Churchill Public Tax-Exempt Loan

Construction to Permanent Financing for 4% LIHTC Affordable Housing Properties

Churchill Stateside Group
Providing Experience & Integrity Since 2005

The Churchill Public Tax-Exempt Loan (Public-TEL) is a new product from Churchill Stateside Group for 4% Low Income Housing Tax Credit Housing ("LIHTC") properties with three major advantages for Developers. The Structure adds short-term tax-exempt cash-backed bonds ("CB Bonds") to the front-end of a tax-exempt permanent loan ("PTEL") to generate additional cash proceeds through (i) an increase in tax credit basis and proceeds and (ii) possibly retaining positive arbitrage to cover project costs. It can also (iii) generally add several percentage points to a project's 50% Test calculation.

1. **Additional Syndication Proceeds.** Adding CB Bonds equal to 50% of the project's tax credit basis enables the borrower to meet the 50% Test during construction. The tax-exempt draw-down construction loan is converted to a **taxable** draw-down construction loan. The interest on the **fully funded** CB Bonds is **an additional stream of construction period interest** which can be added to basis, increasing tax credit syndication proceeds if steps are taken by the borrower.

2. **Possibly Retaining Positive Arbitrage.** Currently, the U.S. Treasury Securities securing CB Bonds currently yield 60-80 basis points more than the CB Bond coupon*. There are a number of bond counsel firms that agree that the "blended yield" takes into account the higher tax-exempt permanent loan rate as well as the lower CB Bond rate which currently will exceed the earnings rate on the U.S. Treasury escrow, enabling the borrower to apply this "positive arbitrage" to offset project costs instead of rebating it back to the U.S. government.

   On many financings, the Churchill Public Tax-Exempt Loan Structure can produce additional cash proceeds for the borrower equal to 2.5% of the project's total development cost or more. On a $40 million project this would approximately be an additional $1,000,000 of cash proceeds, or the equivalent of a 40-basis point reduction of the permanent loan rate on a typical debt service constrained loan.

3. On the 50% Test, under current market conditions*, adding the CB Bonds to our permanent loan PTEL private placement structure usually raises the 50% Test calculation by several percentage points.

OVERALL FINANCING TERMS

Eligible Properties
First mortgage loans for the new construction or substantial rehabilitation of affordable housing communities with tax-exempt bonds.

Qualified Borrower
Single asset, single purpose entity.

Debt Coverage Ratio
1.15x Minimum. Debt Service Coverage Ratio (DSCR) calculations include all subordinate debt with required debt service payments.

Loan To Value (LTV)
90% Maximum LTV. LTV calculation includes all subordinate debt with required debt service payments.

Loan Guarantees
Full-Recourse loan during the Construction Phase. Non-Recourse loan during the Permanent Phase.

Interest Rate
Floating Rate during Construction Phase, converting to Fixed Rate financing during Permanent Phase. Permanent Phase rate locked before Construction Phase loan closing.

Construction Period Term
Up to 30 months; extensions available upon request.

Permanent Period Term
18-year standard term commencing after Construction Phase, longer terms available on a case-by-case basis.

Amortization
Up to 40 years.

Affordability Requirements
All properties must meet minimum LIHTC affordability requirements.

Secondary Financing
Secondary financing is permitted and must be subordinate.

Replacement Reserve
Minimum of $250 Per Unit Per Annum (PUPA) for new construction and $300 PUPA of substantial rehabilitation, held by CSG.

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 *Market conditions as of May 24, 2024.