

**PHILADELPHIA HOUSING AUTHORITY  
RFP #P-004440 UNIT-BASED OPERATING SUBSIDY PROGRAM  
GALA – GOLDEN AGE LIVING ACCOMMODATIONS**

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**11. Budgets:**

Enclosed please find:

1. The Development ProForma, the Operating Budget and the Tax Credit Summary.
2. PHFA has reviewed and approved the operating budget for this project (refer to the enclosed email from Ed Neuhart , Manager of Financial Operations at PHFA). The controllable expenses of \$2,955/unit are reflected in Operating Budget.
3. A conceptual budget breakdown from Domus, the General Contractor who will construct GALA.
4. An environmental budget from React Environmental to remediate and document all of the contaminants at the site along with the cost of the requisite permits.
5. A commitment Letter from Wells Fargo Community Lending to provide the LIHTC equity.
6. A commitment letter from Wells Fargo Community Lending to provide the construction financing and permanent mortgage.

**Development Financing**

|                          |                      |                |
|--------------------------|----------------------|----------------|
| TF/HOME                  | \$985,000            | 5.92%          |
| SDBG                     | \$0                  | 0.00%          |
| Limited Partner Equity   | \$13,481,352         | 81.09%         |
| Deferred Developer's Fee | \$159,545            | 0.96%          |
| Mortgage                 | \$2,000,000          | 12.03%         |
| <b>Total Financing</b>   | <b>\$ 16,625,897</b> | <b>100.00%</b> |

**PRA  
Maximum Rates**

50% or \$1.5 million

**Development Costs**

Construction Costs

|                                 |                     |       |
|---------------------------------|---------------------|-------|
| General Requirements            | \$526,402           |       |
| Site Improvements               | \$413,158           |       |
| Structures                      | \$9,901,935         |       |
| Bond Premium                    | \$68,600            |       |
| Builders Profit & Overhead      | \$646,533           |       |
| Construction Contingency        | \$524,401           | 4.53% |
| Other: Building Permits         | \$29,060            |       |
| Other:                          |                     |       |
| <b>Total Construction Costs</b> | <b>\$12,110,089</b> |       |

**PRA  
Maximum Rates**

2.5% (nc)/5.0%(rehab) - 10.0%

Soft Costs

|                                |                    |  |
|--------------------------------|--------------------|--|
| Architectural - Design         | \$378,065          |  |
| Architectural - Supervision    | \$130,000          |  |
| Engineering Fees               | \$70,500           |  |
| Environmental Assessment       | \$55,600           |  |
| Soil Borings/Structural Report | \$17,000           |  |
| Survey                         | \$7,500            |  |
| Permits                        | \$29,421           |  |
| Real Estate Taxes              | \$30,933           |  |
| Builder's Risk Insurance       | \$55,000           |  |
| Title & Recording              | \$60,000           |  |
| Market Study/Appraisal         | \$16,000           |  |
| Property Appraisal             | \$10,000           |  |
| Legal - Development            | \$40,000           |  |
| Accounting                     | \$7,500            |  |
| Cost Certification             | \$7,500            |  |
| Rent-Up/Marketing              | \$50,000           |  |
| Furniture & Decoration         | \$62,000           |  |
| Zoning                         | \$6,921            |  |
| <b>Soft Costs Subtotal</b>     | <b>\$1,033,940</b> |  |

\$ 431,422

ok

\$ 143,807

ok

\$ 40,000

ok

\$ 209,168

ok

\$ 2,788,912

ok

Financing fees

|                                |                  |  |
|--------------------------------|------------------|--|
| PHFA Fees                      | \$14,000         |  |
| PHFA Closing                   | \$20,000         |  |
| Tax Credit Allocation Fee      | \$78,540         |  |
| Loan Fees -                    | \$147,989        |  |
| <b>Financing Fees Subtotal</b> | <b>\$260,529</b> |  |

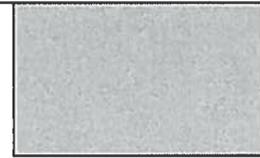
|                         |                    |  |
|-------------------------|--------------------|--|
| <b>Total Soft Costs</b> | <b>\$1,294,469</b> |  |
|-------------------------|--------------------|--|



\$0.8

Scope of Construction: nc  
(rehab or nc)

Elevator in Building? yes  
(yes or no)



Reviewed and confirmed by: BOLE MAHON, PRESIDENT BCM AFFORDABLE HOUSING Date: 11.13.14

If your project is a Non-Elevator Building, please cut and paste the below 221(d) limits into cells D96 through D 100:

- \$170,378
- \$196,447
- \$236,922
- \$303,268
- \$337,852

Assumptions

| Rental Income | Unit Distribution |      | Net Rents |       | Total |          | Utility Allowance |      | Total Housing Costs |         |
|---------------|-------------------|------|-----------|-------|-------|----------|-------------------|------|---------------------|---------|
|               | <=20%             | >20% | 20%       | 50%   | 60%   | Total    | 20%               | 50%  | 60%                 |         |
| 0 Bdr         | 0                 | 0    |           |       |       |          |                   |      |                     |         |
| 1 Bdr         | 7                 | 23   | \$194     | \$682 | \$830 | \$40,284 | \$102             | \$57 | \$739               | \$887   |
| 2 Bdr         | 0                 | 2    | \$0       | \$823 | \$975 | \$3,596  | \$0               | \$65 | \$0                 | \$1,065 |
| 3 Bdr         | 0                 | 0    | \$0       | \$0   | \$0   | \$0      | \$0               | \$0  | \$0                 | \$0     |
| 4 Bdr         | 0                 | 0    | \$0       | \$0   | \$0   | \$0      | \$0               | \$0  | \$0                 | \$0     |
| Total         | 7                 | 25   |           |       |       | \$43,880 |                   |      |                     |         |
| % of Units    | 11%               | 40%  |           |       |       |          |                   |      |                     |         |
|               |                   |      | 48%       | 100%  |       |          |                   |      |                     |         |

| Trending Assumptions |      |
|----------------------|------|
| Income               | 2.0% |
| Expenses             | 3.0% |
| Vacancy              | 5.0% |
| Management Fee       | 6.0% |

| Income from Operations   | 1         | 2         | 3         | 4         | 5         | 6         | 7         | 8         | 9         | 10        | 11        | 12        | 13        | 14        | 15        |
|--------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Gross Rental Income      | \$526,560 | \$537,091 | \$547,833 | \$558,790 | \$569,965 | \$581,365 | \$592,992 | \$604,852 | \$616,949 | \$629,288 | \$641,874 | \$654,711 | \$667,805 | \$681,162 | \$694,785 |
| Vacancy                  | \$26,328  | \$26,855  | \$27,392  | \$27,939  | \$28,498  | \$29,068  | \$29,650  | \$30,243  | \$30,847  | \$31,464  | \$32,094  | \$32,736  | \$33,390  | \$34,058  | \$34,739  |
| NET RENTAL INCOME        | \$500,232 | \$510,237 | \$520,441 | \$530,850 | \$541,467 | \$552,297 | \$563,342 | \$574,609 | \$586,102 | \$597,824 | \$609,780 | \$621,976 | \$634,415 | \$647,103 | \$660,046 |
| Rental/Operating Subsidy | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |
| Other Income - Service   | \$3,720   | \$3,794   | \$3,870   | \$3,948   | \$4,027   | \$4,107   | \$4,189   | \$4,273   | \$4,359   | \$4,446   | \$4,535   | \$4,625   | \$4,718   | \$4,812   | \$4,908   |
| EFFECTIVE GROSS INCOME   | \$503,952 | \$514,031 | \$524,312 | \$534,798 | \$545,494 | \$556,404 | \$567,532 | \$578,882 | \$590,460 | \$602,269 | \$614,315 | \$626,601 | \$639,133 | \$651,916 | \$664,954 |

| Operating Expenses         | 1         | 2         | 3         | 4         | 5         | 6         | 7         | 8         | 9         | 10        | 11        | 12        | 13        | 14        | 15        |
|----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Management Fee             | \$30,237  | \$30,842  | \$31,459  | \$32,088  | \$32,730  | \$33,384  | \$34,052  | \$34,733  | \$35,428  | \$36,136  | \$36,859  | \$37,596  | \$38,348  | \$39,115  | \$39,897  |
| Administrative Expense     | \$38,620  | \$39,779  | \$40,972  | \$42,201  | \$43,467  | \$44,771  | \$46,114  | \$47,498  | \$48,923  | \$50,390  | \$51,902  | \$53,459  | \$55,063  | \$56,715  | \$58,416  |
| Utilities                  | \$32,500  | \$33,475  | \$34,479  | \$35,514  | \$36,579  | \$37,676  | \$38,807  | \$39,971  | \$41,170  | \$42,405  | \$43,677  | \$44,988  | \$46,337  | \$47,727  | \$49,159  |
| Operating & Maintenance    | \$63,346  | \$65,246  | \$67,204  | \$69,220  | \$71,296  | \$73,435  | \$75,638  | \$77,908  | \$80,245  | \$82,652  | \$85,132  | \$87,686  | \$90,316  | \$93,026  | \$95,817  |
| Water/Sewer                | \$1,000   | \$1,930   | \$32,888  | \$33,875  | \$34,891  | \$35,937  | \$37,016  | \$38,126  | \$39,270  | \$40,448  | \$41,661  | \$42,911  | \$44,199  | \$45,525  | \$46,890  |
| Payroll Expense            | \$81,250  | \$83,688  | \$86,198  | \$88,784  | \$91,448  | \$94,191  | \$97,017  | \$99,927  | \$102,925 | \$106,013 | \$109,193 | \$112,469 | \$115,843 | \$119,318 | \$122,898 |
| License and Permits        | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |
| Property Taxes & Insurance | \$29,381  | \$29,010  | \$29,873  | \$30,762  | \$31,677  | \$32,620  | \$33,591  | \$34,590  | \$35,620  | \$36,680  | \$37,761  | \$38,873  | \$40,016  | \$41,199  | \$42,422  |
| Investor Management Fee    | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |
| Replacement Reserve        | \$23,250  | \$23,948  | \$24,666  | \$25,406  | \$26,168  | \$26,953  | \$27,762  | \$28,595  | \$29,452  | \$30,336  | \$31,246  | \$32,183  | \$33,149  | \$34,143  | \$35,168  |
| TOTAL EXPENSES             | \$329,584 | \$337,917 | \$347,739 | \$357,849 | \$368,256 | \$378,969 | \$389,996 | \$401,347 | \$413,032 | \$425,061 | \$436,692 | \$448,315 | \$460,340 | \$472,778 | \$485,641 |

| NET OPERATING INCOME          | 1         | 2         | 3         | 4         | 5         | 6         | 7         | 8         | 9         | 10        | 11        | 12        | 13        | 14        | 15        |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Debt Service                  | \$174,368 | \$176,114 | \$177,573 | \$178,949 | \$179,238 | \$179,435 | \$179,535 | \$179,535 | \$179,428 | \$179,209 | \$178,823 | \$178,286 | \$177,693 | \$177,038 | \$176,273 |
| Cash Flow after Debt Service  | \$325,864 | \$334,123 | \$342,868 | \$351,841 | \$360,229 | \$368,962 | \$377,807 | \$386,767 | \$395,832 | \$405,014 | \$414,315 | \$423,685 | \$433,122 | \$442,625 | \$452,202 |
| Supportive Service            | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |
| Cash Flow After Supp Services | \$40,534  | \$42,280  | \$44,098  | \$45,981  | \$47,925  | \$49,932  | \$51,992  | \$54,105  | \$56,272  | \$58,494  | \$60,771  | \$63,108  | \$65,505  | \$67,962  | \$70,479  |

