

*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 small flourish at the end.

Chet C. Shedloski
Authorized Officer

*WEST ARBOR:
RFP FOR FUNDING
PARTNERS*

CONSTRUCTION DEBT

KEYBANK



Joseph G. Elcheldinger
Vice President
Community Development Lending
50 Fountain Plaza
Mailcode: NY-00-02-1680
Phone: 716-847-7738
Fax: 1-800-326-5031

February 6, 2015

West Arbor Limited Dividend Housing Association Limited Partnership
C/o Mr. Kevin McCarthy
Norstar Development USA, LP
733 Broadway
Albany, N.Y. 12207

Telephone: (518) 431-1051

Fax: (518) 431-1053

Via e-mail at kmccarthy@norstarus.com

Re: Construction Financing Proposal for West Arbor Limited Dividend Housing Association Limited Partnership, City of Ann Arbor, MI (the "Proposal")

Dear Mr. McCarthy:

Key Bank National Association (the "Bank") hereby expresses an interest in providing construction loan financing for West Arbor Limited Dividend Housing Association Limited Partnership in Ann Arbor, MI subject to the terms set forth below (the "Loans"). The terms below are intended to outline those terms pursuant to which a definitive agreement may be entered and do not constitute a binding contract. This is a response to the Request for Proposal provided by Norstar Development USA, LP dated January 27, 2015 (the "RFP"), and is an evaluation of how the transaction may be structured given the assumptions provided in such request. The Loans by KeyBank National Association are contingent upon, among other things, completion of due diligence, negotiation and execution of definitive agreements and approval of its Credit Administration.

Borrower: West Arbor Limited Dividend Housing Association Limited Partnership, a *limited partnership* company organized under the laws of the State of Michigan.

Guaranty: Guaranty of Performance and Completion to be provided by Norstar Development USA, LP, ("NDUSLP"), Ann Arbor Housing Commission ("AAHC") and Managing Members, until project stabilization and construction loan repayment. During the term of the loan, both Norstar Development USA, LP and Ann Arbor Housing Commission shall maintain, collectively, a Net Worth of \$3MM and unrestricted liquidity of \$1MM.

Use of Proceeds: The Loan proceeds are to be used solely for the purpose of *the construction rehabilitation* of an affordable rental housing project of 46 units (the "Improvements") located at 701-739 Stevens Ave. Ann Arbor, MI (the Land,
KeyCorp - Confidential

Improvements and all related fixtures and personal property are referred to as the "Project") in accordance with the preliminary schedule of Sources and Uses of Funds attached herein.

Loan Amount: Construction:
The principal amount of the Construction Loan shall not exceed \$8,525,000 or so much thereof as may be advanced from time to time to or for the benefit of the Borrower subject to the terms and conditions of the Construction Loan Agreement.

Security for the Loan: The Loan will be secured with a first *Mortgage* and Security Agreement on the Project and such other documents as may be requested by the Lender at or prior to Closing.

Term: Construction Loan:
Eighteen (18) months from Date of Closing (18 months initial term with option for one 90 day extension under conditions below).

Extension Period: The Borrower may request One – 90 day extension option to the loan term on achievement of the following conditions:
No default in any loan or investment documents; Completion of Construction; Interest reserve sufficient for extension period or sufficient project cash flow to cover the interest and fees; Payment of ¼ of 1% extension fee on the loan commitment amount

Extension Fee: Upon closing of the ninety (90) day extension, Borrower shall pay a fee of 1/4% of the loan commitment amount.

Completion Date: Construction Completion Date of The Project shall be Eighteen (18) Months after the Date of Closing (*this is the date construction will be complete, not necessarily the construction loan period*). Project development shall begin after Closing but no later than sixty (60) days after Closing.

Interest Rate: Construction Loan:
Prior to the Conversion Date, the Loan shall bear interest at an annual rate equal to the 30 Day LIBOR Rate during the term of the loan plus two hundred fifty (250) basis points, rounded upward to the nearest 1/16th as it may vary based upon a three hundred sixty (360) day year for the actual number of days elapsed. The 30 Day LIBOR Rate may change from time to time.

Default Rate: In the event of any default, the interest rate shall be equal to the greater of three percent (3%) in excess of the Interest Rate or Sixteen Percent (16%) per annum, but shall not at any time exceed the highest rate permitted by law.

Repayment: Construction
Prior to the Maturity Date, interest on the outstanding principal balance of the Loan shall be due and payable monthly beginning on the first day of the first calendar month following the Date of Closing and continuing through the Maturity Date.

Prepayment

Penalty: Borrower may prepay the Construction amount without penalty.

**Loan Fees &
Expenses:**

The Construction Loan fee shall be \$106,563, payable at the Date of Closing. Borrower hereby acknowledges that the Origination Fee shall be for the applicable services rendered, supported by good, valuable and adequate consideration, and not refundable for any reason.

The Borrower shall pay all costs and expenses incurred in connection this proposal and the Loan including, without limitation, title insurance costs, flood zone determination fee, survey fees, appraisal costs, engineer's fee, inspecting architect's fee, environmental audit, fees of any loan participant, and Bank's legal and consultant fees. .

Tax Credit

Equity Funds: Borrower has received a commitment for the purchase of *low-income housing tax credits* related to the Project in a minimum amount of \$12,549,586. Any Developer Fee shall be payable from equity funds in accordance with the terms of the final *partnership/operating* agreement as reviewed and accepted by the Lender.

