

12. Financial Capacity

The following documents verify the financial capacity for this project.



BOARD OF DIRECTORS

Mark B. Adelson, President
Shirley Peterson, Vice-President
Siyad Ahmed, Director
Mariar Balow, Director
Evan Carroll, Director
Christian MilNeil, Director
Faith McLean, Director
Thomas Valteau, Director

14 Baxter Boulevard
Portland, ME 04101

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September 22, 2017

Barbara Bayhydt
City of Portland - Planning Division
389 Congress Street
Portland, Maine 04101

**Subject: Front Street Re-Development
Financial Capacity to Develop Affordable Housing**

Dear Barbara,

The purpose of this letter is to certify that Front Street Housing Redevelopment, LP, the Applicant in the Site Plan application for Front Street Re-Development and an affiliate of Portland Housing Development Corporation (PHDC) and Portland Housing Authority, has the financial capacity to re-develop the Front Street Phase 1 and 2 affordable housing development.

Pre-Development:

Portland Housing self-finances pre-development expenses with unrestricted funds, and is then reimbursed at the construction loan closing.

Construction Financing:

Portland Housing Authority has applied to the Housing for Everyone Program at the TD Charitable Foundation to assist in paying for the costs of demolition and temporary relocation of residents at Front Street Phase 1.

Portland Housing Development Corporation has a Term Sheet (see attached) for construction financing in the amount of \$7,500,000 from Bath Savings Bank. Bath Savings acted as our sponsor bank for our Federal Home Loan Bank of Boston AHP application.

Permanent Financing

PHDC has applied for \$750,000 of direct subsidy from the Federal Home Loan Bank of Boston's AHP program with additional subsidy buying down the rate for a permanent loan from in the amount of \$3,400,000 from Bath Savings Bank. See Bath Savings' term sheet attached.

Regarding our capacity to win Low Income Housing Tax Credits, Portland Housing Development Corporation scored the second highest score of all LIHTC applications to MaineHousing in the 2014 application round for our Bayside Anchor project. We missed the credits in 2016 for 58 Boyd Street by 1 point. We understand the competitive nature of the LIHTC funding rounds and have maximized our points for Front Street under the latest Qualified Allocation Plan (QAP). Planning board approval will provide us with 4 critically needed points in the competition. See the attached Letter of Interest from Northern New England Housing Investment Fund.

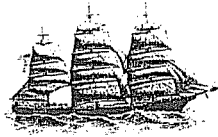
Portland Housing Authority has committed a portion of its reserves to the Front Street project as well.

As the Director of Development, I have been developing affordable housing for over 15 years and was the Director of Development at Avesta Housing when that agency developed Logan Place, Fore River Apartments and the first phase of Pearl Place, among other Portland area projects. I have successfully secured funding from various financing sources for affordable housing including Low Income Housing Tax Credits, Federal HOME funds, Federal Home Loan Bank Affordable Housing Program grants and subsidized advances, HUD 202 grants, RD 515 funds and local and national foundation grants.

Respectfully Submitted,



Jay Waterman
Director of Development



Benj. F. Packard

Bath Savings Institution

Since 1852

September 1, 2017

Jay Waterman, Development Director
Portland Housing Development Corporation
14 Baxter Blvd.
Portland, ME 04101

For discussion purposes only

Dear Jay,

In response to your request for financing, I offer the following general terms and conditions under which Bath Savings Institution would consider financing. The actual terms and conditions of financing are subject to satisfactory completion of due diligence, satisfactory review of documentation, and such other items and conditions as determined by Bath Savings Institution.

LOAN 1:

BORROWER: Front Street Housing Re-Development, LP

PURPOSE: The loan proceeds will be used to fund the construction of 60 residential units, known as Front Street Redevelopment - Phase I (the "Project")

AMOUNT: A non-revolving commercial construction line of credit up to \$7,500,000 not to exceed eighty percent (80%) of the value as determined by a bank ordered appraisal

TERM: The term of the construction loan will be up to 18 months

INTEREST RATE: At the discretion of the borrower the interest rate will be either

- i) variable at WSJ Prime plus 0%, currently 4.25%, or
- ii) fixed at the time of commitment equal to WSJ Prime plus 0%

ORIGINATION FEE: \$6,500

LOAN 2:

BORROWER: Front Street Housing Re-Development, LP

PURPOSE: The loan proceeds will be used to refinance debt incurred in the construction of 60 residential units, known as Front Street Redevelopment -Phase I (the "Project")

AMOUNT: Commercial mortgage up to \$3,400,000

TERM: The term of the loan shall be 20 years, with an amortization of 30 years

INTEREST RATE: The interest rate will be fixed at time of commitment and will 2.25% over the Federal Home Loan Bank subsidized advance rate.

ORIGINATION FEE: \$2,500

LOAN 3:

BORROWER: Front Street Housing Re-Development, LP

PURPOSE: A non-revocable stand-by letter of credit in favor of the City of Portland, as required for the construction of 60 residential units, known as Front Street Redevelopment -Phase I (the "Project")

AMOUNT: Up to \$500,000. This amount will be reserved against the available balance of Loan 1.

TERM: The expiration of the letter of credit will be 2 years or as required by the City of Portland.

