

## PROPOSED TERM SHEET

Midtown Exchange Rental Apartments Project  
December 2, 2004

## 1. PROJECT DESCRIPTION

SA Midtown Exchange Apartments Limited Partnership (the "Borrower") proposes to develop a 219-unit rental apartment project to be located at 2929 Chicago Avenue South, Minneapolis, Minnesota. Sixty-two (62) units will be restricted and affordable to persons and families with incomes at 50% or less of median income; 116 units will be restricted and affordable to persons and families with incomes at 60% or less of median income. The project will be comprised of six zero-bedroom units, 124 one-bedroom units, and 89 two-bedroom units. Projected monthly rents will be \$650 for a zero-bedroom unit, \$688 to \$875 for a one-bedroom unit, and \$860 to \$1,075 for a two-bedroom unit. The estimated total development costs for the project is \$48,913,400.

## 2. PROJECTED SOURCES AND USES

Construction	\$38,435,442
Construction Contingency	1,000,000
Soft Costs	825,000
Financing	2,094,208
Reserves	2,020,750
Legal/Organizational/Audit	538,000
Developer Fees	<u>4,000,000</u>
TOTAL USES	\$48,913,400

LIHTC Equity	\$13,900,000
Historic Tax Credit Equity	8,198,400
First Mortgage – Housing Revenue Bonds (supported by rental housing revenues)	10,265,000
First Mortgage – Pay-Go TIF (supported by TIF from rental housing)	3,000,000
Net G.O. TIF Bond Proceeds (supported by TIF from for-sale housing)	3,000,000
City of Minneapolis CPED AHTF Loan	1,800,000
Family Housing Fund	600,000
Gap Funding	<u>8,150,000</u>
TOTAL SOURCES	\$48,913,400

## 3. POTENTIAL SOURCES FOR \$8,150,000 GAP FUNDING

City of Minneapolis CPED AHTF Loan	2,250,000
City of Minneapolis NRP	1,000,000
City of Minneapolis Empowerment Zone	1,000,000
MHFA Challenge	3,000,000
Family Housing Fund	400,000
Hennepin County AHIF	<u>800,000</u>
Total Potential Sources	\$8,450,000

**4. CPED AFFORDABLE HOUSING TRUST FUND (AHTF) LOAN**

- Current Amount Awarded: \$1,800,000
- Date of Council Action: May 28, 2004
- Source of Funding: HOME
- Term: 30 years (from closing), nonamortizing with balloon, participation in surplus cash flow
- Annual Interest Rate: 1.0% deferred
- Affordability Period: 20 Years
- Very Very Low Income (30% MMI) Units: 0
- Very Low Income (50% MMI) Units: 62
- Sixty Percent Income (60% MMI) Units: 116
- Low Income (80% MMI) Units: 0
- HOME Assisted Units: 20 (1 zero-BR; 11 one-BR; and 8 two-BR)

**5. CITY RENTAL APARTMENTS BRIDGE FINANCING**Basic Terms and Conditions

Lender:	City of Minneapolis
Borrower:	SA Midtown Exchange Apartments Limited Partnership
Initial Credit Limit:	\$8,150,000 (subject to reduction, see below)
Time Period Available:	From closing to construction completion
Frequency:	Monthly draws available
Annual Interest Rate:	0%
Repayment Terms:	See below

Other Terms and Conditions

- Maximum combined Bridge Financing credit limit for both the Rental Apartments and the For-Sale Housing components is \$11,550,000.
- Maximum Rental Apartments Bridge Financing credit limit is \$10,550,000 (subject to reduction as described below, but in no event to increase).
- Initial credit limit for the Rental Apartments Bridge Financing is \$8,150,000 (maximum Rental Apartments Bridge Financing credit limit of \$10,550,000 less \$1,800,000 CPED AHTF loan and \$600,000 Family Housing Fund loan)
- The Borrower will only be allowed to draw on the Rental Apartments Bridge Financing to pay for eligible project costs when all other available sources of funding have been fully exhausted at that time.
- The Borrower is required to continue to apply for additional rental housing gap funding until the outstanding balance on the Rental Apartments Bridge Financing is \$0, but in no case later than June 30, 2006.
- The credit limit on the Rental Apartments Bridge Financing will be reduced by the dollar amount of any gap funding (loans or grants) received by the City, Borrower or Developer for the Rental Apartments project. Such funding shall include, but is not limited to, funds received from the City of Minneapolis (AHTF, NRP, EZ, etc.), Minnesota Housing Finance Agency, Family Housing Fund, Metropolitan Council and Hennepin County.
- If at any time the outstanding balance on the Rental Apartments Bridge Financing exceeds the credit limit, then the Borrower shall immediately pay to the City the amount of such difference.

## **Attachment A**

- If the outstanding balance of the Rental Apartments Bridge Financing is greater than \$0 on June 30, 2006, then the amount of such balance shall be converted to a non-amortizing loan (the "Rental Apartments Loan") with deferred interest at an annual interest rate of 1.0%, due the same date as the HOME Loan described above. The parties will negotiate an appropriate level of City participation in surplus cash flow, if any, from the operation of the rental project. A balloon payment will be due at the end of the loan term for any outstanding balance.