**Construction
Equity/Sub Debt**

Requirement: Borrower shall contribute no less than \$4,000,000 of equity and/or bank-approved sub-debt towards completion of the Project, which shall consist of:

1. \$1,275,000 of LIHTC equity
2. \$366,022 of AAHC funds
3. \$342,000 Sustainability Grant
4. \$389,176 in other City funds
5. \$742,000 in County CDBG funds

To be advanced prior to Construction Completion

Secondary

Financing: No secondary financing shall be permitted without Lender's consent, except for those amounts outlined in Construction Equity/Sub Debt above. The secondary financing shall be subordinated to the Loan in a manner acceptable to the Lender in its sole discretion.

**Financial Covenants
And Reporting
Requirements:**

1. Prior to the Date of Closing, Borrower shall establish and maintain with Lender an operating account with the Bank, which shall be opened by Key at the branch of the borrower's choice.

2. Borrower may be required fund a replacement reserve and or an operating reserve account in an amount to be determined by the Managing Member/Investor Member. The amount and timing of the reserve funding is to be in compliance with the requirements of the final *partnership/operating* agreement with such requirements found acceptable to Lender prior to the closing of the Loan. The reserve account(s) shall be maintained with the Lender.
3. Borrower shall submit to Lender annual Federal Income Tax Returns within 30 days of filing and annual financial statements not more than 180 days after fiscal year end and other periodic financial statements as reasonably requested by Lender.
4. Guarantors shall submit to Lender annual Federal Income Tax Returns not more than 30 days after filing and annual financial statements not more than 180 days after fiscal year end and other periodic financial statements as reasonably requested by Lender

**General
Contractor:**

Prior to the closing date, Borrower shall furnish to Bank an executed fixed price or guaranteed maximum price construction contract from Norstar Building Corporation, who will serve as the General Contractor, or other contractor approved by the Lender. The General Contractor will be required to provide an acceptable workman's compensation insurance policy. The General Contractor will also be required to provide a Payment and Performance Bond in the amount of the general contractor construction contract with dual obligee riders as required by the Bank. The general contractor shall provide up to 3 years of financial statements, or other financial information acceptable by the Bank for review.

Developer Fee:

Developer fee shall be paid from equity in accordance with the terms of the final Limited Partnership Agreement as reviewed and accepted by Bank.

**Low Income
Housing
Tax Credits:**

Borrower shall satisfy all conditions required to maintain the qualifications of the Tax Credits awarded throughout the term of the loan. It is the Bank's understanding that the Project may be subject to an adjustable LIHTC credit rate. The credit rate received by the Project must be acceptable to the Investor and reviewed by the Bank.

**Approval of
Partnership
Agreement:**

The closing of the Construction Loan is conditioned upon the Bank approving the Limited Partner, the partnership agreement of the Borrower, including, without limitation, all terms and provisions concerning the admission of the Managing Partners and the amount, timing and means of payment of the capital contributions to be received from the Limited Partner, and all related documentation.

**Tax
Abatement:**

The Borrower estimates that the Project Property is eligible for special tax treatment through a Payment in Lieu of Taxes (PILOT) following completion of improvements to the Project. The Managing Partner shall timely file an

application and take such other action necessary to ensure that the Partnership receives such PILOT, which is proposed by the City of Ann Arbor during the tax credit compliance period. The Guarantors shall guaranty any operating deficits resulting from the Project not receiving said PILOT, prior to the repayment of the construction loan.

Bank

**Participation/
Syndication:**

Borrower further acknowledges that the Bank reserves the right to syndicate its interest in the Loan. In the event that the Bank participates or syndicates its interest in the Loan, Borrower agrees, at Bank's request, to execute such additional promissory notes and other instruments as may be appropriate to evidence its obligation under the Loan to such syndicate banks as may commit, in the future, to fund a portion of the Loan Amount according to the terms of the Construction Loan Agreement.

Indemnification

:

The Borrower agrees to indemnify and to defend and hold the Bank harmless against (i) any brokerage commissions or finder's fees claimed by any broker or other party in connection with the transactions contemplated hereby and (ii) any loss, costs, damages or expenses that the Bank may incur, directly or indirectly, as a result of or in connection with the assertion against the Bank of any claims relating to the presence or removal of any environmental contamination on the Premises or any adjacent property.

**Loan ocuments
and Security for
the Loan:**

The Loan shall be evidenced by a Promissory Note (the "Note") for the Loan Amount and a Construction Loan Agreement, and shall be secured by a Mortgage and Security Agreement (the "Mortgage") which Mortgage shall convey to Bank (i) a first lien upon the unencumbered fee simple title to the Land and the Improvements and easements and rights of way appurtenant thereto, which Land shall be more fully described in a legal description to be provided by the Borrower to the satisfaction of the Bank, and (ii) a first lien and security interest in all fixtures and personal property owned by Borrower and relating to or located on the Project and such other collateral documents and legal opinions as the Bank and its legal counsel shall require, all in form and substance acceptable to the Bank.

Appraisal:

Bank shall receive prior to the closing date a written appraisal satisfactory to the Bank in all respects including, but not limited, to a market valuation of the Project which includes all tax credit equity and other favorable financing which indicate a loan to value ratio not to exceed eighty percent (80%). The report shall be acceptable to the Bank in its sole discretion.

