

Resolution No.: _____

Adopted: _____

RESOLUTION: APPROVAL OF THE HOUSING AUTHORITY OF THE CITY OF MILWAUKEE (HACM) TO TAKE ALL ACTION NECESSARY IN CONNECTION WITH THE REHABILITATION OF HIGHLAND GARDENS, INCLUDING SERVING AS GUARANTOR FOR ALL LOANS RELATED THERETO AND AS DEVELOPER FOR HIGHLAND GARDENS

WHEREAS, the Housing Authority of the City of Milwaukee (“**HACM**”) authorized the creation of an LLC Owner for Highland Gardens, a 114-unit residential housing development with other ancillary improvements (the “**Project**”);

WHEREAS, the Project is currently owned by Highland Park Community LLC (the “**Current LLC**”);

WHEREAS, Highland Gardens LLC, a Wisconsin limited liability company (the “**Project Owner**”) was formed to be the LLC Owner of the Project pursuant to Articles of Organization, filed on July 11, 2023 with the State of Wisconsin Department of Financial Institutions;

WHEREAS, HACM authorized the formation of Highland Gardens Development LLC, a Wisconsin limited liability company (the “**Company**”), to be the sole Managing Member of the Project Owner, pursuant to Articles of Organization, filed July 11, 2023 with the State of Wisconsin Department of Financial Institutions;

WHEREAS, HACM is the sole member and managing member of the Company pursuant to that certain Operating Agreement for the Company, effective July 11, 2023 (the “**Operating Agreement**”), as authorized by HACM;

WHEREAS, the Project Owner was organized for the purpose, among others, of acquiring, rehabilitating, developing, owning and operating the Project;

WHEREAS, the Wisconsin Housing and Economic Development Authority (“**WHEDA**”) awarded the Project Owner low income housing tax credits pursuant to Section 42 of the Internal Revenue Code for the rehabilitation of the Project;

WHEREAS, in connection with the rehabilitation of the Project, investor members to be named will invest as investor members of the Project Owner (the “**Investor Members**”) pursuant to a Letter of Intent to be provided, and a special investor member to be named will invest as special investor member (the “**Special Investor Member**”);

WHEREAS, in connection with the rehabilitation of the Project, the Investor Members and Special Investor Member shall enter into an Amended and Restated Operating Agreement for the Project Owner (the “**Amended and Restated Operating Agreement**”),

and various other agreements, certificates and documents required thereunder or described therein;

WHEREAS, in connection with the rehabilitation of the Project, the Current LLC shall convey to the Company, pursuant to a Special Warranty Deed (the “**Deed**”), a fee interest in the Project, which includes certain real property (the “**Land**”) and other buildings and improvements situated thereon (the “**Improvements**”);

WHEREAS, in connection with the rehabilitation of the Project, the Project Owner shall receive a construction loan from WHEDA in the approximate principal amount of Eight Million Two Hundred Eighteen Thousand and Seven Hundred Ninety Seven Dollars (\$8,218,797) or such other amount as deemed acceptable by the Secretary-Executive Director of HACM (the “**WHEDA Construction Loan**”), and in the approximate principal amount of Two Million Five Hundred Twenty Seven Thousand Six Hundred Twenty Two Dollars (\$2,527,622), or such other amount as deemed acceptable by the Secretary-Executive Director of HACM (the “**WHEDA Permanent Loan**”) (the WHEDA Construction Loan and the WHEDA Permanent Loan are collectively the “**WHEDA Loans**”);

WHEREAS, as a condition of WHEDA extending loan into the Project, WHEDA shall require HACM to provide corporate guarantee on the loan and guarantee certain obligations of the Project Owner (the “**Guaranty**”), and shall further require HACM to enter into certain agreements, instruments and documents in connection therewith; and

WHEREAS, in connection with the rehabilitation of the Project, the Project Owner shall receive an acquisition loan from HACM in the approximate principal amount of Eight Million Five Hundred Fifty Thousand Dollars (\$8,550,000) or such other amount as deemed acceptable by the Secretary-Executive Director of HACM (the “**HACM Loan**”).

WHEREAS, as a condition of investing as a member of the Project Owner, the Investor Members shall require HACM to guarantee certain obligations of the Project Owner (the “**Guaranty**”), and shall further require HACM to enter into certain agreements, instruments and documents in connection therewith and with the admission of the Investor Members into the Project Owner; and

WHEREAS, HACM has agreed to act as the developer for the Project under the terms of a development agreement, as amended (the “**Development Agreement**”).

NOW, THEREFORE, BE IT RESOLVED, that HACM’s formation of the Project Owner as the future owner of the Project is hereby confirmed and authorized; and be it

FURTHER RESOLVED, that HACM’s formation of the Company as Managing Member of the Project Owner is hereby confirmed and authorized; and be it

FURTHER RESOLVED, that HACM is hereby authorized to serve as Managing Member of the Company; and be it

NOW, THEREFORE, BE IT FURTHER RESOLVED, that HACM in its own capacity, as applicable, and as Managing Member of the Company is hereby authorized, empowered, and directed to enter into, execute, and deliver any and all documents in connection with the WHEDA Loans, including, but not limited to, the Loan Agreement, Mortgage, Note and the Land Use Restriction Agreements (the “**WHEDA Loan Documents**”); and to perform all of its obligations thereunder, and to consummate the transaction contemplated thereby, and

such actions heretofore taken by HACM as they pertain to HACM and/or HACM's interest in the Project are hereby approved and ratified; and be it

FURTHER RESOLVED, that HACM in its own capacity, as applicable, and as Managing Member of the Company is hereby authorized, empowered, and directed to enter into, execute, and deliver, any and all documents in connection with the HACM Loan, including, but not limited to, Loan Agreement, Mortgages and Notes (the "**HACM Loan Documents**"); and to perform all of its obligations thereunder, and to consummate the transaction contemplated thereby, and such actions heretofore taken by HACM as they pertain to HACM and/or HACM's interest in the Project are hereby approved and ratified; and be it

FURTHER RESOLVED, that HACM in its own capacity, as applicable, and as Managing Member of the Company is hereby authorized, empowered, and directed to enter into, execute, and deliver any and all documents in connection with the admission of Investor Members and Special Investor Member into the Project Owner including, without limitation, the Development Agreement, the Purchase Option and Right of First Refusal, and the Amended and Restated Operating Agreement continuing the operation of the Project Owner; and be it

FURTHER RESOLVED, that HACM in its own capacity is hereby authorized, empowered, and directed to enter into, execute, and deliver the Guaranty; and be it

FURTHER RESOLVED, that HACM in its own capacity and as Managing Member of the Company is hereby authorized, empowered, and directed to enter into, execute, and deliver the Development Agreement; and be it

FURTHER RESOLVED, that HACM is hereby authorized, empowered, and directed to furnish to the Investor Member all due diligence materials specified in a closing checklist, as the same may be modified and supplemented by Investor Member for the Project or otherwise requested by Investor Member in connection with its investment in the Project Owner; and be it

FURTHER RESOLVED, that the Secretary-Executive Director of HACM, or his designee, is hereby authorized to execute any and all Acquisition Documents, WHEDA Loan Documents, and HACM Loan Documents as they pertain to HACM and/or HACM's interest in the Project; and be it

FURTHER RESOLVED, that all acts previously performed, relative to this matter, by HACM's Board and the Secretary-Executive Director of HACM, are hereby approved, ratified and confirmed in all respects; and be it

FURTHER RESOLVED, that the Secretary-Executive Director of HACM or his designee, is hereby authorized, empowered, and directed to take such further action on behalf of HACM as they deem necessary to effectuate the foregoing.

These Resolutions are effective as of _____, 2023.

**HOUSING AUTHORITY OF THE CITY OF
MILWAUKEE**, a Wisconsin public body corporate
and politic

By: _____
Willie L. Hines, Jr.
Secretary and Executive Director

Attachments:
Project Description
Project Proforma
WHEDA Loan Commitment
Federal Investor Commitment
State Investor Commitment

Project Description

Highland Gardens is an existing senior independent living rental development totaling 114 rental units targeting senior residents over the age of 55 and/or adults with disabilities. The Highland Gardens site is located on the near west side of the City of Milwaukee on the northwest corner of the intersection of North 18th Street and West Juneau Avenue. More specifically, the subject site is located at 1818 West Juneau Avenue, Milwaukee, WI, approximately 0.8 miles west of the recently redeveloped Milwaukee Bucks “Deer District” and approximately 1.5 miles west of Milwaukee’s central business district.

The existing four-story buildings were originally constructed in 2004 as a low income public housing development whereby existing eligible tenants receive a federal rental subsidy from the US Department of Housing and Urban Development (“HUD”) in the form of Capital and Operations Funding under Section 9 of the United State Housing Act of 1937. The existing subject development is currently operating as LIHTC, Section 8, and Rental Assistance Demonstration (“RAD”) public housing conversion senior and/or disabled development whereby tenants are paying 30 percent of their adjusted gross income (“AGI”) as rent and must income qualify at or below the 80 percent area median income (“AMI”) level.



Project Proforma

See attached.

DRAFT

Highland Gardens

10/26/2023

Low-Income Housing Tax Credit Financial Analysis
WHEDA 2023 - 4% with State - General Set Aside

**Highland Gardens
PROJECT ASSUMPTIONS**

PROJECT INFORMATION

Project Name	Highland Gardens
Developer Name	HACM
Identity of Interest (USE DROPDOWN)	Yes - Buyer and Seller
City	Milwaukee
County (USE DROPDOWN)	Milwaukee
Set Aside (USE DROPDOWN)	General
Tenant Type (USE DROPDOWN)	Elderly
Credit % (USE DROPDOWN)	4% with State
Number of Units	114
LP Formation	
Year	2024
Month	7
Construction Start	
Year	2024
Month	7
Construction Period	13
Operations	
Year	2025
Month	9
Placed in Service Date	
Year	2025
Month	9
Starting Month of Depreciation	9
Starting Month of Lease-Up	9
Absorption Rate (Mos.)	5
Credit % - 70% PV	9.00%
Credit % - 30% PV	4.00%
QCT or DDA?	Yes
Construction Type (USE DROPDOWN)	Acquisition / Rehab
Building Type (USE DROPDOWN)	Elevator Building

FINANCING ASSUMPTIONS

WHEDA Construction - Tax Exempt	\$ 8,083,479
Interest Rate	6.30%
Term (Months)	24
WHEDA Construction - Taxable	\$ -
Interest Rate	6.90%
Term (Months)	24
Total WHEDA Construction Loan	\$ 10,611,101
Construction Loan - Max	\$ 10,611,101
Interest Rate	0.00%
Term (Months)	24
WHEDA Permanent Mortgage	\$ 2,527,622
Interest Rate	6.60%
Amortization	35
Term	35
Start Year	2026
Start Month	5
WHEDA Subordinate Debt	\$ -
Interest Rate	3.00%
Amortization	35
Term	17
Start Year	2026
Start Month	5
WHEDA Subdebt? (USE DROPDOWN)	No
WHEDA HTF	\$ -
Interest Rate	3.00%
Amortization	35
Term	19
Start Year	2024
Start Month	7
WHEDA HTF? (USE DROPDOWN)	Yes
GP Equity	\$ 100
Deferred Developer Fee	\$ 647,721
Interest Rate	0.00%
HACM Seller Note	\$ 8,550,000
Interest Rate	3.86%
Amortization	50
Term	50
Start Year	2024
Start Month	2
CMF	\$ -
Interest Rate	0.00%
Amortization	30
Term	30
Start Year	2
Start Month	2024

SYNDICATION INFORMATION

General Partner's Capital Contribution		
Entry Date:	Year	2024
	Month	7
	Day	1
Investor Combined Tax Rate		21.00%
Total Investor Capital		\$12,358,488
Federal LIHTC Investor Capital - PNC		8,731,894
State LIHTC Investor Capital - Sugar Creek		3,626,594
1st Contribution		
Closing	Date:	7/1/2024
20.00%	Fed LIHTC	1,746,379
	State LIHTC	725,319
	Total	\$2,471,698
2nd Contribution		
Completion	Date:	9/1/2025
65.00%	Fed LIHTC	5,675,731
	State LIHTC	2,357,286
	Total	\$8,033,017
3rd Contribution		
Perm Conversion	Date:	5/1/2026
13.76%	Fed LIHTC	1,201,672
	State LIHTC	499,087
	Total	\$1,700,759
4th Contribution		
8609's	Date:	5/1/2026
1.24%	Fed LIHTC	108,112
	State LIHTC	44,902
	Total	\$153,014
Price per Credit		
Federal Low Income Housing	\$	0.8375
State Low Income Housing	\$	0.7000
Developer Fee Pay-In Schedule		1,530,137
1st Contribution	25.00%	382,534
2nd Contribution	25.00%	382,534
3rd Contribution	40.00%	612,055
4th Contribution	10.00%	153,014

Percent of Ownership	
General Partner	0.01%
Investor	99.99%
Total	100.00%
Cash Flow Distribution	
General Partner	90.00%
Investor	10.00%
Total	100.00%
Income, Loss & Credits	
General Partner	0.01%
Investor	99.99%
Total	100.00%
Sale Proceeds Distribution	
General Partner	90.00%
Investor	10.00%
Total	100.00%

SOURCES OF FUNDS	Construction			Post Construction	Permanent									
WHEDA Permanent Mortgage				2,527,622		2,527,622								
Federal LIHTC Investor Capital - PNC		1,746,379		6,985,515		8,731,894								
State LIHTC Investor Capital - Sugar Creek		725,319		2,901,275		3,626,594								
GP Equity		100		-		100								
HACM Seller Note		8,550,000		-		8,550,000								
Deferred Developer Fee		-		647,721		647,721								
WHEDA Permanent Mortgage Available During Construction		2,527,622		(2,527,622)		-								
WHEDA Construction - Tax Exempt		8,083,479		(8,083,479)		-								
Total Sources Of Funds		21,632,898		2,451,032		24,083,931								
		0		0		0								
USES OF FUNDS	Construction			Post Construction	Total Permanent	Residential Building 27.5 Yr/SL	Personal Property 5 Yr/200%	Land Impr. 15 Yr/150%	Amortization	Non Depreciable/Amortizable	Eligible Basis			
Acquisition														
Land		1,250,000		-	1,250,000					1,250,000				
Purchase of Buildings		7,300,000		-	7,300,000	7,300,000					7,300,000			
Other Purchase of Bldgs & Land		-		-	-									
Construction Related Expenses														
<i>New Construction and Rehab</i>														
Hard / Construction Costs - Residential	\$ 68,637	7,824,671		-	7,824,671	7,824,671					7,824,671			
Hard / Construction Costs - Community Service Facility	\$ 307	35,000		-	35,000	35,000					35,000			
E - Equipment & Furnishings		-		-	-									
F - Special Construction and Demolition		-		-	-									
Accessory Buildings (Garage, storage, etc.)		-		-	-									
Other New Construction / Rehabilitation		-		-	-									
<i>Site Work Costs</i>														
Off Site - Site Work	\$ -	-		-	-									
On Site - Site Work		-		-	-									
Other Site Work		-		-	-									
<i>Contractor Fees</i>														
General Requirements	5.00%	392,984		-	392,984	392,984					392,984			
Contractor Overhead	2.00%	165,053		-	165,053	165,053					165,053			
Contractor Profit	5.00%	420,885		-	420,885	420,885					420,885			
Construction Supervision		-		-	-									
Contingency Funds														
Construction Contingency	10.00%	883,859		-	883,859	883,859					883,859			
Other Contingency		-		-	-									
Construction Period Expenses														
<i>Local or State Agency - Residential Related Fees and Expenses</i>														
Construction Loan Origination Fee - WHEDA	1.00%	82,485		-	82,485				82,485					
Construction Loan Origination Fee - Non WHEDA		-		-	-									
<i>Bond Related Expenses</i>														
Cost of Bond Issuance		-		-	-									
<i>Other Lender and Financing Related Expenses</i>														
Bridge Loan Fees and Expenses		-		-	-									
WHEDA Construction Loan Interest		585,493		-	585,493	456,092			129,401		456,092			
Other Construction Loan Interest		-		-	-									
Legal Fees - Miscellaneous		123,000		-	123,000	123,000					123,000			
<i>Other Construction Period Soft Costs</i>														
Construction Loan Credit Enhancement/LOC		-		-	-									
Construction Period Real Estate Taxes		21,909		-	21,909	21,909					21,909			
Title and Recording		35,000		-	35,000	35,000					35,000			
Construction Insurance		29,685		-	29,685	29,685					29,685			
Construction Liability Insurance		-		-	-									
Temporary Relocation Expenses	\$ 4,000	456,000		-	456,000	456,000					456,000			
Permanent Relocation Expenses		-		-	-									
Other Interim/Construction Costs		30,000		-	30,000	30,000					30,000			
Permanent Financing Expenses														
<i>Lender and Financing Related Expenses</i>														
Permanent Loan Origination Fee - Non WHEDA		-		-	-									
Permanent Loan Origination Fee - WHEDA	1.00%	25,276		-	25,276				25,276					
Permanent Loan Credit Enhancement		-		-	-									
Legal Fees - Real Estate	\$ 20,000	20,000		-	20,000				20,000					
Other Financing Fees and Expenses		15,500		-	15,500				15,500					
Architectural and Engineering Expenses														
Architect's Fee - Design		237,000		-	237,000	237,000					237,000			
Architect's Fee - Inspection/Supervision		-		-	-									
Engineering Costs		548,000		-	548,000	548,000					548,000			
Survey		86,900		-	86,900	86,900					86,900			
Other Architect and Engineering		40,000		-	40,000	40,000					40,000			
Syndication Fees & Expenses														
Organizational (Partnership)		30,000		-	30,000				30,000					
Tax Opinion		-		-	-									
Other Syndication Costs		-		-	-									
Capitalized Reserves														
Operating Reserve	6 Months			475,708	475,708				475,708					
Replacement Reserve		-		165,000	165,000				165,000					
Lease-up Operating Deficit		-		-	-									
Debt Service Reserve		-		-	-									
Capital Needs Reserve		-		-	-									
Other Reserves		-		-	-									
Escrows		-		-	-									
Other Capitalized Reserves		-		-	-									
Reports, Studies and Related Work														
Appraisal(s)		11,000		-	11,000	11,000					11,000			
Market Study		12,000		-	12,000	12,000					12,000			
Capital Needs Assessment Report		25,000		-	25,000	25,000					25,000			
Environmental Report		5,000		-	5,000	5,000					5,000			
Other Soft Costs														
Tax Credit Application Fee	\$ 2,000	2,000		-	2,000				2,000					
Tax Credit Allocation Fee		100,394		-	100,394				100,394					
Tax Credit Compliance Fee		6,270		-	6,270				6,270					
Water, Sewer, and Impact Fees		-		-	-									
Cost Certification / Accounting Fees		32,500		15,000	47,500	47,500					32,500			
Rent Up Marketing Expense		30,000		-	30,000				30,000					
Mortgage Payoff - N/A for Tax Credit Application		-		-	-									
Other Miscellaneous Costs		290,000		-	290,000	290,000					290,000			
Developer Earned Fees and Expenses														
Developer's Fee Received		382,534		1,795,324	2,177,858	2,177,858					2,177,858			
Developer Overhead		-		-	-									
Consultants		97,500		-	97,500	97,500					97,500			
Other Developer's Fees		-		-	-									
Total Uses Of Funds		\$ 21,632,898		\$ 2,451,032	\$ 24,083,931	\$ 21,751,896	\$ -	\$ -	\$ -	\$ 2,332,034	\$ 21,736,896			

RENTAL INCOME

Apartment Type	Tenancy Type	Bedroom Size	Number of Bathrooms	Net SF Per Unit	Number of Units	AMI Set Aside %	Unit Type	Monthly Net Rent	Total Monthly Net Rent	Rent \$ / SF	Monthly Utility	Monthly Gross Rent	Total Monthly Gross Rent	Max HTC Limit	95%		90%	
															Estimated Market Rent	% of Max Market Rent	Estimated Market Rent	% of Max Market Rent
Apartment	Elderly	1 Bedroom		650	29	60%	Voucher	\$ 900	\$ 26,100	1.38	\$ -	900	\$ 26,100	\$ 1,062	84.75%	\$ 909	99.01%	
Apartment	Elderly	1 Bedroom		650	46	60%	Voucher	\$ 647	\$ 29,762	1.00	\$ -	647	\$ 29,762	\$ 1,062	60.92%	\$ 909	71.18%	
Apartment	Elderly	1 Bedroom		650	31	60%	Low Income	\$ 900	\$ 27,900	1.38	\$ -	900	\$ 27,900	\$ 1,062	84.75%	\$ 909	99.01%	
Apartment	Elderly	2 Bedroom		928	5	60%	Voucher	\$ 1,050	\$ 5,250	1.13	\$ -	1,050	\$ 5,250	\$ 1,275	82.35%	\$ 1,092	96.15%	
Apartment	Elderly	2 Bedroom		928	3	60%	Low Income	\$ 1,050	\$ 3,150	1.13	\$ -	1,050	\$ 3,150	\$ 1,275	82.35%	\$ 1,092	96.15%	
				76,324	114	60.00%			\$ 92,162.00				\$ 92,162.00					