**TAX CREDIT Equity Summary**

|  |                |
|--|----------------|
| Project Name                               | GALA           |
| Developer Name                             | Conifer Realty |
| Total Development Cost                     | \$16,625,897   |
| Total City Funds Requested (HTF+CDBG+HOME) | \$985,000      |

Low Income Housing Tax Credit Information:

|   |              |
|---|--------------|
| Total Tax Credits Being Requested from PHFA | \$1,309,000  |
| Total Equity Raised from Sale of LIHTC      | \$13,481,352 |
| Equity Raise Expressed as Cents on Dollar   | \$1.03       |
| Tax Credit Investor if Identified           |              |

Historic Preservation Tax Credit Information:

|   |        |
|---|--------|
| Total Historic Tax Credits Being Requested        | \$0.00 |
| Total Equity Raised from Sale of Historic Credits | \$0    |
| Equity Raise Expressed as Cents on Dollar         | \$0.00 |
| Tax Credit Investor                               |        |

Developer's Fee Allowable

Maximum Developer's Fee Allowable for Project

|                               |              |
|-------------------------------|--------------|
| Total Replacement Cost        | \$13,944,558 |
| less acquisition costs        | (540,000)    |
| less amount reinvested        | -            |
| Basis for Developer's Fee ==> | 13,404,558   |

|                            |                     |
|----------------------------|---------------------|
| <b>Total Fee Allowable</b> | <b>\$ 1,340,456</b> |
|----------------------------|---------------------|

Allowable

Waiver Required?  
No

|                                      |                     |
|--------------------------------------|---------------------|
| <b>Net Developer Fee for Project</b> | <b>\$ 1,340,455</b> |
|--------------------------------------|---------------------|

\$ 1

Architect's Fees Allowable

Design

|                            |                   |
|----------------------------|-------------------|
| <b>Total Fee Allowable</b> | <b>\$ 431,422</b> |
|----------------------------|-------------------|

Allowable

Waiver Required?  
No

|                              |                   |
|------------------------------|-------------------|
| <b>Total Fee for Project</b> | <b>\$ 378,065</b> |
|------------------------------|-------------------|

Supervision

|                            |                   |
|----------------------------|-------------------|
| <b>Total Fee Allowable</b> | <b>\$ 143,807</b> |
|----------------------------|-------------------|

Allowable

Waiver Required?  
No

|                              |                   |
|------------------------------|-------------------|
| <b>Total Fee for Project</b> | <b>\$ 130,000</b> |
|------------------------------|-------------------|



## Bruce Morgan

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**Subject:** FW: GALA budget

**From:** Neuhart, Ed [<mailto:eneuhart@phfa.org>]

**Sent:** Thursday, October 09, 2014 2:05 PM

**To:** Bruce Morgan

**Subject:** GALA budget

Bruce,

The controllable costs for the GALA property are approved at 2,955 per unit. Please be sure to use this amount when you submit the application in January, 2015.

If you have any questions feel free to call me.

Thanks--Ed

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**Ed Neuhart**

Manager of Financial Operations

Pennsylvania Housing Finance Agency

Phone: 717.780.3802 | Fax: 717.614.2680

[www.phfa.org](http://www.phfa.org)

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**CONCEPTUAL BUDGET BREAKDOWN - PASSIVE HOUSE**

|  |                                       |               |
|--|---------------------------------------|---------------|
| <b>Project:</b> GALA                     | <b>Revised Budget Date:</b> 11/5/2014 |               |
| <b>Location:</b> 2032 East Haines Street | Lower Level SF                        | 9,860         |
| Philadelphia                             | First Floor SF                        | 15,550        |
| <b>Architect:</b> tmh associates         | Second Floor SF                       | 14,710        |
| <b>Plan Date:</b> 9/9/14 Conceptual      | Third Floor SF                        | 16,000        |
| <b>Specs.:</b> N/A                       | <b>TOTAL SQUARE FOOTAGE</b>           | <b>56,120</b> |
|  | <b>TOTAL LIVING UNITS</b>             | <b>62</b>     |

| CSI  | DESCRIPTION                              | TOTALS               | \$ / SF            | \$ / LIV. UNIT       |
|------|--|----------------------|--------------------|----------------------|
| 2.0  | SITWORK / BUILDING DEMOLITION            | \$ 318,158           | \$ 5.67            | \$ 5,132             |
| 2.1  | SELECTIVE DEMOLITION                     | \$ -                 | \$ -               | \$ -                 |
| 3.1  | BUILDING CONCRETE                        | \$ 387,778           | \$ 6.91            | \$ 6,254             |
| 4.0  | MASONRY                                  | \$ 473,814           | \$ 8.44            | \$ 7,642             |
| 5.0  | METALS                                   | \$ 93,479            | \$ 1.67            | \$ 1,508             |
| 6.0  | WOODS & PLASTICS                         | \$ 1,380,882         | \$ 24.61           | \$ 22,272            |
| 7.0  | MOISTURE PROTECTION                      | \$ 1,325,994         | \$ 23.63           | \$ 21,387            |
| 8.0  | DOORS, WINDOWS & GLAZING                 | \$ 648,584           | \$ 11.56           | \$ 10,461            |
| 9.0  | FINISHES                                 | \$ 1,592,724         | \$ 28.38           | \$ 25,689            |
| 10.0 | SPECIALTIES                              | \$ 56,540            | \$ 1.01            | \$ 912               |
| 11.0 | EQUIPMENT                                | \$ 132,900           | \$ 2.37            | \$ 2,144             |
| 12.0 | FURNISHINGS                              | \$ 160,275           | \$ 2.86            | \$ 2,585             |
| 13.0 | SPECIAL CONSTRUCTION                     | \$ -                 | \$ -               | \$ -                 |
| 14.0 | CONVEYING SYSTEMS                        | \$ 80,000            | \$ 1.43            | \$ 1,290             |
| 15.1 | HVAC                                     | \$ 1,128,400         | \$ 20.11           | \$ 18,200            |
| 15.2 | PLUMBING                                 | \$ 880,400           | \$ 15.69           | \$ 14,200            |
| 15.3 | SPRINKLERS                               | \$ 242,665           | \$ 4.32            | \$ 3,914             |
| 16.0 | ELECTRICAL                               | \$ 1,317,500         | \$ 23.48           | \$ 21,250            |
|      | Subtotal:                                | \$ 10,220,093        | \$ 182.11          | \$ 164,840           |
| 1.0  | General Requirements:                    | \$ 526,402           |                    | \$ 8,490             |
|      | Permits:                                 | \$ 29,060            | sf method          | \$ 469               |
|      | Overhead/Profit:                         | \$ 646,533.30        | 6%                 | \$ 10,428            |
|      | Bond:                                    | \$ 68,600            |                    | \$ 1,106             |
|      | <b>CONTINGENCY:</b>                      | \$ -                 | 0%                 | \$ -                 |
|      | <b>TOTAL ESTIMATED CONSTRUCTION COST</b> | <b>\$ 11,490,688</b> | <b>\$204.75</b>    | <b>\$ 185,334</b>    |
|      | <b>Total</b>                             | <b>\$ 11,490,688</b> | <b>Per Sq. Ft.</b> | <b>Per Liv. Unit</b> |



|     |                                  | Qty.  | Units | Unit Cost | Total            | \$/Sq. Ft.     | \$/ Liv. Unit      |
|-----|----------------------------------|-------|-------|-----------|------------------|----------------|--------------------|
| 4.0 | <b>MASONRY</b>                   |       |       |           |                  |                |                    |
|     | 12" IVANY CMU Basement walls     | 1,330 | SF    | \$ 28.50  | \$37,905         | \$             | \$ 611.37          |
|     | 12" Foundation walls             | 3,252 | SF    | \$ 20.95  | \$68,137         | \$ 1.21        | \$ 1,098.99        |
|     | 12" Stair tower / elevator shaft | 7,840 | SF    | \$ 20.95  | \$164,267        | \$ 2.93        | \$ 2,649.46        |
|     | Brick Veneer (20% of surface)    | 5,163 | SF    | \$ 35.00  | \$180,691        | \$ 3.22        | \$ 2,914.37        |
|     | Screen Walls                     | 439   | SF    | \$ 52.00  | \$22,814         | \$ 0.41        | \$ 367.97          |
|     | <b>TOTAL</b>                     |       |       |           | <b>\$473,814</b> | <b>\$ 8.44</b> | <b>\$ 7,642.16</b> |