The appraiser must be selected and directly engaged by the Bank. Cost of the appraisal will be paid by the Borrower prior to the Bank's order of the appraisal. The appraisal report shall be prepared in accordance with the Uniform Standards of Professional Appraisal Practice applicable to Federally Related Transactions as set out in Appendix A to the real estate appraisal regulations adopted by the Office of the Comptroller of the Currency pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") (Sub-part C of 12 C.F.R. 34) and shall be prepared in response to an engagement letter to be issued by the Bank. The appraisal shall be updated, at Bank's discretion, at Borrower's cost if the extension option is exercised and, as and when reasonably requested by the Bank at the Borrower's expense.

- Title Insurance Policy:** Borrower shall furnish the Bank with an ALTA Loan Policy of Title Insurance, amended with current Michigan endorsement modifications, by a title company satisfactory to the Bank in the Loan Amount, insuring the Bank that it has a first lien upon the Premises, and including insurance against mechanic's and material men's liens and encroachments by or upon the Premises and with variable rate, future advances, comprehensive, zoning and such other endorsements as may be required by the Bank, with all so-called "Standard" exceptions deleted and containing no exceptions other than those specifically approved by the Bank (the foregoing hereinafter referred to as the "ALTA Policy").
- Insurance:** Borrower shall obtain and maintain insurance coverage satisfactory to the Bank. The initial policies shall be prepaid and certificates of insurance shall be delivered to the Bank prior to Closing. All renewal policies shall be prepaid and certificates of insurance delivered to the Bank as evidence of such insurance on or prior to the policy expiration date.
- Market Study:** Prior to the closing date, Borrower shall supply Bank with a market study indicating sufficient demand for the Project units. Said report shall be reviewed and accepted by the Bank in its sole discretion.
- Environmental Assessment:** The Borrower shall provide evidence (including a Phase I, Phase II and other such reports of environmental assessment certified to Bank) indicating that the Land is free from risk in the Bank's sole judgment from all hazardous substances, toxic substances or hazardous wastes as defined by any Federal, state, or local law, statute, ordinance or regulation and is free of all other contamination which, even if not so regulated, is known to pose a hazard to the health of any person on or about the Land, and that the Land is not in a "Wetlands" or "Flood Plain" area, and contains no underground storage tanks or oil or gas wells. The Bank reserves the right, at Borrower's expense, to retain an independent consultant to review any such evidence submitted by Borrower or to conduct its own investigation of the Land.
- Disbursement Procedures:** All funds disbursed under the Loan shall be subject to the Bank's Construction Loan Agreement, which shall contain such terms, covenants, and conditions as shall be satisfactory to the Bank, including without limitation, the following:
- Other Funding Sources: All other construction funding sources shall be disbursed in accordance with the Equity Requirement Section on Page 2 of this Proposal under the terms of a Disbursement Agreement approved by the Bank.
- Draw Request: All requests for disbursement of funds shall be in writing and shall be submitted on a Standard AIA Form G702 and G703 and shall be for costs consistent with the final Project cost breakdown accepted by the Bank in aggregate total and itemization. Draw Requests should not be made more frequently than once per month. No disbursements will be made for stored materials unless properly secured and insured in a manner satisfactory to the Bank or its agent. Each Draw Request shall be signed by the Borrower and approved in writing by the supervising architect.
- Inspections: All inspections shall be completed by an agent for the Bank who

will require all lien waivers and may require further information, including, but not limited to, documents such as contracts and invoices, to complete the analysis of the Draw Request. The cost of these inspections shall be paid directly by the Borrower.

Affidavits/Lien Waivers: The Borrower shall submit with all Draw Requests copies of affidavits signed by the general contractor certifying all outstanding balances due but unpaid for work in place for the Project. With each Draw Request, Borrower shall deliver to Bank and Bank's construction inspector copies of waivers of liens from contractors in the respective sum received by each such contractor for all of the preceding Draw Requests.

Title Insurance: Bank shall be provided with an update to the ALTA Policy, as of the date of the requested Loan Disbursement, showing no additional liens or encumbrances upon the Premises.

Disbursements: All disbursements shall be made approximately ten (10) days after receipt of all information required by the Bank to approve the requested disbursements.

Funds will be disbursed directly into a demand deposit account maintained by Borrower at the Bank specifically for the Project; provided, however, the Bank reserves the right to pay individual contractors directly or by check jointly payable to Borrower and any such contractor should the Loan be in default.

Retainage: The Bank shall withhold ten percent (10%) (the "Retainage") from the "hard costs" contained on each requested Loan Disbursement until the Project reaches 50% complete. Thereafter, the Bank shall withhold five percent (5%) retainage until 100% completion of the Project. The Bank reserves the right, in its sole discretion, to release retainage on a case by case basis during construction upon request from the Borrower.

Interest Reserve: The Bank shall set aside an amount of \$421,988 from the loan proceeds to be used as an interest reserve. Should additional interest reserve be required to fund the 'Loan Extension' periods (if any), funds must be available at the loan extension closing. Funds from the reserve are to be used solely to pay interest during construction and are not used to fund hard costs.

Contingency Reserve: An amount equal to a minimum of 10% of the construction costs shall be reserved in the construction loan budget to pay bank-approved change orders. An agreed upon amount between borrower and lender shall be reserved in the loan budget for payment of soft costs which exceed the closing budget amount.

In Balance: The Loan shall remain "in balance" at all times. The Loan shall be determined to be "in balance" only at such times as Bank determines, in its reasonable discretion, that the then undisbursed portion of the Loan, together with such construction-period equity as Bank deems appropriate for inclusion, equals or exceeds the amount necessary to pay all work done and not theretofore paid for or to be done in connection with the completion of the construction of the Project in accordance with the plans and specifications or

otherwise to be incurred in connection with completion of the Project.