Income Averaging 60.00%
 AHP 0.00%
 Applicable Fraction (AMI) 100.00%
 Applicable Fraction (Square Footage) 100.00%

Low Income Unit Statistics			
AMI %	# of Units	% of Units	Gross Annual Rental Income
20%	0	0.00%	\$ -
30%	0	0.00%	\$ -
40%	0	0.00%	\$ -
50%	0	0.00%	\$ -
60%	114	100.00%	\$ 1,105,944
70%	0	0.00%	\$ -
80%	0	0.00%	\$ -
Low Income Totals	114	100.00%	1,105,944
Market	0	0.00%	\$ -
Totals	114	100.00%	1,105,944

RESIDENTIAL INCOME

Base Net Residential Rent	\$ 1,105,944
Rent Increases	2.00%
Other Income Increases	2.00%
Residential Vacancy Loss	7.00%
Other Income (PUPM)	\$ 4.59
Other Income (annually)	\$ 6,279
Other Income Vacancy Loss - LIHTC	7.00%
EGI	\$ 1,034,368

CASH FLOW DISTRIBUTION

Asset Management Fee	8,550	3%
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Utility Allowance - ADD SOURCE + DATE

	Studio	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
Heating	0	0	0	0	0
Cooling	0	0	0	0	0
Cooking	0	0	0	0	0
Electricity	0	0	0	0	0
Hot Water	0	0	0	0	0
Other	0	0	0	0	0
	0	0	0	0	0

Other Income

	Explanation
Parking	\$ -
Laundry and Vending	6,279 Laundry Income
Misc. Income	0
Other	0
Total Other Income	\$ 6,279

ACQUISITION CREDIT

Acquisition price (Building and Land)	\$ 8,550,000
Less: Land & other non-depreciable costs	(1,250,000)
Less: Other	-
Adjusted Eligible Basis	\$ 7,300,000
Qualified Census Tract Adjustment Eligible Basis	100% \$ 7,300,000
Applicable Fraction (Low Inc. %)	100.00%
Qualified Basis	\$ 7,300,000
Credit Percentage (30% PV)	4.00%

Potential Annual Credit \$ 292,000

CONSTRUCTION / REHAB CREDIT

Eligible Building Basis	\$ 21,736,896
Less: Acquisition Price	(7,300,000)
Less: Federal Historic Tax Credit Allocation	-
Adjusted Eligible Basis	\$ 14,436,896
QCT or DDA Boost	130%
HFA Boost	100%
Allowed Boost	130%
Eligible Basis	\$ 18,767,965
Applicable Fraction (Low Inc. %)	100.00%
Qualified Basis	\$ 18,767,965
	4,331,069
Federal Credit Percentage	4.00%

Potential Annual Federal Credit \$ 750,719

State Credit Percentage 3.00%

Potential Annual State Credit \$ 563,039

STATE CREDIT ANALYSIS

Annual State Credit Calculated	\$ 855,039
Annual State Credit Reserved	855,039
Minimum Credit or Allocation	\$ 855,039
Bonus Credit - Energy Efficiency	8,550
Bonus Credit - Additional 30% Units	0
Allocation with Bonus	\$ 863,589
Reserved Annual Credit	\$ 863,561
Total State Credit	\$ 5,181,366
Investor Percentage	99.99%
	\$ 5,180,848
Price per Credit	0.700

State Tax Credit Equity Raised \$ 3,626,594

FEDERAL CREDIT ANALYSIS

	Federal Credit	State Fed Credit
Annual LIH Credit Calculated	\$ 1,042,719	\$ 1,042,719
Annual LIH Credit Reserved	1,042,719	1,042,719
Minimum Credit or Allocation	\$ 1,042,719	\$ 1,042,719
Bonus Credit - Energy Efficiency	0	
Bonus Credit - Additional 30% Units	0	
Allocation with Bonus	\$ 1,042,719	
Minimum Credit or Allocation	\$ 1,042,719	
Total Tax Credit	\$ 10,427,186	\$ 10,427,186
Investor Percentage	99.98%	0.01%
Tax Credits for Syndication	\$ 10,425,101	\$ 1,043
Price per Credit	0.838	0.838

Tax Credit Equity Raised \$ 8,731,021 \$ 873

	Annual Expense	Expense per Unit	% Effective Gross Income	
Rent Expenses		114		
Convention and Meeting	900.00	8	0.1%	
Management Consultants	0.00	0	0.0%	
Advertising / Marketing Expense	300.00	3	0.0%	
Other	0.00	0	0.0%	
Subtotal Rent Expense	1,200.00	11	0.1%	
Administrative Expenses				
Office Salaries	56,000.00	491	5.4%	
Office Expenses	3,019.00	26	0.3%	
Office or Model Apartment Rent	0.00	0	0.0%	
Management Fee - Residential Rents	51,426.40	451	5.0%	5.0%
Management Fee - Commercial Rents	0.00	0	0.0%	
Management Fee - Misc. Income	0.00	0	0.0%	0.0%
Manager / Superintendent Salaries	0.00	0	0.0%	
Administrative Rent - Free Unit	0.00	0	0.0%	
Legal Expenses - Project Only	2,148.00	19	0.2%	
Bookkeeping Fees / Accounting Services	21,330.00	187	2.1%	
Tax Credit Monitoring Fees	3,420.00	30	0.3%	
Bad Debt Expense	0.00	0	0.0%	
Other Administrative Expenses	13,960.00	122	1.3%	
Subtotal Administrative Expense	151,303.40	1,327	14.6%	
Utilities Expense				
Fuel Oil	0.00	0	0.0%	
Electricity	68,900.00	604	6.7%	
Water	13,050.00	114	1.3%	
Gas	110,500.00	969	10.7%	
Sewer	13,050.00	114	1.3%	
Owner Paid Amenities	0.00	0	0.0%	
Subtotal: Utilities Expense	205,500.00	1,803	19.9%	
Operating Maintenance Expense				
Payroll	68,432.00	600	6.6%	
Supplies	0.00	0	0.0%	
Contracts	5,000.00	44	0.5%	
Operating and Maintenance Rent Free Unit	0.00	0	0.0%	
Garbage and Trash Removal	39,996.00	351	3.9%	
Security Payroll / Contracts (incl taxes and benefits)	3,496.00	31	0.3%	
Security Rent Free Unit	0.00	0	0.0%	
Heating / Cooling Maintenance	3,180.00	28	0.3%	
Vehicle / Maintenance Equipment Operation & Repairs	4,732.00	42	0.5%	
Snow Removal	0.00	0	0.0%	
Misc. Operating & Maintenance Expenses	59,432.00	521	5.7%	
Subtotal: Operating Maintenance Expense	184,268.00	1,616	17.8%	
Taxes and Insurance				
Real Estate & Property Taxes	21,274.70	187	2.1%	
Property and Liability Insurance (Hazard)	41,004.00	360	4.0%	
Payroll Taxes - Project Share	0.00	0	0.0%	
Fidelity Bond Insurance	0.00	0	0.0%	
Workmen's Compensation	0.00	0	0.0%	
Health Insurance and Other Employee Benefits	33,334.00	292	3.2%	
Misc. Taxes, Licenses, Permits, and Insurance	93,995.90	825	9.1%	
Subtotal: Taxes and Insurance	189,608.60	1,663	18.3%	
Total Services Expense				
Dietary Services	0.00	0	0.0%	
Dietary Purchased Serv	0.00	0	0.0%	
Food	0.00	0	0.0%	
Registered Nurse Salary	0.00	0	0.0%	
Housekeeping Salary	0.00	0	0.0%	
Housekeeping Supply	0.00	0	0.0%	
Other Housekeeping	0.00	0	0.0%	
Medical Supplies	0.00	0	0.0%	
Medical Purchased Serv	0.00	0	0.0%	
Laundry / Linen	0.00	0	0.0%	
Laundry Salaries	0.00	0	0.0%	
Laundry Purchased Serv	0.00	0	0.0%	
Laundry Supplies	0.00	0	0.0%	
Medical Records Salary	0.00	0	0.0%	
Medical Records Supply	0.00	0	0.0%	
Med Records Purchased SERV	0.00	0	0.0%	
Recreation / Rehab	0.00	0	0.0%	
Activities Supplies	0.00	0	0.0%	
Activities Purchased Serv	0.00	0	0.0%	
Rehab Salaries	0.00	0	0.0%	
Rehab Supplies	0.00	0	0.0%	
Rehab Purchased Serv	0.00	0	0.0%	
Other Support Serv	0.00	0	0.0%	
Subtotal: Total Services Expense	0	0	0.0%	
Annual Replacement Reserves	34,200	300	3.3%	
Total Operating Expenses	\$ 766,080			
Per Unit Per Month	\$ 560			
OPEX OUTSIDE OF WHEDA RANGE				
Investor Asset Management Fee	\$ 8,550			

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	TOTAL
INCOME																	
Gross Potential Income: (Excluding TIF & Other)	2.00%	\$ 1,105,944	\$ 1,128,063	\$ 1,150,624	\$ 1,173,637	\$ 1,197,109	\$ 1,221,052	\$ 1,245,473	\$ 1,270,382	\$ 1,295,790	\$ 1,321,705	\$ 1,348,140	\$ 1,375,102	\$ 1,402,604	\$ 1,430,656	\$ 1,459,270	\$ 19,125,551
Other Income Source	2.00%	6,279	6,405	6,533	6,663	6,797	6,933	7,071	7,213	7,357	7,504	7,654	7,807	7,963	8,123	8,285	108,587
Vacancy - Rental Income	-7.00%	(77,416)	(78,964)	(80,544)	(82,155)	(83,798)	(85,474)	(87,183)	(88,927)	(90,705)	(92,519)	(94,370)	(96,257)	(98,182)	(100,146)	(102,149)	(1,338,789)
Vacancy - Other Income	-7.00%	(440)	(448)	(457)	(466)	(476)	(485)	(495)	(505)	(515)	(525)	(536)	(547)	(557)	(569)	(580)	(7,601)
Total Vacancy		\$ (77,856)	\$ (79,413)	\$ (81,001)	\$ (82,621)	\$ (84,273)	\$ (85,959)	\$ (87,678)	\$ (89,432)	\$ (91,220)	\$ (93,045)	\$ (94,906)	\$ (96,804)	\$ (98,740)	\$ (100,715)	\$ (102,729)	\$ (1,346,390)
Effective Gross Income		1,034,368	1,055,055	1,076,156	1,097,679	1,119,633	1,142,025	1,164,866	1,188,163	1,211,926	1,236,165	1,260,888	1,286,106	1,311,828	1,338,065	1,364,826	17,887,748
EXPENSES																	
Rent Expense	3.00%	1,200	1,236	1,273	1,311	1,351	1,391	1,433	1,476	1,520	1,566	1,613	1,661	1,711	1,762	1,815	22,319
Management Fees	3.00%	51,426	52,969	54,558	56,195	57,881	59,617	61,406	63,248	65,145	67,100	69,113	71,186	73,322	75,521	77,787	956,475
Other Admin Expenses (Less Management Fee)	3.00%	99,877	102,873	105,960	109,138	112,412	115,785	119,258	122,836	126,521	130,317	134,226	138,253	142,401	146,673	151,073	1,857,604
Utilities Expense	3.00%	205,500	211,665	218,015	224,555	231,292	238,231	245,378	252,739	260,321	268,131	276,175	284,460	292,994	301,784	310,837	3,822,077
Operating and Maintenance Expense	3.00%	184,268	189,796	195,490	201,355	207,395	213,617	220,026	226,626	233,425	240,428	247,641	255,070	262,722	270,604	278,722	3,427,185
Real Estate and Personal Property Taxes	3.00%	21,275	21,913	22,570	23,247	23,945	24,663	25,403	26,165	26,950	27,759	28,591	29,449	30,333	31,243	32,180	395,686
Other Taxes and Insurance	3.00%	168,334	173,384	178,585	183,943	189,461	195,145	200,999	207,029	213,240	219,638	226,227	233,013	240,004	247,204	254,620	3,130,828
Service Expense	3.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Replacement Reserve	3.00%	34,200	35,226	36,283	37,371	38,492	39,647	40,837	42,062	43,324	44,623	45,962	47,341	48,761	50,224	51,731	636,083
Total Expenses		766,080	789,062	812,734	837,116	862,230	888,097	914,740	942,182	970,447	999,561	1,029,547	1,060,434	1,092,247	1,125,014	1,158,765	14,248,256
Net Operating Income		268,288	265,992	263,422	260,563	257,403	253,929	250,126	245,981	241,479	236,604	231,341	225,672	219,581	213,050	206,061	3,639,492
Debt Service - 1st Mortgage																	
WHEDA Permanent Mortgage		185,337	185,337	185,337	185,337	185,337	185,337	185,337	185,337	185,337	185,337	185,337	185,337	185,337	185,337	185,337	2,780,049
Total Debt Service		185,337	185,337	185,337	185,337	185,337	185,337	185,337	185,337	185,337	185,337	185,337	185,337	185,337	185,337	185,337	2,780,049
DSCR- 1st		1.448	1.435	1.421	1.406	1.389	1.370	1.350	1.327	1.303	1.277	1.248	1.218	1.185	1.150	1.112	
Cash Flow		82,951	80,656	78,085	75,226	72,066	68,592	64,790	60,645	56,143	51,268	46,004	40,335	34,245	27,714	20,725	859,443
Asset Management Fee	8,550	8,550	8,807	9,071	9,343	9,623	9,912	10,209	10,515	10,831	11,156	11,490	11,835	12,190	12,556	12,933	159,021
Cash Flow		74,401	71,849	69,014	65,883	62,443	58,680	54,580	50,129	45,312	40,112	34,514	28,500	22,054	15,158	7,792	700,423
DDF	647,721	74,401	71,849	69,014	65,883	62,443	58,680	54,580	50,129	45,312	40,112	34,514	20,803	-	-	-	647,721
<i>Interest Rate</i>	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		573,320	501,471	432,456	366,573	304,130	245,450	190,869	140,740	95,428	55,316	20,803	-	-	-	-	-

Construction Loan	Total	2024	2025	2026
Interest during Construction	456,992	91,647	364,445	0
Interest during Lease Up	120,401	0	64,701	64,701
Total Construction Interest	585,493	91,647	429,146	64,701

Construction Loan	Budgeted Interest	585,493
Estimated Interest		585,493
Excess (1 (Overage))		0

Sources of Funds	Permanent	Lease Up																								Perm Conv 2026	Total		
		Closing 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Jan 2025	Feb 2025	Mar 2025	Apr 2025	May 2025	Jun 2025	Jul 2025	Aug 2025	Sep 2025	Oct 2025	Nov 2025	Dec 2025	Jan 2026	Feb 2026	Mar 2026	Apr 2026	May 2026				
WHEDA Permanent Mortgage	2,527,622	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,527,622	2,527,622	
WHEDA Subordinate Debt	8,731,894	1,746,379	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,731,894	
Federal LHFC Investor Capital - PNC	3,626,594	725,319	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,626,594	
State LHFC Investor Capital - Sugar Creek	100	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	
GP Equity	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	
FHLBC - AHP	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	
HACM Existing Reserves	8,550,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,550,000	
HACM Soter Note	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	
CMF	647,721	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	647,721	
Deferred Developer Fee	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	
WHEDA Permanent Mortgage Available During Construction	2,527,622	303,155	779,464	1,172,649	272,354	990,908	996,110	806,890	811,127	620,936	624,196	627,473	630,767	634,079	434,251	(7,650,483)	-	-	-	-	-	-	-	-	-	-	-	(2,527,622)	
WHEDA Construction - Tax Exempt	0	-	-	-	906,744	990,908	996,110	806,890	811,127	620,936	624,196	627,473	630,767	634,079	434,251	(7,650,483)	-	-	-	-	-	-	-	-	-	-	-	(432,996)	
WHEDA Construction - Taxable	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	
Construction Loan	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	
Total Sources of Funds	24,083,931	11,324,953	779,464	1,172,649	1,179,098	990,908	996,110	806,890	811,127	620,936	624,196	627,473	630,767	634,079	434,251	382,534	0	0	0	0	0	0	0	0	0	0	0	1,420,777	23,436,210

WHEDA Permanent Mortgage Available During Construction Balance	Interest Rate	Eligible Interest	Inteligible Interest	WHEDA Construction - Tax Exempt Balance	Interest Rate	Eligible Interest	Inteligible Interest	WHEDA Construction - Taxable Balance	Interest Rate	Eligible Interest	Inteligible Interest	Total Construction Interest
2,527,622	6.00%	1,667	5,954	8,083,479	6.30%	4,760	9,963	0	6.90%	1,667	5,954	18,662
303,155	0.55%	12,404	13,902	0	0.53%	4,760	9,963	0	0.58%	1,667	5,954	23,865
1,082,619	0.55%	12,404	13,902	0	0.53%	4,760	9,963	0	0.58%	1,667	5,954	29,094
2,255,268	0.55%	13,902	13,902	0	0.53%	15,192	15,192	0	0.58%	15,192	15,192	33,330
2,527,622	0.55%	13,902	13,902	1,897,651	0.53%	30,224	33,518	0	0.58%	30,224	33,518	37,589
2,527,622	0.55%	13,902	13,902	2,893,761	0.53%	36,830	40,158	0	0.58%	36,830	40,158	40,849
2,527,622	0.55%	13,902	13,902	3,700,651	0.53%	42,438	46,480	0	0.58%	42,438	46,480	44,126
2,527,622	0.55%	13,902	13,902	4,511,778	0.53%	48,080	52,480	0	0.58%	48,080	52,480	47,420
2,527,622	0.55%	13,902	13,902	5,132,714	0.53%	53,518	58,330	0	0.58%	53,518	58,330	50,731
2,527,622	0.55%	13,902	13,902	5,766,910	0.53%	58,330	63,518	0	0.58%	58,330	63,518	54,000
2,527,622	0.55%	13,902	13,902	6,384,382	0.53%	62,940	68,480	0	0.58%	62,940	68,480	56,340
2,527,622	0.55%	13,902	13,902	7,015,149	0.53%	67,480	73,120	0	0.58%	67,480	73,120	58,680
2,527,622	0.55%	13,902	13,902	7,649,228	0.53%	71,920	77,760	0	0.58%	71,920	77,760	61,020
2,527,622	0.55%	13,902	13,902	8,083,479	0.53%	76,360	82,000	0	0.58%	76,360	82,000	63,360
2,527,622	0.55%	13,902	13,902	8,432,996	0.53%	80,720	86,360	0	0.58%	80,720	86,360	65,700
2,527,622	0.55%	13,902	13,902	8,787,563	0.53%	85,080	90,720	0	0.58%	85,080	90,720	68,040
2,527,622	0.55%	13,902	13,902	9,142,130	0.53%	89,440	95,080	0	0.58%	89,440	95,080	70,380
2,527,622	0.55%	13,902	13,902	9,496,697	0.53%	93,800	99,440	0	0.58%	93,800	99,440	72,720
2,527,622	0.55%	13,902	13,902	9,851,264	0.53%	98,160	104,080	0	0.58%	98,160	104,080	75,060
2,527,622	0.55%	13,902	13,902	10,205,831	0.53%	102,520	108,720	0	0.58%	102,520	108,720	77,400
2,527,622	0.55%	13,902	13,902	10,560,398	0.53%	106,880	113,360	0	0.58%	106,880	113,360	79,740
2,527,622	0.55%	13,902	13,902	10,914,965	0.53%	111,240	118,000	0	0.58%	111,240	118,000	82,080
2,527,622	0.55%	13,902	13,902	11,269,532	0.53%	115,600	122,640	0	0.58%	115,600	122,640	84,420
2,527,622	0.55%	13,902	13,902	11,624,099	0.53%	120,000	127,280	0	0.58%	120,000	127,280	86,760
2,527,622	0.55%	13,902	13,902	11,978,666	0.53%	124,400	131,920	0	0.58%	124,400	131,920	89,100
2,527,622	0.55%	13,902	13,902	12,333,233	0.53%	128,800	136,560	0	0.58%	128,800	136,560	91,440
2,527,622	0.55%	13,902	13,902	12,687,800	0.53%	133,200	141,200	0	0.58%	133,200	141,200	93,780
2,527,622	0.55%	13,902	13,902	13,042,367	0.53%	137,600	145,840	0	0.58%	137,600	145,840	96,120
2,527,622	0.55%	13,902	13,902	13,396,934	0.53%	142,000	150,480	0	0.58%	142,000	150,480	98,460
2,527,622	0.55%	13,902	13,902	13,751,501	0.53%	146,400	155,120	0	0.58%	146,400	155,120	100,800
2,527,622	0.55%	13,902	13,902	14,106,068	0.53%	150,800	159,760	0	0.58%	150,800	159,760	103,140
2,527,622	0.55%	13,902	13,902	14,460,635	0.53%	155,200	164,400	0	0.58%	155,200	164,400	105,480
2,527,622	0.55%	13,902	13,902	14,815,202	0.53%	159,600	169,040	0	0.58%	159,600	169,040	107,820
2,527,622	0.55%	13,902	13,902	15,169,769	0.53%	164,000	173,680	0	0.58%	164,000	173,680	110,160
2,527,622	0.55%	13,902	13,902	15,524,336	0.53%	168,400	178,320	0	0.58%	168,400	178,320	112,500
2,527,622	0.55%	13,902	13,902	15,878,903	0.53%	172,800	182,960	0	0.58%	172,800	182,960	114,840
2,527,622	0.55%	13,902	13,902	16,233,470	0.53%	177,200	187,600	0	0.58%	177,200	187,600	117,180
2,527,622	0.55%	13,902	13,902	16,588,037	0.53%	181,600	192,240	0	0.58%	181,600	192,240	119,520
2,527,622	0.55%	13,902	13,902	16,942,604	0.53%	186,000	196,880	0	0.58%	186,000	196,880	121,860
2,527,622	0.55%	13,902	13,902	17,297,171	0.53%	190,400	201,520	0	0.58%	190,400	201,520	124,200
2,527,622	0.55%	13,902	13,902	17,651,738	0.53%	194,800	206,160	0	0.58%	194,800	206,160	126,540
2,527,622	0.55%	13,902	13,902	18,006,305	0.53%	199,200	210,800	0	0.58%	199,200	210,800	128,880
2,527,622	0.55%	13,902	13,902	18,360,872	0.53%	203,600	215,440	0	0.58%	203,600	215,440	131,220
2,527,622	0.55%	13,902	13,902	18,715,439	0.53%	208,000	220,080	0	0.58%	208,000	220,080	133,560
2,527,622	0.55%	13,902	13,902	19,070,006	0.53%	212,400	224,720	0	0.58%	212,400	224,720	135,900
2,527,622	0.55%	13,902	13,902	19,424,573	0.53%	216,800	229,360	0	0.58%	216,800	229,360	138,240
2,527,622	0.55%	13,902	13,902	19,779,140	0.53%	221,200	234,000	0	0.58%	221,200	234,000	140,580
2,527,622	0.55%	13,902	13,902	20,133,707	0.53%	225,600	238,640	0	0.58%	225,600	238,640	142,920
2,527,622	0.55%	13,902	13,902	20,488,274	0.53%	230,000	243,280	0	0			

WHEDA Loan Commitment

See attached.