|     |                              |    |      |             |                 |                |                    |
|-----|------------------------------|----|------|-------------|-----------------|----------------|--------------------|
| 5.0 | <b>METALS</b>                |    |      |             |                 |                |                    |
|     | Elevator hoist beams         | 1  | EACH | \$ 700.00   | \$700           | \$ 0.01        | \$ 11.29           |
|     | Elevator pit ladders         | 1  | EACH | \$ 400.00   | \$400           | \$ 0.01        | \$ 6.45            |
|     | Misc. framing, Lintels, etc. | 1  | LSUM | \$35,000.00 | \$35,000        | \$ 0.62        | \$ 564.52          |
|     | Ladder, Hatch, Frame         | 1  | EACH | \$ 2,380.00 | \$2,380         | \$ 0.04        | \$ 38.39           |
|     | Railings, interior           | 44 | LF   | \$ 335.00   | \$14,849        | \$ 0.26        | \$ 239.51          |
|     | Exterior Juliette balconies  | 1  | LSUM | \$40,150.00 | \$40,150        | \$ 0.72        | \$ 647.58          |
|     | <b>TOTAL</b>                 |    |      |             | <b>\$93,479</b> | <b>\$ 1.67</b> | <b>\$ 1,507.73</b> |

|     |   |        |      |             |           |         |             |
|-----|---|--------|------|-------------|-----------|---------|-------------|
| 6.0 | <b>WOODS &amp; PLASTICS</b>               |        |      |             |           |         |             |
|     | <b>Rough Carpentry - Labor</b>            |        |      |             |           |         |             |
|     | Exterior Wall Panels                      | 28,308 | SF   | \$ 5.50     | \$155,694 | \$ 2.77 | \$ 2,511.19 |
|     | Exterior wall Sheathing Adder, Zip R Wall | 28,308 | SF   | \$ 0.52     | \$14,828  | \$ 0.26 | \$ 239.16   |
|     | Interior Corridor Panels                  | 18,988 | SF   | \$ 5.00     | \$92,940  | \$ 1.66 | \$ 1,499.03 |
|     | Interior Demising Wall Panels             | 22,994 | SF   | \$ 5.00     | \$114,970 | \$ 2.05 | \$ 1,854.35 |
|     | Interior standard panels                  | 38,273 | SF   | \$ 4.50     | \$172,229 | \$ 3.07 | \$ 2,777.88 |
|     | Temp. Bracing                             | 1      | LSUM | \$ 7,000.00 | \$7,000   | \$ 0.12 | \$ 112.90   |
|     | Floor Trusses                             | 41,920 | SF   | \$ 5.00     | \$209,600 | \$ 3.73 | \$ 3,380.65 |
|     | Roof Trusses                              | 16,594 | SF   | \$ 5.00     | \$82,970  | \$ 1.48 | \$ 1,338.23 |
|     | Floor Sheathing                           | 41,920 | SF   | \$ 2.00     | \$83,840  | \$ 1.49 | \$ 1,352.26 |
|     | Roof Sheathing                            | 16,594 | SF   | \$ 2.00     | \$33,188  | \$ 0.59 | \$ 535.29   |
|     | Parapet framing, blocking                 | 2,632  | SF   | \$ 4.00     | \$10,528  | \$ 0.19 | \$ 169.81   |
|     | Parapet Sheathing                         | 2,632  | SF   | \$ 4.00     | \$10,528  | \$ 0.19 | \$ 169.81   |
|     | Lifts                                     | 1      | LSUM | \$10,000.00 | \$10,000  | \$ 0.18 | \$ 161.29   |
|     | Crane                                     | 1      | LSUM | \$15,000.00 | \$15,000  | \$ 0.27 | \$ 241.94   |
|     |   |        |      | \$ -        | \$0       | \$ -    | \$ -        |
|     | Wood stairs                               | 8      | FLT  | \$ 1,150.00 | \$9,200   | \$ 0.16 | \$ 148.39   |
|     | Stair landings                            | 384    | SF   | \$ 33.00    | \$12,672  | \$ 0.23 | \$ 204.39   |
|     | Misc. Headers, Beams                      | 1      | LSUM | \$ 7,500.00 | \$7,500   | \$ 0.13 | \$ 120.97   |
|     | Misc. Blocking                            | 1      | LSUM | \$ 7,500.00 | \$7,500   | \$ 0.13 | \$ 120.97   |
|     | Set Windows SINGLE                        | 145    | EACH | \$ 125.00   | \$18,125  | \$ 0.32 | \$ 292.34   |
|     | Set Windows DOUBLE                        | 50     | EACH | \$ 160.00   | \$8,000   | \$ 0.14 | \$ 129.03   |



|     |                                     | Qty.  | Units | Unit Cost   | Total            | \$/Sq. Ft.      | \$/ Liv. Unit       |
|-----|-------------------------------------|-------|-------|-------------|------------------|-----------------|---------------------|
| 8.0 | <b>DOORS, WINDOWS &amp; GLAZING</b> |       |       |             |                  |                 |                     |
|     | Doors, Frames & Hardware            |       |       |             |                  |                 |                     |
|     | HM frames                           | 108   | EACH  | \$ 220.00   | \$23,760         | \$ 0.42         | \$ 383.23           |
|     | S.C. doors                          | 108   | EACH  | \$ 220.00   | \$23,760         | \$ 0.42         | \$ 383.23           |
|     | Pre-hung doors Single               | 133   | EACH  | \$ 120.00   | \$15,960         | \$ 0.28         | \$ 257.42           |
|     | Pre-hung doors Double               | 126   | EACH  | \$ 150.00   | \$18,900         | \$ 0.34         | \$ 304.84           |
|     | Hardware                            | 367   | EACH  | \$ 220.00   | \$80,740         | \$ 1.44         | \$ 1,302.26         |
|     |                                     |       |       | \$ -        | \$0              | -               | \$ -                |
|     |                                     |       |       | \$ -        |                  |                 |                     |
|     | <b>Windows</b>                      |       |       |             |                  |                 |                     |
|     | Vinyl, Single                       | 145   | EACH  | \$ 350.00   | \$50,750         | \$ 0.90         | \$ 818.55           |
|     | Vinyl, Double                       | 50    | EACH  | \$ 425.00   | \$21,250         | \$ 0.38         | \$ 342.74           |
|     | Fiberglass Patio Doors              | 49    | EACH  | \$ 720.00   | \$35,280         | \$ 0.63         | \$ 569.03           |
|     | TRIPLE GLAZED SINGLE                | 145   | EACH  | \$ 130.68   | \$18,949         | \$ 0.34         | \$ 305.62           |
|     | TRIPLE GLAZED DOUBLE                | 50    | EACH  | \$ 410.40   | \$20,520         | \$ 0.37         | \$ 330.97           |
|     | PATIO DOORS                         | 49    | EACH  | \$ 700.00   | \$34,300         | \$ 0.61         | \$ 553.23           |
|     | <b>Glass &amp; Glazing</b>          |       |       |             |                  |                 |                     |
|     | Storefront framing                  | 2,495 | SF    | \$ 55.00    | \$137,225        | \$ 2.45         | \$ 2,213.31         |
|     | Single Entrances                    | 3     | EACH  | \$ 1,750.00 | \$5,250          | \$ 0.09         | \$ 84.68            |
|     | Double Entrances                    | 6     | EACH  | \$ 3,700.00 | \$22,200         | \$ 0.40         | \$ 358.06           |
|     | Interior glass wall                 | 264   | SF    | \$ 35.00    | \$9,240          | \$ 0.16         | \$ 149.03           |
|     | Mirrors, Misc. Glass                | 1     | LSUM  | \$ 7,000.00 | \$7,000          | \$ 0.12         | \$ 112.90           |
|     | STOREFRONT UPGRADE                  | 2,495 | SF    | \$ 40.00    | \$99,800         | \$ 1.78         | \$ 1,609.68         |
|     | SINGLE ENTRANCE UPGRADE             | 3     | EACH  | \$ 1,500.00 | \$4,500          | \$ 0.08         | \$ 72.58            |
|     | DOUBLE ENTRANCE UPGRADE             | 6     | EACH  | \$ 3,200.00 | \$19,200         | \$ 0.34         | \$ 309.68           |
|     | <b>TOTAL</b>                        |       |       |             | <b>\$648,584</b> | <b>\$ 11.56</b> | <b>\$ 10,461.03</b> |

|     |   |        |    |         |           |         |             |
|-----|---|--------|----|---------|-----------|---------|-------------|
| 9.0 | <b>FINISHES</b>   |        |    |         |           |         |             |
|     | Drywall Interior partitions                               |        |    |         |           |         |             |
|     | Exterior wall, 1 layer 5/8" Gyp                           | 28,308 | SF | \$ 2.25 | \$63,693  | \$ 1.13 | \$ 1,027.31 |
|     | Corridor, 2 layers one side, 1 layer on resilient channel | 20,118 | SF | \$ 8.15 | \$163,962 | \$ 2.92 | \$ 2,644.54 |
|     | Demising, 2 layers one side, 1 layer on resilient channel | 22,994 | SF | \$ 8.15 | \$187,401 | \$ 3.34 | \$ 3,022.60 |
|     | Standard Partition, 1 layer 1/2" each side                | 36,247 | SF | \$ 4.00 | \$144,988 | \$ 2.58 | \$ 2,338.52 |
|     | Furring and 1 layer 5/8" Gyp on CMU                       | 4,015  | SF | \$ 4.35 | \$17,465  | \$ 0.31 | \$ 281.70   |
|     | 2x3 FRAMING/GWB - ADDITIONAL EXTERIOR WALL                | 28,308 | SF | \$ 6.25 | \$176,925 | \$ 3.15 | \$ 2,853.63 |
|     |   |        |    | \$ -    | \$0       | -       | \$ -        |
|     | <b>Ceiling</b>  |        |    |         |           |         |             |
|     | ATC   | 9,884  | SF | \$ 4.75 | \$46,949  | \$ 0.84 | \$ 757.24   |
|     | Drywall   | 64,096 | SF | \$ 4.30 | \$275,613 | \$ 4.91 | \$ 4,445.37 |

