Loan Committee Template
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Executive Summary Section I

The Executive Summary narrative should provide (a) a brief (1-2 sentence) description of processing history – e.g. was a Pre-application invitation issued, any extensions and (b) a concise justification (4-5 sentences maximum) for the stated underwriting recommendation. Sections (a) and (b) together should generally not exceed 1 ½ pages (that is, it should not carry over below the next page). Sections (a) and (b) are followed by (c), a strengths section (that should usually include only 2-4 of the most salient strengths in bullet point format, and take up not more than ½ of a page, and (d) a weaknesses, risks and mitigants section (that should usually include only 2-4 of the most salient weaknesses and risks in bullet point format and take up not more than ½ of a page.

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a. *Project/loan history*

Loan Application History

Sponsor and lender held an informal "Concept meeting" via conference call with the Detroit HUD office in October, 2017. Purpose of the call was to give a brief overview of the proposed transaction and request the project be considered under Section 223(f) LIHTC program. Detroit HUD office agreed and a Firm Commitment application was submitted on January 3, 2018. An environmental assessment site visit was performed by local HUD appraiser on January 24.

Project Description

Fairfield Village consists of two, five story midrise, elevator buildings containing 105 units. It is connected via a landscaped atrium and associated common/service area including the management office and other community space. Tenancy is restricted to low income elderly (62 years+) earning 50% or less than the area median income. The building is configured into 85 one bedroom and 20 two bedroom units. A Section 8 Housing Assistance Payment (HAP) contract covers 100% of the units.

The property was originally constructed in 1972 and recapitalized with 4% low income housing tax credits in 1997. The original tax credit investor exited the partnership in 2014. Owner would like to take advantage of current low interest rates and availability of 4% tax credits to recapitalize the project so that it will continue to be an asset for low income seniors and the surrounding community. As such, there is an identity of interest between the current and proposed owner. An owner affiliated management company has and will continue to manage the property.

Owner proposes to enter into a new, 20 year Mark up to Market HAP contract in connection with the new financing. The Ohio Housing Finance Agency (OHFA) will require a new Restrictive Covenant to be recorded at closing. The FHA lender and subordinate lenders will provide a lien holder consent, approved by HUD.

Borrower

Fairfield Village will be acquired and rehabbed with proceeds from 4% Low Income Housing Tax Credits and a new Section 223(f) loan. Ohio Housing Finance Agency (OHFA) has approved the allocation of tax exempt bonds which generate the 4% tax credits. Cuyahoga County will issue tax exempt bonds. Additional subordinated debt from the City and County, seller note, existing escrows and a deferred developer fee will complete the capital stack.

There is an identity of interest relationship between the buyer and seller. The property is currently owned by **Fairfield Village Apartments**, a single asset Ohio limited partnership. The Managing General Partner is **Fairfield Village Associates, Ltd.**, an Ohio limited liability company comprised of three individuals, James Warren; Richard Denton; and Lawrence O'Brien. In 2012, when the original tax credit investor left the partnership, these same individuals formed a replacement limited partner entity, Fairfield Village Ltd. Therefore, the entire project is owned by these three individuals. Messers. Warren, Denton, and O'Brien are principals in **Delta Properties Corporation**, an Ohio corporation and the Project Sponsor. Fairfield Village Apartments will transfer title to **New Fairfield Village Apartments, Ltd**, an Ohio limited liability company. The Managing Member will be **NFV Apartments, Ltd.**, an Ohio limited liability company comprised of the same three individuals, Messers Warren, Denton, and O'Brien. The new tax credit investor will be **FS Tax Credit Fund I, LLC**, an Ohio limited liability company comprised of Ohio Equity, Inc. and Fairfield Savings Bank. Fairfield Savings Bank is a local financial institution whose parent corporation is Regional Savings Corporation, a New York based financial institution which operates through a variety of regional banks. Ohio Equity, Inc. is a wholly owned subsidiary of Ohio Capital Corporation for Housing, a well established tax credit syndicator based in Columbus, Ohio. This will be Fairfield Savings first tax credit investment. Fairfield Savings elected to partner with OCCH through this proprietary fund since they do not have in-house asset management resources.

Management Agent

The management agent will continue to be Delta Management, Inc., the management arm of the Project Sponsor who has been managing the property since the project was originally acquired in 1997. Over the past 30 years, Delta Properties and its management division have acquired, developed, and operated 22 projects totalling over 1,750 units and nearly 1m sq.ft. of retail space. Most properties are located in northeastern Ohio. Recently, Delta has began acquiring and operating properties in Alabama and Georgia. Of the 16 apartment projects currently managed by Delta, 10 are HUD subsidized and total 908 units.

Maximum Insurable Mortgage and Loan Terms

The Detroit Multifamily Hub recommends approval of a loan of $5,670,000 +/- at an interest rate of 4.25% for 35 years. The loan will finance the acquisition and rehabilitation of an existing HUD assisted low income housing project and fund an initial deposit to the project's replacement reserve. The loan was processed utilizing a 4.25% rate; however, we anticipate that the interest rate will be lower than this processing rate when the rate is locked.