Loan Number: 113034
Master ID Number: 51569
Project Name: Highland Gardens
Project Location: City of Milwaukee, Milwaukee County, Wisconsin

**Return one signed original letter and
Loan Structuring Fee by October 31, 2023**

Via Email Only: wlhines@hacm.org

October 27, 2023

Willie L. Hines, Jr.
Housing Authority of the City of Milwaukee
809 North Broadway
Milwaukee, Wisconsin 53201

RE: Conditional Commitment to Lend \$10,746,419.00

Dear Wille L. Hines, Jr.:

Wisconsin Housing and Economic Development Authority (“**WHEDA**”) has reviewed the loan application and supplemental materials submitted by Borrower, as defined herein, in connection with its request that WHEDA lend Borrower up to \$10,746,419.00 or such other amount as the parties may mutually agree upon in writing (the “**Loan**”). Based upon this information, WHEDA hereby commits to make the Loan, as defined herein, to Borrower subject to the terms and conditions described in this letter (the “**Mortgage Loan Commitment**”). In addition to the conditions described herein, WHEDA’s commitment to provide the Loan is expressly conditioned upon the following:

- WHEDA timely receiving all required due diligence materials as requested from time-to-time in order to underwrite the Loan.
- The due diligence materials confirming Borrower’s ability to repay the Loan (and, as applicable, any guarantor’s ability to repay the Loan upon Borrower’s failure to repay the Loan).
- The Loan being structured and funded as proposed without violation of any applicable legal or other requirement. (If Borrower agrees to changes that WHEDA deems sufficient to avoid any such violation, then this condition shall be deemed waived by WHEDA).
- Between the date of this letter and the date of the closing of the Loan, there existing no material adverse change in: the creditworthiness of Borrower; the value of the collateral, or any portion thereof, that will secure the Loan; the capital financial structure of the development financed by the proceeds of the Loan; the creditworthiness of the guarantor(s), as and if applicable; or the state, national, or international financial, banking, or credit industries.
- The materials submitted or otherwise provided to WHEDA in connection with the Loan not being materially inaccurate or incomplete either as of the date of the submission or as of the Closing Date.
- Borrower providing survey, title insurance (insuring, among other things, that WHEDA is in a first mortgage lien position), Phase I environmental site assessment (and any necessary inquiries), and insurance, each in accordance with WHEDA’s specifications as set forth on WHEDA’s website and each showing no defects other than those acceptable to WHEDA.



WHEDA

Tony Evers, Governor | Elmer Moore, Jr., CEO
A public body corporate and politic created under Chapter 234, Wisconsin Statutes

WHEDA's obligations under this Mortgage Loan Commitment are subject to the following closing and general requirements, each of which shall be deemed satisfied only when the document or evidence provided in satisfaction thereof has been reviewed and approved by WHEDA as to form and content. Such review and approval is solely for WHEDA's benefit and no other party shall be entitled to rely thereon.

CONSTRUCTION AND LONG-TERM MORTGAGE FINANCING AND FINANCING CONDITIONS:

1. **Borrower.** Borrower shall be Highland Gardens, LLC, a Wisconsin limited liability company, (the "**Borrower**"). The members of Borrower shall be Highland Gardens Development LLC, a Wisconsin limited liability company, and a tax credit investor reasonably acceptable to WHEDA (the "**Equity Investor**"). Notwithstanding the foregoing, the members of Borrower may be any other entity or person approved in writing by WHEDA before such member is admitted to Borrower. After the Closing Date, as defined below, changes to Borrower's members are not permitted except as provided in the Loan Documents and Borrower must obtain WHEDA's written consent before making changes to the ownership structure of the project.

2. **Acceptance of Offer.** Borrower will be deemed to have accepted this offer only when WHEDA has received a copy of this Mortgage Loan Commitment signed and dated by Borrower, a completed initial Project Cost Certificate, as described herein, and payment of the Loan Structuring Fee, as described herein (collectively, the "**Accepted Offer**"). Please send these to the attention of Fernando Escobar in WHEDA's Commercial Lending Division. Unless already accepted, this offer shall expire on October 31, 2023.

3. **Closing Date.** WHEDA's obligations under this Mortgage Loan Commitment shall terminate if the Loan closing (the "**Closing Date**") does not take place by July 1, 2024. Notwithstanding the above, this Mortgage Loan Commitment may be extended for an additional 60 days (two 30-day extensions) with payment to WHEDA of 0.25% of the loan amount.

4. **Mortgaged Property.** The project shall be the 114-unit multifamily rental housing development to be known as Highland Gardens (the "**Project**"), and located in the City of Milwaukee, Milwaukee County, Wisconsin (the "**Mortgaged Property**").

5. **Loan Amount.** The outstanding principal amount of the Loan shall never exceed \$10,746,419.00 (the "**Loan Amount**"), as evidenced by the following 2 of notes (collectively, the "**Notes**"):

- a) **Note #1 (long-term bond note):** An amortizing Multifamily Note funded with tax-exempt bond proceeds in the original principal amount of \$2,527,622.00 with an **estimated** interest rate of 6.60% per annum ("**Note #1**"). The interest rate of Note #1 will be established pursuant to Subsection 5(d). Interest shall accrue on the unpaid principal balance of Note #1 beginning on the date funds are disbursed under this note and monthly interest-only payments shall be due from the date funds are disbursed, until the Conversion Date (as defined below). Commencing on the Conversion Date, Note #1 shall have a term of 420 months and shall be amortized over 420 months, and monthly payments of principal and interest shall commence, with all outstanding principal and interest due in full on the day before the 420-month anniversary of the Conversion Date, or any earlier date on which the unpaid principal balance of this note becomes due and payable, by acceleration or otherwise.

The "**Conversion Date**" shall be the 30-month anniversary of the Closing Date; provided that if this date is not on the first day of the month, the Conversion Date shall be deemed to be the first day of the month immediately following this date. If the Conversion Requirements, as set forth below, have not been satisfied on or before the Conversion Date, it shall constitute an Event of Default and the Loan shall be immediately due and payable at WHEDA's option.

- b) **Note #2 (short-term bond note):** A non-amortizing Multifamily Note funded with tax-exempt bond proceeds in the original principal amount of \$8,218,797.00 with an **estimated** interest rate of 6.30% per annum ("**Note #2**"). The interest rate of Note #2 will be established pursuant to Subsection 5(d). Interest shall accrue on the unpaid principal balance of Note #2 beginning on the date funds are disbursed under this note and monthly interest-only payments shall be due from the date funds

are disbursed until the Conversion Date. The outstanding principal balance of Note #2 shall be due in full on the Conversion Date.

- c) **Order of Fund Use:** During the construction phase of the Loan, funds shall be disbursed in the following order from first to last, with the full amount of each note being disbursed prior to any funds from the subsequent note being disbursed:
- i. Seller Note in the amount of \$6,700,000.00;
 - ii. Cash Equity in the amount of \$100.00;
 - iii. The first installment of FHTC and SHTC equity in a minimum amount of 20% of the equity (as both terms are defined in Paragraph 43 below);
 - iv. Note #1; and
 - v. Note #2.
- d) **Final Interest Rates and Resizing of Bond-funded Notes.**
- i) If the Loan is set to close prior to the issuance of the bonds, upon the request of Borrower, the interest rates of the bond-funded Notes shall be set by WHEDA two weeks prior to the agreed-upon closing date. WHEDA reserves the right to reduce the principal amounts of such bond-funded Notes to meet its underwriting criteria based on such interest rates. If Borrower fails to close within such two-week period, WHEDA reserves the right to reset the interest rates and principal amounts of such Notes as it sees fit, in its reasonable discretion.
 - ii) If the Loan will close after the issuance of the bonds, the interest rates for the bond-funded Notes shall be set based upon the actual results of the bond pricing.
 - iii) If the interest rates for the bond-funded Notes are lower than underwritten, WHEDA shall not be obligated to increase the principal amount of such bond-funded Notes. However, WHEDA reserves the right to increase the principal amount of the bond-funded Notes while still meeting its underwriting criteria, and reduce dollar-for-dollar the principal amount of any other Note.

6. **Prepayment.**

- a) **Note #1 (long-term bond note):** Note #1 may not be prepaid prior to the Conversion Date. During the first 15 years following the Conversion Date, Borrower may voluntarily prepay Note #1 on the last business day of a calendar month provided that such prepayment is accompanied by a prepayment premium in an amount equal to the greater of either 1.0% of the unpaid principal balance of Note #1 or an amount determined by WHEDA pursuant to a yield maintenance formula to be contained in Note #1 and the schedules thereto. After the initial term of 15 years, Borrower may voluntarily prepay Note #1 on any business day provided that such prepayment is accompanied by a prepayment premium in an amount equal to 1.0% of the unpaid principal balance of Note #1.
- b) **Note #2 (short-term bond note):** Borrower may only prepay Note #2 after the disbursement of the final draw of Loan proceeds; such prepayment may only utilize equity payments which are received after such draw from the Equity Investor pursuant to the equity pay-in schedule(s) set forth in Borrower's Operating Agreement.

Except as provided herein, voluntary prepayment of the Notes, in full or in part, is not permitted.

Order of Fund Use: During the construction phase of the Loan, funds shall be disbursed in the following order from first to last, with the full amount of each note being disbursed prior to any funds from the subsequent note being disbursed:

Except as provided herein, voluntary prepayment of the Notes, in full or in part, is not permitted.

7. Minimum Debt Service Coverage. WHEDA reserves the right to reduce the Loan Amount if, prior to the Conversion Date, the net operating income of the Mortgaged Property, as projected by WHEDA, becomes insufficient to support the Loan at the effective interest rate with a minimum debt service coverage ratio of 1.15:1.00, taking into account Note #1 (the "**Minimum DSCR**").

8. Loan Structuring Fee. Borrower shall pay WHEDA's loan structuring fee of \$63,732.00 (the "**Loan Structuring Fee**"). which is comprised of one half of the Loan Origination Fee (as defined below) to effect Borrower's acceptance of this Mortgage Loan Commitment. The Loan Structuring Fee is earned in full and is non-refundable. Upon the closing of the Loan, WHEDA will credit the Loan Structuring Fee toward Borrower's payment of the Loan Origination Fee.

9. Loan Origination Fee. Borrower shall pay WHEDA's loan origination fee shall of \$127,464.00 (the "**Loan Origination Fee**"), which is comprised of a \$20,000.00 loan documentation fee, and a 1.00% fee on Note #1 and Note #2, to be paid by Borrower on the Closing Date.

10. Interest Rate Computation. Interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months. In the event of default, the rate of interest computed shall be the lesser of 4% in excess of the stated interest rate or the maximum amount allowed by law.

11. Loan Maturity. Upon maturity of the Loan, whether by lapse of time or acceleration, all unpaid principal and accrued interest shall be due and payable.

12. Late Charge. If any required installment is not paid within 10 days of the due date, a late charge of 5% of the required installment shall be payable.

13. Imposition Escrow. Commencing on the Conversion Date, in addition to principal and interest payments, Borrower shall make monthly deposits to escrows established with WHEDA for real estate taxes, special assessments, and amounts for other charges and expenses which WHEDA, at any time during the Loan term, reasonably deems necessary to protect the Mortgaged Property to prevent the imposition of liens on the Mortgaged Property, or otherwise protect WHEDA's interests (such as insurance premiums). WHEDA shall determine the amounts of these monthly deposits (which, in the case of the escrows for real estate taxes and special assessments, shall be in amounts sufficient to accumulate the full amount of anticipated billings before their due dates) and may, at its discretion, adjust those amounts from time to time, as it deems appropriate.

14. Replacement Reserve. On or before the Closing Date, Borrower shall deposit with Lender the sum of \$165,000.00. Borrower shall make a deposit of \$2,850.00 per month, (the "**Monthly Deposit**"), for an annual total of \$34,200.00 into a replacement reserve escrow to be held by WHEDA in an interest-bearing account for the term of the Loan (the "**Replacement Reserve**"). The Monthly Deposit may be adjusted by WHEDA at any time during the term of the Loan, as further provided in the Replacement Reserve and Security Agreement. Disbursements from the Replacement Reserve shall be used to fund appropriate replacement expenses, as determined by WHEDA in its commercially reasonable discretion, so long as there is no event of default under the Loan Documents (as such term is defined below). Any funds remaining in the Replacement Reserve when the Loan is paid in full, if any, will be released to Borrower.

15. Operating Deficit Reserve. On or before the Conversion Date, Borrower shall deposit \$475,390.00 to an operating deficit reserve to be held and administered by WHEDA for the term of the Loan, except as provided herein (the "**Operating Deficit Reserve**"). Disbursements from the Operating Deficit Reserve shall be used to fund appropriate operating deficits, as determined by WHEDA in its commercially reasonable discretion. Upon the full repayment of the Loan, all funds remaining in the Operating Deficit Reserve, if any, shall be released to Borrower.

16. Recourse/Nonrecourse. The Loan shall be made on a nonrecourse basis to Borrower; provided, however, WHEDA shall have recourse to Borrower as stated in the Multifamily Mortgage, Assignment of Rents and Security Agreement, and the Multifamily Note.

17. Security. WHEDA's security for the Loan shall include a first mortgage lien on the Mortgaged Property, a first assignment of rents from and leases on the Mortgaged Property, a senior security interest in Borrower's furnishings, fixtures and equipment and other tangible and intangible personal property acquired for, used in connection with or arising from the development, construction, use or operation of the Mortgaged Property, a senior security interest in all construction contracts, architectural contracts, management agreements, leasing agreements, operating agreements and franchise agreements relating to the Mortgaged Property; and a senior security interest in all other agreements, permits, approvals, plans and specifications, surveys and other materials relating to the Mortgaged Property.

18. Capital Needs Assessment. 10, 20, and 30 years after the Conversion Date, WHEDA reserves the right to obtain an assessment of the Mortgaged Property's then-immediate repair needs, and its expected repair, replacement, and major maintenance needs for the following 12-year period shall be established by a capital needs assessment (the "CNA"). Each CNA must estimate the total cost, adjusted for inflation, to complete such items, and be in a form acceptable to WHEDA. Each CNA shall be performed, at Borrower's expense, by a firm selected by WHEDA. WHEDA may consider the findings and recommendations in each CNA to, among other things, adjust the required level of per unit Replacement Reserve funding under Paragraph 14.

19. Environmental Report. Prior to the Closing Date, Borrower shall provide a current Phase I environmental site assessment regarding hazardous wastes, toxic materials and other environmental hazards on the Mortgaged Property (the "Phase I"). The Phase I shall be certified by an environmental consultant and must conform in all respects with WHEDA's Phase I Environmental Report Requirements and ASTM Practice E1527-13. The Phase I shall be addressed to WHEDA, or the environmental consultant must provide WHEDA with a reliance letter reasonably acceptable to WHEDA. If warranted by the Phase I, Borrower shall provide a detailed investigation of the recognized environmental conditions identified in the Phase I, and if necessary, a remediation plan acceptable to WHEDA in its sole discretion. WHEDA reserves the right to require Borrower to provide a completed Environmental Disclosure Statement as of the Closing Date, indicating, among other things, that no relevant changes have occurred since the date of the Phase I. Borrower shall also provide WHEDA with an environmental report regarding the presence (or lack thereof) of lead-based paint, asbestos, mold, radon, and polychlorinated biphenyl (PCB) on the Mortgaged Property, and any necessary remediation of such substances (this sentence applicable to projects with existing structures only).

20. Zoning Letter. Borrower shall provide a zoning letter from the appropriate local official stating the Mortgaged Property is properly zoned for its intended use.

21. Flood Plain Letter. Borrower shall provide a flood plain letter from the appropriate local official. If Mortgaged Property improvements are in an area identified by the Federal Emergency Management Agency as having flood hazards, Borrower shall insure such Mortgaged Property improvements against loss by flood.

22. Survey. Borrower shall provide current surveys of the Mortgaged Property, certified by a licensed surveyor acceptable to WHEDA, which conform in all respects with WHEDA's survey requirements.

23. Tax Parcel. Borrower shall provide evidence the Mortgaged Property comprises one or more separate tax parcels.

24. Title Insurance Commitment. Borrower shall pay the premium for issuance to WHEDA of a current ALTA title insurance commitment for the Mortgaged Property and all appurtenant easements, with such reinsurance as WHEDA may require. The commitment must be issued by an agent and underwriter acceptable to WHEDA and conform in all respects with WHEDA's title insurance requirements.

25. Title Insurance Policy. Borrower shall pay the premium for, and cause the title insurer to issue the title insurance policy described in the title insurance commitment, insuring WHEDA's mortgage lien as the first mortgage lien on the Mortgaged Property subject only to exceptions acceptable to WHEDA. The policy shall include, at Borrower's expense, all endorsements to such policy requested by WHEDA. The title

insurer must provide WHEDA with an acceptable binding pro forma or title mark-up (including all requested endorsements) as of the Closing Date. Within 60 days after the Closing Date, WHEDA must receive the final issued policy, which shall be in a form consistent with the binding pro forma or title mark-up.

26. Preliminary Chattel Search. Borrower shall provide or pay the costs for UCC-11 search reports from each office in which WHEDA's financing statements will be filed.

27. Final Chattel Search. Upon closing, Borrower shall pay the costs for UCC-11 search reports from each office in which WHEDA's financing statements are filed showing WHEDA's security interest as the senior security interest in the collateral.

28. Other Agreements and Contracts. Borrower shall provide a copy of management agreements, leasing agreements, operating agreements, franchise agreements and other agreements and contracts affecting the Mortgaged Property and entered into prior to the Closing Date. If the Mortgaged Property is to be acquired, Borrower shall provide a copy of the acquisition agreement, the deed and the closing statement.

