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SECTION 1:
Meeting Keys
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May 2019
Capitol Hill Housing Board Meeting Keys and Agenda

Reminder: Dinner begins at 5:00. The meeting starts promptly at 5:30 PM.

We will enter into executive session as needed pursuant to RCW 42.30.110.

Introductions: Board, staff and guests make brief introductions.

Consent Agenda, Disclosures and Recusals: The Board will be asked to adopt the consent agenda. Board members will review items on the agenda and make any necessary disclosures and recusals.

Public Comment: The Chair will ask any members of the public present for comment not to exceed 5 minutes per individual or 15 minutes combined.

Top of the Town Debrief: Top of the Town grossed over $200,000 for the second year in a row. Presentations focused on the housing crisis in our region that has led to unprecedented homelessness.

Executive Committee and Governance

Resolution 2019-05: Honoring Myong Nicholas: Myong has served as Community Manager and Resident Liaison to the El Nor Community for almost 20 years and retired on May 6, 2019. To recognize her many years of valuable service, the Board proclaims Monday, May 6, 2019 as Myong Nicholas Day.

Branding Update: Michael and Chris will share results from the messaging work, as well as review the schedule for Phase III of the rebrand process, which includes selecting a new name. The name selection process will be presented to the board in June. As this process moves forward, the Board will ultimately be asked to ratify the new name.

Board Development: Rob and Chris have met with four candidates for Board membership and will provide a brief update on these meetings.

Final consideration and election of George Staggers to the Board: Staff recommend filling Dana Behar’s seat with former CADA CEO George Staggers. George is a highly qualified candidate who brings banking, finance, real estate development and community development experience to the bear. We have worked with George for many years through the Community Development Collaborative and have partnered in real estate transactions. The Executive Committee has reviewed George’s interest and recommend that he be elected to the Board.

Presentation and Discussion

Culture Task Force Presentation: Greg will present on the work of the Culture Task Force. We created the Culture Task Force in September of last year as part of the 18 Point Plan to address immediate findings from Property Management.
Key Recommendations from the Committee:

- Acceptance and buy-in from staff and leadership – commitment to address issues together
- Strategic plan update – Intentional commitment to address issues
- Racial equity – commit to using a racial equity lens in decision making
- Decision making – Clarity around decision making structure
- Systems – FIX THEM – Understand current process, opportunities for improvement
- Staff – Continue to celebrate the wins and our commitment to each other

We will also update the Board on the spring all staff meeting. CHH has held two all-staff meetings, spring and fall, every year, since 2008. The all-staff meetings have given the organization an opportunity to come together to address the issues of the day. We have used the meetings over the years to focus on strategic planning, organization culture, organization sustainability and leading issues of the day. We have featured music at many meetings including performances by talented CHH staff. We have frequently invited Board members to address staff, had guest speakers, and panel presentations and have almost always ended the day with an opportunity for staff members to ask the CEO any question related to the health and operations of the organization. Morning or afternoon, the meetings always feature a good catered meal and have been held at the Summit Meeting Space for several years.

**Strategic Considerations:**

1) What is the mood of the organization?
2) What do we really mean when we say organizational culture?
3) Where do different perspectives of “organizational culture” conflict?
4) What measures best tell us that we are going in the right culture direction?

**Property Management:** Property management results have lagged behind budgeted targets and industry standards for several months. Three key metrics that directly correlate to revenue are vacancy, unit turn-time and accounts receivables. Staff will discuss the specific steps we are taking to reverse these trends. (Please note: although we are focusing this month on specific portfolio financial metrics, we are fully committed to resident experience. At the MONTH, 2018 Board meeting, we presented on resident services throughout the portfolio. In future months we will update the Board on resident experience.)

**Finance and Asset Management**

**Financial Summary:** The Finance and Asset Management Committee presents its regular report and dashboard through March 2019. Cash flow continues to be a concern as we wait to close on the Bonanza resyndication project, which is now anticipated for June. Below-budget vacancy and lagging AR collections exacerbates this condition.