|                                     | Qty.    | Units        | Unit Cost | Total              | \$/Sq. Ft.   | \$/ Liv. Unit       |
|-------------------------------------|---------|--------------|-----------|--------------------|--------------|---------------------|
| <b>Ceramic Tile</b>                 |         |              | \$        |                    |              |                     |
| Walls                               | 0       | N/A          | -         | \$0                | -            | \$ -                |
| Floors                              | 2,849   | SF           | 14.50     | \$41,311           | 0.74         | \$ 666.30           |
| Base                                | 1,708   | LF           | 14.50     | \$24,766           | 0.44         | \$ 399.45           |
| Slate tile, Lobbies, community room | 5,959   | SF           | 14.50     | \$86,406           | 1.54         | \$ 1,393.64         |
|                                     |         |              | \$        |                    |              |                     |
| <b>Flooring</b>                     |         |              | \$        |                    |              |                     |
| walk off mat                        | 1       | LSUM         | 3,500.00  | \$3,500            | 0.06         | \$ 56.45            |
| Common Corridors: CARPET            | 3,079   | SF           | 4.35      | \$13,394           | 0.24         | \$ 216.03           |
| Office / Conference room: CARPET    | 666     | SF           | 4.35      | \$2,898            | 0.05         | \$ 46.74            |
| Fitness center: RUBBER              | 360     | SF           | 6.20      | \$2,232            | 0.04         | \$ 36.00            |
| Crafts: VCT                         | 450     | SF           | 2.50      | \$1,125            | 0.02         | \$ 18.15            |
| Laundry: VCT                        | 514     | SF           | 2.50      | \$1,285            | 0.02         | \$ 20.73            |
| Living Room: CARPET                 | 13,525  | SF           | 4.30      | \$58,158           | 1.04         | \$ 938.03           |
| Kitchen: VCT                        | 15,765  | SF           | 2.50      | \$39,463           | 0.70         | \$ 636.50           |
| Bed Room: CARPET                    | 13,058  | SF           | 4.35      | \$56,803           | 1.01         | \$ 916.18           |
|                                     |         |              | \$        |                    |              |                     |
| <b>Painting</b>                     |         |              | \$        |                    |              |                     |
| Paint Drywall                       | 245,253 | SF           | 0.55      | \$134,890          | 2.40         | \$ 2,175.65         |
| Doors                               | 435     | EACH         | 70.00     | \$30,450           | 0.54         | \$ 491.13           |
| Exterior Balconies                  |         | PRE-FINISHED |           | \$0                | -            | \$ -                |
| Misc. (stairs, trim etc.)           | 1       | LSUM         | 19,047.62 | \$19,048           | 0.34         | \$ 307.23           |
|                                     |         |              |           |                    |              |                     |
| <b>TOTAL</b>                        |         |              |           | <b>\$1,592,724</b> | <b>28.38</b> | <b>\$ 25,689.09</b> |

|             |                           |    |      |                 |             |                  |
|-------------|---------------------------|----|------|-----------------|-------------|------------------|
| <b>10.0</b> | <b>SPECIALTIES</b>        |    |      |                 |             |                  |
|             | Toilet & Bath Accessories | 64 | ROOM | \$ 385.00       | \$ 0.44     | \$ 397.42        |
|             | Signage                   | 1  | LSUM | \$14,000.00     | 0.25        | \$ 225.81        |
|             | Fire Extinguishers        | 1  | LSUM | \$ 3,400.00     | 0.06        | \$ 54.84         |
|             | Misc. Specialties         | 1  | LSUM | \$14,500.00     | 0.26        | \$ 233.87        |
|             |                           |    |      |                 |             |                  |
|             | <b>TOTAL</b>              |    |      | <b>\$56,540</b> | <b>1.01</b> | <b>\$ 911.94</b> |

|             |                            |    |         |                  |             |                    |
|-------------|----------------------------|----|---------|------------------|-------------|--------------------|
| <b>11.0</b> | <b>EQUIPMENT</b>           |    |         |                  |             |                    |
|             | Kitchen Appliances         | 62 | UNIT    | \$ 1,450.00      | 1.60        | \$ 1,450.00        |
|             | Laundry Appliances, Units  |    | N/A     | \$0              | -           | \$ -               |
|             | Laundry Appliances Commons |    | BY OWNE | \$0              | -           | \$ -               |
|             | Trash chute / compactor    | 1  | Y OWNE  | \$43,000.00      | 0.77        | \$ 693.55          |
|             |                            |    |         |                  |             |                    |
|             | <b>TOTAL</b>               |    |         | <b>\$132,900</b> | <b>2.37</b> | <b>\$ 2,143.55</b> |

|                                     | Qty.   | Units | Unit Cost    | Total              | \$/Sq. Ft.   | \$/ Liv. Unit       |
|-------------------------------------|--------|-------|--------------|--------------------|--------------|---------------------|
| <b>12.0 FURNISHINGS</b>             |        |       |              |                    |              |                     |
| Window Treatments                   | 195    | EACH  | \$ 95.00     | \$18,525           | \$ 0.33      | \$ 298.79           |
| Kitchen cabinets, Vanities, Islands | 63     | UNIT  | \$ 2,250.00  | \$141,750          | 2.53         | \$ 2,286.29         |
| <b>TOTAL</b>                        |        |       |              | <b>\$160,275</b>   | <b>2.86</b>  | <b>\$ 2,585.08</b>  |
| <b>14.0 CONVEYING SYSTEMS</b>       |        |       |              |                    |              |                     |
| Elevator 4 Stop 3500 lb. cap.       | 1      | EACH  | \$80,000.00  | \$80,000           | 1.43         | \$ 1,290.32         |
|                                     |        |       |              | \$0                | -            | \$ -                |
|                                     |        |       |              |                    | -            | \$ -                |
| <b>TOTAL</b>                        |        |       |              | <b>\$80,000</b>    | <b>1.43</b>  | <b>\$ 1,290.32</b>  |
| <b>15.1 HVAC</b>                    |        |       |              |                    |              |                     |
| HVAC System, Mini-Split System      | 62     | UNITS | \$ 16,000.00 | \$992,000          | 17.68        | \$ 16,000.00        |
| ADD ERV                             | 62     | UNITS | \$ 2,500.00  | \$155,000          | 2.76         | \$ 2,500.00         |
| DELETE BATHROOM FAN                 | 62     | UNITS | \$ (150.00)  | -\$9,300           | (0.17)       | \$ (150.00)         |
| DELETE KITCHEN HOOD DUCT            | 62     | UNITS | \$ (150.00)  | -\$9,300           | (0.17)       | \$ (150.00)         |
| <b>TOTAL</b>                        |        |       |              | <b>\$1,128,400</b> | <b>20.11</b> | <b>\$ 18,200.00</b> |
| <b>15.2 PLUMBING</b>                |        |       |              |                    |              |                     |
| Plumbing fixtures                   | 62     | UNITS | \$ 14,200.00 | \$880,400          | 15.69        | \$ 14,200.00        |
|                                     |        |       |              |                    | -            | \$ -                |
| <b>TOTAL</b>                        |        |       |              | <b>\$880,400</b>   | <b>15.69</b> | <b>\$ 14,200.00</b> |
| <b>15.3 SPRINKLERS</b>              |        |       |              |                    |              |                     |
| Sprinklers nfpa 13                  | 58,596 | SF    | \$ 3.80      | \$222,665          | 3.97         | \$ 3,591.37         |
| Fire Pump                           | 1      | EACH  | \$20,000.00  | \$20,000           | 0.36         | \$ 322.58           |
|                                     |        |       |              | \$0                | -            | \$ -                |
| <b>TOTAL</b>                        |        |       |              | <b>\$242,665</b>   | <b>4.32</b>  | <b>\$ 3,913.95</b>  |
| <b>16.0 ELECTRICAL</b>              |        |       |              |                    |              |                     |
| Electrical Service                  | 62     | UNITS | \$21,250.00  | \$1,317,500        | 23.48        | \$ 21,250.00        |
| Fire alarm                          |        |       |              | \$0                | -            | \$ -                |
| Lighting / Devices                  |        |       |              | \$0                | -            | \$ -                |
| Special                             |        |       |              | \$0                | -            | \$ -                |
| <b>TOTAL</b>                        |        |       |              | <b>\$1,317,500</b> | <b>23.48</b> | <b>\$ 21,250.00</b> |





October 30, 2014

BCM Affordable Housing  
63 Chestnut Road, Suite 7  
Paoli, Pa 19301  
Attention: Mr. Bruce Morgan  
Via E-Mail: [bmorgan@bcmah.com](mailto:bmorgan@bcmah.com)

RE: **Environmental Budget  
Golden Age Living Accommodations (GALA)  
2022-2034 Haines Street  
Philadelphia, PA 19138  
REPSG Project No. 9190**

Dear Mr. Morgan:

In accordance with your request, React Environmental Professional Services Group, Inc. (REPSG) is pleased to present this budget for the anticipatable remaining environmental services at the GALA which is located at 2022-2034 Haines Street, Philadelphia, Pennsylvania (the "Site").

### **BACKGROUND**

A prior Phase I Environmental Site Assessment (ESA) conducted by REPSG at the Site has determined that the following Recognized Environmental Conditions (RECs) exist at the Site: the documented historic usage of the Site for automotive repair and other commercial usages; it is likely that historic fill materials that are potentially contaminated underlie all or portions of the Site; staining and a sheen in a floor drain on Site was observed; two pits containing hydraulic lift cylinder sleeves were observed at the Site; radon; confirmed asbestos containing window caulk and flooring; and lead based paint.

### **BUDGET**

Approximately 3,100 cubic yards of material will be cut and exported off-site to accommodate site development. There is no data available to determine if soil or historic fill contains compounds which will prevent unrestricted use of soil export, however, in REPSGs experience, it is common for urban fill to contain compounds which exceed clean fill criteria. It is our

P.O. Box 5377  
6901 Kingsessing Avenue, Suite 201  
Philadelphia, PA 19142-0377

215 729.3220  
215 729.1557 (Fax)  
[www.repsg.com](http://www.repsg.com)

BCM Affordable Housing  
October 30, 2014

Environmental Budget  
Golden Age Living Accommodations  
Haines Street, Philadelphia, PA  
REPSG Project No. 9190

understanding that the cost of urban fill disposal is included in construction budgeting. For the purpose of this budget, REPSG has budgeted for the premium cost if soils are considered "contaminated" requiring transportation and disposal at a licensed soil recycling or disposal facility. This budget also allows for waste characterization sampling and assumes all materials will be classified as non-hazardous. This budget supersedes the previous estimate (July 7, 2014) and still incorporates the potential to encounter facility related impacts including underground storage tanks, as well as other issues identified. The budget also includes for clean fill determination, soils management and oversight.

Thank you for providing REPSG with the opportunity to be of service. If you have any questions or need any further information, please do not hesitate to contact our office.