29. Form of Lease. Borrower shall provide WHEDA the residential lease form that will be used for all future Mortgaged Property residential leases while the Loan remains outstanding.

30. Insurance. Borrower shall provide evidence of general property and liability insurance, fire and allied perils insurance, business income insurance, and builders risk insurance (if applicable), according to WHEDA's insurance requirements.

31. Entity Documents. As applicable, Borrower shall provide the following documents for Borrower and each signatory to the mortgage note, including any and all amendments thereto.

- a) Articles of Organization and Operating Agreement (and any other organizational documents);
- b) Evidence that the entity has filed all annual reports and otherwise fulfilled necessary obligations to be considered in good status by the Wisconsin Department of Financial Institutions, as certified by the proper public official of the state of organization; and
- c) Appropriate resolutions or other evidence acceptable to WHEDA authorizing the Loan transaction and document signatories thereto.

Any document recorded or filed of public record shall be certified as a true copy by the appropriate public official. Any document not otherwise certified shall be certified as a true copy by an authorized officer of the entity. WHEDA reserves the right to require Borrower to provide such documents for any entity that is a member or shareholder of Borrower.

32. Loan Documents Generally. Borrower shall enter into WHEDA's standard loan documents in a form acceptable to WHEDA (the "Loan Documents"). The Loan Documents may include, but are not be limited to: Multifamily Mortgage, Assignment of Rents and Security Agreement, and exhibits; Multifamily Note(s) and schedules; Land Use Restriction Agreement; Loan Agreement; Replacement Reserve and Security Agreement; Operating Deficit Reserve and Security Agreement; Environmental Indemnity Agreement; Assignment of Management Agreement; Security Agreement and Assignment of Architect's Contract and Plans, Specifications and Other Items; Security Agreement and Assignment of General Contractor's Contract; and Security Agreement and Assignment of Contracts, Engineering and Design Work, Permits, Surveys and Other Plans. Borrower shall provide any information and enter into all Loan Documents required by WHEDA to underwrite, close, and service the Loan. Any and all revisions to draft Loan Documents shall be submitted via inline track changes in Microsoft Word.

33. Legal Opinion. Borrower shall provide an opinion of Borrower's counsel, in a form acceptable to WHEDA, regarding the organization, existence, standing, power and authorization of Borrower; the execution, delivery and enforceability of the Loan Documents; the absence of conflict with other obligations;

the absence of adverse matters affecting Borrower or the Mortgaged Property; and the compliance of Borrower with laws and other requirements acceptable to WHEDA.

34. Financial Statements. As requested by WHEDA, Borrower shall furnish rent rolls, balance sheets, income and expense statements, tax returns and such other financial information as WHEDA may require. All of the same shall be in accordance with generally accepted accounting principles or otherwise in a form acceptable to WHEDA. WHEDA reserves the right to require, at Borrower's expense, audited or certified financial information by a certified public accountant acceptable to WHEDA.

35. Assignability. Borrower may not assign this Mortgage Loan Commitment or the Loan proceeds without WHEDA's prior written consent. Borrower acknowledges and agrees that WHEDA may sell or assign the Loan and/or the servicing rights thereto.

36. Material Change. Should any material, adverse change occur in the creditworthiness of Borrower or in the Mortgaged Property, or should any of the financial statements, information or other material submitted to WHEDA in connection with the application for and the closing of the Loan be or become materially inaccurate, then WHEDA shall have the right to cancel this Mortgage Loan Commitment. In such event, the Loan Structuring Fee shall be earned and retained by WHEDA as liquidated damages, and Borrower shall pay all Loan costs and expenses incurred. Borrower agrees to promptly notify WHEDA in writing of any such material, adverse change or material inaccuracy. Should any material, adverse change occur in the state, national, or international financial, banking, or credit industries, then WHEDA shall also have the right to cancel this Mortgage Loan Commitment.

37. Regulatory Compliance. If closing of the Loan would violate any requirement imposed on WHEDA, then, unless Borrower agrees in writing to such changes as may be required to conform the Loan to any such requirement, the Loan Structuring Fee will be refunded to Borrower and this Mortgage Loan Commitment shall be canceled and considered null and void.

38. Costs and Expenses. Borrower shall pay all costs and expenses in connection with this Mortgage Loan Commitment, the making of the Loan, whether or not the Loan closes, and the advance of Loan proceeds. Such costs and expenses shall include, but not be limited to, the costs and expenses of satisfying the pre-closing, closing and general requirements herein, filing and recording fees, duplication costs, mailing and document delivery costs. WHEDA shall not be required to pay any brokerage fees or commissions arising through Borrower from the issuance of this Mortgage Loan Commitment or the making of the Loan, and Borrower agrees to defend and indemnify WHEDA against any such claims therefore. Borrower's obligation for costs and expenses and for defense and indemnity shall survive any expiration or cancellation of this Mortgage Loan Commitment.

39. Conversion Requirements. WHEDA shall have no obligation to close or fund the permanent loan until Borrower shall provide evidence satisfactory to WHEDA that:

- a) Permanent certificates of occupancy have been issued for all Mortgaged Property units;
- b) The Project has realized sustaining occupancy of at least 90% for three (3) consecutive months preceding the Conversion Date;
- c) The Project has met the Minimum DSCR set forth in Paragraph 7 for three (3) consecutive months preceding the Conversion Date;
- d) Borrower certifies that the Mortgaged Property is lien free and construction defect free;
- e) Borrower has funded all required operating and debt service reserves; and
- f) Borrower provides evidence of payment of all development costs (aside from deferred developer fees) and construction completion (collectively a through g, the "**Conversion Requirements**").

In addition, at least ten (10) days prior to the Conversion Date, Borrower shall deliver to WHEDA an endorsement to the title policy to bring the effective date forward to the Conversion Date with no additional exceptions, and updated endorsements to the title policy which reflect the as-built conditions. Borrower shall pay any amount required for the Title Company to issue such updates and endorsements required by WHEDA.

Failure to satisfy all such requirements prior to the Conversion Date may be deemed an event of default by WHEDA.

40. Appraisal. WHEDA, at Borrower's expense, shall request from an independent certified appraiser, selected by WHEDA, an appraisal of the Mortgaged Property evidencing the following:

- a) **Construction:** During the construction phase of the Loan, a loan-to-investment value ratio of not greater than 90% taking into account Note #1 and Note #2, and, if required by WHEDA, a review appraisal confirming such loan-to-investment value ratio; and
- b) **Permanent:** During the permanent phase of the Loan, a loan-to-rent-restricted market value ratio of not greater than 90% taking into account Note #1, and, if required by WHEDA, a review appraisal confirming such loan-to-rent-restricted market value ratio.

If such appraisal or confirmation cannot be procured, this requirement shall be deemed unsatisfied and WHEDA shall not be obligated to attempt procurement from a second appraiser.

41. Affordable Housing Requirement. Borrower shall use the Mortgaged Property for Affordable Housing until the Loan is repaid in full to WHEDA (collectively, the "**Affordable Units**"). The Affordable Units shall be both rent-restricted and restricted as to occupancy, as follows:

The Mortgaged Property shall have 114 Affordable Units (100% of total) set aside for occupancy by a Qualified Tenant whose income does not exceed 60% of the Milwaukee County, Wisconsin area median income (the "**AMI**") as adjusted for family size and as published by the United States Department of Housing and Urban Development ("**HUD**"). A residential unit shall be rent-restricted if the Gross Rent with respect to such unit does not exceed 30% of 60% of the AMI.

42. Credit Enhancements. Borrower shall provide the following credit enhancements on or prior to the Closing Date (except as otherwise provided below):

- a) One of the following:
 - i) **A 15% Letter of Credit:** An unconditional and irrevocable letter of credit in an amount equal to 15% of the amount of the General Contract, which will secure WHEDA against the risks of construction, latent defects, operating deficits, and conversion of the construction loan to a right-sized permanent loan that achieves the Minimum DSCR set forth in Paragraph 7. So long as at that time of each respective release provided herein there exists no uncured notice of default or Event of Default, the letter of credit will be released as follows: 5% will be released upon WHEDA's receipt of an acceptable certificate of substantial completion from Borrower's architect, engineer or other professional, payment of the final construction draw, receipt of all final lien waivers, and receipt of any other documentation as may be required by WHEDA to evidence construction completion ("**Substantial Completion**" of the Project); 5% will be released upon the Project achieving sustaining capacity; and the remaining 5% will be released upon the 12-month anniversary of Project Completion.

OR:

- ii) **Payment and Performance Bonds:**

Payment and Performance Bonds: Payment and Performance Bonds, each equal to 100% of the construction contract price, which will secure WHEDA against the risks of construction and latent defects with respect to the Mortgaged Property. The Payment and Performance Bonds shall be released upon Substantial Completion of the Project, so long as at the time of release there is no uncured notice of default or Event of Default.

- b) **An Unlimited Corporate Guaranty:** An unlimited corporate guaranty from Housing Authority of the City of Milwaukee, guarantying construction completion, latent defects, lease-up operating deficit prior to conversion, and right-sizing of the Loan at conversion, all debt service on the Loan, and payment of all deposits to all reserve accounts to be held by WHEDA (the "**Unlimited Corporate Guaranty**"). The Unlimited Corporate Guaranty shall be released upon the Conversion Date, so long as at that time there exists no Event of Default or any event or state of facts which after notice or the passage of time, or both, would give rise to such Event of Default.

43. Additional Source Requirements. WHEDA shall have no obligation to close or fund the Loan until Borrower shall have provided WHEDA acceptable evidence of its contribution and loans of additional funding sources reasonably acceptable to WHEDA, as follows:

- a) Housing Authority of the City of Milwaukee in an amount of not less than \$6,700,000.00;
- b) Federal Housing Tax Credit ("**FHTC**") equity in an amount of not less than \$9,373,446.00;
- c) State Housing Tax Credit ("**SHTC**") equity in an amount of not less than \$3,660,378.00;
- d) Cash equity in the amount of \$100.00; and
- e) Deferred developer fees in an amount required to balance to sources and uses, estimated to be \$2,372,907.00.

Borrower shall secure all of the above-listed sources in the amounts listed above by the Closing Date. If Borrower does not secure any of the above-listed sources by the Closing Date, Borrower shall be required to defer additional developer fees or secure additional funds from other sources on terms and conditions acceptable to WHEDA to make up for the funding shortfall and to meet the Minimum DSCR set forth in Paragraph 7 above.

If any of the above-listed sources are secured by a lien on the Mortgaged Property, any such liens shall be subordinate to WHEDA's mortgage, WHEDA's Land Use Restriction Agreements, and any other Loan Documents evidencing the Loan, and Borrower and the lender for the other source shall be required to enter into WHEDA's form of Subordination Agreement in favor of WHEDA.

44. Additional Loan Requirements. WHEDA shall have no obligation to close or fund the Loan until Borrower provides evidence satisfactory to WHEDA that it has met the following contingencies:

- a) Before the Closing Date, Borrower must notify WHEDA of any changes to the capital financial structure, or the ownership structure, of the Project. Upon notification of such change, WHEDA has the right to restructure the Loan as appropriate, including, but not limited to, the reduction of the Loan;
- b) Evidence of FHTC and SHTC allocations sufficient to derive an equity contribution acceptable to WHEDA;
- c) Evidence that at least 15% of FHTC equity has been paid into the Project on or before the Closing Date;
- d) Receipt, review and approval by WHEDA of a fully executed operating agreement of the Borrower with its Equity Investors reflecting an equity pay-in schedule acceptable to WHEDA and such other

documentation relating to the tax credit equity investments as WHEDA shall reasonably require. **The operating agreement shall contain a provision requiring an entity reasonably acceptable to WHEDA to make a capital contribution to the Project and/or sponsor loan prior to the end of the Low-Income Housing Tax Credit compliance period to pay off any still-outstanding deferred developer fees;**

- e) Borrower shall notify WHEDA upon making full payment of the deferred developer fee;
- f) The Equity Investor must be identified before the Closing Date and must be reasonably acceptable to WHEDA;
- g) Evidence of an acceptable third-party plan and cost review demonstrating plan completeness and reasonable costs, prepared by an architect or engineer (the "**Third-Party Architect**") selected by WHEDA, or selected by the Equity Investor and reasonably acceptable to WHEDA, and performed at Borrower's expense. Borrower shall represent and warrant in the Loan Documents that the scope of work in the reviewed plans may not be changed or reduced without WHEDA's prior written consent. WHEDA must be explicitly permitted to rely on the third-party plan and cost review;
- h) WHEDA shall require on-going, third-party construction reports at Borrower's expense from the Third-Party Architect to support Project construction draws and review of the scope of work improvements for the Mortgaged Property. WHEDA must be explicitly permitted to rely on the ongoing, third-party construction reports;
- i) Receipt of a cost-plus contract with a guaranteed maximum price between Borrower and its general contractor;
- j) Prior to the commencement of construction, WHEDA must be provided with the final plans and specifications, and the Project must be completed in all material respects in accordance with such plans and specifications;
- k) Borrower shall represent and warrant in the Loan Documents that during the Loan term, all applicable local zoning, and building codes, as well as applicable state laws must be satisfactorily met including federal and state fair housing laws including accessibility standards;
- l) The Project must receive final approvals from all required local, state, and federal authorities;
- m) In the event the project has included uncommitted sources in the project budget, should there remain a funding gap at closing, WHEDA, at its discretion, will have the authority to not proceed with extending its loan(s) to the project and the loan commitment can be nullified. No commitment fees or any other fees already collected by WHEDA associated with the loan will be returned.

45. Bond Requirements. If a portion or the entire Loan ultimately will be financed with proceeds of a tax-exempt bond issue, Borrower agrees: (i) to complete and sign an initial 142(d) Project Cost Certificate (the "**Project Cost Certificate**") in the form attached hereto as Exhibit A which, among other things, **shows sufficient qualifying costs (taking into account the aggregate amount of Note #1 and Note #2)**, and return the initial Project Cost Certificate with this accepted Commitment; the initial Project Cost Certificate must be reviewed and accepted by WHEDA's bond counsel prior to the closing of the tax-exempt bond issue; (ii) to complete and sign a final Project Cost Certificate on the latter of the Closing Date or the bond issuance date, in form and substance acceptable to WHEDA's bond counsel; (iii) to cause Borrower's counsel to deliver an opinion regarding the legal formation of the Borrower; the authority of the Borrower to enter into the Loan Documents, and, in the case of 501(c)(3) organizations, the federal tax status of the Borrower, and (iv) that the appraisal shows that the remaining reasonably expected economic life of the project exceeds 80% of the average maturity of the tax-exempt bond issue expected to finance the Loan (the remaining reasonably expected economic life will be documented in the appraisal of the Mortgaged Property).

46. Loan Concentration Policy Requirements. As the Loan will increase the total balance of loans made by WHEDA to entities controlled by or affiliated with Housing Authority of the City of Milwaukee. (or another entity to be determined by Lender, in Lender's sole reasonable discretion) (the "Principal"), and the total balance of loans made by WHEDA to entities controlled by the Principal exceed certain thresholds, per WHEDA's internal policies, as a condition of making this Loan, the Principal must provide WHEDA with the following:

- a) Audited, consolidated financial statements for the Principal within 120 days of year end; provided, however, that if audited, consolidated financial statements are not otherwise available then consolidated financial statements prepared by an unrelated, independent certified public accountant may be provided instead. These statements must be submitted before the Closing Date and then annually thereafter until the aggregate loan amount made by WHEDA to entities controlled by the Principal falls below the reporting threshold.
- b) WHEDA must be provided with timely notification of any material changes in the financial operations or results of the Principal or any other entity controlled by the Principal.
- c) A succession plan for the Principal and for other individuals identified by WHEDA as key employees of the Principal. This succession plan must be submitted before the Closing Date and then annually until the aggregate loan amount made by WHEDA to entities controlled by the Principal falls below the reporting threshold.
- d) A business continuity plan to address an unexpected interruption of the business of the Principal. This business continuity plan must be submitted before the Closing Date and then annually until the aggregate loan amount made by WHEDA to entities controlled by the Principal falls below the reporting threshold.
- e) WHEDA may select an independent party to review the liquidity, global cash flows, and global debt service coverage of the Principal or entities controlled by the Principal. These services may be provided by the Principal's independent auditor at the discretion of WHEDA. The cost of this review will be covered by the Borrower.

47. Capitalized Terms. All capitalized terms used in this Mortgage Loan Commitment and not specifically defined herein shall have the meanings set forth in the Loan Agreement and the Multifamily Mortgage, Assignment of Rents and Security Agreement, and its exhibits.

48. Entire Agreement. This Mortgage Loan Commitment sets forth the entire agreement between Borrower and WHEDA and supersedes any and all agreements, understandings, statements or representatives, whether oral or written, of WHEDA or anyone acting on behalf of WHEDA. Any modification or waiver of any provision of this Mortgage Loan Commitment must be in writing and be signed by Borrower and WHEDA. To the extent the terms and conditions of this Mortgage Loan Commitment are not contradicted by the terms and conditions of documents later executed and delivered, the terms and conditions hereof shall survive the execution and delivery of such later documents. If there is any conflict between the Mortgage Loan Commitment and the Loan Documents, the terms of the Loan Documents shall prevail.

49. Waiver of Trial by Jury. **BORROWER (AND ANYONE ACTING ON BEHALF OF BORROWER) AND WHEDA EACH COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THIS MORTGAGE LOAN COMMITMENT, TRANSACTIONS CONTEMPLATED THEREBY AND RELATIONSHIPS ESTABLISHED IN CONNECTION THEREWITH. THIS WAIVER IS SEPARATELY GIVEN BY EACH PARTY KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF LEGAL COUNSEL (OR THE OPPORTUNITY TO CONSULT LEGAL COUNSEL, WHICH SUCH PARTY HAS WAIVED). THIS**

Willie L. Hines, Jr.
October 27, 2023
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WAIVER SHALL BE DEEMED A MATERIAL INDUCEMENT TO BORROWER (AND ANYONE ACTING ON BEHALF OF BORROWER) AND WHEDA TO ACCEPT THIS OFFER.

If the terms and conditions of this Mortgage Loan Commitment are acceptable, please return a copy of the Mortgage Loan Commitment signed on behalf of Borrower and the Loan Structuring Fee check to Fernando Escobar. Upon WHEDA's timely receipt of the signed Mortgage Loan Commitment and the Loan Structuring Fee check, WHEDA and the Borrower will have a binding contract.

Thank you for the opportunity to work with you on this matter. We look forward to it.

Sincerely,

WISCONSIN HOUSING AND ECONOMIC
DEVELOPMENT AUTHORITY

By: 

Shreedhar Ranabhat
Director, Commercial Lending

Exhibit A: 142(d) Project Cost Certificate

[Borrower's signature page follows.]

ACCEPTANCE BY BORROWER:

The undersigned hereby accepts the foregoing offer this [REDACTED] day of [REDACTED], 20[REDACTED], and agrees to be fully bound by the terms and conditions hereof.

BORROWER:

HIGHLAND GARDENS, LLC
a Wisconsin limited liability company

By: HIGHLAND GARDENS DEVELOPMENT LLC
a Wisconsin limited liability company
Its Managing Member

By: HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
a body corporate and politic of the State of Wisconsin
Its Manager

By: _____
Willie L. Hines Jr.
Executive Director

142(d) PROJECT COST CERTIFICATE

**PROJECT COST CERTIFICATE
OF
HIGHLAND GARDENS**

**Wisconsin Housing and Economic Development Authority
Housing Revenue Bonds
2023/2024 Series**

This Project Cost Certificate (this “Certificate”) is being executed and delivered effective as of _____ in connection with the anticipated issuance and sale by the Wisconsin Housing and Economic Development Authority (the “**Issuer**”), of its 2023/2024 Housing Revenue Bonds, in one or more series (referred to herein as the “**Bonds**”). The Bonds are anticipated to be issued pursuant to the Housing Revenue Bond Resolution adopted on March 12, 1974, as amended and restated on March 15, 2002 and as supplemented (the “General Resolution”), and as further supplemented by a yet-to-be-adopted Series Resolution, and a Closing Certificate dated as of the date of issuance of the Bonds (collectively, the “Series Resolution,” and together with the General Resolution, the “Resolution”).

