



INVESTMENT CORPORATION

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June 26, 2018

Ms. Jennifer Hall  
Ann Arbor Housing Commission  
727 Miller Avenue  
Ann Arbor, MI 48103

Kevin P. McCarthy  
Norstar Development USA, L.P.  
733 Broadway  
Albany, NY 12207

Re: Swift Lane Limited Dividend Housing Association Limited Partnership, a Michigan limited partnership ("Borrower")

A 64-unit LIHTC Multifamily Rental Housing Project, known as Swift Lane ("Project"), located in Ann Arbor, Michigan ("Property")

Dear Ms. Hall & Mr. McCarthy:

Cinnaire Investment Corporation, a Michigan corporation (the "Lender"), is pleased to submit the following general mortgage loan proposal for the Property. This letter shall serve as the exclusive financing application (the "Application") to Swift Lane Limited Dividend Housing Association Limited Partnership (the "Applicant" and "Borrower"), to arrange for a first mortgage loan to finance the Property (the "Loan"). Approval of the mortgage loan will be subject to a complete underwriting and due diligence review, site visit and the Lender's loan committee approval. Our understanding is that the loan will be utilized to finance a 9% Low Income Housing Tax Credit ("LIHTC") Property. If approved, the Loan will be made in accordance with, and subject to, the requirements, terms and conditions of our Institutional Investor ("Investor"), as amended from time to time.

#### LOAN TERMS

Proposed Loan:	\$1,900,000 (final amount to be determined upon the issuance of commitment).
Closing	("Closing") is that date the loan is funded, after the construction of the Premises and other factors contributing to stabilization as required are met.
Commitment Date:	The Lender will use its best efforts to achieve a Commitment Date not later than October 31, 2018.
Forward Commitment Period:	30 months from the date of construction loan closing. Loan closing and funding must occur prior to the

expiration of the forward period. The Property is required to have at least 90% occupancy for three consecutive months based on physical occupancy in order to convert, as well as three consecutive at an average of 1.15 DSCR.

Term: 15 Years.

Maximum Loan to Value Ratio: 90% on the appraised value based on the lower of market rents, LIHTC rents, or Section 8 rents.

Minimum Debt Service Coverage Ratio: 1.15x based on the Interest Rate, defined below, on a 30-year amortization schedule.

Amortization Period: 30 Years.

Rate Determination: Based on the materials provided by Borrower, the loan has been underwritten at the current fixed interest rate to Borrower of 5.90% per annum, which rate is based on a spread over a like term treasury, plus servicing fees. (The rate is not fixed at this time.) At commitment, CIC shall advise Borrower of the available rate, and if acceptable, Borrower shall sign and return a fully completed Confirmation of Note Rate. CIC shall acknowledge Borrower's acceptance of the Note Rate by delivering a counter-signed copy of the confirmation to Borrower, at which time the Note Rate will be finalized. Note, this is a rate for a forward conversion.

Prepayment: Yield Maintenance for 14.75 Years, with 1% the last 90 days of the Term open to prepayment without premium.

Loan Security: The Loan will be primarily secured by a first lien mortgage or deed of trust on the good and marketable fee simple title to the Property.

Borrower: A single-asset, special-purpose entity that meets the requirements of the Investor.

Key Principal(s): Ann Arbor Housing Commission. and/or other acceptable individual or entity related to applicant. A Key Principal is an individual, or individuals, critical to the operation of the Property, including all general partners and managing members, as applicable. The Key Principal must have sufficient net worth and liquidity and will provide a guarantee for the limited exceptions to the non-recourse status of the loan.