**Real Estate Development Resolutions**

**Resolution 2019-06 – Bonanza Omnibus:** Jeremy will present on the Bonanza Omnibus resolution for adoption. As a reminder, this is a resyndication project for three buildings currently in our portfolio; the Ponderosa, El Nor and 18th Ave Apartments.
Board Packet Sections
1. Meeting Keys, p. 5-7
2. Board Agenda, p. 11
4. Board Candidate Bio: George Staggers, p. 21
6. Resolution 2019-06: Bonanza Omnibus, p. 35-74
7. Consent Agenda and Attachments, p. 77-98
   a. Contracts and Expenditures, p. 77
   b. April 2019 Board Minutes Draft, p. 78-80
   c. Property Management Report and Minutes, p. 81-85
   d. Property Management Dashboard, p. 86
   e. Maintenance Service Personnel (MSP) Capital Projects Report, p. 87
   f. Fundraising & External Relations Memo, p. 88-92
   g. Property Development Report and Minutes, p. 93
   h. Community Development Committee Report and Minutes, p. 94-95
   i. Executive Committee Report and Minutes, p. 96-97
   j. Joint Board Development Committee Report and Minutes, p. 98

Upcoming Meetings and Events

Please let Chris or Sarah know if you’d like additional information on any event or meeting.

May 28-31 HPN Spring Meeting – Baltimore, MD
June 3 CHH Executive Committee
June 4 CHH Annual Meeting – Board not required to attend
June 10 CHH Board Meeting
June 24 CHH Executive Committee
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SECTION 2: Board Agenda
AGENDA

5:30 Call to Order (Schwartz) – 5 min total
1. Introductions, welcome
2. Approve consent agenda Sec. 7, Page 77
3. Disclosures and recusals
4. Top of the Town Debrief

5:35 Public Comment (Not to exceed 5 minutes per individual or 15 for combined speakers)

5:40 Executive Committee and Governance – 25 min total
1. Resolution 2019-05: Honoring Myong Nicholas (Persons) – 5 mins Sec. 3, Page 15
2. Branding Update (Seiwerath, Persons) – 10 mins Handout
3. Board Development (Persons) – 10 mins
   a. Update on Board development and return of Drew Porter
   b. Final consideration and election of George Staggers to the Board Sec. 4, Page 21

6:05 Presentation and Discussion – 50 min total
1. Culture Task Force Presentation and Spring All Staff Meeting (Gibson, Persons) – 20 mins
2. Property Management (Lange, Persons) – 30 mins

6:55 Finance and Asset Management (Gibson) – 10 min total
1. Finance Report
   a. Financial summary, cash management report:
      March 2019 Financial Statements Sec. 5, Page 25

7:05 Real Estate Resolutions – 25 min total
1. Resolution 2019-06: Bonanza Omnibus (Wilkening) – 10 mins Sec. 6, Page 35
2. Suspension of Board Meeting to Convene CHDA Board Meeting – 5 mins
4. Introducing risk analysis (Persons) – 5 mins

7:30 Adjourn (Schwartz)
SECTION 3:
Resolution 2019-05:
Honoring Myong Nicholas
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CHH Board Resolution 2019-05 Overview: Honoring Myong Nicholas

**Purpose:** This resolution is honorary in nature to recognize the exceptional service of longtime staff member, Myong Nicholas.

**Type of Resolution/Motion:**
- **Is this a formal resolution?** ☒ Yes  ☐ No
- **Are we requesting a motion from the floor?** ☐ Yes  ☒ No
- **Has this resolution been presented to a Board Committee?** ☐ Yes  ☒ No
  
**Charter or Rules and Regulations Modification:**
- **Does this Resolution change the Charter or Rules and Regulations?** ☐ Yes  ☒ No
- **If yes, you need to give notice to the Board 15 days prior to the proposed change.**
- **Changes to the Charter or Rules and Regulations must use the strike out format so change is clear to reader.**

**General Description and Purpose:** Myong served as the Resident Liaison at the El Nor, where she was initially a resident. She retired on May 6, 2019 after almost 20 years. She has been a great and beloved employee. The Board proclaims that May 6, 2019 is Myong Nicholas Day. The Board has previously honored long-time employees this way, including Sue Cary and Betsy Hunter.