Sincerely,



Meredith Szymelewicz  
Project Manager

**React Environmental Professional Services Group, Inc.**

attachment





Wells Fargo Community Lending and Investment

November 17, 2014

Joan Hoover  
Vice President  
Conifer Realty, LLC  
183 East Main Street, Suite 600  
Rochester, NY 14604

Re: Golden Age Living Accommodations (GALA), Philadelphia, Philadelphia County, PA

Dear Ms. Hoover:

Wells Fargo Community Lending and Investment is pleased to offer this commitment letter based on information received to date. If you are successful with your PHFA Tax Credit Application we would welcome the opportunity to work with you as a provider of tax credit equity and related debt products.

**Investment Entity:** A to-be-determined LP (the "Partnership"), with a taxable, single purpose bankruptcy remote General Partner, with a 0.01% ownership interest, and Wells Fargo Bank (its affiliate or designee), as Investor Limited Partner (hereafter "Wells Fargo") with a 99.99% ownership interest in the Partnership.

**Project Name/Description:** Golden Age Living Accommodations (GALA), an affordable, apartment complex to be located in Philadelphia, Philadelphia County, PA consisting of the following:

| Type Of Unit             | AMI % | Units     | Pro Forma Rent |
|--------------------------|-------|-----------|----------------|
| 1 BR - ACC               | 20%   | 7         | \$194          |
| 1 BR                     | 50%   | 23        | \$682          |
| 2 BR                     | 50%   | 2         | \$822          |
| 1 BR                     | 60%   | 28        | \$830          |
| 2 BR                     | 60%   | 2         | \$975          |
| <b>Total / Wtd. Avg.</b> |       | <b>62</b> | <b>\$708</b>   |

**Federal LIHTC Available:** \$13,090,000 x 99.99% = \$13,088,691

**Federal LIHTC Price:** \$1.0300



**Wells Fargo Community Lending and Investment**

**Total Capital Contribution:**

**\$13,481,352**

- A) Capital Contribution #1: \$2,022,203 (15.00%) – Available at Partnership Closing on a construction draw basis.
- B) Capital Contribution #2: \$2,022,203 (15.00%) – Available at 50% completion on a construction draw basis.
- C) Capital Contribution #3: \$4,044,406 (30.00%) – Available upon the latest of: (i) lien free completion, (ii) Certificates of Occupancy for all units, and (iii) Accountants’ Cost Certification.
- D) Capital Contribution #4: \$4,718,473 (35.00%) – Available upon the latest of: (i) evidence of 1.15x Debt Service Coverage Ratio (“DSCR”) and 93% occupancy for 90 days (“Stabilization\*”), (ii) Perm Loan Conversion, and (iii) Tenant File Review for 100% of LIHTC Units.
- E) Capital Contribution #5: \$674,068 (5.00%) – Available upon (i) Receipt of form(s) 8609.

\*Stabilization as to be defined in the Partnership Agreement means 1.15 Debt Service Coverage Ratio (“DSCR”) and 95% occupancy for 3 consecutive months (taken as a whole), and a projected 1.15 DSCR through year 15 of the compliance period, per criteria in Paragraph G) of this commitment letter. If the project does not satisfy Stabilization, Stabilization will nevertheless be deemed to have occurred if proceeds from this (fourth) installment (and other funds, if necessary) equal to the NOI necessary to achieve 1.15 DSCR per criteria in Paragraph G) of this commitment letter for 15 years are deposited into a Debt Service Reserve to be held by Wells Fargo for the 15 year compliance period.

**Developer Fees:**

Developer Fees are estimated at \$1,500,000, of which approximately \$159,544 is projected to be deferred and paid through cash flow. Any deferred portion of the fee shall not accrue interest. Developer Fees will be paid on a to-be-determined schedule.

**Incentive Management Fee:**

90.00% of Cash Flow to the General Partner. Total Incentive Management Fee and Property Management Fees will be capped at 12% of Effective Gross Income.

**Asset Management Fee:**

\$5,000 annually, increasing 3.5% annually, to Wells Fargo (per cash flow splits below). Fee will commence first year of credit delivery.

**Cash Flow Split:**

Cash Flow shall be distributed as follows:

- A) To Investor Limited Partner in payment of any amounts due as a result of any unpaid Credit Adjuster Amount.
- B) To maintain/replenish Operating/Working Capital Reserve in the amount of \$269,845.
- C) To payment of any Deferred Developer Fee.
- D) To payment of deferred property management fees (if any).
- E) To payment of any Operating Deficit Loans.
- F) Of the remaining balance, ten percent (10.00%) shall be distributed to the Investor Limited Partner.
- G) To payment of Incentive Management Fee.
- H) Any remaining cash to General Partner.



Wells Fargo Community Lending and Investment

**Residual Split:**

Any gain upon sale or refinancing shall be distributed as follows:

- A) To Investor Limited Partner in payment of any amounts due because the Actual Credit is less than the Project Credit, or there has been a recapture of Credit.
- B) To the Investor Limited Partner for payment of any Exit Taxes.
- C) To the General Partner for payment of any Unpaid Partnership Loans.
- D) Toward the payment of any Deferred Developer Fees.
- E) To payment of deferred property management fees (if any).
- F) 90.00% to General Partner.
- G) 10.00% to Wells Fargo.

**Replacement Reserves:**

\$200 per unit per year or as otherwise determined by project engineer; amount subject to Wells Fargo final underwriting.

**Development Reserves:**

Operating Working Capital Reserve – The Partnership will cause an Operating/Working Capital Reserve to be funded in the amount of \$269,845. Any release of funds from the Operating/Working Capital Reserve will be subject to Wells Fargo’s reasonable consent. The Operating/Working Capital Reserve will remain with the property for the duration of the Compliance Period. This account will be held at Wells Fargo.

Social Services Escrow – The Partnership will cause a Social Services Reserve to be funded in the amount of \$415,000. This reserve shall fund supportive services for the subject residents. The GP/Guarantors, and/or contracted service agency, will be responsible for providing necessary supportive services and programs (i.e. as outlined in the PHFA/LHHC Application). The guarantors will guaranty that funds will be available for the proposed supportive services. Approximately 1/15<sup>th</sup> of the reserve will be released annually to fund supportive services at the project.

*Any funds remaining in reserves or escrows at the end of the compliance period or sale of the property, whichever is earlier, must be used to reduce any outstanding debt on the development, or if there is no outstanding debt, the funds must remain with the project to fund capital improvements.*

**Obligations of the Managing Member and Guarantor(s):**

Development Completion Guaranty: The General Partner will guarantee completion of construction of the Project substantially in accordance with plans and specifications approved by Wells Fargo, including, without limitation, a guaranty (i) to pay any amounts needed in excess of the construction loan and other available proceeds to complete the improvements, (ii) of all amounts necessary to achieve permanent loan closing and establish the Debt Service Reserve, and (iii) to pay any operating deficits prior to the conclusion of Project construction.

The General Partner will provide copies of each draw request, change orders and all supporting documentation to Wells Fargo. Wells Fargo shall have the right to approve change orders in excess of individual and aggregate amounts to be determined during underwriting. The construction contract shall be a fixed price contract and the general contractor shall be bonded in a manner satisfactory to Wells Fargo or a letter of credit shall be provided in a minimum amount set during the due diligence review.

Operating Deficit Guaranty: The General Partner agrees to provide unlimited operating deficit loans to the Partnership until all conditions of the capital contributions have been satisfied. Thereafter, the guaranty shall be limited to \$250,000 (minimum six months of operating expenses, replacement reserves and debt service) for 60 months. At the end of the 60 month period, the guaranty shall be released provided the project operated at 1.15x



## Wells Fargo Community Lending and Investment

DSCR or better for the previous 12 months and the Operating/Working Capital Reserve is fully funded at \$269,845.

Tax Credit Adjusters: The General Partner and the Guarantors will indemnify Wells Fargo for any reduction, recapture, or late delivery of the Low Income Housing Tax Credits in amounts determined as described below.

The Partnership Agreement contains Credit Adjuster provisions designed to preserve Wells Fargo's yield in the event Credits are not delivered as projected, as well as an upward credit adjuster for faster delivery of credits capped at \$250,000 and an upward adjuster for increased basis capped at 10% of Total Capital Contribution. The projected aggregate credits at equity closing will be determined by the projected qualified basis of the Partnership multiplied by the most recently published applicable percentage for the 70% present value credit (currently 7.55%) or the credit lock rate with the Agency/Authority for rehab/new construction and 30% present value credit for acquisition, if any.

If an event occurs which affects the delivery of Federal LIHTC aggregate tax credits (e.g., shortage in basis in accountants final cost certification, or shortage in amount of Tax Credits allocated by the Agency/Authority in IRS Forms 8609), then the Partnership Agreement will provide for a return of capital, to Wells Fargo, net of any tax consequences, in an amount reduced by the net credit price to the Partnership (\$1.0300) times the difference between (i) the projected aggregate tax credits, less (ii) the adjusted aggregate tax credits.

If an event occurs, which affects the timing and delivery of Federal LIHTC tax credits (e.g., lease up slower than projected) allocable to Wells Fargo in year(s) 2016 and 2017, then the Partnership Agreement will provide for a return of such capital, to Wells Fargo, net of any tax consequences, in an amount reduced by the net credit price (\$1.0300) times the difference between (i) the shortfall in projected current year tax credits, less (ii) the net present value of the shortfall in projected current year tax credits for a 10 year period at a 10% discount rate. A similar calculation will be provided for accelerated timing for delivery of credits.

There may be adjustment events occurring during the compliance period not considered or described in the aforementioned paragraphs. In the event that the actual amount of tax credits claimed by Wells Fargo, is less than the amount specified, then the General Partner shall reimburse Wells Fargo, on a dollar for dollar basis, for each lost dollar of tax credits plus any resulting penalties, taxes due, or tax consequences. Similarly, if there is a recapture of tax credits (except from the sale or transfer of Wells Fargo's interest in the Partnership), the General Partner shall indemnify Wells Fargo against any tax credit recapture liability incurred (including interest, penalties, tax effects, or any reasonable related legal or accounting costs).

The obligations of the General Partner set forth in the Partnership Agreement, including but not limited to those described above, shall be guaranteed by the General Partner(s), Developer(s), Conifer Realty, LLC and/or Entities/Individuals considered appropriate by Wells Fargo. Subject to Wells Fargo sponsorship analysis and liquidity/net worth covenants to be determined during underwriting.