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b. Underwriter's recommendation and concise justification

The Detroit Multifamily Hub recommends approval of this application and issuance of this Section 223(f) firm commitment based on 90% loan to value Criterion . The buildings were constructed in 1972 and have been well maintained. Fairfield is a close in, "middle-ring" suburb in the Cleveland area. The project is located adjacent to a shopping plaza owned and managed by Delta Properties and is in close proximity to the local community college campus. The conventional rental market is strong and the demand for federally assisted housing is high as there are no other assisted projects in Fairfield. The Project Sponsor has FHA, Section 8 and Low-Income Housing Tax Credit experience. The management company also has significant multifamily experience and abundantly familiar with this asset and market.

c. Most important strengths

- Project Sponsor has demonstrated experience owning and operating assets of this size and demographic.
- Capable and credit worthy Owner and agent.
- Ownership has FHA, Section 8 and Low-Income Housing Tax Credit experience.
- Fairfield Village is located adjacent to Fairfield Village Commons, a neighborhood shopping facility and is within walking distance to the local community college campus. The property is well served by both bus and rapid (rail) transit routes and one can easily access I-71, I-271, and I-480 to all points in the Greater Cleveland area.
- Fairfield Village provides affordable housing to elderly and disabled tenants with convenient access to everyday commercial retail, services and public transportation.
- Well maintained property with very good historical occupancy.
- Long term Section 8 Housing Assistance Payments contract for all 105 units.
- Experienced Management Company.
- Demand for affordable housing.

d. Most important weakness & risks and their mitigating factors

- Project is 100% Section 8 subsidized and relies heavily upon continuation of that subsidy. This subsidy is subject to annual appropriations. Any non-funding of the Section 8 program or decrease in subsidy could impact the project's viability. HUD considers this likelihood to be low. There will be a new twenty (20) year HAP commitment to the project. The stress test demonstrates that the transaction could tolerate reductions in rents and still maintain breakeven.

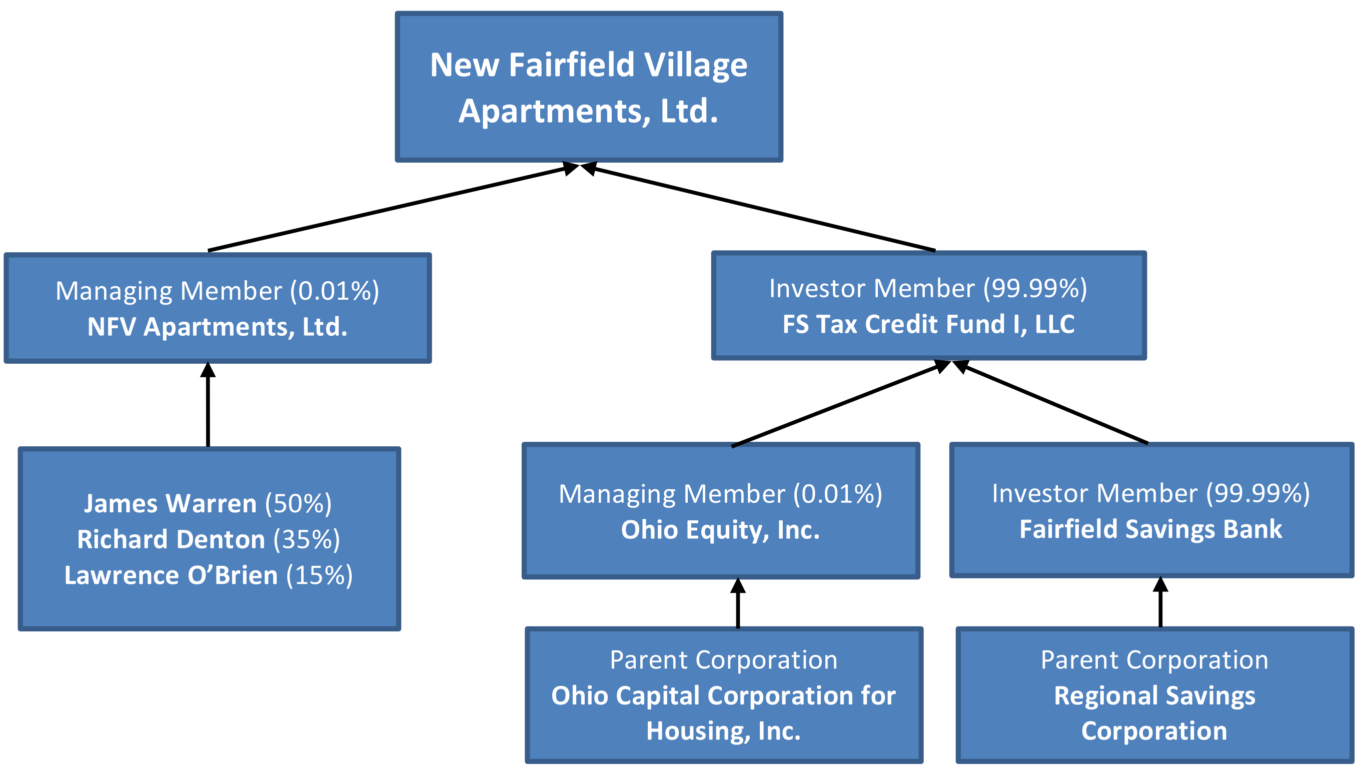
End of Section I - Executive Summary

Borrower Team – Narrative

Section II

In this section of the narrative, address the participants, their experience, and especially their experience with HUD. Discuss the status all prior FHA transactions involving the borrower, or note if the borrower has no such experience. Note their experience in this market location or the type of project or both. Mention any third party relationships and identities of interest. The Borrower's financial profile will be addressed in the financial narrative section.