The undersigned, WILLIE L. HINES JR., hereby certifies that I am the Executive Director of the HOUSING AUTHORITY OF THE CITY OF MILWAUKEE, which is the Manager of HIGHLAND GARDENS DEVELOPMENT LLC which is the Managing Member of HIGHLAND GARDENS, LLC (the “Borrower”). I have all authority necessary to execute this Certificate on behalf of the Borrower and have personal knowledge of the facts set forth herein, and I do hereby certify for and on behalf of the Borrower as follows:

**ARTICLE 1
INTRODUCTION**

1.1 The Bonds will be issued in the aggregate principal amount in a yet-to-be-determined amount, of which \$8,218,797.00 (construction-only loan financing) and \$2,527,622.00 (construction/permanent loan financing) are anticipated to be used for the purpose of making loans to Borrower (the “Loan”) for the financing the acquisition, construction, equipping and/or rehabilitation of a multifamily rental development, which when completed will consist of one hundred fourteen (114) senior rental housing units (collectively, the “Project”). The planned operations of the Project do not include the provision of continual or frequent nursing, medical, or psychiatric services.

1.2 The Project is located at 1818 W Juneau Ave, Milwaukee, Milwaukee County, Wisconsin, and is situated on one or more tracts of land which are contiguous to the respective site except for being separated only by a road, street, stream or similar geographical feature. The Borrower will ensure that all necessary utilities will be available to the Project and has obtained, or will obtain, all requisite zoning, planning, building, environmental and other permits necessary

for the related Project, and additional permits necessary for the use of the Project upon application at the appropriate times.

ARTICLE 2 PROJECT COSTS

2.1 The total cost of acquisition, construction, equipping and/or rehabilitation of the Project is expected to be \$10,746,419.00, of which the portion to be financed with the proceeds of the Bonds is not expected to be less than \$8,218,797.00 (construction-only loan financing) and \$2,527,622.00 (construction/permanent loan financing).

2.2 The costs set forth in Schedules A and B hereto are reasonable estimates of the costs of the Project being financed with the proceeds of the Bonds made available to the Borrower, and such estimates were reasonable as of the issuance of the Bonds.

2.3 As set forth on Schedules A and B hereto:

(a) Not less than 95% of the net proceeds of the Bonds made available to the Borrower (including investment earnings thereon) are expected to be used to provide a “qualified residential rental project” as provided in Section 142(d) of the Internal Revenue Code of 1986, as amended (the “Code”), and the federal income tax regulations (the “Regulations”) promulgated thereunder, and are amounts which are chargeable to capital account to increase the federal tax bases of the land and depreciable property which constitute the Project (or would be so chargeable with a proper election by the Borrower or but for a proper election by the Borrower to deduct such amounts) (“Qualified Project Costs”). As used herein, the term “Qualified Project Costs” does not include (i) any fee, charge or profit payable to the Borrower or a “related person” thereto (within the meaning of Section 144(a)(3) of the Code) and (ii) any payment of issuance costs (within the meaning of Section 147(g) of the Code).

(b) With respect to all the land and depreciable property taken into account in determining the estimated Qualified Project Costs listed on Schedule A hereto the Borrower expects that:

(i) improvements on the land will consist of buildings or structures each containing one or more similarly constructed units or one or more proximate buildings or structures which have similarly constructed units (including all such buildings that are owned for federal tax purposes by the same person (or “related person” as defined in Section 147(a)(2)(A) and (B) of the Code) and financed pursuant to a common plan);

(ii) all of the units in the buildings described in Section 2.3(b)(i) above will be used other than on a transient basis, will be available to members of the general public, and will be complete facilities for living, sleeping, eating, cooking, and sanitation or will be single room occupancy units (within the meaning of Section 42 of the Code);

(iii) all of the units in the buildings described in Section 2.3(b)(i) above will be rented or available for rental on a continuous basis during the “qualified project period” as defined in Section 142(d)(2)(A) of the Code;

(iv) land and other facilities that are functionally related and subordinate to the facilities described in this Section 2.3(b) will be of a character and size commensurate with the number and size of the living units; and

(v) if one unit in a building is occupied by the owner (or manager) thereof, such building must contain at least 5 units.

For purposes of the above, buildings are proximate if they are located on a single tract of land or any parcel or parcels of land which are contiguous except for the interposition of a road, street, stream or similar geographical feature. For purposes of the above, the qualified project period shall be a period beginning on the first day on which at least 10% of the aggregate number of units in buildings described in Section 2.3(b)(i) above are first occupied (or, if later, the date of issuance of the Bonds) and ending on the latest of the date:

- (A) which is 15 years after the date on which at least 50% of aggregate number of units are first occupied after delivery of the Bonds;
- (B) which is the first day on which no tax-exempt private activity bonds are outstanding with respect to the particular site; or
- (C) on which any assistance provided with respect to the particular site under Section 8 of the U.S. Housing Act of 1937 terminates.

For purposes of the above, a building is considered a separate building if it contains a discrete edifice consisting of an independent foundation, outer walls, and roof (single townhouses are not buildings if their foundation, outer walls, and roof are not independent; detached houses and rowhouses are separate buildings).

(c) None of the proceeds of the Bonds made available to Borrower shall be used to finance any commercial facilities.

(d) Capitalized interest (if any) set forth on Schedule A hereto is net of the amount of earnings derived from investing the Loan proceeds during the period of construction of the Project.

(e) The Borrower also makes the representations attached in Schedule D hereto.

2.4 All of the costs listed in Schedule A hereto were or will be paid by or for the Borrower after the date which is 60 days prior to October 5, 2023, which is the date the Issuer passed a resolution expressing its intention to issue obligations to provide financing for the Project (other than architect's fees and other preliminary expenditures to the extent allowed under Section 1.150-2 of the Regulations).

Except for preliminary expenditures with respect to the Project in an amount not exceeding 20% of the issue price of the Bonds which fund the Loan, no proceeds of the Bonds made available to Borrower will be used to reimburse the Borrower for expenditures paid more than 60 days before October 5, 2023, which is the date on which the Issuer first declared its official intent to issue the

Bonds for the Project. For purposes of the preceding sentence, the term “preliminary expenditures” includes architectural, engineering, surveying, soil testing, bond issuance and similar costs that were incurred prior to commencement of acquisition, construction or rehabilitation of the Project; but does not include land acquisition, site preparation and similar costs incident to commencement of construction or rehabilitation.

2.5 The total of the Qualified Project Costs described in Schedule A hereto is greater than 95% of the net proceeds of the Bonds which fund the Loan. For this purpose, “net proceeds of the Bonds” is the issue price of such Bonds (not including accrued interest thereon) allocated to fund the Project, less the amount of bond proceeds deposited into a reasonably required reserve fund for the Bonds, plus any investment earnings on the net proceeds.

2.6 In connection with the issuance of the Bonds, the Borrower has agreed to pay a developer fee to [REDACTED] (the “Developer”). The Developer [is/is not] a “related person” to Borrower within the meaning of Section 144(a)(3) of the Code, and the developer fee has not been included in Schedule A as a Qualified Project Cost.

2.7 [REDACTED] (the “General Contractor”) will serve as general contractor for the Project. The General Contractor [is/is not] a “related person” to the Borrower within the meaning of Section 144(a)(3) of the Code. No proceeds of the Bonds used to fund the Loan will be applied to pay any profit or overhead to any contractor, subcontractor or developer which is a related person to the Borrower.

2.8 As set forth in Schedule C hereto, \$-0- of the proceeds of the Bonds used to fund the Loan, will be used to pay costs of issuance.

Examples of costs of issuance include (but are not limited to):

- (a) underwriters’ or placement agent’s fees;
- (b) counsel fees (including bond counsel, underwriters’ counsel, issuer’s counsel, tax counsel, Borrower counsel and any other specialized counsel fees incurred in connection with the borrowing);
- (c) financial advisor fees incurred in connection with the borrowing;
- (d) rating agency fees;
- (e) trustee fees incurred in connection with the borrowing;
- (f) paying agent and certifying and authenticating agent fees related to issuance of the Bonds;
- (g) accountant fees related to issuance of the Bonds;
- (h) printing costs (for the Bonds and of preliminary and final offering materials);

- (i) costs incurred in connection with the required public approval process (*e.g.*, publication costs for public notices generally and costs of the public hearing);
- (j) Issuer fees related to the issuance of the Bonds (to the extent that the Issuer pays any costs of issuance of the Bonds);
- (k) costs of engineering and feasibility studies necessary to the issuance of the Bonds (as opposed to such studies related to completion of the Project, but not to the financing); and
- (l) rebate monitor fees.

ARTICLE 3 ACQUISITION OF LAND

3.1 The Borrower intends to acquire the Project from [REDACTED] (the “Seller”) for the purchase price of \$[REDACTED] pursuant to the Offer to Purchase (the “Purchase Contract”), between the Seller and the Borrower. No portion of the purchase price of the Project will be applied, directly or indirectly, to pay any fee, commission or other charge to the Borrower or any related person thereto.

3.2 The Issuer will obtain an appraisal of the Project site (the “Appraisal”) to be prepared by an independent appraisal firm familiar with the Project (the “Appraiser”).

3.3 [The Seller of the land is not a “related person” (within the meaning of Section 147(a) of the Code) to Borrower.] or

[As the seller of the land is a “related person” (within the meaning of Section 147(a) of the Code) to Borrower, no acquisition cost shall be included in Schedule A hereto, and no net proceeds of the Bonds will be used directly or indirectly for the acquisition of land (or an interest therein).]

3.4 The amount of Bond proceeds allocable to the acquisition of land shall not exceed the appraised value of the land.

3.5 The amount of Bond proceeds allocable to the acquisition of land does not exceed 25% of the net Bond proceeds used to fund the Loan.

ARTICLE 4 ACQUISITION OF EXISTING PROPERTY

4.1 With the exception of the acquisition of land, none of the proceeds of the Bonds used to fund the Loan will be used for the acquisition of any property (or an interest therein) unless the first use of such property is pursuant to such acquisition.

ARTICLE 5 LIMITATION ON MATURITY

5.1 Issuer has informed Borrower that it intends to issue Bonds with a weighted average maturity of 30 years or less.

5.2 In the Appraisal, it is anticipated that the Appraiser shall provide an estimated remaining economic life of the Project [once constructed/once rehabilitated as planned] is at least an additional 30 years, if the proposed repairs and rehabilitation are made, the physical improvements receive continuing maintenance and if the various components and/or systems are replaced or repaired as needed on a timely basis. Based on the foregoing, the reasonably expected remaining economic life of the Project [once constructed/once rehabilitated as planned] is at least 30 years.

5.3 Based on the foregoing assumptions set forth in Section 5.2, the average maturity of the Bonds allocable to the Project will not exceed 120 percent of the average “reasonably expected economic life” of the Project (including any facilities substituted at any time for facilities acquired initially with the proceeds of the Bonds), as determined by taking into account the respective costs of such Project, as such terms are described in Section 147(b) of the Code.

5.4 The Borrower is not aware of any facts or circumstances that would cause it to question the accuracy of the economic life of the Project as set forth in Section 5.2 hereof.

ARTICLE 6 MISCELLANEOUS

6.1 No portion of the Project has been or will be used to provide any airplane, skybox or other private luxury box, health club facility (which shall not be construed to include recreational facilities which are available only to all tenants and their guests), facility used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises.

6.2 No “substantial user” of the Project within the meaning of Section 147(a) of the Code (or a “related person” thereto, within the meaning of Section 147(a)(2)(A) or (B) of the Code), during the five-year period preceding the date of issue of the Bonds who will receive, directly or indirectly, five percent (5%) or more of the proceeds of the Bonds, will be a substantial user or a related person (within the meaning of Section 147(a)(2)(A) or (B) of the Code) thereto during the five-year period following the date of issuance of the Bonds unless the requirements of Section 1.150-2 of the Regulations are satisfied and, for an acquisition, no person that is a substantial user or related person (within the meaning of Section 147(a)(2)(A) or (B) of the Code) after the acquisition date was also a substantial user more than 60 days before October 5, 2023, the date on which the Issuer first declared its official intent to issue the Bonds for the Project.

6.3 The Borrower’s Employer Identification Number is [EIN].

6.4 The representations and agreements contained in this Certificate are made for the benefit of Kutak Rock LLP, as tax counsel, and MWH Law Group LLP, in determining whether the interest of the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions.

6.5 To the best of the knowledge and belief of the undersigned, the Borrower's expectations are reasonable, and there are no other facts, estimates, or circumstances that would materially change the foregoing certifications.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Borrower has caused this Project Cost Certificate to be signed in its name by the undersigned representative as of the date first written above.

BORROWER:

HIGHLAND GARDENS, LLC
a Wisconsin limited liability company

By: HIGHLAND GARDENS DEVELOPMENT LLC
a Wisconsin limited liability company
Its Managing Member

By: HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
a body corporate and politic of the State of Wisconsin
Its Manager

By: _____
Willie L. Hines Jr.
Executive Director

[SIGNATURE PAGE TO PROJECT COST CERTIFICATE]

Schedule A
(Qualifying Costs Paid from Bond Proceeds)
(All qualifying costs must be costs paid
no earlier than 60 days prior to the inducement resolution)

		Qualified Project Costs	Neutral Costs
1.	Land costs: Acquisition – [\$]	\$_____	\$_____
2.	Building: Acquisition – [\$]		
	Construction/Rehabilitation – [\$]	\$_____	\$_____
3.	Machinery and equipment -		
	(a) New \$_____		
	(b) Used \$_____	\$_____	\$_____
4.	Personal property installed in project	\$_____	\$_____
5.	Interest during construction/rehabilitation on qualifying costs (net of investment earnings) during construction/rehabilitation	\$_____	\$_____
6.	Title and guaranty expenses	\$_____	\$_____
7.	Architect’s and Engineering fees and other preliminary expenditures	\$_____	\$_____
8.	Financing fees including credit enhancement fees (relating to construction/rehabilitation period but excluding costs relating to the bond issuance)	\$_____	\$_____
9.	Legal and accounting fees (excluding costs relating to the bond issuance)	\$_____	\$_____
10.	Inspection fees	\$_____	\$_____
11.	Other costs (specify):		
	Building permit - \$_____		
	Performance Bond, Insurance, Cost Certification -	\$_____	\$_____
12.	Debt Service Reserve Fund	\$_____	\$_____
	TOTAL QUALIFYING/NEUTRAL COSTS	\$_____	\$_____

Schedule B
(Non Qualifying Costs Paid from Bond Proceeds)

1.	Any expenditures paid by or for the Borrower more than 60 days prior to the Issuer's inducement resolution for the Bonds or other similar official action (other than architect's fees, costs of plans and specifications and other preliminary expenditures)	\$
2.	Post-construction/rehabilitation interest	
3.	Post-construction/rehabilitation premiums and letter of credit fees	
4.	Real estate taxes after completion of construction/rehabilitation	
5.	Management fees	
6.	Borrower's profit	
7.	Interest during construction/rehabilitation on non-qualifying costs	
8.	Ongoing letter of credit fees during construction/rehabilitation attributable to non-qualifying costs	
9.	DUS Costs and Fees	
10.	Costs of issuing, carrying and repaying the Bonds	
11.	Other costs (please specify)	
	TOTAL NONQUALIFYING COSTS	\$

Schedule C
(Costs of Issuance Paid from Loan Proceeds)

1.	FEES	
	Bond Counsel	\$0
	Tax Counsel	\$0
	Issuer's Counsel	\$0
	Underwriter's counsel	\$0
	Borrower's counsel	\$0
	Trustee's counsel	\$0
	Application and filing	\$0
	Trustee, paying agent, and certifying and authenticating agent	\$0
	Financing	\$0
	Financial advisor	\$0
	Accounting	\$0
	Inspection	\$0
	Feasibility study (related to credit review)	\$0
2.	Underwriter's fee	\$0
3.	Public notices, public hearings and public approval	\$0
4.	Other costs in connection with the Bonds (please specify)	\$0
5.	Interest during construction/rehabilitation on costs of issuance	\$0
6.	Issuer's fee(s)	\$0
	TOTAL COSTS OF ISSUANCE	\$0

Schedule D

The Project is a “residential rental project” as defined in Section 142(d) of the Code and, as such, the Borrower represents and covenants as follows:

(a) The Project was or will be acquired, constructed, and/or rehabilitated for the purpose of providing a qualified residential rental project as such phrase is used in Section 142(d) of the Code; the Borrower will own the entire Project for federal tax purposes; and the Borrower will own, manage and operate (or cause to be managed and operated) the Project as a qualified residential rental project consisting of residential dwelling units and facilities functionally related and subordinate thereto, in accordance with Section 142(d) of the Code and Treasury Regulation 1.103-8.

(b) Each dwelling unit in the Project will contain separate and complete facilities for living, sleeping, eating, cooking and sanitation for a single person or a family.

(c) None of the dwelling units in the Project will be either used on a transient basis or leased or rented for a period of less than thirty (30) days.

(d) No part of the Project will be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, nursing home, sanitarium, rest home or trailer park or court for use on a transient basis.

(e) The Borrower will rent continuously or make available for rent on a continuous basis the dwelling units in the Project to members of the general public for the longer of the remaining term of the Bonds or the Qualified Project Period (the “Rental Restrictions Period”); and will not give preference in renting dwelling units in the Project to any particular class or group of persons, other than persons and families of low and moderate income and a resident manager or maintenance personnel. “Qualified Project Period” means that period of time beginning on the later of the date of issuance of the Bonds or the first day on which ten percent (10%) of the units in the Project are first occupied and ending on the latest of (a) the date that is 15 years after the date on which fifty percent (50%) of the units in the Project are first occupied, (b) the first day on which no tax-exempt private activity bond issued with respect to the Project is outstanding; or (c) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937 terminates.

(f) The Project will be located on land which comprises a single tract of property or two or more tracts of property and which meet at one or more points (or would meet, but for the interposition of a street), and the Project comprises buildings, structures and facilities that are geographically contiguous and functionally related.

(g) The Borrower will not occupy any dwelling unit in any building or structure in the Project that contains fewer than five (5) dwelling units.

(h) For the Qualified Project Period, 40% of the rental units in the Project will be occupied by individuals or families whose income does not exceed 60% of the area

median family income within the meaning of Section 142(d)(1)(B) of the Code and applicable regulations (the “low income tenants”) and such limitation shall be set forth in the form of a Land Use Restriction Agreement acceptable to the Authority and Bond Counsel. The Borrower of the Project has elected to apply the low-income occupancy percentage in Section 142(d)(1)(B) of the Code.

(i) To obtain and maintain on file and available for inspection income certifications from each low income tenant residing in the Project in the form and manner required by Treasury Regulation 1.167(k)-3(b) or in such other form and manner as may be required by applicable rules, regulations or policies promulgated or proposed by the Department of the Treasury or the Internal Revenue Service with respect to obligations issued under Section 142(a)(7) of the Code and containing sufficient information to conclude that such tenant is a low income tenant.

(j) To the extent permitted by applicable law, to obtain from each low income tenant residing in the Project and maintain on file and available for inspection by the Authority, a copy of such low income tenant’s federal income tax return (or other documents and records acceptable to the Authority) for the taxable year immediately preceding such low income tenant’s initial occupancy in the Project or, in the event that a low income tenant certifies that he or she did not file or did not retain a copy of such tax return, to obtain and maintain on file alternate independent evidence of such low income tenant’s income for such year, such as wage statements or employer records.

(k) To prepare and submit to the Authority, at the end of each quarter after one or more units in the Project are completed and available for occupancy, a certificate executed by the Borrower stating the percentage of the dwelling units of the Project that were occupied by low income tenants (or, after initial occupancy of all dwelling units, that were during such quarter occupied by, or held vacant and available for occupancy by, low income tenants) at all times during such quarter.

(l) To submit to the Secretary of the Treasury Department (at such time and in such manner as the Secretary shall prescribe) an annual certification as to whether the Project continues to meet the requirements of Section 142(d) of the Code.

A dwelling unit occupied by an individual or family who at the beginning of its occupancy is a low income tenant shall be treated as occupied by a low income tenant during such individual’s or family’s tenancy in such unit unless the individual or family’s income, as the case may be, as of the most recent determination date exceeds 140 percent (140%) of the applicable income limit and after such determination, but before the next annual determination date, any residential unit of comparable or smaller size in the same building is occupied by a new resident whose income exceeds the applicable income limit. If a unit is occupied by a low-income tenant who vacates that unit, such unit shall continue to be treated as occupied by a low-income tenant until reoccupied, other than for a temporary period not exceeding thirty-one (31) days, by another occupant, at which time the character of the unit shall be redetermined.

Federal Investor Commitment

See attached.



10/27/2023

Via Email

Willie Hines
Interim Executive Director
Housing Authority of the City of Milwaukee
809 North Broadway
Milwaukee, WI 53202

**Re: Highland Gardens, LLC (the "Partnership")
Highland Gardens, LLC, Milwaukee, WI**

Dear Mr. Hines:

Thank you for the opportunity to present this letter of intent to make an equity investment in your Partnership, subject to completion of PNC’s underwriting and approval process. This letter of intent, *which is being provided on a “non-best efforts” basis*, outlines certain terms and conditions that would be the basis of a partnership agreement (the “Partnership Agreement”), to be entered into among the general partner(s) listed below, an equity fund sponsored by PNC Bank, National Association (“PNC”) or PNC directly, as the limited partner (the “Limited Partner”) and a corporation affiliated with PNC as the special limited partner (the “Special Limited Partner”).