- Recourse: Non-recourse to the Borrower and Key Principals, with standard carve-outs (the carve-outs include, without limitation, guarantees against fraud, misrepresentation, environmental and waste).
- Assumability: The Loan may be assumed and transfers of certain ownership interests in the Borrower or its affiliated entities may take place from time to time, subject to satisfactory review and approval by Servicer (as defined below) and the Investor of the transferee's credit and management experience and the payment of 1% assumption and transfer fee and all expenses in connection therewith, including Servicer's counsel's fees and any other applicable review fees. A transfer and/or assumption without Servicer's written approval will constitute an event default under the Loan Documents (as defined herein) and the Borrower and Key Principals will incur personal liability as set forth in the Loan Documents. Each request for approval must be accompanied by a \$3,000 non-refundable review fee.
- Subordinate Financing: The Loan Documents will prohibit the owners of the Borrower from pledging interests in the Borrower or encumbering the Property to obtain any secondary or subordinate financing unless approved by Servicer and Investor.
- Tax and Insurance Impounds: The Borrower will be required to make monthly escrow payments to the Lender as loan servicer (the "Servicer") equal to 1/12<sup>th</sup> of the annual real estate taxes and insurance premiums. At Closing, the amount to be escrowed will equal the accrued but unpaid portion of real estate taxes and insurance premiums, such that after accounting for monthly escrows to be made prior to the applicable due date, the amounts held in such escrow thirty days prior to the applicable due date shall equal the entire amount due.
- Replacement Reserve: An escrow account for replacement reserves will be established and maintained in accordance with the terms and provisions of a loan and security agreement to be executed by the Borrower and Lender at Closing. Borrower will be required to make monthly deposits into this account, which will be administered by the servicer. Replacement Reserves are estimated to be \$300 per unit per year, or \$19,200 annually.

Debt Service Reserve Escrow: An escrow account for debt service reserves equal to 6 months of principal and interest will be established and maintained in accordance with the terms and provisions of a loan and security agreement to be executed by the borrower and lender at Closing.

Immediate Repair Escrow: Once the project is completed, any required immediate repairs for the Property will be determined by Lender based upon Lender's site inspection, and any required 3<sup>rd</sup> party documentation (typically final construction completion report and confirmation that all punch list items have been addressed). If repairs are required, an escrow equaling 150% of the estimated costs for immediate repairs will be established and used in accordance with the terms and provisions of a loan and security agreement to be executed by the Borrower and Lender at Closing.

#### **FEES AND COST**

**Due Diligence Fee** A \$10,000 Due Diligence Fee ("Due Diligence Fee") is due upon acceptance of this Application, less any previously deposited funds. The Due Diligence Fee will be applied against expenses incurred in the processing of the loan, including, as applicable, appraisal, environmental report, engineering report, PNA, third-party credit investigations, market study, third-party property and liability insurance review, zoning report, miscellaneous underwriting costs and other cost/expenses. To the extent any expenses incurred by Lender in connection with the processing and underwriting of the Loan exceed the amount remitted by the Applicant to Lender such additional amounts shall be due and payable by Applicant, upon demand, whether or not the Loan closes. If expenses are less than amount deposited, then the remaining Due Diligence Fee will be refunded to Borrower. Additionally, CIC is willing to share third party reports with the equity provider or construction lender wherever possible to save total underwriting costs for the deal.

**Legal Fee** Applicant and/or Borrower is responsible for the payment of legal fees and costs of Lender's counsel, which are anticipated to be \$12,500, that are incurred as a result of the processing, closing and funding of the Loan. Borrower is also responsible for any increase in legal fees and costs incurred as a result of unforeseen or extraordinary legal services required, which may include the modification of standard Investor loan documents the ("**Loan Documents**"). The Applicant and/or Borrower is absolutely obligated to pay legal fees and costs of Lender's legal counsel without regard to whether Lender funds the Loan as contemplated by this Application. If legal fees are less than the anticipated \$12,500, then the remaining legal fees will be refunded to Borrower.

**Origination Fee** An origination fee (the "**Origination Fee**") equal to 1.00% of the final Loan amount shall be earned in full by Lender upon the issuance of the Commitment that materially conforms to the terms and conditions set forth in this Application, and, the acceptance by the Borrower of the Commitment. The Origination Fee shall be payable upon the earlier of the closing construction loan/ equity partnership, or the expiration of the Commitment.