## Wells Fargo Community Lending and Investment

### **Other Notes and Conditions:**

Wells Fargo reserves the right to adjust the Capital Contributions herein based on diligence of the following information:

- A) The General Partner must have a firm commitment for fixed-rate permanent financing with terms, conditions and Lender acceptable to Wells Fargo. The amounts assumed for this Commitment Letter are as follows:
1. Construction Loan – Loan proceeds available at closing on a construction draw basis of up to \$8,248,721 - subject to Wells Fargo final underwriting and recorded in the first lien position.
  2. 1<sup>st</sup> Mortgage / Permanent Loan – A Permanent Loan of approximately \$2,000,000 will be initially underwritten to an estimated interest rate of 5.25% amortized over a period of at least 360 months with a 360 month term and require a debt service coverage ratio for all must pay debt of at least 1.15x. Terms on the Permanent Financing must be acceptable to Wells Fargo (i.e. ability to resize at conversion, notice/cure rights, ability to transfer LP interest, no debt service coverage covenants, etc.). The permanent conversion currently assumes that the property will be underwritten at a 5.0% vacancy rate on residential and other income and with per unit per annum expenses of \$5,345 (inclusive of the \$200 popy Replacement Reserve Funding), or as determined during the due diligence period based upon Wells Fargo's underwriting.
  3. OHCD Home Program – A soft loan in the estimated amount of \$985,000. The loan will be underwritten to an interest rate of 0.00% with a 360 month term and a balloon payment due at the end of the term. Terms of the OHCD Home Program must be acceptable to Wells Fargo.

*Please note that a reduction in the loan amounts, interest rates, benefits or losses, change in capital contribution schedule or any material change that increases the amounts of the deferred Developer Fee (i.e. Budget increases) could result in (i) lower credit pricing, (ii) a reduction of Developer Fees paid at closing or (iii) extended timing for the payment of capital contributions.*

- B) Partnership Closing contingent upon receipt, review and approval of environmental reports including testing for lead based paint, radon testing (if applicable at completion and prior to occupancy of the units), asbestos and black mold as applicable, geological reports, geotechnical reports (including sinkhole insurance coverage), appraisal and market study (underwritten achievable restricted rents must provide a minimum rental advantage relative to market rental rates of 10% - debt to be sized to this rent structure), acceptable utility allowance schedule, for acquisition / rehabilitation Wells Fargo will require a Capital Needs Assessment along with a 15 year Replacement Reserve Analysis, personal and/or corporate financial statements, for Public Housing Authorities acceptable PHAS score/evidence of good standing from HUD, Real Estate Schedules and resumes on the General Partner, general contractor and guarantor(s), management company review, revised construction budgets/timelines, construction contract, development budget that exhibits 3% hard cost contingency for new construction or 5% hard cost contingency for acquisition / rehab (construction contingency must be funded/held outside the GC Contract and funded, if needed, with either debt and/or equity proceeds), and 15 year operating cash flow review (i.e. AMI and rent/expense trending).

**Wells Fargo Community Lending and Investment**

C) Prior to Partnership closing Wells Fargo DIRECTEQUITY will engage an inspecting engineer to review the project and plans and specs. Wells Fargo may accept the construction lender's inspecting engineer subject to approval. The cost of this service will be paid by the Partnership. If an acceptable appraisal is not required by the lender, the cost of an appraisal will also be paid by the Partnership. In addition, the costs of inspections on monthly draws will be the cost of the Partnership if not available from the construction or permanent lender. *All other costs of the Investor (including updated market study and legal expenses capped at the amount below) will be paid by Wells Fargo.*

D) The Capital Contributions are based on a Projected Credit Allocation to Wells Fargo as follows:

| Year              | Federal LIHTC |
|-------------------|---------------|
| 2016 LIHTC        | \$98,517      |
| 2017 LIHTC        | \$1,278,962   |
| 2018 - 2025 LIHTC | \$1,308,869   |
| 2026 LIHTC        | \$1,210,352   |
| 2027 LIHTC        | \$29,907      |

E) To help fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person or corporation who opens an account and/or enters into a business relationship.

F) Wells Fargo will require a residual analysis that shows that any soft debt financing will be repaid at the end of the respective soft debt term. Wells Fargo will pay for this analysis.

G) The Partnership Agreement will contain provisions requiring Investor approval to convert to permanent (if applicable) and/or approval of Stabilization (Final Capital Contribution and respective Operating Deficit guaranty burn-offs) based on the following conditions:

- Subject to final underwriting, annual operating expenses will be underwritten at the greater of (i) Actual annual operating expenses, or (ii) \$5,345 per unit per annum ("PUPA"), inclusive of replacement reserves of \$200 PUPA.
- Subject to final underwriting, Other Income will be the lesser of \$3,720 per year or actual other income.
- Subject to final underwriting, vacancy and collection loss to be the greater of actual or 5.0% for residential income and other income.
- Subject to final underwriting, income/expense trending of TBD%/3.0%.

H) Ownership and financial structure (including all set aside requirements that may be subject to any housing laws) is subject to review and approval by Wells Fargo's underwriter and tax counsel.

I) Wells Fargo requires that the property management company have a demonstrated history of positive performance and experience with multi-family and Low-Income Tax Credit properties. Wells Fargo reserves the right to approve the property management firm selected, and their property management agreement. The management agreement shall have an initial term of one year and shall be renewable



## Wells Fargo Community Lending and Investment

annually thereafter. If the management agent is affiliated with the General Partner, the management agent shall provide for a deferral of up to ½ of the management fee in the event that the property does not generate positive cash flow.

- J) The General Contractor will be TBD.
- K) The Accountants for the Partnership shall be CohnReznick LLP, Novogradac & Co., Friedman LLP, or another accounting firm approved by Wells Fargo. The Accountants shall prepare tax and financial reports as set forth in the Partnership Agreement, including the final cost certification.
- L) For developments that have rental subsidy contracts (i.e. ACC, Section 8, state/local rental assistance, etc) those contracts must be in place for the entire compliance period. State LIHTC documents (LURA and Loan Documents) will have best efforts language for any Set Aside Units or Required Services allowing the Partnership to rent to other LIHTC households (at 60% AMI) if "targeted" tenants are not available, rental assistance funding is not available or if supportive services cannot be adequately funded.
- M) The General Partner, the developer, and their parent entities, shall grant Wells Fargo a right of first refusal to purchase any tax credits generated by any subsequent phase(s) of the Property or any LIHTC property which may be developed within a one mile radius of the Property. Any conditions of such purchase (other than the price and timing of equity payments) shall be on substantially the same terms as this letter.
- N) Pricing is subject to Full Partnership Closing occurring before or on September 1, 2015. If closing occurs after this time Wells Fargo reserves the right to reasonably adjust pricing and terms. If the General Partner/Developer/Guarantor does not agree to the revised reasonable pricing/terms or is unable to close the transaction for any other reason, other than for an action or inaction on the part of Wells Fargo, the General Partner/Developer/Guarantor would be required to reimburse Wells Fargo for all reasonable third party costs incurred (see below).
- O) The subject investment is within one of our required CRA assessment areas. Subject to the due diligence and underwriting processes outlined in this commitment letter, a Wells Fargo affiliate intends to purchase the subject tax credits for its balance sheet. Pursuant to our standard documentary requirements, we reserve the right after closing to sell or transfer all or a portion of our interest to another party. *Costs related to such sale or transfer to be borne by Wells Fargo.*
- P) All Partnership accounts will be held with Wells Fargo during construction.
- Q) The parties hereto agree that the transaction described herein is anticipated to close on or before September 1, 2015 (the "Closing Date"). Wells Fargo will engage a third-party legal review of documentation associated with the transaction (the "Legal Review"), which review will not commence until at least 70% of the items on the Due Diligence Checklist are received and will not conclude until all noted items are received and approved. Wells Fargo has budgeted \$125,000 (the "Fixed Fee Amount") for expenses associated with the Legal Review. The Partnership/Guarantors will be responsible for any costs exceeding the Fixed Fee Amount. If for any reason the transaction described herein has not closed by the Closing Date, Wells Fargo may, in its sole and absolute discretion, elect to extend the Closing Date. In the event that Wells Fargo extends the Closing Date, in addition to



## Wells Fargo Community Lending and Investment

any other conditions or requirements that may be imposed at that time. Developer/Guarantor(s) agrees that it will pay any and all costs and expenses associated with the Legal Review in excess of the Fixed Fee Amount.

### *For Projects With Non-Profit Partners:*

- A) Wells Fargo assumes there will be a taxable subsidiary in order to preserve 27.5 year depreciation and avoid disqualified allocations.
- B) An operating reserve will be required – subject to further underwriting.
- C) Wells Fargo will permit the sale of the project consistent with the terms of the right of first refusal and option in accordance with Internal Revenue Code Section 42 (i) (7).

### *Process:*

When Wells Fargo receives an executed copy of this letter, a Due Diligence Period will begin. The Due Diligence Period will be the greater of (i) a period not to exceed 30 business days or (ii) a period of not more than 10 days after receipt of the last due diligence item (as tracked by Wells Fargo's Due Diligence Checklist), during which time Wells Fargo will conduct a Due Diligence review and negotiate with the General Partner, in good faith, the open terms, if any, of this proposal.

The Due Diligence review may include such matters as the verification of factual representations made by the General Partner; a review of the Project documents; site visit; an evaluation of the General Partner's financial capacity to perform under the terms and conditions of this proposal and the Partnership Agreement; the experience and expertise of the General Partner, Guarantor(s), Contractor and Management Agent; the project area market; the construction schedule; the residual potential of the property; and other relevant factors.

Prior to the termination of the Due Diligence Period, Wells Fargo will approve ("Approval"), approve with conditions, or reject the terms and structure of the proposed investment. Upon Approval, both parties will reaffirm their intent to enter into the Partnership Agreement upon the terms specified in this proposal. If Wells Fargo reaffirms this proposal prior to the termination of the Due Diligence Period, but the General Partner has offered the Interest to another purchaser, the General Partner will be responsible for reimbursing Wells Fargo for all third-party costs incurred in conducting the Due Diligence Review, including, but not limited to, legal fees, a market study, an appraisal, a background investigation and site visits.



**Wells Fargo Community Lending and Investment**

**Confidentiality:**

The recipient of this letter agrees to keep all terms of this Commitment Letter confidential, and shall not disclose the terms of this letter to any third party other than Pennsylvania Housing Finance Agency, their attorneys, accountants and tax advisors, who must in turn treat that disclosure as confidential. Notwithstanding the foregoing, nothing contained herein shall be deemed to limit in any way the disclosure of the tax treatment or tax structure of the transaction to third parties.