**Organizational requirements of resolution:** None.

**Financial cost of the resolution:** None

**Pros:** Honors an exemplary, long-time employee.

**Cons:** Could set a precedent.

**Further Board Action or Reporting:**
- **Is further action required from the Board or a Board Committee?** ☐ Yes  ☒ No
  
  **If yes, please describe:**

- **Is further reporting required to the Board or a Board Committee?** ☐ Yes  ☒ No
  
  **If yes, please describe:**
ADOPTED AT A MEETING OF
THE BOARD OF DIRECTORS OF THE
CAPITOL HILL HOUSING IMPROVEMENT PROGRAM,
A WASHINGTON PUBLIC CORPORATION

RESOLUTION NO. 2019-05

Honoring Myong Nicholas

WHEREAS The Capitol Hill Housing Improvement Program (The Program) is a public corporation organized pursuant to RCW 35.21.660, 35.21.670, and 35.21.730-755, and Seattle Municipal Code Ch. 3.110. As such, it is a political subdivision of the State with an area of operation focused on in the Capitol Hill community in the City of Seattle; and

WHEREAS The purpose of the Program shall be to assist homeowners, property owners, residential tenants and residents of the Capitol Hill community in preserving, improving and restoring the quality of their homes, property and neighborhood, and to provide additional housing, cultural, social and economic opportunities and facilities; and

WHEREAS Myong Nicholas has worked tirelessly and with distinction since January 3, 2000 to uphold the purpose and values of Capitol Hill Housing as Community Manager and Resident Services Liaison by building community and supporting her residents; and

WHEREAS Myong has managed her building’s finances to budget and maintained building conditions to the highest levels; and

WHEREAS Myong has maintained the highest levels of professionalism and has embodied our values with kindness and thoughtfulness; and

WHEREAS Myong has decided to retire from her distinguished career on May 6, 2019;

NOW, THEREFORE, BE IT RESOLVED by the Board of the Capitol Hill Housing Improvement Program as follows:

RESOLVED that the Board of Directors of the Capitol Hill Housing Improvement Program hereby recognizes and honors Myong Nicholas for her 19 years and hereby proclaims May 6, 2019 as Myong Nicholas Day.
CERTIFICATION

I, Derrick Belgarde, certify that I am the Secretary of Capitol Hill Housing Improvement Program ("the Program") and that the foregoing Resolutions were duly adopted at a meeting of the Board of Directors of the Program held on the 13th day of May 2019, in accordance with the Charter and Rules and Regulations of the Program upon proper notice and at which time a quorum was present.

DATED the 13th day of May 2019.

By_______________________________

Its Secretary
SECTION 4: Board Candidate Bio: George Staggers
George plays a key role in navigating the direction of CADA. He has been the Chief Executive Officer of CADA since its inception in 1994. George’s responsibilities include ensuring that CADA meets the objectives of its mission and overall organizational management. George holds a bachelor’s degree from Central Washington University and has 20 years’ work experience in the financial industry. George grew up within blocks of the CADA office. George is an active board member for Community Capital Development, First Place School and Seattle Neighborhood Group.
SECTION 5:
May 2019 Finance Report, March Statements and Asset Management Report
MAY 2019 FINANCE & ASSET MANAGEMENT BOARD REPORT AND MINUTES

Finance & Asset Management Committee Members: Drew Porter, Frank Alvarado, Chasten Fulbright, Jill Cronauer

Staff Liaisons to the Board: Brad Lange, Greg Gibson (BOLD indicates those members in attendance)

Date, time and location of meeting: Tuesday May 7, 2019 4-5:00 pm Malden conference room

Financial Position Summary: During March, the main item impacting the balance sheet was a decrease in unrestricted cash of approximately $730K. The decrease was the result of multiple transactions including $170K in predevelopment spending (draw completed in early April), $192K in insurance premium payments as well as additional spending on large projects at the Joe Black and Union James apartments. These projects are being paid for out of the general building reserve fund, which was established in Q3 of 2018 with excess operating funds at four existing buildings.

