



To: Interested Parties

From: Kristin Krasnove Fritz, Director of Real Estate Development & Ryan H. Jones, Consultant

Subject: Construction and/or Permanent Loan Opportunity in Fort Collins, Colorado

Date: February 14, 2019

Included with this Request for Proposals is an overview of the lender opportunity related to the **construction and/or permanent financing** for a 60-unit, new construction/adaptive re-use apartment permanent supportive housing (“PSH”) project serving homeless individuals and veterans located in Fort Collins, Colorado at [3750 South Mason Street](#) called **Mason Place** (the “Project”). Developed by the Housing Authority of the City of Fort Collins (d/b/a Housing Catalyst), the Project will be financed largely through the equity generated by the sale of 9% LIHTC, conventional mortgage, local funding, and state Division of Housing funding. The Project will also benefit from 45 project-based vouchers provided by Housing Catalyst and 15 VASH vouchers.

The site is currently owned by Housing Catalyst who will be selling to the subsequent LIHTC ownership entity which will consist of the following parties:

- The eventual investor as limited partner
- A special purpose entity controlled by [Housing Catalyst](#) (“HC”) as general partner

HC has performed predevelopment due diligence and has been awarded a preliminary reservation of 9% credit in the amount of \$1,323,763. HC will lead in the construction, place-in-service, lease-up, stabilization, and long-term management of the Project. HC will also provide all related guarantees for the Project.

The Project applied for 9% LIHTC in June 2018 (forward allocated to 2019 credits) and anticipates closing no earlier than September 1, 2019.

The Project will be financed through the following permanent sources of capital:

- Net equity generated from the sale of 9% LIHTCs in the approximate amount of \$12,575,000
- **A permanent conventional mortgage in the approximate amount of \$2,300,000 (~2.0x DSCR)**
- **A construction period loan in the approximate amount of \$11,500,000**



- A residual cash flow note sourced from the Colorado Division of Housing in the approximate amount of \$1,350,000 (two separate grant awards to the HA).
- A residual cash flow note sourced from the City of Fort Collins in the amount of \$2,000,000.
- Deferred developer fee

For your response to this RFP, please provide the following minimum information in a letter of intent for investment in the construction and/or permanent debt:

Construction Period Debt based on an amount of \$11,500,000

1. Names of anticipated debt team (originator, underwriter, accounting etc)
2. Any requirements for other funding (amount) in at close and during construction
3. Any contingency requirements (both hard and soft)
4. Loan type proposed
5. Interest rate index, spread, and reserve/hedge spread (if any)
6. Origination fee
7. Term of loans and cost of any extensions based on a 21-month period to conversion
8. Loan sizing constraints and requirements
9. Due diligence and legal fee estimates
10. Anticipated third parties to be used (environmental review, plan and cost review, appraisal, insurance)
11. Any standard guidelines for plan and cost review, title/survey, insurance, environmental/other reliance
12. Any guarantor net worth/liquidity requirements and when they burn off
13. Ability to close in September 2019
14. Any additional info

Permanent Period Debt based on a \$2,300,000 amount (knowing we are looking to size to an approximate 2.0x DSCR)

1. Names of anticipated debt team (originator, underwriter, asset manager etc)
2. Forward rate lock conditions and fee
 - a. Amount/cost
 - b. When we can lock considering we cannot close until September 1, 2019
 - c. Is fee refundable
 - d. Can a letter of credit be used
3. Term and Amortization. For the term, HC prefers 18 years.
4. Contract interest rate
 - a. Index
 - b. All-in Spread and components



- c. Floor (if any)
 - d. All-in indicative rate
5. Loan sizing constraints
 - a. LTV
 - b. DSCR
 - c. Non-recourse carve-outs
6. Third party requirements and estimated costs and if you are willing to share with other lenders/investor
7. Fees
 - a. Origination/commitment fee
 - b. Application fee (refundable?)
 - c. Cost deposit (refundable?)
8. Guaranty Requirements
 - a. Operating deficit size and expiration
 - b. Any guarantor net worth/liquidity requirements and when they burn off
9. Reserve Requirements
10. Conversion requirements to be met
11. Prepayment conditions
12. Ability to close by September 2019
13. Any additional info
14. If possible, please provide a boiler-plate subordination agreement for the soft loan(s)

Knowing the above and assumptions in the attached model are meant for comparative purposes, please also include in narrative of how you may be able to get to better terms.

Anticipated Schedule (Subject to Change):

- Issue RFP for debt: February 14, 2018
- Issue RFP for equity: February 14, 2018
- RFPs due: February 28, 2019 at 4pm MST
- Select lenders and investor: March 8, 2019
- Begin closing calls: March 2019
- Close financing and begin construction: September 15, 2019
- Complete construction (TCO): October 2020
- Convert to perm loan: July 2021
- Receive 8609: October 2021

Additional Information:

- Located in a commercial area of Fort Collins, the transit-oriented site is 0.3-miles from the nearest MAX bus station with Bus Rapid Transit service every 10 minutes to



downtown Fort Collins, which is 4 miles north of the site. The site is very walkable (72 walk score) and a biker's paradise (98 bike score). The existing 2-story building will be converted into a 50,914 GSF 3-story multifamily structure with secure access, a central atrium, 24/7 reception desk, community room with kitchenette, lounge areas, exercise room, art and garden spaces, common laundry, designated storage areas, a bed bug decontamination room, outdoor smoking areas on each floor, an outdoor pet area, an enclosed courtyard with gardening beds, enclosed bike storage, indoor trash chutes, as well as offices and meeting rooms for administrative and services staff. The building will contain 58 one-bedroom (499 SF weighted average) and two two-bedroom units (593 SF). The property is not located in a QCT, but did receive a discretionary boost from CHFA. Housing Catalyst will provide 28 parking spaces onsite as well as lease from itself an additional 20 parking spaces on the adjacent lot in order to comply with the existing covenant. This highly desired development would be the second PSH project in Fort Collins developed by Housing Catalyst.

- With HC being the sole GP and long-term owner, the project will receive property tax exemption and sales and use tax exemption.
- Housing Catalyst will be the property manager.
- [I-Kota](#) is the general contractor.
- [Shopworks Architects](#) is the architect.
- Underlying Unit AMI breakdown: 58 one-bedroom units and two (2) two bedroom units. 100% restricted to 30% of the AMI. 13 of the 1BR units and 2 of the 2BR units will benefit from VASH vouchers and 45 of the 1BR units will benefit from an HA HAP contract.
- Upon request, we can provide additional information on the Project.
- We reserve the right to use any term letter we receive for use of funding applications for the Project.
- Our current iteration of the Project model is included in this package. **Expect assumptions on the Project to change as we progress.**

Please provide any questions and responses by February 20, 2019 electronically to:

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