The mortgagor entity at the time of loan closing is illustrated below. NFV Apartments, Ltd. is the Managing Member and is comprised of three individuals who are principals of the Project Sponsor, Delta Properties Corporation. James Warren is the son of the original company founder, William Warren. Richard Denton is an original partner of William Warren and is very active in the local community. Mr. O'Brien is President of Delta Management Company. The ownership structure is typical of a LIHTC transaction whereby the Investor Member holds a 99.99% interest in the property so as to maximize the tax benefits of this program. FS Tax Credit Fund I, LLC does not have any previous tax credit experience but it has partnered with Ohio Capital Corporation for Housing who does. FS Tax Credit Fund I, LLC will provide an LLCI certification in lieu of submitting previous participation via APPS. Messers Warren, Denton, and O'Brien are all deemed key principals and will sign Paragraph 50 of the Regulatory Agreement.



Borrower Team:

There is an identity of interest relationship between the buyer and seller. The property will be transferred from the current owner, Fairfield Village Apartments to New Fairfield Village Apartments, Ltd.

NFV Apartments, Ltd. is the Managing Member of the Mortgagor and an entity controlled by Messers Warren, Denton, and O'Brien. These three key principals possess substantial experience in developing and managing multifamily and commercial real estate, including assisted and tax credit financed housing projects. The majority of their portfolio is located in the Greater Cleveland market. Delta Management Company is the management arm of their company and it currently manages the property. Delta Management will continue to manage the property during and after the rehabilitation.

FS Tax Credit Fund I, LLC is a newly formed limited liability company formed to invest in LIHTC projects. This entity is a limited liability company formed by Ohio Capital Corporation for Housing and Fairfield Savings Bank. This is the first LIHTC transaction Fairfield Savings Bank is undertaking. Fairfield Savings Bank is a new acquisition of its parent corporation, Regional Savings Corporation which acquired the assets of Fairfield's predecessor from the FDIC. Fairfield Savings/Regional Savings is undertaking this transaction to fulfill, in part, its Community Reinvestment Act requirements.

James Warren, 34, holds a 50% share in the Managing Member enity and is the son of the late William Warren who originally founded Delta Properties. Mr. Warren began his career in real estate as a development associate for the Riverton Neighborhood Association in Cleveland, a neighborhood based not for profit housing developer. He has seven years with Delta Properties and is Chairman of the firm. As such, he is responsible for all acquisition, development, and management functions of the company. Mr. Warren is holds a graduate degree in Urban Planning and is active in the Ohio Housing Council, a trade association for affordable housing developers and the local apartment association where he is an executive officer of the organization.

Richard Denton, 63, holds a 35% share in the Managing Member entity and is an original partner of the founder, William Warren. Mr. Denton began his career in real estate as a realtor, brokering developable land to area homebuilders and developers where he met Mr. Warren and the two eventually formed Delta Properties. Mr. Denton has a bachelors degree in mathematics and a law degree from Cleveland State. He is Vice President of Delta Management and is largely responsible for overseeing the management of the firm's commercial facilities.

Lawrence O'Brien, 47, holds a 15% share in the Managing Member entity and serves as President of Delta Management. Mr. O'Brien received a degree in accounting and is a Certified Public Accountant. Mr. Warren began his career in real estate as an auditor for an regional accounting firm that eventually was acquired by Ernst & Young. Mr. O'Brien is a Certified Property Manager and active in the local apartment association as well as several affordable housing management groups such as National Assisted Housing Management Association.

In sum, the Mortgagor, management agent and key principals have expertise and financial strength to maintain the property in good condition and continue to operate it effectively. The Project Sponsor is familiar to the local HUD office. While there was a change in senior management within Delta Properties with the passing of James Warren's father, the firm's real estate assets remain in good financial and operational condition. REO and Mortgage Debt schedules show all properties have long term, fixed rate, non-recourse debt. Two retail properties have upcoming maturities in the next five years but both are operating at 1.18 coverage and an estimated 73% loan to value.

In the subsection below, identify, by bullet point, specific strengths of the Borrower team.

- Long term owner entity with extensive knowledge of the property and market area.
- Reputable management agent with knowledge of property, programs and HUD requirements.

In the subsection below, identify, by bullet point, any weaknesses of borrower team.

None

End of Section II - Borrower Team Narrative

Market – Narrative Section III

For both existing projects, and New Construction or Sub Rehab projects: In this section describe the primary market area, demographic, economic and market trends.