If the Bank determines that the Loan is not "in balance", Borrower shall within thirty (30) days after written request by Bank deposit the amount of the deficiency with Bank, which shall then be disbursed before any further disbursements of Loan proceeds. Bank shall not be obligated to make any disbursements of the Loan at any time that the Loan is not in balance.

**Additional Loan
Conditions:**

1. Prior to commencement of construction of the improvements, and prior to any disbursement for construction hard costs, Borrower shall furnish to Bank the following documentation, all in form, substance and execution satisfactory to Bank:
 - a. A complete set of final plans and specifications related to the construction of the Project and evidence of compliance with the Americans with Disabilities Act. Bank shall retain an independent engineer, architect or consultant to conduct such review, and Borrower agrees to bear the cost and expenses thereof.
 - b. A cost breakdown and itemization of all hard and soft costs for the Project. This itemization shall include (i) a summary page indicating costs of land, site work, construction and soft costs on an AIA G703 form and (ii) detailed schedules supporting the site work and construction costs shown on the AIA G703 form according to Construction Standards Institute (CSI) Division.
 - c. Evidence of all building permits and governmental approvals necessary for the Project.
 - d. The General Contractor's contract and all other primary contracts related to construction of the Project.
 - e. A list of all known and contemplated major contractors (contract price over \$250,000) used for development of the Project.
 - f. A Project development schedule provided by Borrower and development supervisor setting forth the approximate start and finish dates of all major stages of the Project; such schedule shall provide that the development of the Project shall commence on or before sixty (60) days after the closing date.
 - g. Evidence that a contract from HUD exists through Ann Arbor Housing Commission with a minimum term of 20 years authorizing 46 units eligible for the Project Based Rental Assistance Demonstration (RAD) rental structure program exists and has been executed West Arbor LDHALP and Ann Arbor Housing Commission.
2. Construction of the Project shall be completed within eighteen (18) months after commencement of Project development (Construction Completion Date). Project development shall begin after Closing but no later than sixty (60) days after Closing.
3. Upon completion of all development and prior to disbursement of the

Retainage, Borrower shall submit evidence of completion of the Project, consisting of (i) a certificate of the supervising architect or General Contractor certifying that the Project has been completed in accordance with the final plans and specifications as approved by the Bank, and (ii) a certificate of use and occupancy and any other certificates required by the local municipality or by any other applicable governmental department, agency or unit, and (iii) if requested, an "As-Built" ALTA/ACSM final survey of the Project.

4. Borrower and Guarantors shall submit to Bank annual accountant-prepared unaudited financial statements, income and operating statements for the Project and other periodic unaudited financial statements as reasonably requested by the Bank.
5. Bank shall be entitled to erect a sign on the Land at Borrower's expense or as part of Borrower's signage indicating that the Bank is the source of financing for the Project and to use the Loan Amount, Borrower's name and Project location in any advertisement.
6. Provided no default exists in the covenants, terms and conditions of any Loan Documents at any time while the Loan remains unpaid, the Bank will permit Borrower to pay the property insurance premiums and real estate taxes related to the Project outside of escrow during the term of the Loan. Borrower shall furnish to the Bank evidence that the insurance premiums are paid, at least five (5) days prior to the last date for payment of such amounts before termination of the insurance policy.
7. Until the Loan is paid in full, the Borrower, without the prior written consent of the Bank, shall not create, effect, consent to, attempt, contract for, agree to make, suffer or permit any conveyance (other than conveyances of leasehold estates in the ordinary course of business), sale, assignment, transfer, lien, pledge, mortgage, security interest, encumbrance or alienation of the, Project, or the Borrower, or any interest in or portion of the Project, or the Borrower, which is effected directly, indirectly, voluntarily, involuntarily, or by operation of law or otherwise.

**Items to be
Delivered
Pre-closing:**

Borrower shall also furnish to Bank executed commitments for financing sources and equity investor source listed below with closing term, disbursement schedule and conditions acceptable to the Bank:

1. \$12,549,586 of LIHTC equity
2. \$3,913,000 in Ohio Housing Finance Authority funds structured as a HDL Flex Fund Loan
3. \$742,000 in County CDBG funds
4. \$500,000 commitment for a permanent loan on terms and delivery conditions acceptable to KeyBank, The Investor and MSHDA.
5. \$366,022 of AAHC funds
6. \$342,000 Sustainability Grant
7. \$389,176 in other City funds
8. \$1,202,000 AAHC funds

- Financial Condition:** The Borrower and Guarantors shall not suffer a material adverse change in financial condition prior to the closing date.
- Michigan Law:** The rights and obligations of the parties with respect to this proposal shall be governed by the laws of the State of Michigan.
- Legal Counsel Approval:** Satisfaction of requirements of the Bank's legal counsel and approval by counsel of all documents in connection with this Loan will be required.
- Prohibition of Assignment:** This Proposal is made exclusively to the Borrower and is not assignable or transferable voluntarily or involuntarily by the Borrower and any such assignment or transfer or attempted assignment, or transfer shall be null and void and shall result in this Proposal being automatically and simultaneously terminated.

