Request for Proposal – Hillside Manor

Low Income Housing Tax Credit Investor Construction Lender
Permanent Lender

Addendum #1
June 14, 2019

The purpose of this Addendum #1 is to provide clarifying information and respond to questions provided from prospective financial partners.

Please rely on these changes as the basis for your baseline proposal. Alternative structures are welcome in the format provided to allow for an easy comparison.

Clarifications:

1) Delete the description of the building on page 9 and replace with:
"Hillside Manor is a single, 9-story, concrete tower consisting of 100 units, originally constructed in 1970. The ground floor consists of a community room with kitchen, laundry room, building maintenance room and building utilities/services. The main entrance is located on the second floor, at grade with the parking area and is adjacent to property management offices. The building is served by two elevators. A community patio, raised garden beds and walking paths are accessible from the community room located on the ground floor, at a lower level then the front entrance.

   The substantial renovation of the property will address major building systems, seismic safety, and unit updates. Seismic upgrades will include micro-pile and new concrete footings foundation to stabilize the existing soft story condition. Building system upgrades will include replacing the domestic water, improving the waste plumbing, installing a new HVAC supply and exhaust system, upgrading the fire alarm system, modernizing the elevator, replacing the door access control, upgrading specific electrical items and replacing the roofing. Interior upgrades will include reconfiguring the community areas and property management offices, painting and flooring in community spaces, unit and bath lighting, kitchen cabinet, counter and fixture replacement, selective abatement and doors."

2) Updated financial model is attached. Changes made include:
   a) Operating expense budget clarified between Summary and Opex Inputs worksheet.
   b) Replacement reserves clarified to be $400 PUPA
   c) Assumptions for closing, construction start, construction duration, and credit delivery updated.
   d) General Partner and Asset Management fee reflected "below the line" by inclusion of NOI for Debt Service included in row 58 of the OpCF1 worksheet.
   e) Ground lease cost increase to $14,000 per year ($840,000 land value / 60 years).

f) Increase in NOI used to support additional debt. New permanent loan amount is $4,875,000. Increase in capital used to increase construction budget.
g) HACC General Partner Loan increased by $147,421. Sourced with available Replacement Housing Factor money available to HACC.

Additional Information

3) RAD Capital Needs Assessment completed by D3G on April 13, 2018.
4) HACC FY 2016 audited financial statements
5) HACC FY 2017 audited financial statements
6) HACC FY 2018 audited financial statements

Questions and Answers:

7) What is the breakdown of land and building cost?
    a) A Broker Opinion of Value provided to HACC set the building value at $10,860,000 and the land value at $840,000. This model assumes the land is sold to the partnership and the land is leased at first year annual payment of $14,000 increased at 3% for the term of the lease. HACC anticipates an update to the sales value once an appraisal is received from the lender and/or investor selected.
8) What is the plan for relocation?
    a) The current relocation plan assumes the building will be renovated in approximately 7 phases of 14 stacked units each. Each phase is approximately 7 weeks in duration. Units are being held vacant as they become available to allow for onsite relocation of residents. The proforma relocation budget assumed all residents would have to move off-site to an extended stay hotel.
9) Does the building currently have a designated population served?
    a) Hillside Manor does not have a formal HUD designation for either Elderly or Disabled. The property is available for the general population.
10) What is the first year credit delivery and relationship to schedule?
    a) For the purposes of this modeling, please assume the following:

Closing	May 2020
Construction Start:	May 2020
Construction completion	June 2021 (14 months)
100% Leased	July 2021
Stabilized Occupancy	December 2021
First year credit	2021

11) What is the resident services program on site?
    Recognizing that the right level of services will inevitably vary from one household to the next, and that families' needs will evolve during their time at Hillside Manor, HACC is planning to provide Resident Services and Service Coordination that can be tailored to meet the diverse needs outlined above. Anticipated services at Hillside Manor will fall under five broad categories: **Early Intervention to Support Needs of Vulnerable**

Residents, Eviction Prevention, Economic Empowerment, Health, Wellness & Community Building and **Information & Referral**.

12) What have been the historical repairs to Hillside Manor?
    a) The building has been maintained by HACC staff. The majority of maintenance effort was to building and unit interiors at unit turns, not to full replacement of building systems. Several building systems have been recently updated, including window replacement and installation of new PTACs in residential units (2004), and Roof (2011). The scope of the proposed renovation will focus on updating major building systems, seismic safety, as well as necessary unit upgrades.
13) Is there flexibility to the interest rates of soft loans?
    a) Yes. HACC has not established a minimum or maximum rate for soft loans. Loan required to be at AFR are currently reflected at 2.76%.
14) Will HACC be making the 186(h) election?
    a) No. As a governmental entity HACC cannot make a 168(h) election
15) Please provide more detail about the construction loan assumption?
    a) For the purpose of modeling, HACC is assuming a draw down bond. Interest calculations are reflective of the schedule above in 12a.
16) Please provide more details about the permanent loan assumptions.
    a) HACC was awarded $2,072,096 of Oregon Affordable Housing Tax credits (OAHTCs) for a loan of $3,600,000. When blended with unsubsidized portion of the permanent loan, the effective rate is 3.15%. The loan has a 17 year amortization and 17 year term. The term of the OAHTCs is 20 years. Using this base information, please propose a debt structure.
17) Please provide additional details about the HACC source of funding.
a) HACC Loan will be sourced with cash. Of the total $2,768,226 loan, $1,433,226 will be available during the construction period. This loan will be cashflow contingent.
18) What are your assumption for equity payments and for the payout timing of developer fee?
    a) As a baseline assumption, HACC has assumed 10% LIHTC equity at closing and 90% at Stabilized Occupancy. HACC assumes 15% of the non-deferred developer fee (roughly $220,000) paid at closing.
    b) <u>Please provide alternative equity pay-in structures in addition to this base line if you believe this structure would result in a higher credit price or better terms.</u>
19) Will HACC agree to bringing in an unrelated partner (<20%) in order to underwrite the debt as nonrecourse?
    a) Rather than disaffiliate with an unrelated partner, HACC, as a governmental entity, will limit its interests in partnership distributions and cash flow to less than 10% in order to treat the debt a qualified nonrecourse financing under Treasury Regulation 1.465-27.
20) What is the term of the HAP contracts?
    a) Both the RAD and Local PBV contracts will have terms of 20 years with options for automatic extensions.

21) Has HACC worked with Walsh on prior projects.

    a) Yes. Walsh Construction was the general contractor for HACC's Easton Ridge renovation completed in 2015. This was also an occupied rehabilitation project that was financing, in part, with 4% LIHTCs.

22) Who is issuing the bonds?

    a) Oregon Housing and Community Services will be the issuer.