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**Addendum**

<b>Solicitation Name</b>	Equity Investor and CITC Services for Bell Street Flats LIHTC Q2012	<b>Addendum Number</b>	1	<b>Date</b>	10/11/2019
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This addendum answers questions raised about this solicitation. To aid in readability, the questions are in black, the answers are in **bolded blue**, and the answers follow immediately below.

Q1	Are you able to provide a full proforma, mostly showing rents, estimated expenses, a detailed development budget, and Lease-up assumptions?
	<b>See KCDC’s webpage for an operating pro forma. For the purposes of lease up, assume half the LIHTC units will be leased by 9/30/21 and the final half of the LIHTC units will be leased by 11/30/21. KCDC expect all units at the site to be 100% leased by 12/31/21. KCDC anticipate beating these timelines, but is being conservative in the lease up schedule.</b>
Q2	Could you clarify what other requirements KCDC is looking for at the third installment after 1/1/2021. Is this meant to be the stabilization installment?
	<b>That is the stabilization installment, but the date for that installment should be after 1/1/2022. This installment will pay down the CITC construction loan to the permanent amount.</b>
Q3	In order to fully evaluate the project, please send over the following information: <ul style="list-style-type: none"> <li>- Detailed unit mix and rent schedule table</li> <li>- Annual LIHTC award</li> <li>- Detailed operating expense budget</li> <li>- Guarantor financial statements &amp; REO Schedule</li> </ul>
	<ul style="list-style-type: none"> <li>- Detailed unit mix and rent schedule table – <b>See the Operating Pro Forma</b></li> <li>- Annual LIHTC award – <b>See the “reservation” letter posted on KCDC’s webpage.</b></li> <li>- Detailed operating expense budget- <b>See the “Operational Expense detail posted on KCDC’s webpage.</b></li> <li>- Guarantor financial statements &amp; REO Schedule – <b>The audit report is referenced in the RFP and see the most recent REO schedule on KCDC’s webpage.</b></li> </ul>
Q4	The city is putting in \$4.5M towards that infrastructure for Phase I, correct? This is outside of the \$21,391,000 in estimated total cost, correct? Monies have been allocated in this next year’s budget, correct?
	<b>The City of Knoxville approved \$4.25 million in the current fiscal year capital budget to complete infrastructure work, and that amount is outside the project budget.</b>
Q5	Do you have an operating proforma for the project to include rental income, other income, expenses, etc. that you could share? Proposed management fees? Proposed reserves?
	<b>Management fees are included in the detailed operating expense sheet. Capital and Operating Reserves vary from provider to provider, and KCDC needs to know your specific requirements in order to evaluate.</b>



Q6	What do you mean by soft debt in your sources and uses on page 11 of 12? Debt secured by the property? Debt between KCDC and the Borrowing entity?																																				
	<b>Soft debt would be a contribution from KCDC to the partnership, which is set up as a second note.</b>																																				
Q7	What is the difference between the LIHTC estimate and the estimated basis on page 11 of 12?																																				
	<b>As presented in this exhibit, the LIHTC estimate is the estimate of total development cost. The estimated basis is the development cost estimated at construction completion (not final cost certification “eligible” basis).</b>																																				
Q8	Is this going to be a PILOT? If not, is the project exempt from paying RE taxes? Who will own the land? Who will the lease be between?																																				
	<b>Under Tennessee law, housing authorities are able to issue PILOTs through a ground lease structure with an approval letter from the mayor. KCDC received this letter (for a zero PILOT for 20 years) from the mayor in connection with the Tax Credit application. The KCDC board will approve the PILOT in conjunction with closing.</b>																																				
Q9	In regard to the construction Loan, where will the equity (In RED below) come from for the difference? See below. Assumption is that you receive \$1.00 for the tax credits. (This is only an assumption. We have not discussed the price for the tax credits with First Tennessee Housing.)																																				
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	<b>The difference could come from a KCDC contribution to the partnership or some other grant source of funds such as Federal Home Loan Bank.</b>																																				
Q10	I assume the contractor will be bonded.																																				
	<b>That is correct.</b>																																				
Q11	Is there a fixed cost contract for the construction?																																				
	<b>Correct.</b>																																				
Q12	Are you looking for debt proposals for this project too? We specialize in HUD financing.																																				
	<b>We are seeking Community Investment Tax Credit (CITC) construction and permanent loan debt that would be paired with 9% LIHTC equity on Austin Phase 1a. The RFP is not designed to evaluate submissions of varying debt products like FHA. If you are a provider of CITC loans then KCDC would welcome a proposal.</b>																																				
Q13	Can you please provide a detailed sources & uses (would be a detailed breakout of the amounts listed in the “Solicitation Document C Pro-Forma Attachment” on page 11 of the equity investor file)?																																				
	<b>Please see the “Bell Street Flats (Phase 1A),” the “Detailed Operating Expense”, the “Pro Forma”, the “RPTS - Competitive LIHTC Reservation Notice,” the “Schedule of Real Estate Holdings 04182019” and the “Tax Credit Application Information” documents.</b>																																				

Q14	Can you please provide a detailed rent unit mix (and total # of units per building) including any utility allowances and detailed expenses with property management fee and replacement reserves?
	<b>Please see the “Bell Street Flats (Phase 1A),” the “Detailed Operating Expense”, the “Pro Forma”, the “RPTS - Competitive LIHTC Reservation Notice,” the “Schedule of Real Estate Holdings 04182019” and the “Tax Credit Application Information” documents.</b>
Q15	Can you please provide a 15-20 year cash flow and draw schedule?
	<b>Please see the “Bell Street Flats (Phase 1A),” the “Detailed Operating Expense”, the “Pro Forma”, the “RPTS - Competitive LIHTC Reservation Notice,” the “Schedule of Real Estate Holdings 04182019” and the “Tax Credit Application Information” documents.</b>
Q16	Are you open to a construction only CITC loan for \$17MM, to be retired with equity and the long term \$5.5MM CITC perm loan from another provider?
	<b>KCDC will look at anything, but would have to consider the fact that it becomes much harder to get a 15 year CITC loan with favorable terms given that the construction lender would be taking most of the CITC tax credit value.</b>
Q17	I may be missing some information, but with a \$1.3MM annual allocation – is your asking price \$1.03? The sources and uses says “LIHTC and Gap” so not quite sure.
	<b>Whatever the equity shortfall is KCDC’s “Gap” and will need to be filled. See question 9.</b>
Q18	Will KCDC provide the guaranties?
	<b>KCDC is asking specifically what guaranties the equity investor will require. KCDC would be the guarantor.</b>