This proposal does not set forth all the terms and conditions of the Loans proposed herein. Its purpose is to provide an outline, in summary format, of the major points of understanding which will be the basis of the final loan documentation which will be prepared by Lender if such proposed Loan does occur. The Loan Documents will have terms and conditions not set forth herein, including but not limited to conditions precedent, representations and warranties, affirmative and negative covenants, events of default, and other provisions customarily required by Lender for the type of financing contemplated by this proposal. Borrower acknowledges and agrees that the Lender reserves the right to require additional documents and/or add additional conditions upon Lender's review of the final transaction structure and its review of all related documents.

The Lender is pleased to provide this Proposal to the Borrower and appreciates the opportunity to serve the Borrower and the community. Please contact the Joe Eicheldinger at 716-847-7738 with any questions you may have.

Sincerely,



Joseph G. Eicheldinger
Vice President

ACCEPTANCE OF PROPOSED TERMS

This Summary of Proposed Terms is not a commitment by Lender and does not create any obligation on the part of Lender. This outline is only a brief description of the principal terms of the suggested facility and is intended for discussion purposes only for the purpose of setting forth terms to submit to Lender's Credit Underwriting Department.

The undersigned hereby acknowledges receipt of the foregoing Proposal this ____ day of _____, 2015 and does hereby accept all of the terms, conditions and time limitations set forth in the Proposal of Terms Letter by the execution of same.

West Arbor Limited Dividend Housing Association Limited Partnership

By: _____
Its: _____

CONSTRUCTION COMPLETION GUARANTORS:

Norstar Development USA, LP

By: _____
Its: _____

Ann Arbor Housing Commission

By: _____
Its: _____

1350 Broadway, Suite 700 * New York, NY 10018-7702 * www.cdt.biz
phone: (212) 271-5080 fax: (212) 271-5079



February 4, 2015

West Arbor Limited Dividend Housing Association Limited Partnership
c/o Mr. Kevin McCarthy
Norstar Development USA, LP
733 Broadway
Albany, NY 12207

Re: West Arbor, Ann Arbor, MI

Dear Mr. McCarthy:

We are pleased to confirm the initial interest of The Community Development Trust, LP (CDT) in providing to the Borrower for West Arbor a permanent first mortgage for the referenced project. The project will require a 24-month forward commitment for a property that will consist of 46 units of affordable housing utilizing Low Income Housing Tax Credits. The amount of the loan is currently estimated at \$1,862,500. Subject to the terms and conditions outlined in CDT's Debt Program (standard Term Sheet attached) CDT would be interested in originating the permanent loan. Based on current market conditions, spreads, and current US Treasury rates, the indicative interest rate for a 24-month forward commitment on this project would be 5.67% for a loan with a term of 18 years with a 30-year amortization. Please note that this is an indicative interest rate and is subject to change at any time.

CDT's mission is to invest in debt and equity projects that satisfy the Community Reinvestment Act, and its main focus is to preserve and increase the stock of affordable housing. This letter is being provided to you for informational purposes only and does not constitute a binding legal commitment of CDT. This letter is based upon CDT's current interest and information that has been previously provided and is subject to change by CDT at any time in CDT's sole and absolute discretion.

Any loan originated by CDT would also be subject to the terms and conditions of CDT's underwriting, review, due diligence and approval of transaction by CDT and its senior investor.

Please do not hesitate to contact me at (312) 697-8217 if you have any further questions or concerns with regard to this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Bob Rice".

Bob Rice
Vice President - Debt

*WEST ARBOR:
RFP FOR FUNDING
PARTNERS*

CONSTRUCTION DEBT

HUNTINGTON BANK



February 11, 2015

Lori Harris
Vice President
Norstar Development USA, L.P.
733 Broadway
Albany, New York 12207

RE: West Arbor LDHA LP construction financing

Dear Ms. Harris:

Huntington (“the Bank”) is pleased to have the opportunity to present this Proposal of Loan Terms for the Construction Financing of the West Arbor LIHTC Project. Please note that this Term Sheet should not be construed as a loan approval, since all loan terms and conditions are subject to the review and approval of Huntington’s Senior Loan Committee.

Borrower: West Arbor Limited Housing Dividend Association Limited Partnership

Security: First mortgage lien and an assignment of leases and rents secured by the 42 Unit LIHTC Project to be located at located at 701 N. Maple, in the City Ann Arbor, Washtenaw County, Michigan. The loan shall also be secured by an Assignment of the General Partner’s Interest and an Assignment of Deferred Developer Fees.

Loan Amount: Estimated at **\$8,525,000**, with maximum financing availability up to 80% of the LIHTC Value (including the Real Estate Valuation, the Valuation of the Tax Credits and the Present Value of Reversion Benefits) as evidenced by an appraisal report acceptable to Huntington.

Pricing: **1 Month LIBOR + 2.25%** Interest shall be computed on the basis of a 360-day year but shall be charged for the actual number of days within each period.

Repayment: Interest-Only shall be due and payable monthly for the Term of the Loan.

Loan Term: Up to Twenty Four (24) months.

Loan Fees: A Loan Origination fee of **0.50%** of the Loan Amount is payable at loan closing. The Borrower shall also pay all costs and expenses in connection with the loan including, but not limited to, mortgage recording fees, Bank’s appraisal and appraisal review fees, title insurance costs, escrow fees, Bank’s legal expenses, and site inspection fees during construction. The Borrower shall also be expected to provide satisfactory surveys, environmental reports and evidence of suitable insurance prior to loan closing.

Recourse: 100% Guarantee of Payment and Completion from Norstar Development USA, L.P.

