



Last update: 11/14/2023

Working Capital Line of Credit Program for Emerging Developers

This Working Capital Line of Credit (WCLOC) Program provides emerging housing developers with working capital lines of credit of up to \$250,000 to help them expand their affordable rental housing development efforts. The lines are available on an unsecured, recourse basis to qualified developers with a one-year draw period (with draw period extension of up to one year upon request) and up to a four-year term for repayment.

Technical Assistance may be available in select geographies through MHP's Community Assistance Team, on a case-by-case basis.

This program has been made possible in part by a grant from The Boston Foundation.

Summary of Terms

- Eligible Borrowers:** For profit developers with a minimum of 3 years' experience in commercial real estate, including development, construction management, project management, property management, or commercial lending; who have developed or have under construction at least one multifamily rental housing project (5+ housing units); with at least one multifamily affordable rental housing project in their pipeline in Massachusetts. Eligible borrowers may have developed no more than 3 affordable multifamily rental projects. MHP may consider a borrower's intent to enter into a joint venture partnership with an experienced affordable housing developer in determining eligibility. Borrowers must provide a personal guarantee, demonstrate satisfactory financial management capabilities, and one or more identified repayment sources.
- Use of Funds:** Proceeds must be substantially used to promote the development of affordable rental housing.
- Affordability:** At least 20% of the units in the subject affordable rental housing must be affordable to households earning less than 80% of the area median income ("AMI") through a recorded restriction. Alternatively, for developments approved pursuant to an Inclusionary Zoning District or other municipal zoning requirement, at least 10% of the units must be affordable to households earning less than 80% AMI.
- Available Credit Line:** Up to \$250,000 per organization; minimum line of \$50,000. Line is non-revolving.
- Security:** Promissory Note and Loan and Security Agreement from the Borrower.

Recourse: Full recourse to the borrower and guarantor(s).

Interest Rate: Below-market, fixed rate pricing. As of 11/14/23, the indicative rate for a 4-year term is 4.30%, interest only, payable monthly.

Draw Period: The credit line may be drawn in one or more portions during the 12-month period commencing on the closing date. The borrower may request one 12-month extension of the Draw Period a minimum of 45 days prior to the end of the Draw Period. However, the line must be paid in full by the Maturity Date.

Maturity Date: Up to four years from the closing date.

Draw Requirements: Minimum draw size of \$25,000; 3 free draws per year, \$250 fee for each additional draw; draw requests must be seven (7) business days prior to the draw date.

Fees: Application fee of \$250; commitment fee equal to the greater of \$750 and 0.5% of the total credit line; closing legal fee of \$500.

Reporting Requirements: The borrower shall submit annual financial statements or tax returns within 120 days after the end of the borrower's fiscal year; quarterly operating statements certified by the chief financial officer or other person with knowledge and authority within 30 days of the end of each fiscal quarter; a quarterly certification that the borrower is in compliance with all loan covenants; and such other reports as MHP deems necessary, including information on the affordable housing being developed with support of the credit line.

Underwriting Criteria and Financial Covenants:

- Current ratio (current assets/current liabilities) of at least 1.0x;
- Total debt to total net worth (TD/TNW) ratio of no more than 4.0x (including funds advanced under the WCLOC and excluding soft debt); and
- Minimum liquidity level as determined by MHP and not less than one average month of the organization's operating expenses, with liquidity calculated as the total of unrestricted cash and available credit lines(s).
- Minimum FICO score of 680 for an individual guarantor. If more than one individual guarantor, each guarantor must have a minimum FICO score of 620 and minimum average FICO score of 680 for all guarantors.

Draw Certificate: Each draw request will be accompanied by a certification that (i) there has been no material adverse change in the borrower's financial condition since the borrower's application for the line of credit, (ii) that the purpose of the draw is consistent with the application, (iii) that the expected source of repayment is as stated in the application, and (iv) all obligations of the borrower and its affiliates to MHP are current. MHP may decline draw requests based on its judgment with regard to the above.

More information Contact:

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