The unaudited operating statement through March 2019 shows an operating deficit of $519K as compared to a budgeted surplus of $156K. The negative variance of $675K is driven by three issues:
1. The second installment of the LBB developer fee ($232K) was budgeted for February, but is now expected in Q3
2. Residential vacancy and concessions currently exceed budget by $63K.
3. The Bonanza resyndication project was originally projected to close in Q1 but is now slated for June. The budgeted developer fee is $500K.

The negative variances are partially offset by a favorable variance in payroll expense resulting from the delays in hiring of two senior level positions in addition to other vacant staff positions currently being filled.

Financial Review: The committee reviewed the monthly financial reports and the monthly financial ratio analysis. The rolling twelve-month cash forecast was also reviewed. Comments and Analysis regarding the March Balance Sheet and Operating Statement are included as annotations in the attached statements. As part of the cash flow review, the committee also reviewed anticipated predevelopment spending projections, which includes anticipated sources and uses.

The committee reviewed the Property Management dashboard report

Vacancy loss: The monthly economic portfolio vacancy rate was 5.2% with a rolling 12-month economic vacancy percentage of 3.8%. Staff provided an update on the ongoing initiatives that CHH is working through to address the rising vacancy issues including 1. Financial awareness and budget training for site staff 2. Cross functional team completing a deep dive analysis of the leasing/unit turn process 3. Unit turn project to complete hard outstanding turns and 4. Multi-department meetings to address unleased units.

Department and Project Updates: Staff provide brief updates on the following:
- Bonanza closing update and timeline – anticipated closing still June 2019, possible HUD flags
- Liberty Bank conversion of permanent financing update
- Finance Director hiring update
- Audit update – Partnership audits complete, no significant findings or issues. CHH fieldwork completed, financial statement preparation in process, no significant issues to note at this time
- Transition of banking services to electronic payment platform – Completed in April – CHH’s accounts payable process is now fully paperless!
## Capitol Hill Housing