Discuss the subject property in relation to the competing properties in the PMA and discuss the lender's presented conclusions concerning rents and expenses. Discuss the status of all FHA insured loans in the same sub-market as the proposed project.

For New Construction or Sub Rehab: Describe the material variances between the Market Analyst Report and the EMAS analysis of the market. Specifically address the differences in the conclusion of the Market Analysts and EMAS and the reasons for the Program Office's conclusions regarding the market. Also, discuss lease-up projections, including the Absorption Period and Rate, Penetration Rate, and Capture Rate.

Fairfield Village is located on Pearl Ave. in the "middle-ring" suburban community of Fairfield, Ohio. It is the only Section 8 assisted property in Fairfield and has a Housing Assistance Payments (HAP) contract covering all 105 units. The property is restricted in occupancy to elderly. Median income in the area is approximately $47,500 yet there is a strong demand for affordable housing in the area. Historical vacancy rates at the subject have averaged 2.50%. Occupancy levels at other conventional (non-assisted) properties currently range from 92% - 100%. Only one property is offering concessions but it is in the process of renovating units.

The subject property is located adjacent to the Fairfield Village Commons, a neighborhood shopping plaza anchored by a local grocer and national drug store. The property is also located within easy walking distance to the Cuyahoga County Community College, Fairfield campus with a daily student/faculty/administrative base of 3,700. Fairfield Village is well served by local public transportation. Bus Routes 57, 39N, and 29 travel along Pearl Ave. and connect to points along and within Downtown Cleveland and other suburban communities. The Regional Transit Authority (RTA) Rapid station is four blocks east of the subject and serves downtown as well. Access to I-71, I-271, and I-480 is nearby and provides efficient transit to other areas of Greater Cleveland.

Major employers in the area include local health care organizations (Cleveland Clinic, University Hospitals, Department of Verterans Affairs), Government (City, County, and State), Education (Case Western Reserve, Cleveland State, Cuyahoga County Community College), Finance/Business Services (PNC, Key, Fifth Third, Ernst & Young, Squire Patton Boggs, Progressive Insurance), and Manufacturing (Eaton, Parker Hannifin, Mittal Steel, Ford, GM) .

There is a limited supply of vacant land to develop new rental units. Property owners typically redevelop older properties to generate growth in rental income and reduce operating expenses. The recent financial crisis continues to make homeownership difficult, thereby increasing the pool of potential renters. Apartment vacancy in the Greater Cleveland area was 4.0% in 2015, 3.7% in 2016, and 3.5% in 2017. It is currently 4.2%. The Fairfield submarket tends to fare better than average with respect to rents and occupancy. Average rents in the area are $975 and occupancy is 97.2%. Nevertheless, Greater Cleveland/Cuyahoga County continues to experience out migration to exurban areas in Summit, Medina, Lorain, and Lake Counties.

The local HUD office reports most existing insured properties are performing well in the current environment. Given that Fairfield Village is an existing Section 8 property it will not adversely impact other FHA insured properties in the area.

The subject is the only project based, assisted property in Fairfield, this property should be able to remain an attractive and viable asset for the long term.

In the subsection below, identify, by bullet point, specific strengths relating to the project's expected performance in its Market.

- The subject project is located in a desireable "middle-ring" suburban community and is convenient to everyday shopping and service establishments.
- The subject has a Section 8 HAP contract in place for 100% of the units which will be for twenty years.
- High demand for affordable housing units in the area.
- Subject is well located.
- Convenient access to public transportion and highways.
- No known projects coming on-line that will compete with subject.
- Significant repairs included in the transaction will improve the marketability of the units and property for the long term.

In the subsection below, identify, by bullet point, any weaknesses relating to the project's expected performance in its Market.

- Section 8 is subject to annual congressional appropriations. A loss or reduction in funding of Section 8 subsidies would pose a risk to the development. This risk is mitigated by the fact that tenant protections of some sort would likely be provided. If subject property were to revert to market the average occupancy levels at market comparable is 97.2%. Furthermore, LIHTC investor is requiring a substantial operating ($335,000) reserve funded at completion of repairs.
- Currently, the property looks dated. Capital improvements to the site, community room upgrades, and change out of kitchens and bathrooms will position property to remain an attractive and viable affordable housing resource for years to come.

End of Section III - Market Narrative

Valuation – Narrative

Section IV

Insert Loan Committee Workbook Comparables Profile page here.

In this section, compare the HUD appraiser's and/or the underwriter's conclusions to the indicators contained in the valuation data. Discuss which indicators are relied on and, in appropriate, provide justification for going outside the range of those indicators by the HUD appraiser or underwriter. Discuss which comparables are given the most weight and why. Discuss the income, vacancy and expenses of the proposed project in relation to comparables in the market. If the project is a refinance, discuss cap rates.

The appraiser and the lender/underwriter agree with existing value conclusion of $6,300,000 ($60,000/unit) and a land value of $375,000. The mortgage is constrained by Criterion 3, Loan to Value based upon 90% of value. The appraiser utilized a 6.75% capitalization rate for the income capitalization approach and reconciled the final value in light of recent sales comparables.