**Expiration:**

This commitment shall expire on January 31, 2015, unless accepted and/or re-affirmed by Wells Fargo.

Again, thank you for your time and we appreciate the opportunity to work with you.

Very truly yours,

Korbin F. Heiss  
Senior Vice President  
Wells Fargo Community Lending and Investment

**Agreed and Accepted this Day:**

By:

Date: November 19, 2014

Its: Executive VP, Cori Reath, LLC



Wells Fargo Community Lending and Investment  
123 South Broad Street, 9<sup>th</sup> Floor  
Y1379-095  
Philadelphia, PA 19109



Wells Fargo Community  
Lending and Investment

November 18, 2014

Joan Hoover  
Executive Vice President  
Conifer Realty, LLC  
183 East Main Street, Suite 600  
Rochester, NY 14604

Re: Golden Age Living Accommodations (GALA) – Philadelphia, PA

Dear Ms. Hoover:

This letter shall set forth indicative terms of a financing which Wells Fargo Bank, N.A. (the "Bank") proposes to consider for a to be determined Limited Partnership (the "Borrower") relating to the above captioned project.

This letter is neither a binding agreement to lend on the part of the Bank nor an agreement to borrow on the part of the Borrower. A commitment to lend can only arise if the Bank obtains the necessary internal approvals, and the Bank and the Borrower thereafter sign a commitment letter which sets forth the terms and conditions of the commitment, which may be different from those proposed herein if required as a condition to the Bank's approvals. Once requested by you, the Bank's loan officers will begin seeking internal approvals using the proposed terms below as the framework. This letter is being provided for the Borrower, its officers and/or professionals and is not to be shared with outside third parties without prior Bank consent.

**Borrower:** A to be determined Limited Partnership of which the controlling general partner will be TBD.

**Purpose / Description:** To finance the construction of a 62-unit income restricted apartment complex to be known as Golden Age Living Accommodations (GALA) ("Project" or "Property"). The development will be located in Philadelphia, PA and will contain the following unit types and projected net rents:

| <u>Unit Type</u>             | <u>AMI</u> | <u># of Units</u> | <u>Sq. Ft.</u> | <u>Net Rent</u> |
|------------------------------|------------|-------------------|----------------|-----------------|
| 1 Bd / 1 Ba - ACC            | 20%        | 7                 | 655            | \$194           |
| 1 Bd / 1 Ba                  | 50%        | 23                | 655            | \$682           |
| 2 Bd / 1 Ba                  | 50%        | 2                 | 840            | \$822           |
| 1 Bd / 1 Ba                  | 60%        | 28                | 655            | \$830           |
| 2 Bd / 1 Ba                  | 60%        | 2                 | 840            | \$975           |
| <b>Total / Weighted Avg.</b> |            | <b>62</b>         | <b>667</b>     | <b>\$708</b>    |

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The estimated total development cost is \$16,625,897. A final Project Budget must be satisfactory to the Bank prior to closing and will become part of the loan agreements.

**Sources**

|                            |                            |
|----------------------------|----------------------------|
| Equity - Federal LIHTC     | \$13,481,352               |
| First Mortgage             | \$2,000,000                |
| OHCD HOME                  | \$985,000                  |
| OHCD Required Deferred Fee | \$159,545                  |
| <b>Total Sources</b>       | <b><u>\$16,625,897</u></b> |

**Uses**

|                    |                            |
|--------------------|----------------------------|
| Site Acquisition   | \$561,000                  |
| Construction Costs | \$11,585,688               |
| Soft Costs         | \$2,325,864                |
| Developer Fee      | \$1,500,000                |
| Reserves           | \$653,345                  |
| <b>Total Uses</b>  | <b><u>\$16,625,897</u></b> |

- Lender:** Wells Fargo Bank, N.A. ("Bank" or "Lender")
- Closing Date:** On or before September 1, 2015.
- Loan Facility Amount:** Lender has reviewed the application and operating budget. Upon review it has been determined that the Facility Amount may be up to \$8,248,741.
- Loan Facility Loan to Value:** Facility Amount LTV not to exceed 80% of the appraised value, based on the stabilized restricted value of the project plus the value of the Low Income Housing Tax Credits.
- Loan Facility Commitment Fee:** 0.60% of the Facility Amount payable at Construction Loan closing.
- Loan Facility Interest Rate:** 30 Day LIBOR + 225 basis points, floating.
- Project Completion Date:** 15 months from Construction Loan closing.
- Loan Facility Maturity Date:** 24 months from date of Construction Loan closing ("Maturity Date").
- Loan Facility Extension Option:** The Maturity Date may be extended for two 3-month terms provided each of the following conditions is met: (a) the Improvements have been substantially

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completed without liens. (b) no event of default has occurred and is continuing under the loan documents. (c) sufficient funds remain in the Interest Reserve within the Loan Budget or are otherwise available from sources identified by the Borrower and found acceptable to the Lender in its sole discretion to pay the interest during such extension term. (d) Project has achieved a to be determined minimum level of leasing and occupancy which will be established upon receipt of the Bank ordered appraisal for the Project and will be consistent with pro-forma estimates as outlined in the appraisal, but in no event will the preleasing requirement be below 75%. (e) the Borrower gives the Lender at least thirty (30) days prior written notice. The first 3-month extension will require payment of a fee equal to 0.125% of the Loan Facility commitment amount and the second 3-month extension will be at no cost.

**Loan Facility  
Repayment:**

Interest is payable monthly from the Interest Reserve. Principal is due at the earlier of the Maturity Date or receipt of the proceeds from capital contributions in sufficient amount to repay the Facility Amount.

**Loan Facility  
Prepayment:**

This Facility shall be pre-payable in whole or in part without penalty or premium.

**Loan Facility  
Guarantors:**

Conifer Realty, LLC. Closing of the facility is subject to the Bank's review and approval of the financial statements of the Guarantors.

**Loan Facility  
Guarantors  
Obligations:**

- a) The Guarantors shall provide completion guarantees with respect to the due, prompt and punctual completion of the Project, payment of hard costs and similar expenses incurred in connection with such completion, and all obligations, liabilities, soft costs and expenses incurred in connection with such completion.
- b) The Guarantors shall provide payment guarantees for the full repayment of all principal, accrued and unpaid interest, breakage cost and late fees due under the facility.
- c) The Guarantors shall also provide an indemnification of environmental liability.

**Loan Facility  
Guarantors  
Covenants:**

Guarantors shall maintain at all times during the Loan Facility period satisfactory liquidity and net worth: Net worth (Total Assets less Total Liabilities) of TBD, of which at least TBD is unencumbered cash and cash equivalents.

**Loan Facility  
Collateral:**

1<sup>st</sup> mortgage lien on the fee simple interest in the land and current and future improvements located at the Property. Loan Facility Collateral shall also include

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an assignment of rents and leases; an assignment of all membership interest in the Borrower; a security interests in all grant, subsidy and subordinate loan proceeds and all other sources of funds received by the Project, including LIHTC funds; and a security interest in the escrow, reserve and operating accounts of the Borrower during the term of the Loan Facility.

**Permanent Loan:** A Permanent Loan Commitment of approximately \$2,000,000 or such other amount that is satisfactory to Wells Fargo and agreed to by bank, borrower and tax credit investor prior to closing. Permanent Loan Commitment Amount is subject to full underwriting of rents and expenses and a minimum projected debt service coverage ratio ("DSCR") equal to the greater of (i) 1.20x in the first stabilized year and (ii) such DSCR necessary in the first stabilized year to achieve a 1.15x DSCR in year 15 based on inflationary increases as determined by Lender. All rents will be underwritten to a market advantage of at least 10% for each unit type. Replacement reserves of not less than \$200 per unit per year shall be required.

The maximum Permanent Loan Amount shall not exceed 80% of the appraised value of the rental units based on the income restricted rents.

The Permanent Loan Commitment shall be secured by a Delivery Assurance Note and Delivery Assurance Mortgage

Please note that the Bank reserves the right to assign the Permanent Loan and/or Permanent Loan Commitment to a third party at any time, upon notice but at no expense (except fees disclosed below) to Borrower.

**Permanent Loan  
Guarantors:**

Permanent Loan shall carry standard non-recourse carve out guarantees to be provided by Conifer Realty, LLC or other such entities as reasonably acceptable to the Lender.

**Forward Commitment  
Term:**

Twenty-Four (24) months, plus two 3-month extensions. The first 3-month extension will be at no cost and the second 3-month extension will require payment of a fee equal to 0.25% of the commitment amount.

**Interest Rate:**

The Permanent Loan shall have a fixed rate determined by WFB and based on the 10-year Treasury bill yield plus a spread of 2.94%. By way of example, as of November 10, 2014, the 10-year Treasuries yield was 2.31% resulting in a rate of 5.25%. The fixed rate and spread over treasury are subject to change and the calculated rate will vary as the index and overall market conditions vary.

Permanent Loan rate to be locked within 5 business days of the Loan Facility closing, and evidenced in the Permanent Loan Commitment letter.

**Yield Maintenance:**

Yield maintenance penalties will be applied if (i) the loan fails to convert to the Permanent Loan within the Forward Commitment Term as the same may be extended; (ii) the Permanent Loan amount is adjusted by more than 20.0%.

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and/or (iii) the Permanent Loan is prepaid during the first 15 years of the permanent loan Term. If a yield maintenance penalty applies, Borrower shall pay Lender a fee in an amount equal to the greater of (a) 1% of the unpaid principal balance of the Permanent Loan Amount or (b) the Yield Maintenance Amount (standard formula will be provided). A prepayment penalty equal to 1% of the unpaid principal balance will apply if the loan is prepaid between the 15th year of the term and 3 months prior to loan maturity.

**Term/Amortization:** The term of the Permanent Loan will be 18 years from the time of conversion, or mature at least two years prior to the maturity of any subordinate debt subject to Lender approval. In no event shall the term be longer than 18 years. The amortization of the loan will be 30 years with a balloon payment due at maturity.

**Permanent Loan Fees:** A commitment fee of the greater of 1.0% of the Permanent Loan Commitment amount or \$7,500 shall be due upon execution of the Permanent Loan Commitment:

A Conversion Fee of \$7,500 shall be due as a condition to converting to the Permanent Loan.