In the event the project owner is a Limited Liability Company, the term General Partner shall mean the Managing Member of the Partnership, the term Limited Partner shall mean the Investment Member of the Partnership, the term Partnership Agreement shall mean Operating Agreement and the term Special Limited Partner shall mean the Special Member of the Partnership.

Based on the information you provided to us, we have prepared this letter of intent under the following terms and assumptions:

1. TRANSACTION PARTICIPANTS

Partners

General Partner Interests	0.01%	A to-be-formed entity sponsored by HACM (a single purpose entity) (the “General Partner”)
Limited Partner Interests	99.98%	PNC or an affiliate
Special Limited Partner Interests	<u>0.01%</u>	PNC or an affiliate
	100.00%	

Other Participants

Developer:	Housing Authority of City of Milwaukee
Property Manager:	Housing Authority of City of Milwaukee
Contractor:	Travaux, Inc.
Guarantor:	Housing Authority of City of Milwaukee

Property

The property will have 114 apartment units and is located in Milwaukee, Milwaukee County, WI. The total development costs for the project are estimated to be \$24,305,859. The property will have no market rate units and 114 tax credit units in 1 residential building and will include controlled entry with key fob access, elevator, on-site management, community room, business center, exercise room, craft room, laundry room on each floor, game room, library, beauty and barber shop, meditation room, garden, picnic area and a surface parking lot. 80 of the apartment units shall be covered by a project based rental subsidy contract with a term of at least 15 years.

2. PARTNERSHIP TAX CREDITS

	<u>New Construction</u>	<u>Acquisition</u>
Annual Tax Credit Reservation	\$753,192	\$292,000
Annual Tax Credit Generated	\$753,192	\$292,000
Assumed Tax Credit Rate	4.0%	4.0%
Tax Credit Rate Locked at Admission	Yes	Yes
130% Basis Increase	\$4,345,337	N/A
Total Qualified Basis	\$18,829,793	\$7,300,000

3. PROJECT TIMING AND TAX CREDIT DELIVERY

Limited Partner Admission	July 2024
Construction Start	July 2024
Construction Completion	September 2025
Leasing Start	January 2025
Leasing Completion	December 2025
Mortgage Loan Commencement	April 2026
Receipt of State Designation (form 8609(s))	July 2026

	New Constr/ Rehab Tax Credits
<u>Year</u>	
2025	\$554,685
2026 - 2034	\$1,045,192
2035	\$490,507

4. LIMITED PARTNER CAPITAL CONTRIBUTIONS

Assuming the foregoing material assumptions are accurate and subject to the terms and conditions set forth in this letter of intent, including without limitation Section 14 (Due Diligence and Termination), and to the terms and conditions which would be included in the Partnership Agreement, PNC would agree to make capital contribution(s) to the Partnership payable in installments on an "as needed basis". The total capital contribution of \$8,751,733 (the "capital contribution") would be based upon the total projected federal low-income housing tax credits to be delivered to the Limited Partner and Special Limited Partner multiplied by \$0.8375 (the "Tax Credit Price"). Each installment would be due within ten (10) business days of PNC's receipt and approval of documentation evidencing the satisfaction of the conditions to such installment(s) and to all previous installment(s) as follows:

FIRST INSTALLMENT \$1,750,347 or 20.00% of \$8,751,733

- A. Fully executed Partnership Agreement.
- B. Valid tax credit reservation.
- C. Acceptable owner's title insurance commitment and proforma of policy and endorsements.
- D. Fully executed construction loan documents.
- E. Fully executed bridge loan documents.
- F. Valid written permanent loan commitment(s).
- G. Tax exempt bond funding and receipt of bond certification opinions.
- H. The closing draw, including all supporting documentation.
- I. Closing and full funding of all secondary loans less required retainage.
- J. Unqualified tax opinion from PNC's legal counsel and satisfactory local counsel opinion.
- K. Construction Commencement or Notice to Proceed.
- L. A new minimum 15-year HAP (or AHAP) contract for the subsidized units.
- M. Letter issued under Section 42(m)(2) of the IRS Code containing a determination that the project meets the requirements of the Qualified Allocation Plan.

SECOND INSTALLMENT \$5,688,626 or 65.00% of \$8,751,733

- A. Lien-free construction completion of the improvements in a workman like manner.
- B. Receipt of the architect's certificate of substantial completion (AIA Form G704).
- C. Updated title policy and/or date/down thereto, including a zoning endorsement and deletion of all survey exceptions.
- D. ALTA/ACSM as-built survey.
- E. Receipt of certificates of occupancy for each building.
- F. Final inspection by PNC's construction consultant confirming completion.
- G. Evidence of Radon test results satisfactory to PNC, but only to the extent the property is located in a Radon Zone 1 or 2.
- H. Receipt of the draft cost certification from the project accountant.
- I. Evidence that at least 150% of the estimated cost to complete all outstanding punch list items has been held back from this installment.
- J. Verification that the Partnership and project are properly covered by insurance.
- K. Verification that the conditions of the previous installment(s) have been met.
- L. Full disbursement of the construction financing, less retainage.
- M. No sooner than October 5th, 2025.

THIRD INSTALLMENT \$1,174,124 or 13.42% of \$8,751,733

- A. Satisfaction of the conditions for achievement of Stabilized Occupancy (hereinafter defined).
- B. Mortgage Loan Commencement (hereinafter defined).
- C. Satisfactory completion of all punch list items.
- D. 100% initial occupancy by tax credit qualified residents.
- E. Updated title policy and/or date/down thereto.
- F. Receipt of the final cost certification from the project accountant.
- G. Verification that the Partnership and project are properly covered by insurance.
- H. Verification that the conditions of the previous installment(s) have been met.

FOURTH INSTALLMENT \$138,636 or 1.58% of \$8,751,733

- A. Final Determination by the Special Limited Partner that all Development Completion Obligations as defined in Section 9 (General Partner(s) Obligations), if any, have been satisfied.
- B. Receipt of Form K-1 for the first Fiscal Year of tax credit occupancy.
- C. Receipt of Form(s) 8609 and recorded LURA.
- D. Updated title policy and/or date/down thereto.
- E. Verification that the Partnership and project are properly covered by insurance.
- F. Verification that the conditions of the previous installment(s) have been met.

Stabilized Occupancy shall mean, for a period of three (3) consecutive months occurring immediately prior to Mortgage Loan Commencement, the achievement of:

- A. Ninety percent (90%) or greater physical occupancy by tenants paying contract rents under written leases,
- B. Eighty percent (80%) or greater economic occupancy as determined by the actual rental collections divided by the gross potential rent, and
- C. A minimum monthly Debt Service Coverage of 1.15x for each year of the compliance period, forward looking.

Evidence of Stabilized Occupancy shall be subject to the review and approval by the Special Limited Partner in its reasonable discretion.

Mortgage Loan Commencement shall mean the first date following the latest to occur of (i) final construction completion and lease-up, (ii) determination by the mortgage lender and the Special Limited Partner of the final principal amount of the mortgage loan in its reasonable discretion and (iii) satisfaction of the Debt Service Coverage test.

Debt Service Coverage shall mean the following calculation expressed as a percentage; operating revenue (including government subsidies on an accrual basis but only to the extent such payments are actually received or anticipated to be received and excluding prepaid rent and other prepaid items of income until earned), less operating expenses (including the obligation to fund replacement reserves) divided by "must-pay" debt service on any mortgage loan (excluding debt service on loans payable from available cash flow), all utilizing the underwriting assumptions set forth in Section 12.

Funding (Draw) Process

Construction related installment(s) would be funded by PNC monthly following the achievement of the above benchmarks and upon receipt and approval of each draw request (during the construction or rehabilitation period) and supporting documentation acceptable to PNC. During the construction or rehabilitation period, draw documentation would include, but not be limited to, the following: Application and Certification For Payment (AIA Document G702 and G703), support documentation of expenditures, documentation review and written confirmation from the project inspecting architect and a third-party inspecting company approved by PNC, updated title endorsement, copies of change orders, updated construction budget, if applicable, and Conditional Waiver and Release Upon Progressive Payment (lien waiver) executed by the General Partner and General Contractor.

The General Partner would be required to provide copies of each draw request, all change orders and all supporting documentation to the Limited Partner simultaneously with submission to the construction lender. The Limited Partner would have the right to approve change orders in excess of an amount to be determined during due diligence as well as those that change the scope of work or quality of materials utilized and those that would adversely affect timing of completion of construction.

5. PAYMENT OF DEVELOPER FEES

The Partnership would be expected to pay a total development fee of \$2,206,532 from PNC's capital contribution(s), and/or from cash flow from operations.

<u>Capital Contributions</u>	<u>Payable Fee \$</u>	<u>Payable Fee %</u>
FIRST	\$346,590	25.00%
SECOND	\$346,590	25.00%
THIRD	\$554,543	40.00%
FOURTH	\$138,636	10.00%
TOTAL CASH FEE	<u>\$1,386,358</u>	<u>100.00%</u>
DEFERRED FEE	<u>\$820,174</u>	
TOTAL DEVELOPER FEE	<u>\$2,206,532</u>	

Consent for approval of the development fee draws during construction or rehabilitation, if applicable, would be withheld should any change orders or changes in timing occur which would have an adverse effect on the overall projected construction budget. To the extent PNC's capital contribution(s) or other funding sources would not be sufficient to pay the full development fee within fifteen years of the completion of construction, including interest at 7.00% or other rate to be determined during underwriting, the General Partner would be obligated to contribute capital to the Partnership to enable it to pay the remaining balance of the development fee.

6. DISTRIBUTION OF NET CASH FLOW

Beginning in the first year in which the achievement of Stabilized Occupancy has occurred, available net cash flow generated by the project after payment of operating expenses, debt service and replacement reserve deposits would be distributed within 45 days of the end of the year as follows:

- A. To PNC, \$75 per unit as a cumulative annual investor services fee, increasing 3.00% per year.
- B. To PNC, as a reimbursement for any fees, debts or liabilities owed to PNC.
- C. To the required replenishment of the Operating Reserve Account (hereinafter defined).
- D. To the extent taxable income is allocated to PNC, an amount equal to the taxable income multiplied by the sum of 5% plus the highest federal corporate tax rate for the current year.
- E. To the Developer, until payment in full of the development fee.
- F. To the General Partner, as a reimbursement for any fees, debts or liabilities owed to the General Partner or subordinate loans, including loans from HACM.

- G.** 90% of the balance to the General Partner as payment of a non-cumulative incentive management fee (the "Incentive Management Fee") and, thereafter, to the extent that the Incentive Management Fee exceeds 12.0% of gross revenues (less any property management fees paid to an affiliate of the general partner), a distribution to the General Partner as a preferred return ("Preferred Return"), provided however, that in the event the distribution under this paragraph is paid as a Preferred Return, then in such event, there shall also be a gross income allocation to the General Partner for that Fiscal Year in an amount equal to such Preferred Return.
- H.** Any remaining net cash flow shall be distributed 0.01% to the General Partner and 99.99% to PNC.

Interest reserve draws would be limited to that amount of monthly debt service which exceeds available net cash flow. The total amount of fees and distributions to the General Partner in its capacity as General Partner would not be permitted to exceed 90.0% of available net cash flow annually, however, such cap will be calculated after any released reserves, payment of deferred fee, and any debts or liabilities owed to the General Partner. No distribution of net cash flow would be made prior to Stabilized Occupancy at any time without the consent of the Special Limited Partner.

7. SALE OF THE PROPERTY OR PNC'S PARTNERSHIP INTERESTS

Option to Purchase the Property

During the twenty-four month period (the "Option Period") commencing after the fourteenth year of the compliance period (the "Compliance Period"), the General Partner would be granted an option (the "Option") to acquire either the project (the "Asset Option") or the Limited Partner Interests and Special Limited Partner Interests (the "Partnership Interests" and the option to acquire being referred to as "the Interests Option"); and the Limited Partner and the Special Limited Partner being sometimes referred to collectively as the "Limited Partners") during such time in a manner conforming to the requirements of Section 42 of the Internal Revenue Code (the "Code"), as determined by tax counsel to PNC. The Option would expire one year after the end of the Compliance Period or terminate in the event the General Partner is removed. The purchase price of the project if acquired pursuant to the Asset Option would be the:

Greater of (A) the fair market value of the project or (B) the sum of all outstanding debt secured by mortgages on the project and any other obligations of the Partnership, including loans from any partner plus \$1.00 and all debts, exit taxes, fees, and obligations owed, if any, to the Limited Partners.

The purchase price of the limited partner interests if acquired pursuant to the Interests Option shall be the sum of:

(A) the fair market value of the partnership interests; (B) exit taxes payable in connection with the sale of the interests and (C) all debts, fees, and obligations owed, if any, to the Limited Partners.

The Option Period for the Interest Option will have a term of twenty-four months and would commence upon the earlier of (1) twelve-months prior to the end of the Compliance Period or (2) such time as the Limited Partner has a \$0 or negative capital account at any time after the end of the Credit Period (provided, if the Interest Option closing occurs prior to the last day of the

Compliance Period, such transfer shall include an assignment and assumption agreement reasonably acceptable to the Investment Limited Partner which will address such matters as release and indemnity of the Limited Partner from and after the effective date of such assignment and assumption and the continuation and ratification of the guarantees of the General Partner and Guarantors for Tax Credit recapture and certain ongoing compliance reporting obligations with respect to the Tax Credit).

If the General Partner has not acquired either the project or the Partnership Interests by the expiration of the Option Period, the General Partner shall, using a real estate broker of PNC's choice, begin marketing the project in an effort to sell the project to a third-party buyer. In addition, the Limited Partner may begin soliciting offers for the purchase of its Partnership Interests. If a bona-fide third-party purchase offer is received for either the project or the Partnership Interests which PNC desires to accept, a copy would be forwarded to the General Partner. If the General Partner does not purchase the project or the Partnership Interests at the bona-fide third-party purchase price within thirty (30) days of being presented the offer, then the project or the Partnership Interests could be sold by PNC and the proceeds, if the project is sold, distributed as described in Section 8 (Distribution of Net Cash Proceeds Upon Sale or Refinancing).

The fair market value of the project or the Partnership Interests shall be determined by mutual agreement of the parties or, in the absence of such agreement the General Partner and the Limited Partners shall select a mutually acceptable specialized affordable housing real estate broker (the "**Broker**") who shall determine the fair market value of the Project. Notwithstanding anything to the contrary, the minimum price for the Partnership Interests shall not be less than all debts, exit taxes and fees (to the extent that fair market value proceeds, as described above, fall short of any exit taxes and fees that accrue to the Limited Partners), and obligations, if any, owed to Limited Partners. The fair market value of the Partnership Interests shall also not be less than an amount equal to 10% of the net proceeds that would be available for distribution assuming a sale of the Project at fair market value.

Non-Profit Right of First Refusal

During the Option Period, if the Partner(s)ship receives an offer to purchase the property, HACM or its affiliate, if it is a qualified non-profit purchaser as defined in Section 42(h)(5)(C) of the Code, would be entitled to exercise a right of first refusal to purchase the property at the minimum purchase price as defined in Section 42(i)(7)(B) of the Code, plus all fees, debts, exit taxes, and obligations, if any, owed to PNC.

Limited Partner Put

Upon expiration of the credit delivery period, the Limited Partner shall have the right and option, but not the obligation, to require HACM to purchase all (but not less than all) of the Partnership Interests (the "Put") by delivering written notice thereof to HACM (a "Put Exercise Notice"). If exercised, the Limited Partner shall be obligated to sell, and HACM shall be obligated to purchase, the Partnership Interests.

Upon delivery of the Put Exercise Notice the Purchaser shall have one hundred twenty (120) calendar days in which to complete the purchase unless such period is extended by mutual agreement of the parties.

The purchase price for the Partnership Interests shall be:

\$1,000.00; plus

Any amounts remaining outstanding and payable to the Limited Partner by the Partnership and/or any of its affiliated entities in accordance with the following agreements: (i) the Partnership Agreement (ii) the Guaranty Agreement; and (iii) the Investor Services Agreement, (collectively, the "Put Exercise Price").

The Put Exercise Price shall be paid by HACM in cash within one hundred twenty (120) calendar days of HACM's receipt of the Put Exercise Notice, at which time (the "Put Closing Date") the Limited Partner will execute an amendment to the Partnership Agreement pursuant to which the Limited Partners shall withdraw as a partner, in form and substance reasonably acceptable to HACM. All obligations of the General Partner and Guarantor for recapture as set forth in the Operating Agreement shall remain in full force.

8. DISTRIBUTION OF PROCEEDS FROM THE SALE OR REFINANCING OF THE PROJECT

Proceeds from the sale or refinancing of the project would be distributed as follows:

- A.** To the payment of all debts and liabilities of the Partnership, excluding those owed to the General Partner.
- B.** To the setting up of any reserves deemed reasonably necessary by PNC for contingency and/or conditional or unmatured liabilities.
- C.** To the payment of any unpaid fees, exit taxes, or obligations, if any, owed to PNC.
- D.** To the repayment of secondary loans.
- E.** To the payment of any unpaid fees, debts or liabilities owed to the General Partner(s) including subordinate loans
- F.** The balance, 89.99% to the General Partner, 0.01% to the Special Limited Partner and 10.00% to the Limited Partner.

9. GENERAL PARTNER(S) OBLIGATIONS

The General Partner and Guarantor would be required to perform or guarantee the customary duties and obligations of the General Partner, consistent with the representations and warranties, to ensure the successful development, maintenance, and operation of the property, including but not limited to maximizing tax credits and cash flow, maintaining insurance, setting up reserves, satisfying guarantees, prohibiting detrimental activities at the property, and working with the Limited Partner and Special Limited Partner on issues impacting the property and Partnership, including seeking consent on material matters. A summary of the obligations is outlined herein.

Development Completion

The Developer and the General Partner would be required to guarantee timely lien-free construction completion of all improvements substantially in accordance with the approved plans and specifications and without material defect. The Developer and the General Partner would be required to fund any development cost overruns through Stabilized Occupancy. Construction cost overruns funded by the General Partner may be reimbursed if an analysis by PNC of the projected Limited Partner capital account does not project a potential reallocation of benefits. The reimbursement would be in the form of a noninterest bearing account payable or loan paid

according to Section 7 (Sale of the Property or PNC's Partnership Interests) and Section 8 (Distributions of Proceeds from the Sale or Refinancing of the Project). Excluding any HACM loans, General Partner loans, or secondary loans, any balance owed in the event the General Partner is removed shall be repaid by the General Partner via a capital contribution or assigned to the Special Limited Partner or replacement General Partner as required by the Special Limited Partner.

Aggregate Guarantees

Upon achievement of Stabilized Occupancy, the aggregate guarantees will be limited to one half (1/2) of the total Developer Fee, currently estimated to be \$1,103,266, excluding Completion, Repurchase, Tax Abatement, and Recapture guarantees.

Operating Deficits

Following the achievement of Stabilized Occupancy, the General Partner would be required to guarantee the funding of any operating deficits for 60 months, in an amount not to exceed 6 months foreclosable debt service, operating expenses and replacement reserves, currently estimated to be \$489,750. Such operating deficits would be reduced first by deferring payment of fees or expenses, including the management fee due to any entity affiliated with the General Partner or Guarantor. Prior to the termination of the operating deficit guarantee, the Operating Reserve Account would be required to be fully funded, and the property would be required to have maintained Stabilized Occupancy calculated in a similar manner as the original calculation, but based on actual results and a 5.6% vacancy factor, for the four consecutive quarters period immediately prior to termination of the operating deficit guarantee period.

Additionally, if the project benefits from a property tax exemption or abatement, the General Partner and Guarantor shall guarantee all deficits associated with the loss or reduction of the full anticipated benefit of the exemption or abatement for the compliance period.

Tax Credit Recapture

In the event of a recapture of tax credits, the General Partner would be obligated to reimburse the Limited Partner the amount of the recaptured tax credits plus any associated penalties, interest or additional taxes due as a capital contribution. The General Partner would not be liable for a recapture event caused by a change in law or arising as a result of a sale, transfer or assignment of a Partnership Interest by the Limited or Special Limited Partner.

Repurchase Obligations

The Limited Partner would not be required to advance any unpaid capital contributions and the General Partner would be required to repurchase the Partnership Interests for the sum of (a) the product of (i) the amount of the previously contributed capital less the amount paid for credits taken and (ii) interest at 12% per annum and (b) recapture penalties and expenses if the following events do or do not occur.