The following demonstrates the most recent market rate apartment property sales in Greater Cleveland.

MARKET RATE APARTMENT PROPERTY SALES

Property/Location	Year	Units	Value Value/Unit	Date	Cap Rate
Hummingbird Apts. Parma, Ohio	1977	63	$ 2,741,700 $ 43,519	5/2014	7.3%
Olmsted Gardens Olmsted Falls, Ohio	1987	132	$ 9,383,000 $ 71,083	5/2017	7.0%
Remington Village Avon, Ohio	2005	231	$23,430,570 $ 101,431	4/2017	6.5%
Garden Lake Chagrin Falls, Ohio	1982	46	$ 2,475,000 $ 53,804	12/2016	5.5%
Ellington Towers Brooklyn, Ohio	1973	120	$ 5,700,000 $ 47,500	3/2012	7.25%
Woodland Village North Royalton, Ohio	1994	97	$ 5,121,600 $ 52,800	10/2015	7.00%
Edge Cliff Apartments Cleveland, Ohio	1968	141	$ 4,591,100 $ 32,561	6/2012	8.1%

Regarding the above, the data indicates prices per apartment unit range from $32,561 to $101,431 per dwelling unit and the capitalization rates range from approximately 5.5% to 8.1%.

Comparable Rental Properties

The following are the adjusted rents among market rate apartment complexes in the surrounding area that were considered to be most competitive with the subject units. Factors considered were location, age of complex, unit styles, sizes finishes and communal amenities.

	1 BR	2 BR
1. Riverside Apartments, Cleveland, Ohio (2003)	$1,115 - $1,450	$1,300 - $1,675
2. Artisan's Lofts, Cleveland, Ohio (2010)	$950 - $1,250	$1,170 - $1,400
3. Terrace Gardens, Parma, Ohio (1977)	$725 - $800	$800 - $910
4. Olmsted Pointe, North Olmsted, Ohio (1989)	$815 - $920	$875 - $990
5. Village Glen, North Royalton, Ohio (2003)	$750 - $800	$825 - $910
6. Towne Place, Strongsville, Ohio (1983)	$815 - $920	$900 - $1,000

Tenants pay heat, electricity, and hot water in all but comparable 3.

Rent Conclusions of appraiser

Based on the analysis and discussion, appraiser projected the following market rent for the subject apartment units:

Unit Type	Size (sq.ft.)	Bathrooms	Market Rent	# of Units	Monthly Income	Annual Income
1 Bed	600	1	$835	80	$66,800	$ 801,600
2 Bed	750	1.5	$900	25	$22,500	$ 270,000
				105		$1,071,600

Rent includes gas heat, hot water, and cooking gas. Tenants are responsible for their own electric. As detailed in the preceding table, the potential rental income from the 105 subject apartments is projected to be $1,071,600.

In accordance with MAP guidelines the appraiser and underwriter utilized a 3% residential vacancy rate in their analysis. Based on HUD's review of historical vacancy and market data provided in the appraisal HUD finds the 3% vacancy rate to be appropriate and acceptable. The only adjustment the underwriter made to the appraiser's expenses were to increase the ongoing R4R deposit from $250/unit to $350/unit.

***Rents**:*

The underwritten rents are set at the market rent comparable assuming completion of the proposed rehabilitation. Sponsors have submitted a Mark up to Market rent request and received approval for these rents. The existing HAP contract will be assigned to the new LIHTC owner and be renewed for a 20 year term.

1 BR/1 BA – 80 - $835
2 BR/1.5 BA – 25 - $900

Monthly Residential Income = $89,300
Yearly Residential Income = $1,071,600

Expenses:

Historical operating expenses from 2014 thru 2017 ranged from $4,468 to $5,506 per unit per annum. Comparable expenses ranged from $4,356 to $6,132 per unit per annum with the comparable sales mentioned above. The underwritten residential expenses are set at $6,053 per unit per annum with an expense ratio of 60.0%. Total residential operating expenses are $635,575. Note, under Ohio law, any tax credit housing project is to be valued via capitalization for purposes of determining its taxable value. No significant increase in real estate taxes projected due to the project's NOI remaining fairly stable.

Ancillary/ Commercial Income

In addition to the previously discussed residential rents and vacancy rates there is some ancillary income. Total ancillary income is comprised of Laundry/Vending ($2,500/yr); Parking ($6,000/yr); Antenna/Cell Lease ($6,500/yr); and miscellaneous ($5,000/yr) or $20,000 total (1.8% of gross income). The rooftop antenna lease is with Verizon and has a remaining term of three years.

Vacancy- Commercial

There is no commercial space within the property. Therefore, this is not applicable.

Below is a summary of the project's expected Net Operating Income and Debt Coverage:

Gross Potential Rental Income	$1,071,600
Ancillary Income	$ 20,000
Less Vacancy	($ 32,748)
Effective Gross Income	$1,058,852
Less Operating Expenses	($ 635,575)
Net Operating Income	$ 423,277
Less DS (incl MIP) – 1st Mortgage	($ 325,726)
Cashflow After DS – 1st Mortgage	$ 97,551
DSCR	1.30

In the subsection below, identify, by bullet point, specific strengths relating to the project's underwritten value.

