

*WEST ARBOR:
RFP FOR FUNDING
PARTNERS*

CONSTRUCTION DEBT

JPMORGAN CHASE



February 6, 2015

Jennifer Hall
Executive Director
Ann Arbor Housing Commission
727 Miller Avenue
Ann Arbor, MI, 48103

Richard L. Higgins
President
Norstar Development USA, LP
733 Broadway
Albany, NY 12207

**Re: West Arbor
Ann Arbor, Michigan**

Dear Ms. Hall and Mr. Higgins:

Thank you for considering JPMorgan Chase Bank, N.A. ("Chase") as a potential construction lender for the development of affordable rental housing at the proposed project known as West Arbor in Ann Arbor, Michigan. We have completed a preliminary review of the materials you have submitted, and the following is a brief outline of the terms that we propose to underwrite for credit approval. Of course, this letter is for discussion purposes only and does not represent a commitment by Chase to provide financing for the project nor an offer to commit, but is rather intended to serve as a basis for further discussion and negotiation should you wish to pursue the proposed transaction. Our interest and preliminary terms are subject to change as our due diligence and discussions with you continue. A commitment can only be made after due diligence materials are received, reviewed and approved and credit approval has been obtained.

Construction Loan

Borrower: West Arbor Limited Dividend Housing Association Limited Partnership, a single-asset entity whose General Partner is West Arbor GP, LLC, an affiliate of the Ann Arbor Housing Commission.

Developer: Norstar Development USA, LP

Project: West Arbor will consist of 46 units of affordable rental housing for families, located at 701-739 N. Maple in Ann Arbor, Michigan.

Amount: Estimated at \$8,525,000; subject to final budget, sources and uses of funds, and LIHTC equity pay-in schedule.

Initial Term: Up to 24 months.

Interest Rate:	1-Month Libor + 2.25%, adjustable monthly (2.42% as of February 6, 2015).
Commitment Fee:	1% of the Construction Loan Amount.
Extension Option:	One, conditional, six-month maturity extension.
Extension Fee:	0.25% of the remaining loan commitment amount.
Collateral:	First mortgage; other typical pledges and assignments.
Guarantee:	Full payment and completion guarantees and environmental indemnity by a guarantor or guarantors satisfactory to Chase.
Developer Fee:	Assigned to Chase. Notwithstanding provisions of the Limited Partnership Agreement, any payments of developer fee prior to permanent debt conversion are subject to the prior approval and control of Chase.
Tax Credit Equity:	Estimated at \$8,727,000, of which at least 15% must be paid in at closing. The identity of the equity investor and pay-in schedule for this transaction must be disclosed and acceptable to Chase in its sole discretion.
Subordinate Liens:	Subordinate financing will be permitted subject to approval of terms by Chase.
Repayment:	The Construction Loan will be repaid with principal reductions from equity funded at or subsequent to construction completion and from the proceeds of a permanent loan estimated at \$1,862,500.
Loan to Value:	Up to 80%, including the value of the real estate and tax credits.
Contract Bonding:	100% Payment and Performance Bonds from an "A" rated surety.

Please also note that Chase has previously indicated its willingness to sponsor as member bank the Project's \$950,000 Affordable Housing Program application with the Federal Home Loan Bank of San Francisco.

We appreciate the opportunity to discuss with you the possibility of providing construction financing for the proposed project. This letter of interest is for your information and use only, and is not to be shown to or relied upon by other parties. Please note that Chase and its affiliates may be providing debt financing, equity capital or other services (including financial advisory services) to other companies in respect of which you may have conflicting interests regarding the transaction described herein or otherwise. Chase and its affiliates may share information about you in connection with the potential transaction or other possible transactions with you.

This letter, which expires July 31, 2015, serves as an outline of the principal terms of the proposed facility, and is subject to receipt and satisfactory review of all due diligence materials by Chase and to

change as described above. Please note, Chase cannot extend any legally binding lending commitment until formal credit approval has been obtained and a commitment letter has been issued.

Sincerely,

JPMORGAN CHASE BANK, N.A.

A handwritten signature in blue ink that reads "Chet C. Shedloski". The signature is written in a cursive style with a prominent initial "C" and a long horizontal stroke at the end.

Chet C. Shedloski
Authorized Officer