business day period, such Program Lender shall be deemed to have provided such Compliance Confirmation and to have approved any Proposed Underwriting Exceptions.

Each CDFI Project Loan requires that all Program Funders and MATCH LLC have provided (or are deemed to have provided) a Compliance Confirmation and an approval of any Proposed Underwriting Exceptions.

Within fifteen (15) days following the date by which all Program Funders have provided (or are deemed to have provided) a Compliance Confirmation and an approval of any Proposed Underwriting Exceptions (after having received a Loan Package from the Program Administrative Agent), the Program Administrative Agent will deliver a written notice to the Program Funders and to the applicable Originating CDFI that the MATCH LLC funds are committed for the CDFI Project Loan (a "Commitment"), which Commitment shall be effective for a period of ninety (90) days following the date of such delivery (the "90-Day Closing Period").

c. Closing Notice:

Within two (2) business days after the Originating CDFI has received and approved all of the Closing Items (as defined below) with respect to a CDFI Project Loan, the Originating CDFI shall submit to Program Administrative Agent a "Closing Notice", in the form attached to the Origination and Participation Agreements, and copies of the final loan documents for such CDFI Project Loan ("CDFI Project Loan Documents"). Execution versions (unsigned but final) of the CDFI Project Loan Documents will be acceptable.

d. Participation/ CDFI Project Loan Advances:

i. Participation/ CDFI Project Loan Advances at Closing:

Within two (2) business days after receipt of a fully executed Closing Notice (or by any later funding date established by the Originating CDFI), MATCH LLC shall make a "Participation/CDFI Project Loan Advance" of that portion of the Applicable MATCH LLC Portion of the subject CDFI Project Loan then required to be funded; provided, however, that the Originating CDFI should have previously made or shall contemporaneously make its own advance equal to that portion of the Applicable CDFI Portion of the CDFI Project Loan then required to be funded.

ii. Subsequent Participation Advances for Predevelopment Loans:

Within ten (10) business days after submission of a subsequent draw request for a predevelopment loan, MATCH LLC shall make a subsequent Participation/CDFI Project Loan Advance for that portion of the Applicable MATCH LLC Portion of subject CDFI Project Loan then required to be funded; provided, however, that the Originating CDFI should have previously made or shall contemporaneously make its own advance equal to that portion of the Applicable CDFI Portion of the CDFI Project Loan then required to be funded.

e. Participation Certificates:

Contemporaneously with the submittal of a Closing Notice with respect to a CDFI Project Loan, the Originating CDFI shall issue to the Program Administrative Agent a Participation Certificate (in the form attached to the Origination and Participation Agreement) confirming the amount of the CDFI Project Loan and MATCH LLC's Subordinated Participation Interest therein.

f. Legal Documentation

The Originating CDFI shall send to the Program Administrative Agent a complete set of the executed CDFI Project Loan Documents no later than two (2) business days following of closing of such CDFI Project Loan. The recorded copies of recordable documents should be forwarded by the Originating Lender to the Program Administrative Agent immediately upon receipt. The Program Administrative Agent will forward copies of all documents to each Program Funder within ten (10) business days of receipt of such documents.

g. Additional Definitions:

Borrower Submission Package:

Loan Application, financial statements, property information, CDFI Project Borrower's Occupancy and Management Plan, third party due diligence reports (i.e. appraisal, Phase I Environmental, property condition report, seismic Probable Maximum Loss analysis where required for the applicable loan product), narrative project description and underwriting analysis (including analysis of any exception to the Standard Underwriting Criteria), and other items typically received from a CDFI Project Loan Borrower by the Originating CDFI in connection with a proposed CDFI Project Loan and as may be typically required by the Originating CDFI in their standard underwriting procedures.

Closing Items:

All of the executed CDFI Project Loan Documents, lender's title policy (for secured loans), and other items to be received by the Originating CDFI, as determined by the Originating CDFI, as a condition to the funding and closing of a CDFI Project Loan.

VI. Reporting.

MATCH LLC shall provide to the Program Funders the statements and reports specified in Section 6.2 of the Program Funder Agreements.

As more particularly set forth in the Origination and Participation Agreements, each Originating CDFI shall provide to MATCH LLC any information regarding the Originating CDFI, their CDFI Project Loan Borrowers, and the Program Projects (and each Originating CDFI shall, in turn, obtain pertinent information from its CDFI Project Loan Borrowers) as necessary for MATCH LLC to meet its reporting requirements to the Program Funders. The foregoing shall include the Originating CDFIs obtaining from their respective CDFI Project Loan Borrowers an annual self-certification of compliance with the Program Charitable Purpose Requirement and the corresponding income and rent restriction requirements.