**Permanent Loan Terms:**

Conversion Criteria:

Borrower to provide evidence that the Property has achieved 90% physical and economic occupancy levels for 90 consecutive days; and

Borrower to provide evidence that the Property has for a 90 day period maintained a DSCR of (i) at least 1.20:1.00, and (ii) such debt service coverage ratio at origination of the Loan that will result in the Project maintaining a DSCR of 1.15:1.00 through year 15 of the Loan based on inflationary increases as determined by Lender. DSCR to be calculated in accordance with normal permanent loan standards including, but not limited to, actual revenue received during the 90-day period, and the greater of actual or underwritten expenses, and a minimum replacement reserve expense equal to \$200/unit. Debt service shall include debt service on the permanent loan as well as all "hard" or "must pay" debt associated with the project. The DSCR shall be determined by Lender in its sole discretion.

Borrower shall provide evidence that at least 90% of anticipated tax credit equity advances have been made.

Payment to Lender of the Conversion Fee.

**Other Conditions:** Subordinated Debt shall be prohibited, unless approved by Lender in its term, payment conditions and any recorded extended use restriction agreements. Subordinated lenders shall be required to execute a subordination and standstill agreement in form and substance approved by Wells Fargo.

Financing terms herein assume that any extended use agreement or similar

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encumbrance affecting the property, by its terms, must terminate upon foreclosure or upon a transfer of the property in lieu of foreclosure, in accordance with Section 42(h)(6)(E) of the Internal Revenue Code.

Replacement Reserves in the amount of \$200/unit, to be held by Lender.

Supportive Services Reserves of \$415,000. Tax Credit Investor has the first right to hold the reserve.

Operating Reserves of not less than 6 months.

**LIHTC Equity:**

Bank understands that Developer may be awarded Federal Low Income Housing Tax Credits. Any financing that would bridge tax credit equity is contingent upon the sale of the tax credits to a purchaser acceptable to the Bank and closing of the tax credit investor partnership prior to or simultaneous with loan closing. Sale of tax credits to a different Tax Credit Investor is subject to underwriting by the Bank of the investor and the terms and conditions of such an investment.

A minimum of \$13,481,352 or lessor amount agreed upon by Bank and Borrower in syndicated Federal Low Income Housing Tax Credits ("LIHTCs") shall be invested into the project as cash equity on terms satisfactory to Wells Fargo. The Tax Credit Investor or Syndicator must be satisfactory to the Bank.

**CONSTRUCTION COVENANTS:**

1. **Construction Commencement Date.** Borrower shall commence construction of the Project without delay after recordation of the Mortgage and in no event no later than the earlier of a) thirty (30) days after the Closing Date and b) such date as may be required under the LIHTC documentation, and shall complete construction of the Project on or before the Completion Date, unless a later date is agreed upon by Bank and Borrower.
2. **LIHTC.** Borrower shall remain in compliance with all requirements, terms, covenants, conditions, warranties and representations.
3. **Expenses.** Borrower and guarantors jointly and severally agree to reimburse Wells Fargo for all reasonable fees and expenses incurred, including but not limited to appraisal, environmental audit, consulting professionals and internal and external counsel, regardless of whether Wells Fargo closes the proposed transaction. **Lender to provide an estimate of all third party expenses related to the transaction for review and approval by Borrower prior to the Lender engaging any third party to begin an assignment related to this proposed financing.**
4. **General Contractor.** Wells Fargo's approval of the Project's general contractor is required. The general contract for the Project must be a guaranteed maximum price contract.
5. **Loan Advances.** Construction advances will be made no more frequently than once per month and will be funded on a percentage of completion basis for hard costs, with work-in-place as verified by the Wells Fargo Construction Consultant. Soft costs must also be verified by Wells Fargo. Prior to closing and each subsequent advance, Borrower shall deliver to Lender, in form and substance satisfactory to Lender, the following: (1) endorsement to title insurance binder; (2) written disbursement request, accompanied by such supporting data as Lender may require; (3) satisfactory

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inspection report from Lender's inspector; and (4) any other certificate, affidavit, survey, release or agreement required by Lender. Borrower shall pay an inspection fee for each inspection made in connection with each advance.

6. **Budget Contingency.** Contingencies in the budget shall be determined by the Lender's plan and cost review. Of the amount set by that approval a minimum of 3% must be included within the Hard Cost General Contract.
7. **Retainage.** Lender shall retain an amount equal to 10% from each advance for Direct ("Hard") Costs incurred by Borrower for work in place as part of the Project as verified by Lender's inspector. At 50% completion as determined by the Lender's inspector, Lender agrees not to retain from draws, provided previous Retainage is held by the Lender until the project achieves certificate of occupancy.
8. **Developer Fee.** Release of Developer's Fee must be made on terms and conditions satisfactory to Wells Fargo.
9. **Due on Sale.** The facility must be cancelled and the loan repaid in full prior to or simultaneous with any sale or refinancing of the Project.

**FINANCIAL REPORTING:**

Borrower and Guarantors will provide sufficient information as requested by the Lender for a Sponsor Analysis.

**DOCUMENTS:**

The facility will be evidenced by documents prepared by and acceptable to Wells Fargo, containing such representations, warranties, affirmative and negative covenants, indemnities, closing conditions, events of default and remedies as are typically required by Wells Fargo and/or are customary in this type of transaction. The failure of the Borrower and Wells Fargo to reach agreement on the loan documents shall not be deemed a breach by the Borrower or Wells Fargo. Unless Wells Fargo agrees otherwise in writing, completion of all documents is a condition of closing.

**CONDITIONS PRECEDENT:**

1. **LIHTC Funding Sources.** Satisfactory review of the LIHTC Equity is required, with Bank approval required of all terms and conditions, as well as the proportion of those sources that are to be funded at the closing of the construction financing.
2. **Other Debt.** Any other debt, including subordinate debt, must be satisfactory to the Lender in all respects.
3. **Appraisal.** An appraisal acceptable to Wells Fargo's Appraisal Unit is required prior to the construction loan closing. The appraisal must yield a value such that the Facility Amount shall not exceed 80% of the Property's Appraised Value (which value must be based on the restricted rent value + the value of the Federal LIHTC's). Additionally, the appraisal must indicate that the projected rents will achieve a minimum 10% advantage over market rates within the PMA for each unit type. The appraiser's conclusions as to value are subject to the review and approval of Wells Fargo in its sole and absolute discretion. Borrower will be required to pay for the appraisal prior to ordering.

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4. **Environmental Audit.** A Phase I environmental audit satisfactory to the Wells Fargo will be required prior to the loan closing. The audit must be completed by a Lender approved environmental firm including specific protocol measures (ASTM Standard E-1527-94). Lender reserves the right to require Borrower to order a Phase II environmental assessment if Lender determines such assessment is appropriate. The environmental reports will be ordered and paid for by the Borrower.
5. **Construction Consultant.** Borrower will provide an independent Plan and Cost review for the project prepared by an acceptable third party Construction Consultant, with sufficient lead time prior to closing to allow for review by the Wells Fargo internal Real Estate Technical Services group. Inspections will be required prior to each advance of the Loan, by an inspector satisfactory to Wells Fargo. Wells Fargo will endeavor to co-ordinate inspectors with the equity syndicator, but reserves the right to engage its own inspector. The reasonable cost of the review and inspections shall be paid by the Borrower.
6. **Insurance.** Borrower to provide proof of insurance: Builder's Risk insurance, casualty, liability, flood. Title insurance, with no expiration, to cover the maximum outstanding loan amount and evidence of insurance coverage on the property in all forms satisfactory to Wells Fargo Bank. All policies must contain language prohibiting any cancellation without a minimum of 30 days prior notice.
7. **Operating Account.** A demand deposit account associated with the property shall be maintained with the Bank, in which the Bank shall have a security interest and into which all loan advances will be deposited during the term of the loan.
8. **Financial Statements and Tax Returns.** Satisfactory review of the financial statements and federal tax returns of the Guarantors. Guarantors shall be required to submit annual statements, within 150 days of the fiscal year end for each entity, during the term of the loan.
9. **Survey.** A current boundary and location survey of the Property prepared for Lender, certified to Title Insurer and Lender, its successors and assigns, and insurable by Title Insurer, by a land surveyor licensed in the state where the Property is located and acceptable to Lender.
10. **Agreements.** Satisfactory review of executed copies of all agreements affecting or relating to the use, operation, development or construction of the Project, including without limitation, the guaranteed fixed priced construction contract and the architects contract.
10. **Budget.** Satisfactory review of the project's construction and soft cost budget.
11. **Permits and Zoning Approvals.** Satisfactory review of all project approvals.
12. **Property Manager.** Satisfactory review of the Property Manager to confirm that they have the experience and financial capacity to successfully lease up and manage the Project.
13. **Marketing Plan.** Review and approval of Borrower's marketing plan prior to construction loan closing.

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**REVIEW BY LENDER COUNSEL:**

The structure and documentation of this transaction is subject to review and approval by Lender's counsel.

**THIS LETTER PROPOSING INDICATIVE TERMS OF A POSSIBLE FINANCING IS A NON-BINDING EXPRESSION OF WILLINGNESS ON THE LENDER'S PART TO EVALUATE THE PROPOSAL AND MAY NOT BE CONSTRUED AS AN OFFER, CONTRACT OR COMMITMENT TO LEND OF ANY KIND. WELLS FARGO MAY REJECT THE PROPOSED FINANCING, OR IT MAY ALTER THE TERMS AND CONDITIONS FROM THOSE PROPOSED HEREIN, IN ITS DISCRETION.**

This letter does not contain all of the terms and provisions, which will be contained in a commitment (if issued) and in various documents to be executed if the Lender decided to extend the credit accommodations described herein to the Borrower. Any further action by the Lender regarding your request will require additional evaluations and credit analysis and other approvals by the Lender.

**Expiration Date:** This Summary of Terms and Conditions shall expire on January 31, 2015, unless accepted and/or re-affirmed by Wells Fargo.

Very truly yours,  
Wells Fargo Bank, N.A.

By: Brandon Weber  
*Assistant Vice President*

Agreed and Accepted this Day;

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Title: \_\_\_\_\_

*[Signature]*  
*Executive VP, Conifer Realty LLC*