### Blended Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>03.31.2019 unaudited</th>
<th>02.28.2019 unaudited</th>
<th>Change from prior month</th>
<th>12.31.2017 audited*</th>
<th>12.31.2016 audited*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted Cash</td>
<td>1,728,504</td>
<td>2,462,417</td>
<td>(733,913) 1</td>
<td>2,037,757</td>
<td>1,549,568</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>1,108,901</td>
<td>1,083,260</td>
<td>25,641 2</td>
<td>811,476</td>
<td>605,408</td>
</tr>
<tr>
<td>Prepaids &amp; Other Current Assets</td>
<td>666,005</td>
<td>336,867</td>
<td>329,138</td>
<td>341,351</td>
<td>145,836</td>
</tr>
<tr>
<td>Contributions/Grants Receivable</td>
<td>139,749</td>
<td>141,946</td>
<td>(2,197)</td>
<td>61,282</td>
<td>71,138</td>
</tr>
<tr>
<td>Due from Affiliates</td>
<td>7,510,184</td>
<td>7,085,424</td>
<td>424,760 3</td>
<td>5,193,026</td>
<td>5,591,990</td>
</tr>
<tr>
<td>Board Designated Operating Reserve</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>0</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Board Designated Opportunity Reserve</td>
<td>152,125</td>
<td>149,661</td>
<td>2,464 4</td>
<td>567,083</td>
<td>651,507</td>
</tr>
<tr>
<td>Restricted Cash</td>
<td>6,712,479</td>
<td>6,896,169</td>
<td>(183,690) 4</td>
<td>6,135,901</td>
<td>5,605,330</td>
</tr>
<tr>
<td>Notes Receivable from Affiliates</td>
<td>15,313,542</td>
<td>15,313,542</td>
<td>0</td>
<td>15,322,710</td>
<td>15,411,829</td>
</tr>
<tr>
<td>Land</td>
<td>24,344,996</td>
<td>24,344,996</td>
<td>0</td>
<td>20,394,157</td>
<td>14,643,757</td>
</tr>
<tr>
<td>Buildings, Improvements &amp; Equipment</td>
<td>81,334,890</td>
<td>81,061,627</td>
<td>273,263 5</td>
<td>74,146,986</td>
<td>72,923,292</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>45,813,388</td>
<td>45,606,491</td>
<td>(206,897) 6</td>
<td>39,304,834</td>
<td>37,093,003</td>
</tr>
<tr>
<td>Lease Receivable</td>
<td>717,137</td>
<td>792,137</td>
<td>(75,000) 7</td>
<td>817,531</td>
<td>890,908</td>
</tr>
<tr>
<td>Investment in LPs/LLCs</td>
<td>1,521,867</td>
<td>1,521,867</td>
<td>0</td>
<td>1,527,084</td>
<td>1,534,145</td>
</tr>
<tr>
<td>Other Assets</td>
<td>(8,721)</td>
<td>(5,692)</td>
<td>(3,029) (5)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>96,428,270</td>
<td>96,577,730</td>
<td>(149,460)</td>
<td>89,051,505</td>
<td>83,531,705</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes Payable</td>
<td>65,325,950</td>
<td>65,196,686</td>
<td>129,264 8</td>
<td>58,479,561</td>
<td>52,278,219</td>
</tr>
<tr>
<td>Accrued Interest Payable</td>
<td>4,594,746</td>
<td>4,594,746</td>
<td>0</td>
<td>4,385,715</td>
<td>4,406,834</td>
</tr>
<tr>
<td>Accounts Payable &amp; Accrued Liabilities</td>
<td>5,580,775</td>
<td>5,357,197</td>
<td>223,578 9</td>
<td>4,956,384</td>
<td>4,859,505</td>
</tr>
<tr>
<td>Tenant Security Deposit Liability</td>
<td>558,190</td>
<td>568,755</td>
<td>(10,565)</td>
<td>579,612</td>
<td>562,478</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>76,059,661</td>
<td>75,717,384</td>
<td>342,277 10</td>
<td>68,401,272</td>
<td>62,107,036</td>
</tr>
<tr>
<td><strong>Net Position</strong></td>
<td>20,368,609</td>
<td>20,860,346</td>
<td>(491,737)</td>
<td>20,650,233</td>
<td>21,424,669</td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td>96,428,270</td>
<td>96,577,730</td>
<td>(149,460)</td>
<td>89,051,505</td>
<td>83,531,705</td>
</tr>
</tbody>
</table>

* Internal presentation, certain amounts netted for audit presentation

### Significant balance sheet changes from prior month

1. **Decrease in cash is a function of the following transactions:**
   - Villa fire: $25k in expenses, anticipated reimbursement in May from insurance claim
   - Bonanza resyndication costs: $116K spent in March, draw received in early April
   - Annual insurance premiums: $192K in cash payments, remainder was financed
   - Predevelopment expenses for additional projects (cash payments net of draws): ~$60K
   - Station house payment to Gerding Eden for their portion of developer fees (amount set aside at closing): $65K
   - Additional project costs resulting paid from general building reserve (which is included in unrestricted cash above) were also incurred primarily at the Union James and Joe Black apartments

2. **Notes Payable**
   - $527K in expenses, anticipated reimbursement in May from insurance claim
   - Bonanza resyndication costs: $116K spent in March, draw received in early April
   - Annual insurance premiums: $192K in cash payments, remainder was financed
   - Predevelopment expenses for additional projects (cash payments net of draws): ~$60K
   - Station house payment to Gerding Eden for their portion of developer fees (amount set aside at closing): $65K
   - Additional project costs resulting paid from general building reserve (which is included in unrestricted cash above) were also incurred primarily at the Union James and Joe Black apartments

3. **Change due to timing fluctuation of due to/from affiliates balances as well as additional predevelopment expense incurred on the Bonanza and CHP Portfolio 1 resyndication projects. See cash discussion above. In addition, reimbursement amounts to CHH for fees, payroll and other expenses incurred at certain buildings have been delayed due to availability of cash at the building level. This is primarily caused by increased vacancy rates, delays in A/R collections and increased R&M costs**