- A.** Lender disapproval of the transfer of the Limited Partner Interests after the closing date.
- B.** Failure to (i) commence construction within 90 days of closing, (ii) achieve final construction completion by dates determined during underwriting but no later than the construction loan maturity.

- C. Prior to mortgage loan conversion and the achievement of Stabilized Occupancy, interim or permanent loan commitment(s) are withdrawn or materially and adversely modified and not replaced within 60 days.
- D. Mortgage Loan Commencement, if applicable, has not been achieved by the due date of any interim financing or the financing commitment is withdrawn.
- E. The Partnership does not receive the form(s) 8609 within 12 months of construction completion.
- F. The Partnership fails to comply with all material uncured tax credit compliance requirements.
- G. Prior to the final installment, the General Partner or Guarantor declares bankruptcy or causes an event of withdrawal or default to occur.

The Repurchase provisions and cure periods shall coincide with the Westlawn V Operating Agreement.

General Partner Removal

The Partnership Agreement shall contain provisions for the removal of the General Partner with cause. Absent an uncured event of default under the Partnership Agreement, removal shall be limited to fraud, willful misconduct and/or malfeasance that has, or is likely to have, a material adverse impact on the Partnership. Upon request by the Special Limited Partner, any amounts owed by the Partnership to the General Partner and/or its affiliates shall be repaid by a General Partner capital contribution or assigned to the Special Limited Partner upon removal.

Net Worth and Liquidity

The General Partner, Developer and/or Guarantor would covenant to maintain aggregate net worth and aggregate liquidity of \$5,000,000 and \$1,000,000, respectively, until the expiration of the operating deficit guarantee period in support of their respective obligations, along with any additional parameters determined by PNC. Liquidity will be defined as unrestricted cash and unencumbered marketable securities held solely in the name of the General Partner and/or the Guarantor.

Guarantor

The Guarantor would be required to unconditionally guarantee all obligations of the General Partner and Developer.

10. PARTNERSHIP RESERVE(S)

Operating Reserves

The development budget would be required to include a funded operating reserve (the "Operating Reserve") equal to 6 months of operating expenses, replacement reserves and must-pay debt service, currently estimated to be \$489,750 to be funded from the Third Installment and to be held in an account at PNC Bank or WHEDA (the "Operating Reserve Account"). The Operating Reserve may be utilized before any operating deficit guarantee obligation is funded. Assuming performance of a minimum monthly Debt Service Coverage of 1.15x for each year of the compliance period, forward looking, and fully funded replacement reserves, the Operating Reserves will be released and distributed through the cash-flow waterfall Section 6 of this LOI at

20% per year beginning in year 11. Notwithstanding the foregoing, three years after the date that Stabilized Occupancy occurs, to the extent that the amount in the Operating Reserve Account exceeds six months of operating expenses of the Partnership, such excess shall be used to repay the HACM loans.

11. CAPITAL ADJUSTMENTS

At PNC's discretion, the Partnership would be permitted to elect to defer the placed-in-service election and receipt of the tax credits for any individual building which is not 100% tax credit qualified by December 31st of that year. The timing and amount of the tax credits received by PNC is a critical component of its return. To the extent the actual tax credit delivery differs from the projections provided in Section 3 (Project Timing and Tax Credit Delivery), then PNC's capital contribution(s) would be modified as outlined below:

- A. Form(s) 8609 Tax Credit Decrease** - If the annual tax credit allocation on the form(s) 8609 is less than the amount forecast, then the next capital contribution(s) would be reduced by an amount equal to the total amount of credits that will not be received multiplied by the Tax Credit Price. If the remaining capital contribution(s) are not sufficient, then the General Partner(s) will be required to contribute the difference as capital. Upon such event, the forecasted tax credit schedule would be restated without change to the lease-up schedule attached to the Partnership Agreement upon closing. The decrease will be calculated based on actual credit amount underwritten at closing.
- B. Form(s) 8609 Tax Credit Increase** - If the annual tax credit allocation on the form(s) 8609 is more than the amount forecast, then the final capital contribution would be increased by an amount equal to the total amount of the additional credits multiplied by the Tax Credit Price. Upon such event, the forecasted tax credit schedule would be restated without change to the lease-up schedule attached to the Partnership Agreement upon closing.
- C. Administrative Adjustment Request** - If the annual amount of tax credit forecasted to be delivered is delayed or challenged by the IRS due to the absence of the Form 8609 then the next capital contribution(s) would be reduced by an amount equal to the difference between the forecasted credits and actual credits multiplied by \$0.10 for each year the shortfall is delayed plus the amount of any other costs incurred by the Limited Partner such as penalties and interest.
- D. Tax Credit Delivery Delay** - If the annual amount of tax credit forecasted to be delivered is delayed, then the next capital contribution(s) would be reduced by an amount equal to the difference between the forecasted credits and actual credits multiplied by \$0.6144. If the remaining capital contribution(s) are not sufficient, then the General Partner(s) would be required to contribute the difference as capital. The decrease will be calculated based on actual credit amount underwritten at closing.
- E. Tax Credit Delivery Acceleration** - If the annual amount of the forecasted tax credit to be delivered is accelerated, then the final capital contribution would be increased by an amount equal to the difference between the actual credits and the forecasted credits multiplied by \$0.3856.
- F. Placed In Service Delay** – If the placed in service date is later than December 31st of the year in which the building(s) was projected to be complete as outlined in Section 3 Project

Timing and Tax Credit Delivery for any building, then the capital contributions shall be reduced by an amount to be calculated during underwriting, which amount will offset the loss in yield due to the inability to take accelerated depreciation on that building(s).

12. FINANCING

The General Partner shall provide to PNC for its review and approval, copies of any grant agreements, loan commitments or financing documents for all financing sources. All financing sources listed below are assumed to be from qualified commercial lenders and qualify for the 4.0% tax credit applicable percentage except for certain soft, non-foreclosable, but recourse financing from HACM, which shall be funded at closing. The minimum foreclosable Debt Service Coverage ratio would be 1.15x or such higher Debt Service Coverage ratio as may be required by the permanent lender(s). All financing commitments would be required to provide the Limited Partner with notice and cure rights, unrestricted transferability of its interests to PNC affiliates, and the ability to remove the General Partner for cause without lender consent according to the terms of the Partnership Agreement. All interim financing sources shall be committed and closed prior to admission of PNC to the Partnership. The maturity of any interim financing (including extensions) would be required to exceed the expected Mortgage Loan Commencement date by a reasonable period, which shall be determined by PNC during underwriting. Except for the HACM loans listed below, which will be recourse to the Partnership, all permanent financing would be required to non-recourse to the Partnership. The anticipated sources are as follows:

Interim Source(s)

<u>Lender</u>	<u>Amount</u>	<u>Index</u>	<u>Spread</u>	<u>Rate</u>	<u>Funding-Type</u>
Seller Note	\$6,700,000	N/A	0	0.00%	DRAW
WHEDA	\$8,288,637	N/A	0	5.40%	DRAW
WHEDA	\$4,407,622	N/A	0	6.45%	DRAW

Permanent Source(s)

<u>Lender</u>	<u>Cash Flow</u>	<u>Amount</u>	<u>Rate</u>	<u>Term</u>	<u>Amort</u>
Seller Note	YES	\$6,700,000	3.86%	576 MOS	N/A
WHEDA	NO	\$4,407,622	6.45%	420 MOS	420 MOS

Grant(s), Soft Loans, and State Tax Credit Equity

All grants, soft loans and state tax credit equity would be required to be contributed to the Partnership prior to admission of the Limited Partner and Special Limited Partner or in such other manner as acceptable to PNC. Any state tax credit equity that is not being funded upon Limited Partner admission shall be collateralized by a letter of credit. The letter of credit would not be required if the state tax credit equity partner is Sugar Creek Capital. Pay-ins below will be subject to PNC review/approval.

<u>Grantor/Lender/Investor</u>	<u>Funding Date</u>	<u>Amount</u>	<u>Source</u>
State Equity #1	July 2024	\$725,246	State Investor
State Equity #2	October 2025	\$2,357,543	State Investor
State Equity #3	April 2026	\$543,935	State Investor

Underwriting Assumptions

- All assumed monthly non-subsidized rent levels will provide at least a 10% rental advantage to comparable market rate units, and rental assistance will be assumed not to be renewed after the end of the initial contract period.
- Depreciable lives of the real and personal property are assumed to be 30 and 5 years, respectively. Personal property is assumed to be \$456,000. It is also assumed that the Partnership will elect to take accelerated depreciation on personal property and site work. To the extent delays in completion prevent the usage of this accelerated depreciation the price of the tax credits will be discounted in an amount sufficient to offset the loss in yield to the ILP.
- A vacancy rate of the higher of market or 5.6% will be utilized. Income and expenses will be trended at 2% and 3%, respectively, unless available HUD AMI or market information warrants different escalators and operating expenses for purposes of Debt Service Coverage shall be based on actuals with the exception of repairs & maintenance and repairs and maintenance payroll which shall be based on the higher of underwritten or actuals.
- The projected sources/uses, net operating income, and tax credit delivery assumptions are attached.
- Within six months after placement in service, the Partnership would be required to deposit monthly into a Replacement Reserve Account \$25 (\$300 per unit per year) or such higher amount as determined by the third-party construction consultant or lender increasing thereafter by 3.0% annually.
- Any related party loans or loans from entities affiliated with the General Partner, Developer, or Guarantor shall be soft in all respects, subordinate to any PNC financing, and non-foreclosable while PNC is a partner or lender in the transaction.
- Insurance premiums will be underwritten at premiums readily available on a stand-alone basis.
- **The financial forecast, as currently structured, shows a re-allocation of benefits (credits) to the General Partner in year 8 of the Credit Period. Under these circumstances, the General Partner shall be obligated to be specially allocated taxable losses in any given year during the Credit Period when this occurs, which will be referred to as a Deficit Restoration Obligation (“DRO”).**

13. PROPERTY MANAGEMENT, ACCOUNTANT, INSURANCE, AND CONTRACTOR

Property Manager

The property manager, the Housing Authority of the City of Milwaukee, is already approved by PNC. The General Partner would be required to provide or cause the property management agent (the “Property Manager”) to provide management reports to the Limited Partner similar to those provided in the Westlawn Renaissance IV Operating Agreement, but inclusive of PNC specific requirements as agreed to by the Partnership.

All property management agreements would be for a one-year term and be required to include a termination clause allowing either the General Partner or the Property Manager to terminate the agreement by giving a 30-day advance written notice to the other party. Upon the occurrence of certain events, consistent with the Westlawn Renaissance V Operating Agreement, the Special Limited Partner would have the option to replace the Property Manager. If the Property Manager

is an affiliate of the General Partner, the Developer, or the Guarantor, the Property Manager would also be required to agree to defer or accrue the management fee, if necessary, to prevent an operating deficit or a default under the permanent mortgage loan(s). If the general partner is a non-profit performing supportive services, it shall also agree to accrue any related overhead associated with performing such services, if necessary, to prevent an operating deficit or a default under the permanent mortgage loan(s).

Partnership's Accountants Obligations

The Partnership's accountant will be SVA. Coinciding with the Westlawn V Operating Agreement, the General Partner is the "Partnership Representative" with the authority to make the IRC 6226 push-out election. The General Partner would be required to provide or cause the Partnership's accountant to provide federal and state tax returns and audited Partnership financial statements by February 15th of each year. Any delays beyond the agreed upon report date(s) for tax returns and financial statements may result in a \$100 per day penalty to the General Partner commencing after written notice to the General Partner from PNC of the delinquent report.

Real Estate Title Insurance

The Partnership would be required to obtain an extended ALTA owner's title insurance policy in an amount not less than the sum of the permanent mortgage(s), the General Partner and Limited Partner's capital contribution(s) and any other permanent sources of funds such as grants, with all standard exceptions deleted or approved along with fairways, non-imputation and any other requested endorsements.

General Contractor and Contract

The construction contract would be required to be for a fixed price contract in form and substance acceptable to PNC including retainage, draw provisions, and allowances, and the General Contractor would be required to be bonded in a manner satisfactory to the Limited Partner and a hard cost contingency would be required outside of the construction contract in an amount no less than 10% of all hard costs, general conditions, and contractor profit and overhead, subject to review and acceptance by the third-party inspecting architect.

Commercial Property Insurance

The Partnership would be required to obtain insurance from acceptable carriers with a minimum rating of A- by A.M. Best, naming the Partnership and the Limited Partner as a named insured party and containing a minimum of the following (along with such other insurance as PNC might from time to time require): commercial general liability insurance at a minimum of \$5,000,000 on an occurrence basis (projects with more than 101 units will require higher general liability coverage), builders risk insurance through the completion of construction; all risk, fire and extended coverage in an amount equal to the full replacement value; worker's compensation insurance; 12 months business interruption insurance; earthquake insurance (in areas prone to seismic activity); flood insurance coverage (in Special Flood Hazard Areas); Wind, Hail and Named Storm coverage, including a deductible of no greater than 3%.

Operating Agreement

PNC agrees that the Westlawn Renaissance V Operating Agreement shall be the basis for the Operating Agreement for the Partnership, subject to incorporation of specific deal points proposed herein.

14. DUE DILIGENCE AND TERMINATION

During the due diligence period, PNC will conduct a due diligence review and negotiate with the General Partner, in good faith, the terms and provisions of mutually acceptable legal documentation. The due diligence review will include, without limitation, the verification of factual representations made by the General Partner, a review of the property and Partnership documents, a site visit and an evaluation of the following: the experience and expertise of the General Partner, General Contractor, architect and Property Manager; the financial condition of the Guarantor; property area market; an appraisal of the property; a zoning report; the construction schedule; the total development budget; the residual potential of the property; property title, title insurance and available endorsements; capital account analysis; Phase I environmental assessment and all subsequent environmental reports; and other relevant factors. PNC may also commission consultants to perform market analysis, construction, insurance, and environmental reviews.

The price and terms included in this letter of intent are premised upon the information provided by the General Partner. Admission of PNC to the Partnership as a limited partner by the end of the month of admission projected in Section 3 herein is subject to the completion of the due diligence review, (and) approval of the transaction by PNC's investment committee ("IC"), and approval by the investor(s) to whom PNC will be syndicating this investment. If, at any time, any event occurs and becomes known to the General Partner(s) which causes the assumptions and statements contained herein to be untrue or misleading, the General Partner(s) agrees to immediately notify PNC of the event(s) and will provide information which will correct the assumptions and/or statements.

The General Partner and PNC acknowledge that, except as specifically set forth in this Section 14 - Due Diligence and Termination, no legally enforceable relationship shall exist between General Partner and PNC unless and until IC shall have approved the proposed transaction and the parties shall have executed the Partnership Agreement and any other required transaction and financing documents. PNC reserves the right, at its option, to decline the proposed transaction or to propose new terms upon which a transaction could be approved at any time during the due diligence period if the facts as they develop differ materially from the assumptions set forth herein or in the event of a change or proposed change in the federal income tax laws or regulations which would have an effect on the benefits PNC expects to receive from the transaction.

Exclusive Right to Acquire

The General Partner grants PNC the exclusive right to acquire the Partnership Interests commencing on the date of the initial execution of this letter of intent by the General Partner and terminating 60 days after receipt by PNC of all due diligence documents. The due diligence documents to be delivered are more fully described in the syndication package that will be sent to the General Partner upon receipt of a fully executed copy of this letter.

Good Faith

In the event this transaction is not consummated for: (i) failure of the General Partner(s) to negotiate in good faith, (ii) failure to provide due diligence documentation, (iii) sale or intent to sell an interest in the Partnership to another purchaser, (iv) material changes to the structure of the transaction post execution of this Letter of Intent that are of detriment to PNC's investment, or (v) any misrepresentation of a material factual matter, the General Partner(s) shall reimburse PNC for all of its due diligence and transaction costs, including but not limited to legal expenses, appraisals and market studies, environmental, insurance and engineering reviews, and site visits. For all other events where the transaction is not consummated, the General Partner(s) and PNC would be responsible for their own expenses incurred.

Due Diligence Costs

PNC expects to incur due diligence and legal costs in the amount of \$100,000 for the underwriting and admission of PNC or its affiliates as Limited Partner to the Partnership. **These costs will be paid by PNC.** However, to the extent the normal and customary due diligence costs exceed this amount, the General Partner shall reimburse PNC for any excess costs. Such reimbursement agreement shall be in addition to any other obligations in this letter of intent. PNC will provide the Developer and General Partner with periodic updates as to the costs incurred.

Additional Properties

The General Partner, Developer or an affiliated party shall not construct any additional rental units within a one mile radius of this property without the consent of the Special Limited Partner, which shall not be unreasonably withheld, conditioned, or delayed. The General Partner, Developer and or any affiliated party ("Developer Entities") shall provide PNC with an exclusive opportunity to acquire the majority limited partnership interest in any such additional rental units. PNC's terms shall be consistent with those offered herein and pricing will be based on that paid by PNC for similar transactions in the past 12 months. Developer Entities agree to work exclusively with PNC to finalize terms and shall not solicit other offers for this investment until such time as PNC shall have declined to make such offer. PNC shall have 30 days from receipt of information sufficient to analyze the investment opportunity and to provide such offer to the Developer Entities or decline to make an offer. If PNC declines to make such offer, the exclusivity arrangement will be terminated.

Confidentiality

The General Partner acknowledges that this letter of intent contains confidential information and agrees not to disclose either orally or in writing its contents to any third party other than the General Partner's accountant(s) and attorney(s), the applicable state tax credit agency, and the General Partner's financing sources with respect to the property, without the express prior written consent of PNC, and further agrees to advise its representatives that the representatives shall not disclose either orally or in writing the contents of this letter of intent.

Sale to a Third Party

The General Partner acknowledges that if PNC approves the investment and acquires the Limited Partner and Special Limited Partner Interests, those partnership interests may be sold or assigned in whole or part, subject to General Partner's Right of First Refusal for such interest. In connection

therewith, PNC may disclose to PNC's investors or proposed investors the information previously supplied about the transaction, the Partnership, Developer, General Partner and the Guarantor. The General Partner, Developer, and Guarantor shall supply PNC such further information its counsel or its investor(s) may require to effectuate a sale or assignment. The Partnership, General Partner, Developer and Guarantor each further agree to execute such documents, agreements, and instruments as may be necessary or expedient to facilitate the sale or assignment of the Limited Partner and/or Special Limited Partner Interests including, but not limited to, updated or revised Partnership counsel opinions. If PNC sells or assigns its Limited Partner and/or Special Limited Partner Interests, PNC shall reimburse the Partnership for any and all costs it incurs, including, but not limited to, legal, accounting, or other third-party costs incurred by the Partnership or the General Partner in effecting such sale or assignment.

Prohibited Assigns. The Limited Partner and Special Limited Partner shall not (i) designate Wentwood Property Management ("Wentwood"), Kay Kay Realty Corp. ("Kay Kay"), Spectrum Enterprises, Inc. ("Spectrum"), Hunt Developer Group, LLC ("Hunt") Affordable Housing Partners ("AHP"), Alden Torch Financial LLC ("Alden") or Oceanside Capital, LLC d/b/a Oceanside Capital Advisors, LLC ("Oceanside"), as the Asset Manager for the Project, (ii) engage Wentwood or Kay Kay to review tenant files for the Project, or (iii) admit to the Partnership Wentwood, Kay Kay, AHP, Spectrum, Hunt, Alden or Oceanside as a substitute general partner or special limited partner (including any transfers or assignments of any partnership and/or membership interests in the Limited Partner or interests in the partners and/or members of the Limited Partner), unless approved by the General Partner and Class B Limited Partner in their sole discretion. In no event shall Kay Kay, AHP or The Wentwood Companies or any affiliate of either of the foregoing, or any entity or affiliate that may have been determined in a court of law to be an "Aggregator" or conducted business as an "Aggregator" with respect to low-income housing tax credit investor funds/partnerships, or any entity in which Robert Turner, Robert McGeehee, Mike Fowler, or Lee Dixon owns an interest or that employs any of the foregoing (a "Prohibited Party"), be the Limited Partner, asset manager, general partner/member of the Limited Partner, consultant of the Limited Partner or asset manager or have any other capacity or affiliation with the Partnership, Limited Partner, or asset manager, unless approved by the General Partner in its sole discretion.

USA PATRIOT Act Notice

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions (including PNC Bank, National Association and its subsidiaries) to obtain, verify, and record information that identifies each person who establishes a formal relationship with such institution. What this means for you -- when you enter into a business relationship with PNC Bank, we will ask you your name, street address, tax ID number and other pertinent information that will allow us to identify you. We may also ask to see your organizational documents or other identifying information. We appreciate your business and patience with our compliance efforts.

