

As of October 12, 2022

Prince George's County
Department of Housing and Community Development

Right of First Refusal (ROFR) Preservation Fund

SUMMARY OF TERMS

Overview:

The ROFR Preservation Fund provides flexible financing for the acquisition, rehabilitation and stabilization of rental apartment complexes (the "Property") subject to the Prince George's County Right of First Refusal Program (the "ROFR Program") authorized under Section 13-1110 et seq. of the Prince George's County Code ("ROFR Code").

Funding Type/Source:

Financing will be made available as a Subordinate Loan (the "ROFR Loan") from the Prince George's County Department of Housing and Community Development (the "Department"). ROFR Loans will be underwritten in accordance with the terms outlined herein, and originated and serviced by the Department. The source of capital for the ROFR Preservation Fund is capital provided to Prince George's County by the U.S. Department of Treasury under the Coronavirus State and Local Fiscal Recovery Funds component of the American Rescue Plan Act of 2021 ("ARPA"), as well as other funds that the County secures.

Purpose/Use of Funds:	The proceeds of the ROFR Loan must be used for the acquisition, rehabilitation and other typical transaction costs of a Property acquired under the terms of the ROFR Program. Any alternative uses must be approved by the Department.
Eligibility:	For a Property to be eligible for a ROFR Loan, the Department must have exercised or provided an exception to the County's Right of First Refusal to purchase the Property in accordance with the ROFR Code.
Property Location:	Property must be located within the boundaries of a Qualified Census Tract ("QCT") in Prince George's County, Maryland. QCTs are defined by the U.S. Department of Housing and Urban Development per 26 U.S.C. 42(d)(5)(B)(ii)(I). QCTs can be mapped at the following link: https://www.huduser.gov/portal/sadda/sadda_qct.html
Borrower:	Borrower must be approved by the Department as an eligible participant in the ROFR Program.
ROFR Loan Amount:	Up to \$3,000,000. Exceptions to this limit may be approved at the discretion of the Department.
Subordination:	The ROFR Loan will be subordinated to Senior Loan(s) approved by the Department, and subject to terms of an agreed-upon Subordination Agreement with Senior Lender(s). Multiple Senior Loans are acceptable.
ROFR Loan Term:	Generally coterminous with the term of the Senior Loan(s), with a term of up to 40 years.
ROFR Loan Amortization:	Up to 40 years
ROFR Loan Interest Rate:	Zero percent (0%)

Collateral:	The ROFR Loan will be secured by a subordinate lien Deed of Trust recorded in the land records of Prince George's County. Alternative collateral arrangements may be approved by the Department.
Loan Payments:	No repayments of principal or interest on the ROFR Loan shall be due prior to December 31, 2026. After December 31, 2026, repayment of the Loan will be deferred until maturity, unless an alternative structure is agreed upon.
ROFR Loan Repayment:	The Department must approve the Borrower's repayment strategy(ies) for the ROFR Loan as part of the underwriting process.
ROFR Loan Prepayment:	After the twentieth (20th) year of the Loan Term, the Loan may be prepaid in whole or in part provided the Borrower is in compliance with the affordability and rental requirements, and is not in default under the Loan. Any prepayment will be subject to a pre-payment penalty of 10% of the then outstanding balance of the Loan. Partial prepayment does not terminate or change any of the affordability requirements applicable to the Project.
ROFR Loan Documents:	Loan Agreement, Deed of Trust, Promissory Note, Affordability Agreement, Subordination Agreement, Intercreditor Agreement
ROFR Loan Fees:	There are no origination, legal or other fees associated with loans under the ROFR Opportunity Fund.
Loan to Value (LTV) Ratio:	LTV of up to 110%. The Department may approve an LTV up to 120% for high public purpose Properties.
Property Due Diligence:	All costs of due diligence will be the sole responsibility of the Borrower. The Department will rely upon due diligence reports of the Senior Lender(s). The Department will require Reliance Letters for

Environmental Report(s), Capital Needs Assessment and Property Appraisal.

Affordability Requirements: An Affordability Agreement restricting the Property's rent and tenant income for an agreed-upon percentage of the units at the Property must be recorded in the Land Records of Prince George's County. The Agreement will be for a period of at least 30 years and will survive repayment of the Loan, unless otherwise released or amended by the Department.

Resident Empowerment & Community Support Plan: The Department must receive and approve the Borrower's Resident Empowerment and Community Support Plan. The Plan must include, at a minimum, the following elements:

1. Resident empowerment initiatives that promote economic mobility;
2. 40% County-Certified County-Based Small Business participation requirement for vendors hired to conduct maintenance and capital improvements during Property operations;
3. 30% County-Certified Minority Business Enterprise participation requirement for vendors hired to conduct maintenance and capital improvements during Property operations; and
4. Establishing local hiring goals for on-site staff (leasing, maintenance, etc.) upon staff turnover that are consistent with hiring requirements required under Section 3 of the Housing and Urban Development Act of 1968.

Reporting and Compliance: Borrower must submit annual documentation to the Department to demonstrate compliance with Affordability Requirements and Resident Empowerment and Community Support Plan.

In addition, the Department will require annual Financing Reporting from the Borrower.

ARPA Compliance: The Borrower shall comply with any applicable requirements of ARPA. The Borrower acknowledges that the County must file reports to the U.S. Treasury Department as required under ARPA. As a result, the Borrower further acknowledges and agrees (i) to conform and complete in a timely manner whatever forms and reports that may be required by the County to evidence compliance with ARPA; and (ii) that Borrower's failure to provide such forms and reports shall

cause the County to be out of compliance with ARPA and will constitute a default under the Loan.

Property Management: The Property Manager must be approved by the Department.

Municipal Approval: Properties located within the boundaries of a municipality must comply with the municipal approval requirements of the ROFR Code.

Governing Laws: The ROFR Loan shall be governed by the laws of the State of Maryland

NOTE:

The Terms outlined above are for illustrative purposes only and do not constitute a reservation or commitment by the Department to provide financing to the Property.