- Conservative underwritten expenses.
- Debt Service Coverage of 1.30.
- Rents well supported at comparable projects.
- Appraised and underwritten occupancy is 93% in line with historic and market occupancy levels.
- Underwritten rents in line with market.
- Capitalization rate and value per unit well supported by comparable sales.

In the subsection below, identify, by bullet point, any weaknesses relating to the project's underwritten value.

- Current Section 8 HAP rents are under market. Once rehab is completed, rents will be in line with market and improvements will position property well for long term. Good location in Fairfield will further support long term value of asset.
- Appraiser's estimate of property's remaining economic life is 40 years. However, Engineer's estimate is 50 years.

End of Section IV - Valuation Narrative

Environmental – Narrative Section V

Describe all Reportable Environmental Conditions and discuss the mitigation plan for each. Discuss other environmental issues such as towers, wet lands, adjacent site concerns, ground water flow, flood plains, etc. The narrative section should focus on the underwriting conclusion drawn and any prominent concerns.

The Phase I Environmental Site Assessment performed by Partners Envionmental identified two Recognized Environmental Conditions (RECs); 1) a leaking underground storage tank located 0.25 miles from the site at a Shell gas station; and 2) underground diesel fuel storage tank located on project site (used for emergency generator). Partners Environmental determined flow of contamination at Shell gas station to be downgradient of subject. A Tier 1 Vapor Encroachment Screen of the site indicated that Vapor Encroachment is unlikely to exist. Underground diesel fuel storage tank was abandoned in place in conformance with BUSTR regulations and replaced by an above ground, natural gas tank.

In addition, an ACM and LBP assessment was performed. VCT flooring in bathrooms tested above threshold for ACM as did mastic adhesive. An ACM Operations and Maintenance Plan has been developed and will be adhered to during and after rehabilitation. LBP testing performed via XRF did not reveal any LBP.

Form HUD-4128 has been completed in accordance with the Tax Credit Pilot requirements and reflects compliance with Regulations and related laws and authorities.

The property is located in Zone X which is outside the 100 and 500 year flood zones.

In the subsection below, identify, by bullet point, any Reportable Environmental Conditions and mitigation plan for each.

- Continued adherence to ACM O&M Plan.

End of Section V - Environmental Narrative

A/E. Cost – Narrative

Describe the physical characteristics of the existing building or the structure to be built, including any unusual building characteristics or components. Discuss the critical, non-critical and owner-elected repairs that are being proposed. Describe the construction contract type (cost plus, lump sum) and any identity of interest between the participants If appropriate to the type of project, explain how functional or market obsolescence will be addressed in the renovation of the project.

Property Description:

Fairfield Village is located at 5348 Pearl Ave. in Fairfield, Ohio and consists of two (2) five story steel/masonry, age-restricted (elderly/disabled) apartment buildings connected by a common area atrium on the ground floor. The apartment building contains 105 units with 73 on-site parking spaces, 12 of which are designated for handicapped parking. The building was constructed in 1972 and renovated in 1997. It is situated on 1.36 acres. The approximate gross area of the structure is 83,437 square feet. The property received a score of 83c on the most recent REAC inspection conducted in November 2016. Engineer's Assessment, the Lender's engineer prepared the Capital Needs Assessment and indicates that the overall property condition is fair and currently is structurally sound.

The ground floor atrium serves as the project's "living room" and provides coin laundry area; mailboxes; a common area kitchen located off the community room; and the management/leasing office. An older intercom system provides a secured entrance. In addition, security cameras are located in common areas and building entrances with an offsite monitoring service.

Critical Repairs:

There were four (4) items identified as critical repairs by Engineer's Assessment. They included the following:

- Smoke alarms – in each bedroom and outside every sleeping area and all common areas levels.
- GFCI were not located in the area around the community kitchen sink and 49 of the apartments. Detailed list provided.
- ADA compliant parking spaces required.
- Critical repairs estimated at $3,650 and will be completed prior to closing.

Initial Repairs/Rehab:

The Initial Repairs is estimated at $3,298,180 ($31,411/unit) and will be performed by Cleveland Construction. This figure includes the GC's general requirements, profit, overhead, bonding, and permits. Cleveland Construction is a well known, local general contractor that has worked with Delta Properties before on other HUD and LIHTC financed projects. The scope of work includes:

- New aluminum windows for all units and common areas
- New EPDM roof
- New interior doors for all units
- New exterior entry doors
- New secure FAB keyless entry system
- New Air Conditioner sleeves in all units
- New carpeting in common areas and corridors

- Painting of all common areas
- 78 original kitchens will be replaced (including new cabinets, counters, faucets, range hoods). Additional needed work remaining kitchens will be undertaken as outlined in Unit Work Matrix
- 80 stoves and 92 refrigerators to be replaced. Specific units noted in the Unit Work Matrix.
- New bathroom vanities, tops and faucets, medicine cabinets in all units
- New fire alarm system
- New asphalt parking lot
- Refurbish elevator cabs and controls for the 2 elevators
- New 98% efficient boiler system and installation of backflow preventers at fire suppression system riser.
- New ADA and UFAS compliant fixtures and grab bars in the five (5) existing handicapped designated units and common area bathrooms. Specific units noted in the Unit Work Matrix.
- The 5 designated handicapped units and 2 additional units will receive A/V devices for the fire alarm.