4. **Change is due to LGIP Q.1 transfer and $184K of Elnor reserve distribution to CHH (used to fund LBB rate lock carrying costs through to perm financing conversion in September).**

5. **Capitalization of additional predevelopment expenditures, primarily for the Bonanza, Joe Black energy upgrades and CH Portfolio 1 syndication/resyndication projects.**

6. **Routine monthly depreciation expense**

7. **Harrison paid down $75K of accumulated land lease payable**

8. **Increase includes $345,698 of annual insurance premiums which were financed**

9. **Routine fluctuation in accrued payable balances based on timing of payroll and accounts payable check run relative to month-end as well as fluctuations in intercompany "Due to CHH" balance that results from the recording of additional predevelopment expenses for those projects still included as blended component units.**
# Capitol Hill Housing Improvement Program

## Statement of Revenues and Expenditures - Unaudited

From 1/1/2019 Through 3/31/2019

<table>
<thead>
<tr>
<th>Year to Date</th>
<th>Year to Date</th>
<th>Year to Date</th>
<th>Variance Pct</th>
<th>Total Budget</th>
<th>Budget Remaining</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>Budget</td>
<td>Variance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Tenant Rent</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential tenant revenue</td>
<td>2,830,672</td>
<td>2,841,889</td>
<td>(11,217)</td>
<td>-0.39%</td>
<td>10,481,789</td>
</tr>
<tr>
<td>Commercial rent revenue, net</td>
<td>389,047</td>
<td>413,589</td>
<td>(24,542)</td>
<td>1</td>
<td>-5.93%</td>
</tr>
<tr>
<td>Triple net revenue</td>
<td>60,598</td>
<td>58,650</td>
<td>1,948</td>
<td>3.32%</td>
<td>277,800</td>
</tr>
<tr>
<td>Parking, laundry and other</td>
<td>47,666</td>
<td>42,790</td>
<td>4,876</td>
<td>11.40%</td>
<td>167,575</td>
</tr>
<tr>
<td>Res vacancy and concessions</td>
<td>(142,572)</td>
<td>(79,425)</td>
<td>(63,147)</td>
<td>2</td>
<td>79.51%</td>
</tr>
<tr>
<td><strong>Total Tenant Rent</strong></td>
<td>3,185,411</td>
<td>3,277,493</td>
<td>(92,082)</td>
<td>-2.81%</td>
<td>12,329,350</td>
</tr>
<tr>
<td><strong>Other Operating Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting &amp; Compliance fees</td>
<td>172,336</td>
<td>174,833</td>
<td>(2,497)</td>
<td>-1.43%</td>
<td>723,188</td>
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<tr>
<td>Developer Fees</td>
<td>100,000</td>
<td>771,359</td>
<td>(671,359)</td>
<td>3</td>
<td>-87.04%</td>
</tr>
<tr>
<td>Partnership Management Fees</td>
<td>59,548</td>
<td>61,680</td>
<td>(2,132)</td>
<td>-3.46%</td>
<td>342,717</td>
</tr>
<tr>
<td>Property Management Fees</td>
<td>404,862</td>
<td>406,444</td>
<td>(1,582)</td>
<td>-0.39%</td>
<td>1,678,575</td>
</tr>
<tr>
<td><strong>Total Other Operating Revenue</strong></td>
<td>736,746</td>
<td>1,414,316</td>
<td>(677,570)</td>
<td>-47.91%</td>
<td>4,278,951</td>
</tr>
<tr>
<td><strong>Other Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants &amp; Donations</td>
<td>10,896</td>
<td>50,031</td>
<td>(39,135)</td>
<td>4</td>
<td>-78.22%</td>
</tr>
<tr>
<td>Interest Income</td>
<td>7,250</td>
<td>6,000</td>
<td>1,250</td>
<td>20.83%</td>
<td>24,000</td>
</tr>
<tr>
<td>Other Income (non-operating)</td>
<td>8,930</td>
<td>7,060</td>
<td>1,870</td>
<td>26.49%</td>
<td>61,034</td>
</tr>
<tr>
<td><strong>Total Other Revenue</strong></td>