Financial Covenants: The Guarantor must maintain a Minimum Worth of \$3,000,000 and Minimum Liquidity (Cash and Marketable Securities) of \$1,000,000 at all times.

Title: Title Policy and Title Insurance ("Title Work") approved by Lender.

Operating Accounts: The Borrower and/or Guarantors will maintain the Operating Account for the West Arbor Project at Huntington Bank.

Please note that Lender reserves the right to revise this proposal of terms. The Lender's final commitment for the financing will occur once the request has been reviewed and accepted by Huntington Bank Senior Loan Committee. The terms included in this letter are open for consideration until February 20, 2015 at which time the terms will automatically expire.

This letter does not set forth all the terms and conditions of the loans proposed herein. Its purpose is to provide an outline, in summary format, of the major points of understanding which will be the basis of the final loan documentation which will be prepared by Lender if such proposed loan does occur. Sponsor acknowledges and agrees that the Lender reserves the right to require additional documents and/or add additional conditions upon Lender's review of the final transaction structure and its review of all related documents.

HUNTINGTON'S OBLIGATIONS TO CLOSE ANY LOAN WHICH MAY BE APPROVED PURSUANT TO THIS PROPOSAL ARE SUBJECT TO THE PRE-CLOSING, CLOSING AND GENERAL REQUIREMENTS WHICH ARE REQUIRED BY LENDER, EACH OF WHICH SHALL BE DEEMED SATISFIED ONLY WHEN THE DOCUMENT OR EVIDENCE PROVIDED IN SATISFACTION THEREOF HAS BEEN REVIEWED AND APPROVED BY HUNTINGTON AS TO FORM AND CONTENT. SUCH REVIEW AND APPROVAL IS SOLELY FOR HUNTINGTON'S BENEFIT AND NO OTHER PARTY SHALL BE ENTITLED TO RELY THEREON. NO DATE SHALL BE ESTABLISHED FOR LOAN CLOSING UNTIL ALL PRE-CLOSING REQUIREMENTS HAVE BEEN SATISFIED, WHICH DATE SHALL NOT BE EARLIER THAN TEN (10) BANKING DAYS AFTER THE SATISFACTION OF ALL PRE-CLOSING REQUIREMENTS.

Sincerely,

THE HUNTINGTON NATIONAL BANK



Christina N. Tracy
Vice President
Community Development Lending

*WEST ARBOR:
RFP FOR FUNDING
PARTNERS*

CONSTRUCTION DEBT

BANK OF AMERICA



Dorene M Conlon
Senior Vice President
Bank of America, N.A.
100 Westminister St
Providence, RI
Mail Code: RI1-536-10-02
401-278-3875
dorene.m.conlon@baml.com

SENT VIA PDF / E-MAIL

February 10, 2015

West Arbor Limited Housing Dividend Association Limited Partnership
c/o Mr. Richard L. Higgins
President
Norstar Development USA, L.P.
200 South Division Street
Buffalo, NY 14204

**Re: West Arbor, a to be constructed forty-six unit affordable housing development
701-739 N. Maple, Ann Arbor, Michigan
(the "Project")**

Dear Mr. Higgins:

On behalf of Bank of America, (the "Bank or BAC") I am pleased to issue this term sheet. This letter will set forth the basic terms and conditions under which the Bank will proceed with formal credit approval request for the Project. The provisions outlined in this terms sheet are contingent upon completion of further underwriting, due diligence, and formal credit approval and the final provisions of such approval may contain different or additional conditions than those set forth in this letter.

Purpose/Project: To provide a taxable construction loan for the renovation of two existing duplexes and the construction of 42 housing units in eight buildings on a 4.82 acre site, constituting an affordable housing development known as West Arbor. (the "Project"). The development will have a full amenity package with each unit having a full kitchen, laundry hook-up, central air conditioning, a central onsite leasing office and amenities targeted to families. There will be 31 RAD Units which will receive project-based Section 8 vouchers from HUD and 15 LIHTC units. Unit configuration shall be as follows:

RAD UNITS:

The thirty-one RAD units will have the following proposed rent structure:

8 one-bedroom units - \$428 per month
2 two-bedroom units- \$491
4 three-bedroom units- \$593

10 four-bedroom units -\$599
7 five-bedroom units- \$696

There will be 15 LIHTC units restricted at up to 60% AMI with the following unit mix and rents:

2 two-bedroom units- \$1,093
8 three-bedroom units- \$1,223
2 four bedroom units- \$1,365
3 five-bedroom units- \$1,508

Twelve units or 25% of all units will be set aside as permanent supportive housing with four of such units targeted to chronically homeless households.

Borrower: A single purpose entity in form and substance acceptable to Bank. West Arbor Limited Housing Dividend Association Limited Partnership whose general partner is West Arbor GP, LLC, an entity that is fully-controlled by the Ann Arbor Housing Commission (“AAHC”) with a 0.009% interest. The Administrative Partner is a to-be-formed affiliate of Norstar, with 0.001% interest. The Investor Member will have a 99.99 % interest.

Construction Loan Amount: Based on our general underwriting parameters for what we believe to be similar transactions, as well as our preliminary review of the pro-forma provided; the loan amount in this transaction would be the lesser of:

- a) \$8,525,000;
- b) 80% loan-to-cost (including deferred developer’s fee and reserves) based on final Bank-approved construction budget; or
- c) 80% loan-to-value assuming the “as stabilized” restricted value of the Project, including the value of any tax credits allocated to the Project. The appraiser’s conclusions are subject to the review and approval of the Bank in its sole and absolute discretion.