Kitchens/appliances – the remaining kitchens not included above have previously been updated. In addition, remaining units have previously had appliances replaced.

Property is essentially fully occupied. Management Agent has prepared a Relocation Plan that addresses internal relocation for tenants impacted by rehab. Most units will be rehabbed during the work day and management will coordinate with tenant. No off site relocation anticipated and work will not adversely impact project occupancy. Management Agent will have “swing” unit available in case a particular unit requires more work than anticipated.

Lender proposes to use Engineer’s Assessment to perform draw inspection for work performed prior to disbursing funds from the initial repair escrow. Lender will provide copies of all draws to local HUD office and coordinate joint inspections as they deem necessary.

In the subsection below, identify, by bullet point, specific strengths relating to the design and construction, the scope of any renovation and the project’s ability to remain an attractive asset for HUD and the project’s tenants.

- Property is in fair condition – originally built in 1972 and rehabbed in 1997.
- Minimal critical repairs.
- Capital Improvements should result in energy savings at the site.
- Property well maintained and repairs/upgrades have been made over time.
- Initial Repairs totals $3,298,180. An additional 20% completion assurance escrow, $659,636, will be funded at closing with letters of credit.
- Transaction will provide for an initial deposit of $750,000 into the project’s replacement reserve. Annual ongoing R4R deposits total $36,750 or ($350 PUPA) which will provide sufficient funding through the near term for regular repair/replacements.

In the subsection below, identify, by bullet point, any weaknesses relating to the design and construction, the scope of any renovation and the project’s ability to remain an attractive asset for HUD and the project’s tenants.

- Parking is minimal – 73 spaces, but parking availability has not been an issue in the past.
- Tenants could be affected by work but Management Agent has developed reasonable relocation plan to address this issue.

End of Section V - A/E Cost Narrative

Describe the financial structure of the proposed project, including the 1st mortgage and all other financing sources as uses of mortgage proceeds and borrower contribution. This section should explain how the relative levels of equity, including land equity, BSRPA, etc., and debt (including any secondary financing, which might be a "soft second)," affect (a) the value of the property as collateral for the loan and (b) the likelihood that the borrower will remain current in servicing the debt and maintaining the property. Provide details of the financial terms, rates, re-payment terms and any restrictions of all other financing sources. It is important to mention the significance of Owner Cash Contribution here and the financial capacity of the principals.

Financing Structure

The Detroit Multifamily Hub recommends approval of a loan amount of $5,670,000 at an interest rate of 4.25% for 35 years. The loan is based on 90% loan to value. The purpose of the loan is to finance the acquisition of the property, fund an initial repair escrow, and make an substantial initial deposit to the property's replacement reserve. The project's stabilized net operating income is estimated at $423,277. Based on the assumed loan terms and estimate of net operating income, the project would have a debt service coverage ratio of 1.30. A stress test was performed by the Lender to determine the property's tolerance to adverse trending conditions in income and expenses. The stress test used assumed 2% annual rent increases and 3% annual increases in expenses. The debt service coverage stays essentially the same, 1.30 in YR 1 increasing slightly to 1.34 in YR 10. Average monthly rents would have to decrease by $77 to result in a 1.0 debt service coverage ratio.

The insured loan will be funded with a tax exempt bond which will generate 4% LIHTC equity in the amount of $4,479,075. The Project Sponsor has also secured commitments for two subordinated loans in the amount of $500,000 from the State of Ohio and $300,000 from the City of Fairfield. Existing reserves will be rolled into the new transaction. The Seller is also providing a $1,000,000 note. Operating funds during the repair period will be used to pay real estate taxes, insurance, and MIP. Surplus Cash will be used to fund non-mortgageable (non-replacement) cost items. A deferred developer fee of $711,220 is used to close the gap between all sources and uses of funds. Both the City and State loans will be secured with a subordinated mortgage, acceptable to HUD, and payable solely from surplus cash. Both loans carry a 2.0% interest rate. The Seller Note is unsecured and also payable solely from any surplus cash. The total debt on this transaction amounts to $7,470,000 and represents 119% of the project's value. At closing, settlement will generate approximately $4.3 in gross proceeds to the Seller.

