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**Addendum**

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| **Solicitation Name** | Equity Investor and CITC Services for Bell Street Flats LIHTC Q2012 | **Addendum Number** | 2 | **Date** | 10/22/2019 |

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.

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| Q1 | The equity "pay in" is stated as 82% in January 2022. How does that work with stabilization? |
| | **The equity would not come in before January 1, but we would expect the equity would be subject to stabilization requirements and would probably come in a couple of months later.** |
| Q2 | Your documents show lease up starting in May 2021 and allows seven months for completion. Will all credits begin in 2021? |
| | **The December lease up completion date provides a buffer to allow time for KCDC to get all units leased. It is likely that full lease up of LIHTC units will occur before then. Please see question 1 in addendum 1.** |
| Q3 | Is the $17,000,000 construction financing in place just until the credits come in and lower it down to $5,500,000? |
| | **That is correct.** |
| Q4 | Describe what the infrastructure funded by the City of Knoxville includes. |
| | **The City of Knoxville has pledged funds for the demolition of the legacy housing units on the site, rebuilding of the roadway and utility work associated with the road work. By closing, all of the infrastructure work on the parcels going into the partnership will be complete.** |
| Q5 | Are the City's infrastructure funds the soft dollars in the pro forma? |
| | **No. The $1,500,000 is KCDC's funds or equity.** |
| Q6 | Can you provide more details about the assumed operating reserves? |
| | **We typically see 4-6 months of Operating Expenses included in an initial operating reserve. In the LIHTC application, the estimated Initial Operating Reserve is $280,750.** |
| Q7 | Will our financing be used to build items that will also be used in or by future phases of the project? |
| | **Possibly. For instance, it would not be logical to have separate leasing offices for each phase, so the funding resulting from this RFP would likely create a leasing office used for all phases.** |
| Q8 | The Tax credit Application rents is different than what is presented in the Bell Street Flats (Phase 1 A) excel spreadsheet. Are we to assume the Bell Street Flats (Phase 1 A) spreadsheet is the most current information and that is what should be used in our underwriting? |
| | **The difference in rents are the RAD conversion units and are related to receiving an updated CHAP with higher rents. Other rents remain as stated in the tax credit application.** |
| Q9 | Do you have a pro forma of the construction cash flow? |
| | **KCDC does not, but all of that money will come from KCDC soft debt and construction loan financing.** |

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| Q10 | If the pay-in of 82% of equity is after January 1, 2021, should it be assumed that the equity will not come in until after construction completion which I believe is around September 2021? Is it possible for that installment to come in even later around stabilization? |
| | **The above date should be 2022, see question 1.** |
| Q11 | To the extent that there is a sources and uses gap, should we assume it would be sized to maintain only $1,049,335 in deferred developer fee? How would the gap be filled? |
| | **The difference could come from a KCDC contribution to the partnership (ass additional soft debt) or some other grant source of funds such as Federal Home Loan Bank.** |
| Q12 | The delivery schedule is currently estimated to begin in phases 12 months after the notice to proceed. It appears that all buildings will be built by the fall of 2021. Can you please provide a lease up schedule per month? Also, what is the anticipated 2021 and 2022 credit delivery percentage? |
| | **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.** |
| Q13 | What are the pay-in parameters for the soft debt of $1,500,000 included in the budget? |
| | **KCDC would try to be flexible with construction lender requirements, but would rather defer some of the money until all the construction debt is exhausted.** |
| Q14 | Is an interest reserve included in the $1,626,647 soft costs in the budget? |
| | **Yes.** |
| Q15 | Is the intention to keep the permanent debt piece after construction with the construction lender? We typically do construction financing only with 100% (or close to it) payoff via credits, perm debt, etc. at the end. However, we are considering what we might have an appetite to do for KCDC if the perm piece needs to stay with the construction lender as well. We assume that the answer is Yes. That the intention is that the lender's construction loan would rollover into the perm/term loan need of $5.5MM post construction. A lot of times, though, the term loan piece is arranged with a separate permanent lender. We just want to be clear on what the scenario is for this project. |
| | **Our past projects have been structured with a construction to perm loan.** |
| Q16 | KCDC's decision to include 26 market rate units in the project's unit distribution – please describe impetus for this addition |
| | **KCDC endeavors to be one of the leading housing authorities nationally. Much recent research (www.OpportunityInsights.org) shows that de-concentration of poverty (mixed-income development) produces better economic outcomes for residents, in particular, children living in socioeconomically diverse neighborhoods have a greater chance of achieving economic mobility. From a location and market study standpoint, this is a developing area of Knoxville that will only get stronger with the new minor league ballpark and other nearby development. While we understand that mixed income does not work at every site, our market analysis, knowledge of recent development patterns in Knoxville, and the developing body of research cited above have helped to inform this decision.** |
| Q17 | There is mention in the request for proposal to submit KCDC's Equity Investor Spreadsheet with the proposal; however, I am unable to locate this spreadsheet on the site. Can you please upload or let me know where I can find this spreadsheet? |
| | **This sentence was erroneously left in the RFP-please disregard it.** |

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| Q18 | Should it be assumed that KCDC will provide soft dollars for any shortfall in equity proceeds such that the DDF remains consistent with your proforma? |
| | **Yes, the working assumption is that KCDC would provide a source of funds (most likely KCDC equity) so the deferred developer fee would remain at the level provided in the pro forma. Depending on final construction costs and interest rates, there is still a small chance that KCDC will need to negotiate additional flexibility with regard to the DDF, though that is not KCDC's intention at this time.** |