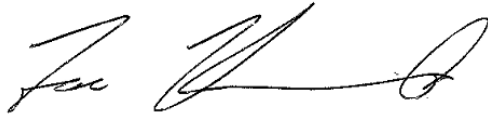
If this letter of intent correctly reflects our understanding and agreement concerning the framework of the proposed investment, please so indicate by signing in the space below and returning the original. **If not signed and returned to PNC within 30 days following the date of this letter, PNC may either change the terms of the offer or cease to evaluate the opportunity.** The timing assumptions included herein are a critical component to the investment structure and time

is of the essence. The General Partner agrees to cooperate in providing information necessary to receive preliminary investor approval, which shall include but not be limited to, financial statements, project information, market study, tax credit application, and authorization to perform background and credit reference checks. The executed letter will not be considered final if it includes handwritten markups.

Should you have any questions, please do not hesitate to call. We look forward to working with you on this and future partnerships.

Sincerely:

PNC Bank, National Association



Todd Krumwiede, Senior Vice President

Date: **10/27/2023**

Agreed and Accepted:

A to-be-formed entity sponsored by HACM
the Managing General Partner

_____ Date: _____

Guarantor Acknowledgement:

Housing Authority of the City of Milwaukee

Name:

Title:

Date:

ATTACHED: PROJECTIONS



PRIVACY NOTICE TO CALIFORNIA RESIDENTS

Last Updated: January 1, 2023

Effective Date: January 1, 2023

Changes to Our California Privacy Notice

PNC will update this notice in response to changing legal, technology, or business developments. We will post the most up-to-date notice on pnc.com/privacy. You can see when the notice was last updated by checking the “last updated” date displayed at the top. For questions, please contact PNC as noted below. The California Consumer Privacy Act (CCPA) and the regulations promulgated thereto, each as amended, including pursuant to the California Privacy Rights Act of 2020 (CPRA) requires us to notify California residents (unless an exemption applies) of the categories of personal information we collect about them, with reference to the categories set forth under the CCPA, and the purposes for which we will use such categories of personal information.

Categories of Personal Information Collected: The relevant categories of personal information PNC may collect about California residents includes:

- **Identifiers:** such as real name, alias, postal address, unique personal identifier, online identifier, Internet Protocol (IP) address, email address, account name, Social Security Number, driver's license number, passport number, or other similar identifiers.
- **Customer records:** such as paper and electronic customer records containing personal information, such as name, signature, Social Security Number, physical characteristics or description, etc.
- **Protected classifications under California or federal law:** such as age, race, color, ancestry, national origin, citizenship, religion or creed, marital status, sex (including gender identity or expression, sexual orientation), medical condition, veteran or military status, physical or mental disability, etc.
- **Commercial information:** such as records of personal property, products or services purchased, obtained, or considered, or other purchasing or consuming histories or tendencies.
- **Biometric information:** such as genetic, biological characteristics, etc. such as, fingerprints.
- **Internet or other electronic network activity information:** such as browsing history, search history, website interaction, etc.
- **Geolocation data:** such as precise physical location or movements within 1850 feet.
- **Sensory data:** such as audio, electronic, visual, thermal, olfactory, or similar information.
- **Employment information:** such as current or past job history or performance evaluations.
- **Education Information:** Non-public education information (per the Family Educational Rights and Privacy Act (20 U.S.C. Section 1232g, 34 C.F.R. Part 99)). This category of PII is not collected by PNC.
- **Profiles or inferences:** such as profiles reflecting a person's preferences, characteristics, psychological trends, predispositions, behavior, attitudes, intelligence, abilities, and aptitudes.
- **Sensitive Personal Information:** Personal information that reveals a consumer's social security, driver's license, state identification card, or passport number; account log-in, financial account, debit card, or credit card number in combination with any required security or access code, password, or credentials allowing access to an account; precise geolocation; racial or ethnic origin, religious or philosophical beliefs, or union membership; contents of a consumer's mail, email, and text messages unless the business is the intended recipient of the communication; or genetic data.

Purposes of Collection, Use, and Disclosure: We may collect, use, and disclose the above categories of personal information as follows:

- To provide the services for which the information was provided, including to maintain and administer any accounts you open with us and to process transactions and payments.
- For authentication, identity verification, and fraud prevention and detection.
- To process and respond to or address your questions and investigate and resolve any issues.
- To personalize your experience using our websites and services.
- To communicate with you, including transactional and account-related information as well as news, updates, and marketing communications.
- To improve and develop products and services and for other research and analytics purposes.
- To respond to authorized regulatory, compliance, and legal process.
- To evaluate or conduct a merger or to sell or transfer some or all of PNC's assets.
- To protect and defend our rights and interests and those of third parties, including in defense of litigation and other claims against us.

Not covered by this Notice: This Notice does not address or apply to any of the nonpublic information we collect about consumers, pursuant to the Gramm-Leach-Bliley Act (GLBA) or otherwise subject to an exemption under CPRA Section 1798.145. For information, please review our Privacy Notice. For more details and information about the personal information we collect and how we collect, use and disclose such personal information (as defined by the CPRA) and your rights regarding such personal information, please call 1-888-PNC-BANK (1-888-762-2265) or visit us at pnc.com/privacy. A Spanish version of this document is available at pnc.com/privacy as a courtesy to our clients who use Spanish as their primary language. Although PNC has taken every precaution possible to translate the original document correctly, the Spanish translation is only a courtesy to our clients. Please take note that all official documents from PNC will be in English only.

State Investor Commitment

See attached.



SUGAR CREEK CAPITAL

A forward approach.

17 West Lockwood Avenue
St. Louis, MO 63119

p: 314-968-2205

October 25, 2023

VIA EMAIL

Housing Authority of the City of Milwaukee
Willie L. Hines, Jr., Executive Director

Baker Tilley
Larissa Fogarty

RE: Proposal for Highland Gardens, consisting of 114 rental units located at 1818 W. Juneau Avenue, Milwaukee, Wisconsin (“Proposed Development”)

Dear Mr. Hines:

Sugar Creek Capital (“Sugar Creek”) is pleased to provide this proposal (the “Proposal”) for an entity managed by Sugar Creek Realty LLC (the “State LP”) to acquire a limited partner interest in the partnership (the “Partnership”) owning the Proposed Development and an allocation of 100% of the Wisconsin low-income housing tax credits (“State Credits”) to be generated by the Proposed Development.

Based on information you have provided, the State LP will conditionally commit to providing equity up to the amount of Total Equity in the Project Summary below provided the last building is placed in service in 2025. The State LP’s investment in the Partnership is to be made in consideration of and expectation of several benefits, including up to a 0.01% capital interest (including up to 0.01% of profits and losses from operations, and 0.01% of depreciation deductions and federal credits) and up to a 0.01% profits interest (including 0.01% of bottom line cash flow and net proceeds from a sale/refinancing), a 100% allocation of State Credits in the annual amount set forth in the Project Summary below, and a state asset management fee.

Project Summary	
Annual State Credit Allocation to State LP	\$863,561
State Adjustment Rate	\$0.7000
Total State Equity Paid by State LP	\$3,626,956
Annual Federal Credit Allocation to State LP	\$105
Federal Adjustment Rate	\$0.8600
Total Federal Equity Paid by State LP	\$899
Total Equity	\$3,627,855

If the State LP is allocated more than 0.01% of depreciation deductions and Federal Credits, for example, if the State LP is allocated 1.0% of these items rather than 0.01%, then, based on the projected Annual State Credit Allocation as of the date hereof, the State Adjustment rate will be reduced to \$0.6828 resulting in the State Equity being decreased to \$3,537,968.

The State LP’s proposed equity contribution is based upon the assumption that capital installments will be paid upon achievement of the benchmarks in the chart below; however, the State LP expects its capital installments will be made *pari passu* with those of the investor/syndicator of the Federal Credits (“Federal LP”), and the State Adjustment Rate may need to be modified based on the final Federal LP equity contribution schedule.

Milestone	% of Total Capital Contribution	Installment Amount
Later of Closing or 7/1/24	20.00%	\$725,571
Later of Construction Complete or 9/1/25	65.00%	\$2,358,106
Later of Permanent Conversion or 4/1/26	13.42%	\$486,858
Later of Stabilization/8609 Delivery or 7/1/26	1.58%	\$57,320
Total	100.00%	\$3,627,855

If the equity pay-in and/or State Credit delivery assumptions above are not met, the terms and conditions in this Proposal may be subject to change. The attached “State LP Required Terms” includes required terms of the State LP that are also part of this Proposal.

Sugar Creek reserves the right to adjust the proposed equity contribution prior to the closing of the State LP’s acquisition of a limited partner interest in the Partnership (the “Closing”) if the average of the U.S. Treasury 1-year interest rate and 5-year interest rate increases more than 50 basis points, using a baseline interest rate of 4.85%. Sugar Creek also reserves the right to terminate this Proposal if there are any material modifications to the statutes, regulations, rules, interpretations, or procedures with respect to the State Credits, as determined by Sugar Creek in its sole discretion.

Sugar Creek will review the due diligence requirements of the Federal LP and determine if further information is required to meet Sugar Creek’s underwriting requirements. This Proposal is subject to underwriting committee review and approval, which will occur after Sugar Creek receives and reviews all of the required due diligence. This Proposal is also subject to the execution of a binding partnership agreement admitting the State LP to the Partnership.

In order to facilitate an efficient closing process, the General Partner agrees to provide copies of due diligence materials, including financial projections, to Sugar Creek at the same time as such information is provided to the Federal LP, and to include Sugar Creek’s closing team on all e-mail correspondence and closing status calls.

Page 3


This Proposal revokes all prior proposals and will expire seven (7) days from the date of this letter if not countersigned below and, if countersigned, six (6) months from the date of this letter if the Closing has not yet occurred. Any oral agreements are not binding.

If this Proposal is acceptable to you, please so indicate by signing below and returning a copy to us. Electronic or facsimile signatures are acceptable.

We very much look forward to hearing from you.

Sincerely,

SUGAR CREEK CAPITAL

By: 
Christopher Hite, CEO

ACCEPTED ON THE _____ DAY OF _____, 2023

_____[PARTNERSHIP NAME]

By: _____[GP ENTITY'S NAME]

Its: General Partner

By: _____
_____, its _____

State LP Required Terms

State Limited Partner:

An entity managed by Sugar Creek Capital ("State LP") is the entity that makes the State LP capital contribution and has the rights and obligations of the State Credit investor. The State LP's underwriting, partnership review and asset management functions will be performed by Sugar Creek Capital.

Capital contributions

Unless the State LP otherwise advises, the State LP capital contribution shall be paid-in at the same times, percentages, and on the same conditions as the Federal LP. Only the State LP may waive its capital contribution benchmarks.

Reports, notices, and other information

The State LP shall receive copies of all project information that impacts the State Credits or the State LP (including project reports, notices, construction draws, annual budget, and tenant files) at the same time as such information is provided to the Federal LP.

The General Partner shall provide to the State LP on or prior to October 30 of the first year of the credit period for the Project an estimate of the amount of State Credits that will be available to the Partnership and allocated to the State LP for such year. The State LP must also be provided with the initial allocation certificate issued by the Wisconsin Housing and Economic Development Authority within 7 days of receipt by the General Partner.

Guaranties

The State LP shall be made a party to applicable guaranties in the same fashion as the Federal LP. At a minimum, the State LP requires that construction completion, the repurchase obligation and the State Credits be guaranteed in accordance with industry standards (in the opinion of the State LP). The guaranty of the State Credits must extend through the tax credit compliance period.

The general contractor's performance shall be guaranteed either via Performance and Payment Bonds (in the full amount of the construction contract) or a construction completion guaranty secured by a Letter of Credit, to the extent required by the Federal LP. If P&P Bonds are used, the State LP must be listed as an additional obligee.

Asset management fee (a/k/a Administrative Fee, etc.)

The State LP will charge an annual asset management fee in the amount of half of the corresponding fee to the Federal LP and will be payable on the same terms as and on equal footing with the corresponding fee to the Federal LP.

Legal opinion; legal fees

The State LP shall be made a party to the Partnership local law opinion in the same fashion as the Federal LP and shall receive a copy of any tax opinion provided by General Partner's counsel to the Federal LP. The Partnership will pay \$17,000 to the State LP at closing for the State LP's legal fees.

Insurance

The State LP shall require the same insurances coverages as the Federal LP and shall be given notice of cancellation of any insurance policy, whether property or liability, in the same fashion as the Federal LP. For property insurance policies, the State LP shall be named as either an Additional Insured or a Loss Payee, if the Federal LP is so named. For liability insurance, the State LP shall be named as an Additional Insured. Insurance certificates naming the State LP as an Additional Insured or Loss Payee should name the State LP as follows:

Affordable Housing Fund Wisconsin I LLC, and its successors and assigns
c/o Sugar Creek Realty LLC
17 West Lockwood Avenue
St Louis, Missouri 63119

Repurchase

The State LP shall be afforded repurchase rights akin to the Federal LP, based on the same conditions. The State LP will defer to the Federal LP's decision regarding repurchase; but, if the Federal LP's interest is repurchased, the State LP's interest must, at the option of the State LP, also be repurchased. The repurchase price for the State LP's interest shall be at least equal to the State LP's paid-in capital contribution plus interest less any previously collected State Credits.

Partnership Agreement Terms

The partnership agreement shall reflect the intention of the partners that the State Tax Credits are allocated to the State LP, and the Partnership will file federal and state income tax returns consistent with that intent. If the IRS determines that the State LP's capital contributions or the allocation of the State Credits to the State LP must be recognized as income to the Partnership, the State LP will not accept any allocation of said income (note that the State LP contains a tax-exempt controlled entity) and will not indemnify any partners or the Partnership if any special allocation is not respected.

The General Partner shall promptly notify the State LP regarding any IRS challenge relating to the Partnership's tax positions on the State Credits or the State LP's capital contributions to the Partnership, and the State LP shall have the right to participate in any audit or appeals related to such IRS challenge. The General Partner will act at the direction of the State LP should the State LP decide to contest, at the expense of the State LP, any IRS determination on this issue.

Indemnities and Representations & Warranties running to the Federal LP shall also run to the State LP. The State LP shall make no Representations and Warranties that are not made by the Federal LP.

Any action that would change any of the rights or obligations of the State LP in the Partnership, including, but not limited to, any amendment or action that would result in a reduction in State Credits, a reduction of the 100% allocation of the State Credits to the State LP, or a change in an allocation or distribution right of the State LP, will require the prior written consent of the State LP.

Management Company

The Management Company must have sufficient experience in managing properties subject to Low-Income Housing Tax Credit compliance standards. As currently presented, the State LP approves the Housing Authority of the City of Milwaukee as the Management Company. The State LP reserves the right to contact the Management Company.

First year tenant files compliance

The State LP will require the General Partner and/or the management agent to correct any first-year tenant files that do not comply with state agency standards. The State LP shall review the final tenant files within 3 business days. The State LP shall have the right to withhold the last capital installment for failure to remedy material compliance problems.

Tax filing information & delivery

The following forms are due from the Partnership by March 1st:

- a copy of the Partnership's state income tax return
- a copy of the allocation certificate issued by the Wisconsin Housing and Economic Development Authority

All other tax forms shall be delivered simultaneously with delivery of such to the Federal LP.

Any changes in treatment of any line items in the Partnership's federal income tax return and/or state tax return that affects the State Credits or the State LP shall require the approval of the State LP.

Assistance in providing social services

Horizon Housing Foundation ("HHF") assists in the coordination of social services for projects in which the State LP invests. The General Partner shall agree to cooperate, and cause the Management Agent to cooperate, with HHF in coordinating social services programming to promote the health, education, and economic self-sufficiency of, and improve the quality of life of, Project tenants. All programming would be optional and provided at no additional cost to the Project or its tenants.

Lender Provisions

The following provision shall be added to the LPA as required by the State LP's lender:

"The Partners specifically acknowledge that the State LP's Interest or the interests of a partner or member of the State LP may be pledged and/or assigned as a security interest to any lender of the State LP or any partner or member of the State LP. In the event the State LP defaults under this Agreement, the General Partner shall provide the State LP Lender with a copy of any notice to the State LP, describing the nature of such default. the State LP Lender shall have the same opportunity to cure such default on behalf of the State LP that has been provided to the State LP; *provided, however*, the State LP Lender shall have no obligation to cure such default on behalf of the State LP unless it forecloses on its security interest. In the event the State LP Lender elects to foreclose on its security interest in and take ownership of the State LP's Interest, all Partners agree that the State LP Lender or any entity to which the State LP Lender may transfer the State LP's Interest shall be automatically admitted to the Partnership as the substitute State LP and shall

be subject to all provisions relating to and obligations of the State LP under this Agreement. The State LP Lender shall be a third-party beneficiary of all provisions in the partnership agreement as described above.”

Transfers

There shall be no restrictions on any transfer or change in ownership within the State LP. There shall be no restrictions on the assignment or transfer of the State LP’s interest to any affiliate of the State LP, or to the State LP Lender or its affiliates or assigns, or in connection with any merger or acquisition of Sugar Creek Capital’s business. Until 100% of the State LP’s capital contribution has been made, restrictions on the assignment or transfer of the State LP interest shall be reasonable (with consent not to be unreasonably withheld, conditioned or delayed), and the obligation of the assigning State LP to make its Capital Contribution shall not be released. After 100% of the State LP’s capital contribution has been made, there shall be no restrictions on the assignment or transfer of the State LP interest. After 100% of the State LP’s capital contribution has been made, there shall be no restrictions on the assignment or transfer of the State LP’s interest; provided, however, the State LP will not transfer its interest to any Prohibited Actor. As used herein, a “Prohibited Actor” means any person, or entity, that (i) is the subject of any conviction, order, judgment, decree, suspension, expulsion, or bar with respect to any program administered by a State Housing Finance Authority from participating in any such program, or (ii) based on evidence provided to State LP by the General Partner, has unreasonably attempted to impede, failed to permit, or unreasonably delayed a developer of an Affordable Housing Project from exercising said developer’s rights under (x) an option to purchase an affordable housing project or an investor’s interest in the owner of an Affordable Housing Project and/or (y) a right of first refusal to purchase an Affordable Housing Project. “Affordable Housing Project” means any affordable housing project that is, or has benefited from, low-income housing tax credits.

General Partner’s Purchase Option

At any time after the conclusion of the Compliance Period, and so long as the Project remains subject to the required affordability restrictions, the General Partner shall have an option, exercisable by written notice to the State LP, to purchase the State LP Interest for the *greater* of (i) Fair Market Value of the State LP Interest based on an appraisal of the Project conducted by an appraiser chosen by the General Partner, or (ii) the sum of (A) any accrued but unpaid State LP asset management fee, plus (B) any unpaid capital contribution adjuster amounts, plus (C) any other amount then owed to the State LP.

Removal of Key Participants

If the Federal LP elects to remove the General Partner, the State LP shall be provided notice of the impending removal and the grounds therefor, and any replacement of the General Partner prior to the end of the state credit period will require the prior written consent of the State LP.

Adjustments to State LP capital contribution

The State LP capital contribution shall, at a minimum, be adjusted as follows:

1. If, after completion and based upon the cost certification, Form 8609s and State Credit eligibility documentation, the amount of State Credits for which the project will be eligible is less than the projected State Credits (a “Cost Certification Credit Shortfall”), then the State LP’s capital contribution

shall be reduced in an amount equal to the product of (i) the Cost Certification Credit Shortfall and (ii) the State Adjustment Rate.

2. If, after completion and based upon the cost certification, Form 8609s and State Credit eligibility documentation, the amount of State Credits for which the project will be eligible is more than the projected State Credits (a "Cost Certification Credit Surplus"), then the State LP's capital contribution shall be increased in an amount equal to the product of (i) the Cost Certification Credit Surplus and (ii) the State Adjustment Rate; such amount to be capped at ten percent (10%) of the State LP's initial capital contribution; provided, however, that the State LP shall have the option, in its sole discretion, to accept the full amount of the Cost Certification Credit Surplus.
3. If the last building is placed in service in 2026, then the State LP's Total Equity shall be decreased by \$0.04 multiplied by the total State Credits for which the Project is eligible (in addition to a reduction pursuant to paragraph 1 above, if any).
4. Any credit shortfall, recapture or disallowance of State Credits (including as a result of any change in state law or regulations) or Federal Credits other than as described above shall result in a reduction in or partial repayment of State LP's capital contribution equal to the amount of the annual credit shortfall, recapture or disallowance plus interest and penalties.

Capital contribution adjusters shall be first deducted from the State LP's unfunded capital contributions, and if there are not sufficient unfunded capital contributions to pay the adjusters, shall be paid by the General Partner to the State LP. Capital contribution adjusters (including as a result of any change in state law or regulations) shall not be payable from cash flow.