As a condition to receiving LIHTC's, the Ohio Housing Finance Agency will require the Owner to record a Restrictive Covenant which is a standard document for these types of projects. The Restrictive Covenant will require the following:

- Owner's obligation to maintain the project for occupancy by qualified low income tenants for an initial 15 year compliance period and an additional, extended 15 year term (the extended use period)
- Specifies that 100% of the units will be occupied by tenants whose adjusted household incomes are at or below 60% of the area median income
- Rent, or that portion which is paid by the tenant, are restricted so that it is affordable to those tenants whose incomes are at or below 60% of the area median income
- Restriction may be terminated by foreclosure or instrument in lieu of foreclosure, pursuant to Section 42 of the Internal Revenue Code of 1986 as amended
- Prohibits the Owner from refusing to accept an otherwise qualified tenant solely because a portion of their rent will be paid from a Section 8 voucher or certificate

- Requires Owner to certify annually, at a minimum, that the project continues to comply with these rent and occupancy restrictions
- Owner agrees that in the event the property or any interest in the property is transferred, these restrictions will continue and may be amended or supplemented by OHFA.
- Requires Owner to obtain lienholder consent(s) from all lienholders.

The Project Sponsor has secured an equity bridge loan cover the lag in capital contributions of the tax credit investor and the project costs. Fairfield Savings will make an initial equity contribution at closing in the amount of $895,815 or 20% of its equity commitment. An additional 20% equity contribution will be made when 50% of the proposed rehab has been completed, estimated to be seven (7) months after closing and another 20% equity contribution at 100% completion. The remaining 40% of the tax credit equity will be paid at the time IRS Form 8609 is issued, estimated to be 16 months following loan closing. Non-mortgageable project costs consist of the Developer's fee, investor required escrows, accounting, soft cost contingency, and bridge loan interest. These costs will be funded primarily from the last contribution of LIHTC equity. Lender estimates that a $2.5m bridge loan will be required to meet funding needs during the repair period. The investor's LIHTC equity commitment letter also provides funding for the bridge loan at a rate of 5.0%.

Mortgage Credit Review

The Lender conducted a Mortgage Credit Review on the three key principals, Messers Warren, Denton, and O'Brien as well as their firm, Delta Properties Corporation. The Mortgage Credit Review consisted of an examination of the following:

- Company and individual financial statements
- Company and individual REO schedule
- Commercial and Residential Mortgage Credit Reports
- Verification of Deposits and trade references
- Discussions with local HUD staff

There was no materially adverse credit information on any of the key principals or their firm although the D&B credit report identified two current court cases involving Delta Properties and Delta Management. According to the Project Sponsor, these are a slip and fall case and an alleged wrongful termination case, neither of which would result in a material award to the plaintiff.

The Lender also reviewed the annual report of Ohio Capital Corporation for Housing and the most recently filed public documents for Fairfield Savings Bank and Regional Savings Corporation. OCCH is a well established, independent, non-profit, tax credit syndicator formed by the State of Ohio in 1989. Since then, it has invested over $2.5B in 550 affordable housing project in the State of Ohio. OCCH will serve as the investor's asset manager for this project and has syndicated numerous tax credit projects that have been financed with HUD insured mortgages.

In the subsection below, identify, by bullet point, specific strengths relating to the project's financial structure and projected financial performance.

- Stable borrower and principals with acceptable operating/credit histories.
- Development team with established history of successful operation of the project and financing of similar projects with HUD insured debt and LIHTC equity.
- Debt service coverage of 1.30 for HUD insured mortgage. Stress test shows strong continued performance.
- Financial support from State and City.

In the subsection below, identify, by bullet point, any weaknesses relating to the project's financial structure and projected financial performance.

- Total debt to value of 119% but subordinated debt and seller note is repaid solely from surplus cash.

End of Section V - Financial Narrative

Waivers Requested

Section VI

List any waivers requested and current status.

None

End of Section VI - Waivers Requested

Special Conditions

Section VII

List all special conditions recommended by the lender and concurred by the HUD underwriter, and any additional conditions recommended by the HUD underwriter.

- Bridge loan provided by tax credit investor may not be secured by the property, only partnership interest, future equity contributions, or surplus cash
- Assignment of a new 20 year HAP contract to the new LIHTC partnership executed at closing. Mark up to Market rents to become effective upon completion of repairs.
- All accounts payable and outstanding liabilities for project operating expenses must be cleared and released, or otherwise fully satisfied, prior to or at loan closing.
- Updated rent roll to be submitted and approved by HUD for the development.
- Key principals for this transaction will be required to sign the HUD Regulatory Agreement as required under HUD regulations.
- 50% of cash out shall be held in escrow until the non-critical repairs/rehab have been completed and approved by HUD.
- In the event the mortgagee is assigning the loan to another lender, HUD must review and give its advance consent prior to the closing and assignment.
- Written certification of completion of Critical Repairs.
- Execution new lease for commercial office space.

End of Section VII - Special Conditions

Loan Committee Meeting Record

Section VIII

Attendees: **Date:**

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Approved ☐ **Approved with Conditions** ☐ **Rejected** ☐

If "Approved with Conditions, list Conditions on the following sheet entitled "Loan Committee Approval Conditions, If Approved with Conditions".

LOAN COMMITTEE APPROVAL CONDITIONS, if approved with conditions — Section IX

If "Approved with Conditions", list conditions below

End of Section IX - Approval Conditions, if approved with conditions