Origination Fee: .75% of the construction loan amount, payable in full at loan closing.

Interest Rate: Floating daily 30-day LIBOR plus 225 bps.

Construction Loan Term: 24 months from the loan closing, plus extension options detailed below.

Permanent Loan: A permanent loan in the amount of \$1,862,500 from Community Development Trust (CDT). Loan term shall be 18 years and the amortization shall be 30 years. DSC requirement at conversion shall be 1.15x. All terms and conditions of the Permanent Loan shall be acceptable to the Bank.

Subordinate Financing: All permanent project sources are to be fully committed with satisfactory terms, conditions and documentation as a condition to closing.

Total Permanent sources for 46 units:

AHC	\$366,022
Perm Loan- CDT	1,862,500
AAHC CFP/City Sewer	389,178
Sustainability Grant	342,000
County	724,000
Fed Tax Credit Equity	9,036,296

All other subordinated debt and sources required must be committed to the Project, available to the Project consistent with the Bank's approved construction proceeds, disbursement schedule, and appropriate legal documents related to each source above have been executed at or prior to construction loan closing and each such legal document shall indicate that the funds committed to the Project cannot be revoked for reason of a lack of appropriation from any Local, State or Federal program. All legal documents associated with any loan, grant, tax credit equity, and/or other source shall be in form and substance satisfactory to the Bank in its sole and absolute discretion. This includes all funding from the above contemplated sources of financing.

The sources of all subordinated debt, with the equity proceeds paid in during construction, the Bank construction loan and all subordinated financing must be sufficient to fund all project-related costs. The amount of tax credit equity and all other sources of committed permanent financing must be sufficient to pay off the Bank's construction loan.

Amortization: Interest only during construction term.

Real Estate Taxes: Any real estate tax abatement or PILOT related to the Project must be approved by the appropriate authority prior to the closing of the Bank's construction loan.

Extension Option: Two (2) three-month extension options subject to the following, as determined by the Bank in its sole and absolute discretion:

- 1) no less than 45, but no more than 90-day written notice of intention to exercise the option;
- 2) lien-free construction completion and TCO or CO of the Project;
- 3) no event of default having occurred or potential default occurring;
- 4) no material adverse change in the financial condition of the Project, Borrower, Sponsor(s), or Guarantor(s);
- 5) similar extension from permanent lenders;
- 6) adequate interest reserve;
- 7) payment of 0.125% renewal fee based on the then outstanding loan balance; and
- 8) 50% Occupancy for the first extension option and 90 percent occupancy for the second extension.

**Payment and
Performance
Guaranty:**

Guarantor will provide a repayment guarantee which will be limited to a 50% guarantee of principal repayment, plus 100% repayment of construction period interest, taxes, and maintenance. A 100% guarantee of Project completion as

well as a full environmental indemnification satisfactory to the Bank to be provided by the Guarantor (or a “guarantor acceptable to Bank”). For borrowers that are single-asset entities, and/ or guarantor(s) acceptable to the Bank must be jointly and severally liable for completion of the Project and repayment of the financing per the guarantee, including interest and costs.

Guarantor(s): Norstar Development USA, L.P. or guarantor acceptable Bank. The guarantors are subject to the Bank’s review and approval, in its sole and absolute discretion.

Gaurantor covenants concerning minimum Net Worth and Liquidity shall be determined.

Environmental Indemnification:

The Borrower and Guarantors shall indemnify the Bank with respect to all loss and liability (including reasonable attorney’s fees and disbursements) incurred by the Bank arising from (i) the existence or introduction of any hazardous substance at, on or under the surface of the Project which shall be in violation of any applicable federal, state or local environmental law, (ii) any violation of any applicable federal, state or local environmental laws by Borrower or by the tenants or other occupants or users of any of the Project or (iii) the release of any hazardous substance from the Project in violation of any applicable federal, state or local environmental law. Borrower shall make such covenants, representations and warranties with respect to environmental matters as Lender and its counsel shall require. Liability for the foregoing indemnity, for all such representations and warranties and for the costs of any subsequent environmental audit shall be recourse to Borrower and shall survive repayment of the Loan.

Collateral: To secure the Borrower’s obligations to the Bank, and as collateral for the construction loan, the Borrower shall deliver, in form and substance satisfactory to the Bank and its counsel:

- 1) First leasehold mortgage lien on the Borrower's leasehold interest in land and improvements and applicable UCC-1 financing statements.
- 2) Assignment of all contracts including, if applicable: rent subsidy contracts, management agreements, supportive service agreements, all permits affecting the Project, and all such other documents as the Bank may typically require;
- 3) Assignment of leases and rents that affect the Project;
- 4) Assignment of any third-party sources of funds including, but not limited to, LIHTC generated by the Project and the proceeds of the sale of those LIHTC, and satisfactory triparty agreements relative to public sector funds, if applicable;
- 5) Assignment of the commitment for permanent financing;
- 6) Pledge of all project operating accounts and rent security accounts.

General Contractor:

The general contractor is contemplated to be Norstar Building Corp. Payment and performance bond will be required unless otherwise agreed to by the Bank.

Federal LIHTC Equity:

The 9% Federal LIHTC equity anticipated to be invested in the Project shall be a minimum of \$9,036,296. Borrower shall provide the Bank with satisfactory evidence of a firm and binding commitment of tax credits in the minimum annual amount of \$ 886,000 in 9% federal tax credits.