INTEREST RATE: The interest rate, if drawn, will be the interest rate of Loan 1

ORIGINATION FEE: Waived

ALL FINANCING IS SUBJECT TO THE FOLLOWING

CLOSING COSTS: Third party fees are generally not controlled by Bath Savings Institution but the Bank endeavors to minimize the costs associated with this transaction. The borrower is responsible for closing costs incurred, including but not limited to bank fees, bank attorney fees, title work, title insurance, Bank Construction Supervisor, recording fees, and a real estate appraisal.

SECURITY: The loans will be secured by the following collateral:

- a. A first mortgage and security agreement on the land and improvements connected with the Project,
- b. A first priority assignment of all leases and rentals,
- c. A collateral assignment of all construction contracts, architects and engineers contracts, and all permits and approvals, necessary for construction and operation of the project,
- d. An assignment of all contracts and agreements for the provision of tenant services, if any
- e. A first security interest in all syndication proceeds due under the Limited Partnership Agreement
- f. An assignment of all reserves and other cash deposit affiliated with the project including those required by permanent financing commitments
- g. An assignment of the Limited Partners obligation to pay its capital contributions and any security interest securing the same
- h. An assignment of tax credits from Maine State Housing Authority, subject to conditions imposed by Maine State Housing Authority
- i. An assignment of the General Partner's partnership interest

INSURANCE MATTERS: All insurance policies shall indicate Bath Savings Institution as loss payee, as applicable;

- a. Public Liability
- b. All-Risk Casualty
- c. Workers' Compensation
- d. Business Auto Liability
- e. Comprehensive General
- f. Builders Risk Policy

DEPOSIT RELATIONSHIP:

The borrower shall be required to maintain a deposit relationship with Bath Savings Institution, including reserve accounts and any applicable construction escrows related to the Project.

OTHER CONDITIONS:

- a. The Bank will order a summary appraisal which will be required to contain an "As- complete" value and include consideration of the added value of the equity from the tax credits, as proposed. The loan amount will be limited to no more than 80% of the total cost or 80% of the appraised value, whichever is lower.
- b. Subject to award of Low Income Housing Tax Credits from Maine State Housing in an amount sufficient to fully fund the construction project and pay off the balance of the construction loan at the time of permanent closing.
- c. Subject to approval of a Federal Home Loan Bank Subsidized AHP Advance sufficient to support 100% of the full term (20 years) interest on an up-to \$3,400,000 Bank borrowing from FHLBB. (up to \$500,000 interest rate subsidy).
- d. Subject to approval of a \$500,000 Federal Home Loan Bank Affordable Housing Program Direct subsidy (FHLBB AHP), a \$200,000 Maine Housing Direct subsidy and all other funding required to complete the project, including an Maine Housing Interest only loan.
- e. Subject to a review of a detailed budget for the cost of constructing the Project,
- f. Subject to a financial analysis of cash flow that will support the long term financing,
- g. Additional encumbrances on any of the properties pledged to Bath Savings Institution shall be prohibited during the life of the loan without prior written bank consent,
- h. Any contract for construction of the proposed improvements will contain a "Guaranteed Not To Exceed Price,"
- i. The contractor and all major subcontractors must be acceptable to the Bank; financial statements will be required of all contractors,
- j. The Bank will be paid a monthly fee to cover inspections of the improvements as they are constructed,
- k. The Bank may require receipt of a Phase I Environmental Report prior to closing.

FINANCIAL STATEMENTS:

The Borrower will be required to submit annual financial statements to Bath Savings Institution each year by April 30.

Please note that this should not be construed as a commitment by Bath Savings Institution but as an indication of our interest in financing this project subject to the outlined conditions. Such commitment can only be issued after satisfactory credit, cash flow analysis, and collateral investigations have been completed and the Bank grants approval.

The above stated terms are the framework for a possible loan. It is effective for 120 days from the date of this letter.

We are looking forward to continuing our discussions about this project. Please contact me if you have any questions regarding this term sheet.

Sincerely,



Julie A. Wagoner
Senior Vice President



NORTHERN NEW ENGLAND
HOUSING INVESTMENT FUND

8/31/17

Jay Waterman
Development Director
Portland Housing Development Corporation
14 Baxter Boulevard
Portland, Maine

RE: Letter of Interest – Front Street, LP (“Partnership”)

Dear Jay:

We are pleased to provide this letter of interest for the new construction of affordable housing in Portland, Maine. As you know, Northern New England Housing Investment Fund (“NNEHIF”) invests in community-based projects receiving the federal Low Income Housing Tax Credit. We understand that you anticipate a reservation of 2018 credit in the amount of \$795,000 from MaineHousing.

Upon satisfactory resolution of addressing the current funding needs, we would be interested in investing \$6,836,316 exchange for a 99.99% limited partnership interest in the Partnership. Approximately 30% of these funds would be available from CLC and throughout construction.

This letter of interest is conditioned on the Fund conducting all customary underwriting and due diligence and receipt a final pro-forma, approved by MaineHousing, that addresses any additional loans, grants, fees or other sources.

A more detailed letter of interest will be provided once all the capital sources have been identified.

We wish you great success in your application and look forward to our continued work together.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Tom MacDonald', written in a cursive style.

Tom MacDonald
Vice President, Acquisitions
NNEHIF