

Preservation Acquisition Loan Program

To enhance the availability and preservation of affordable rental housing, we extend first or second mortgage loans to both for-profit and non-profit developers for the acquisition of aging structures. These projects are generally for the purchase and stabilization of older apartment complexes in danger of conversion to market rate housing.

Requirement for Community Needs Tracking

- Majority of the units must be reserved for affordable apartment rental to individuals or families earning 80% or less of area median income.
- Periodic reporting is required.

Project/Borrower Characteristics

- Project developer should have experience in real estate development and a history of successful project initiation and completion.
- Free technical assistance is available from VCC to first-time developers.

Other Conditions

- Borrower must be a legally organized entity.
- Borrower should demonstrate the financial resources and capacity to carry any existing or projected short-term operating deficit. Borrower must be able to demonstrate and/or provide a minimum of two months debt service reserve.
- Projects in communities with little or no affordable rental housing are highly desired.
- Market demand must be adequately demonstrated.
- Developer must demonstrate the capacity to service the debt being extended, and any other sources of financing, from project and/or alternate cash flow sources.
- Underwriting based on primary and/or alternate cash flow sources, potential for equity appreciation, experience and history of the entity developing the project, and the potential for equity contributions from federal, state, local or grant sources. General community support, impact and the economic contribution of the project to the community will be considered in underwriting.
- To ensure that transactions have been properly vetted by prospects, VCC will charge a \$1,500 application fee to cover underwriting and coordination costs.

Loan Amounts

Minimum: \$100,000
Maximum: \$4,000,000

Rate Structure

Based on current market conditions and risk analysis

Maturity Terms

Loans may be extended for up to 36 months on an interest only basis during the LIHTC and grant application or approval waiting period

Collateral

1st or 2nd deed of trust

Origination Fees

1 to 2% depending on transaction size and complexity

Late Payment Fees

5% to a maximum of \$250 after the 10th day

Prepayment Penalty

None

Loan-to-Value Guidelines

Generally 10% equity required; up to 100% loan-to-value available based on risk analysis

Guarantees

Property owners, principals, partners or majority stockholders generally required; parent organization required, if applicable

Environmental Assessments

Phase 1 study required; Phase 2 study may be required based on Phase 1 findings; remediation required.

Acceptable Equity

Existing equity or enhanced equity appreciation based on preliminary appraisal