All terms and conditions of the Tax credit investment commitment, the ILP Agreement including but not limited to the equity pay-in schedule must be satisfactory to the Bank in its sole discretion.

Borrower shall enter into a partnership agreement satisfactory to Bank and its counsel prior to closing and the tax credit investor shall be admitted to the Borrower prior to closing.

Developer Fee: Developer fee is payable 29% at closing (\$434,000) and, 71% at conversion (\$1,066,000).

Fees and Expenses: Regardless of whether or not the Bank ultimately provides financing for the Project, the Borrower will pay all reasonable costs incurred by the Bank in connection with the loan including, but not limited to, legal, environmental, front end costs and document review/inspections, and appraisal.

Reporting Requirements: Including, but not limited to, the following items, in a form acceptable to the Bank:

Annually: Borrower and Guarantors' reviewed financial statements and covenant compliance within 120 days of fiscal year-end.

Semi-annually: Guarantors' unaudited financial statements and covenant compliance within 60 days of mid-year end.

Annually: Property operating statements and rent rolls are required semi-annually once the Project has been placed in service.

Know Your Customer: Within five (5) business days of opening an account with Bank, Borrower shall have delivered to Bank all due diligence materials necessary and relevant to verifying Borrower's identity and background information, as deemed necessary by Bank in its sole and absolute discretion.

Other Requirements: All of the following to be acceptable to the Bank: documentation and submissions that are standard for loans of this type including, but not limited to, appraisal, ESA, legal documentation, title/survey, proposed standard lease form, front-end cost and document reviews and acceptance of final budget (includes adequate contingency, schedule, interest carry/operating deficit reserve, etc.), review of plans/specs that must be 100% complete, general contractor, architect, building, permit, insurance, including flood insurance, if required, condition of markets/submarkets, revenue/expenses pro-formas, financial review of Borrower (including historical income statement and rent rolls), Guarantor, and general contractor, management agreement and subordination; and (as applicable), proof of tax credit award, equity investor and pay-in schedule, and other terms and conditions as may be required.

Prior to the Closing of the construction loan, the Project must have received notification of a HUD-approved AHAP regarding the required amount of Project-Based Section 8 assistance covering the RAD units as reflected in Borrower's rent plan.

All terms of the Ground lease between the Borrower and Ground Lessor shall be acceptable to Bank.

Deposit

Accounts:

All operating accounts shall be maintained at the Bank during the time the Bank's construction loan remains outstanding.

Material

Adverse Change:

Bank of America's obligations hereunder shall terminate if, prior to closing, Bank of America determines, in its sole judgment, that there shall exist any conditions regarding the property, or the operations, business, assets, liabilities or condition (financial or otherwise, including credit rating) of Borrower or Guarantor, or there shall have occurred a material adverse change in, or there shall exist any material adverse conditions in, the market for syndicated bank credit facilities or the financial, banking, credit or debt capital markets generally, that could be expected to cause the loan to become delinquent or prevent any guarantor from performing its obligations under any guaranty or to materially and adversely affect the value or marketability of the loan or the property or Bank of America's ability to syndicate the loan.

Assumptions made:

The terms discussed herein are presented, based on the credit conditions in the potential transaction as known by Bank of America. Should additional facts or information come to light that positively or negatively impact the situation, prices or other requirements quoted here may be adjusted.

Confidential:

This term sheet is strictly confidential and may not be shared with anyone else other than the owner(s) of Borrower.

Expiration:

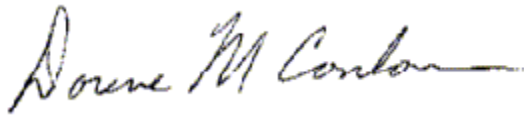
This term sheet will expire at 5:00 p.m. EDT time on that date which is ten (10) business days from the date hereof unless you execute this term sheet and return it to us prior to that time, which may be by email transmission.

Please understand that this term sheet does not represent an offer or commitment by Bank of America, or any of its affiliated entities, for the proposed new financing, nor does it define all of the terms and conditions of a loan commitment, but is a framework upon which a loan request may be submitted. Issuance of a commitment by Bank of America is subject to, among other things, the approval of your loan request under the Bank's approval process. If Bank of America issues a financing commitment in this transaction, it will in all respects supersede this letter.

Please review the above terms and conditions and feel free to call me with any questions or comments you may have. If you find the above terms and conditions to be acceptable, please indicate so by signing below and returning a faxed copy to my attention along with a good-faith deposit of \$15,000. Upon receipt of the letter and the good-faith deposit, the Bank will proceed with the necessary due diligence to prepare and submit your loan request, provided, however that in any event, this term sheet will finally expire ninety (90) days from the date hereof. Your deposit is refundable, less the Bank's out of pocket expenses incurred, should the Bank decline the financing opportunity discussed herein.

I look forward to hearing from you and working with you on this and other transactions.

Sincerely,



Dorene M. Conlon
Senior Vice President
401-278-3875

CC: Robert Tyrrell, BAML
Melissa McCormack, BAML
Michael E. Clarke, BAML
Kevin McCarthy, Norstar

The foregoing is hereby accepted, agreed to and confirmed for the Borrowing entity the ____ day of February, 2015.

By: Norstar Development USA, L.P. for the Borrower:

By: Nordev, Inc. its General Partner

By: _____
Richard L. Higgins
Its President