**Good Faith Deposit** Borrower will be required to place a deposit equal to 2% of the final loan amount (the "**Good Faith Deposit**") to be held in escrow upon acceptance of the Commitment. This Good Faith Deposit

will be required to Rate Lock. The Good Faith Deposit will be refunded to Borrower upon sale of the Loan to the Investor.

**Other Costs.**

*Title Insurance:* Purchase of an ALTA loan title insurance policy in form and substance satisfactory to Lender, such policy to be issued by a title insurance company selected by Lender with a liability limit equal to the amount of the Loan.

*Survey:* Delivery of an as-built, ALTA survey prepared in accordance with minimum standards for land title surveys as jointly established by the American Land Title Association and American Congress on Surveying and Mapping in 2011. The survey and land surveyor's certificate shall be in a form acceptable to Lender and shall satisfy the requirements set forth by the Investor.

*Searches:* Delivery of searches in connection with UCC financing statements, tax liens, judgments and pending litigation and bankruptcy claims that have been filed or recorded against the Borrower, General Partner/Managing Member, as applicable, Applicant and/or Key Principal in the county, state and federal indices, as applicable, in which the Property is located or the Borrower, General Partner/Managing Member, as applicable, Applicant or Key Principal resides or is formed. The searches shall be ordered by the counsel to the Applicant, unless the Applicant authorizes Lender's counsel, the title insurance company or another party to order the searches. All searches shall be dated no more than 30 days before the loan Closing.

*Other:* The Borrower and/or the Applicant shall pay all expenses in connection with the Loan including, but not limited to, the fees and disbursements incurred in connection with the preparation and delivery of payoff, release and termination documents, mortgage and documentary stamp taxes, if any, intangible taxes, if any, and recording and filing charges. To the extent incurred, the Applicant and/or Borrower shall pay the foregoing expenses whether or not the Loan shall close.

**OTHER LOAN TERMS**

**Insurance Requirements:** All property and liability insurance coverage and insurance providers must meet the Investor's requirements. Borrower, Applicant and Key Principal(s) authorize Lender to (i) engage a third-party company (the "Insurance Advisor") to ensure compliance with the Investor pertaining to insurance matters; and (ii) permit Lender and its Insurance Advisor to discuss the insurance requirements with the Applicant's insurance agent so such agent may obtain additional or modify existing insurance coverage to the extent necessary.

**Credit Authorization:** Borrower, Applicant and Key Principal (s) hereby authorize Lender to obtain credit reports on the Borrower, Applicant, Key Principal(s) and entities and persons that own certain interests in the Borrower and/or Applicant from an independent credit-reporting agency. Borrower, Applicant and Key Principal(s) also authorize Lender to verify information submitted during due diligence.

**Zoning and Other Laws:** Borrower and/or Applicants must provide Lender with evidence from the appropriate municipality or governing agency that the Property is a conforming use and structure under all applicable zoning regulations and ordinances and the Property complies with all other applicable laws and ordinances. Borrower and/or Applicant must also provide evidence to Lender from the applicable municipality or governing agency that in the event of a casualty, the improvements at the Property may be rebuilt without any loss in density to decrease in the number of units. If such evidence cannot be obtained, Lender may require Law & Ordinance insurance (subject to the Investor's approval) in order to proceed with the Loan.

**Certificate of Occupancy:** Borrower and/or Applicant must provide certificate (s) of occupancy or a legal equivalent, as well as all other permits and licenses necessary to operate the Property.

**Additional Requirements:**

- 1) The Loan is pre-review and subject to final Investor approval.
- 2) Underwritten NOI will be based on the lesser of LIHTC restricted, Section 8 or market rents.
- 3) PILOT or other tax abatement/exemption (if applicable) must be in place at Closing and subject to full due diligence and approval by the Investor.
- 4) To facilitate this redevelopment, CIC would consent to the execution of the Rental Assistance Demonstration (RAD) Use Agreement and subordinate our mortgage to this Agreement as required by HUD. We would also anticipate that an Assignment of the Housing Assistance Payment (HAP) Contract would be executed and in place prior to our subordination.

