

# FHA/HUD Section 232 Term Sheet



## New Construction or Substantial Rehabilitation Program for Healthcare Properties

This program provides non-recourse, assumable construction and permanent financing to build new or substantially rehabilitate assisted living, memory care and intermediate or skilled nursing facilities

### Eligible Facilities

Licensed Nursing Homes, Assisted Living, Intermediate Care, and Board and Care.

- *Must provide continuous protective oversight.*
- *Must offer three meals per day.*
- *Facility must be licensed by state.*
- *Non-resident Day care not to exceed **20%** of gross area and **20%** of gross income.*
- *May include up to **25%** non-licensed independent living units.*

### Commercial Space Limitation

Limited to **10%** of gross floor area and **15%** of gross income.

### Minimum Scope of Work

All new construction plus renovation of existing buildings that meet one of the following conditions:

- a) Renovation costs more than **15%** of post-rehabilitated value.
- b) Renovation will replace more than **50%** of two or more major building systems (e.g., electrical, plumbing, mechanical, building envelope, structural).

### Davis Bacon Wages

Payment of prevailing wages, as determined by the Department of Labor, is required for all contractors and subcontractors.

### Borrower

Single asset, special purpose entity, either for profit or nonprofit.



## Recourse

Non-recourse.

## Interest Rate

Single fixed rate for both the construction and interest only period and the permanent loan term, determined by market conditions at time of rate lock. Rate lock deposit is **0.5%** and refunded at closing.

## Loan Parameters

Maximum loan amount will be the least of the applicable limits. For new construction, the lesser of:

- a) 90%** of the HUD eligible Replacement Cost of the facility (hard costs, soft costs and land value);
- b) 80%** of the market value for skilled nursing facilities (up to **85%** of market value for qualified Non-Profit borrowers) and **75%** of market value for assisted living and memory care facilities (up to 80% of market value for qualified non-profit borrowers);
- c) Minimum debt service coverage of 1.45x** Cost of offsite improvements, working capital and operating deficit reserve are ineligible.

## Term and Amortization

Interest-only term during construction period and cost certification followed by **40 years** fully amortizing.

## Prepayment and Assumption

Negotiable with best pricing for **10 years** of call protection (can be a combination of lockout and/or penalty); loan is fully assumable subject to HUD approval.

## Escrows

Prior to construction, reserves for interest, taxes, insurance, working capital (**4%** of the loan), and initial operating deficit; balances will be released to the borrower after **6** consecutive months of break-even operations.

Post construction, taxes, insurance, and mortgage insurance premium will be escrowed monthly, and a capital needs reserve maintained with monthly deposits in accordance with HUD guidelines on a property-specific basis.

## Mortgage Insurance Premium

**0.77%** due to HUD at closing and annually thereafter (**0.45%** for qualifying LIHTC projects), escrowed monthly.

## HUD Application Fee

**0.30%** of estimated loan amount due with submission of application, half of which is refundable if loan is declined by HUD.

## Third Party Reports

Appraisal, Environmental and Capital Needs Assessment.



**LSG Lending Advisors** is a private company and not a government agency. We are a capital markets advisory firm with expertise and relationships with lenders that are licensed to provide HUD-insured and agency financing for apartment buildings and multifamily developments. These terms and requirements are subject to change.

**Contact us today for a free phone consultation: 216.645.9816**