

FAQ: City of Boston's Boston Acquisition Fund (BAF)

Q: What financing products does MHIC offer under the BAF Program?

A: MHIC offers two financing products:

1. Senior Acquisition Loan.
 2. Subordinate Acquisition Loan.
- These can be used individually or in combination.
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Q: How are the products beneficial?

A: The products are paired with subsidy under the City's Acquisition Opportunity Program ("AOP") to provide a seamless one-stop financing process to acquire eligible properties. Both products are offered at competitive, below-market interest rates, and include other preferential terms.

Q: Who is eligible for these loans?

A: Both nonprofit and for-profit developers are eligible for the Senior and Subordinate Acquisition Loans. All borrowers must be vetted by the Mayor's Office of Housing in the City of Boston and must also have been awarded the AOP subsidy.

Q: What type of property is eligible?

A: Occupied multifamily properties located in the City of Boston without existing income restrictions.

Q: What are the affordability requirements for both loan products?

A: The minimum level of affordability is at least half of the units affordable to tenants earning no more than 60% of the area median income (AMI) and the balance must be affordable to tenants earning up to 80% AMI.

Q: How long must the property remain affordable?

A: The property will be income restricted in perpetuity.

Q: Are there requirements to minimize tenant displacement?

A: Yes, both products require strategies to minimize displacement of current residents, including rent increase restrictions on existing tenants.

Q: What is the origination fee for these loans?

A: The origination fee for both products ranges from **0.5% to 1%** of the loan amount.

Q: What is the loan range for the Senior Acquisition Loan?

A: \$1,000,000 to \$20,000,000.

Q: What is the loan range for the Subordinate Acquisition Loan?

A: \$500,000 to \$5,000,000.

Q: What is the interest rate for these loans?

A:

- **Senior Loan:** FHLB borrowing rate plus a spread of 150 basis points.
 - **Subordinate Loan:** Fixed at 5%.
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Q: What type of collateral is required for each product?

A:

- **Senior Loan:** First mortgage on the acquired property.
 - **Subordinate Loan:** Second mortgage on the acquired property.
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Q: What is the Loan-to-Value (LTV) requirement for these loans?

A:

- **Senior Loan:** Maximum 80% of the appraised value.
- **Subordinate Loan:** Combined hard debt sources must not exceed 115% of the appraised value.

Q: What is the term length for these loans?

A:

- **Senior Loan:** Up to 20 years (with 30-year amortization).
- **Subordinate Loan:** 3 to 10 years, depending on anticipated capital events.

Q: Can these loans be prepaid?

A:

- **Senior Loan:** Prepayment is allowed with a fee or yield maintenance may apply.
- **Subordinate Loan:** Prepayment is allowed without penalty.

Q: Can loan proceeds be used for repairs and to fund replacement, operating or debt service reserves?

A: Yes, for both loans:

- Include essential repairs in the development budget.
- Ensure adequate net operating income for regular replacement reserve contributions.