**CANCELLATION OF APPLICATION**

**OCCURANCES RELATED TO BORROWER, APPLICANT, KEY PRINCIPAL(S) OR THE PROPERTY:** Lender may cease the processing of this Application and have no further obligations to the Borrower and/or Applicant if any of the following occurs; (i) Applicant and/or Borrower fails to comply with any of the requirements of this Application; (ii) substantial destruction or damage to the Property; (iii) a material negative change in the Borrower's, Applicant's, or Key Principal's financial position; (iv) discovery by Lender of any material misrepresentation by Borrower, Applicant, or Key Principal in this Application or any items submitted by Borrower, Applicant, or Key Principal in furtherance of the Loan; (v) material failure to provide on a timely basis any information Lender deems necessary to process the Loan; (vi) discovery by Lender of any circumstances or facts relating to the Borrower, Applicants, Key Principals, or Property which could make the Loan ineligible for sale.

**OCCURANCES RELATED TO THE MORTGAGE LENDING MARKETS:** Lender may cease the processing of this Application and have no further obligation to the Applicant and/ or Borrower if any of the following occurs: (i) an event or events has occurred where Lender has determined in good faith that such event has caused material disruption in the lending market for purchasing or financing debt obligations secured by commercial-mortgage loans and securities; or (ii) if for any reason Lender determines in good faith that the Investor will not purchase the Loan.

**OCCURANCES RELATED TO THE CAPITAL MARKETS:** Lender may cease the processing of this Application and have no further obligations to the Applicant and/ or Borrower if any of the following occurs: (i) a declaration of a general banking moratorium by either federal or state authorities having jurisdiction; (ii) a general suspension of trading or implementation of material restrictions of trading on the New York Stock Exchange, whether by virtue of a determination by the New York Stock Exchange or by order of the Securities and Exchange Commission or any other governmental authority; or (iii) any outbreak of hostilities or other local, national, or international calamity or crisis, where the effect of such outbreak has a material adverse effect on the purchasing or financing of debt obligations and securities collateralized by commercial real estate.

**BROKER:**

Lender and Applicant herein agree to indemnify and hold the other harmless against claims brought by brokers with whom they or their representatives have dealt in connection with the transaction contemplated hereby.

**REPORTING:** The Borrower will be required to provide operating statements and rent rolls on a quarterly basis. At year-end, the Borrower will be required to provide an annual operating statement, an operating budget and a leasing plan for the next year in addition to other Investor requirements.

**GOVERNING LAW:**

This Application shall govern the rights and obligations of the Borrower, Applicant, Key Principals and Lender hereunder. This Application shall be governed by and construed in accordance with the laws of the State of Michigan. The Loan Documents shall be governed by the laws of the state in which the Property is located.

**UNDERSTANDING:**

It is understood and agreed that this Application does not, in any manner, constitute a loan commitment. The Commitment will be forthcoming only after loan committee approval of the underwritten transaction by Lender. The Commitment, if issued, will be in a separate writing and will contain terms and conditions that may be in addition to or in substitution of those set forth in this Application.

This Application represents the entire understanding between Applicant and Lender and may only be changed in writing with the signatures of both Applicant and Lender. This Application is required to be executed by all parties, together with payment if the Due Diligence Fee, delivered to Lender on or before July 13, 2018 or this Application will become null and void. Upon receipt of both the Applicant's written acceptance of the terms outlined herein and the Due Diligence Fee, the Lender will commence full processing of the loan.

Thank you for the opportunity to serve your financing needs for the Property.

Sincerely,

Cinnaire Investment Corporation, a Michigan corporation

By: Katherine Forth  
Katherine Forth  
President, Cinnaire Lending Corporation

By the executions below, the undersigned Applicant accepts, acknowledges, and agrees to the foregoing terms and conditions of this Application.

DEVELOPER: Ann Arbor Housing Commission .

NAME OF ENTITY: Swift Lane Limited Dividend Housing Partnership Limited Partnership, a Michigan limited partnership.

By: \_\_\_\_\_  
Authorized Signer

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

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