<td>27,076</td>
<td>63,091</td>
<td>(36,015)</td>
<td>77.12%</td>
<td>1,178,199</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>3,949,233</td>
<td>4,754,900</td>
<td>(805,667)</td>
<td>-16.94%</td>
<td>17,786,499</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting, Audit &amp; Legal</td>
<td>172,126</td>
<td>185,600</td>
<td>13,474</td>
<td>5</td>
<td>7.26%</td>
</tr>
<tr>
<td>Administration</td>
<td>128,683</td>
<td>125,685</td>
<td>(2,998)</td>
<td>-2.39%</td>
<td>485,761</td>
</tr>
<tr>
<td>Bad Debt</td>
<td>7,940</td>
<td>11,911</td>
<td>3,971</td>
<td>33.34%</td>
<td>46,950</td>
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<tr>
<td>Board Expense</td>
<td>111</td>
<td>1,800</td>
<td>1,689</td>
<td>93.83%</td>
<td>10,200</td>
</tr>
<tr>
<td>CHH Occupancy Expense</td>
<td>92,123</td>
<td>90,864</td>
<td>(1,259)</td>
<td>-1.39%</td>
<td>364,913</td>
</tr>
<tr>
<td>Compliance, Taxes &amp; License</td>
<td>32,638</td>
<td>30,091</td>
<td>(2,547)</td>
<td>-8.46%</td>
<td>257,614</td>
</tr>
<tr>
<td>Consulting</td>
<td>83,300</td>
<td>66,040</td>
<td>(17,260)</td>
<td>6</td>
<td>-26.14%</td>
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<td>Debt Service</td>
<td>703,701</td>
<td>712,582</td>
<td>8,881</td>
<td>1.25%</td>
<td>2,632,638</td>
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<tr>
<td>Insurance</td>
<td>92,058</td>
<td>82,449</td>
<td>(9,609)</td>
<td>-11.65%</td>
<td>319,293</td>
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<tr>
<td>Leasing/Compliance Expense</td>
<td>35,987</td>
<td>35,686</td>
<td>(301)</td>
<td>-0.84%</td>
<td>142,743</td>
</tr>
<tr>
<td>Miscellaneous Financial Expense</td>
<td>1,644</td>
<td>1,689</td>
<td>45</td>
<td>2.66%</td>
<td>11,756</td>
</tr>
<tr>
<td>Other Operating Expense</td>
<td>13,103</td>
<td>7,225</td>
<td>(5,878)</td>
<td>-81.36%</td>
<td>27,475</td>
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<td>Partnership Mgmt Fee Expense</td>
<td>37,168</td>
<td>32,301</td>
<td>(4,867)</td>
<td>-15.07%</td>
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<td>Payroll, Taxes and Benefits</td>
<td>1,682,422</td>
<td>1,834,484</td>
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<td>Preventive Maintenance</td>
<td>113,212</td>
<td>108,076</td>
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<td>Property Mgmt Fee Expense</td>
<td>296,189</td>
<td>293,112</td>
<td>(3,077)</td>
<td>-1.05%</td>
<td>1,110,573</td>
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<td>Repair and Maintenance</td>
<td>360,590</td>
<td>370,614</td>
<td>10,024</td>
<td>2.70%</td>
<td>1,287,608</td>
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<td>Resident activities</td>
<td>5,868</td>
<td>10,708</td>
<td>4,840</td>
<td>45.20%</td>
<td>69,483</td>
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<tr>
<td>Technology</td>
<td>53,047</td>
<td>50,376</td>
<td>(2,671)</td>
<td>-5.30%</td>
<td>63,615</td>
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<tr>
<td>Utilities</td>
<td>396,070</td>
<td>388,062</td>
<td>(8,008)</td>
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<tr>
<td><strong>Total Expenses</strong></td>
<td>4,307,980</td>
<td>4,439,355</td>
<td>131,375</td>
<td>0</td>
<td>16,720,335</td>
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<tr>
<td>Operating Surplus (Deficit)</td>
<td>(519,174)</td>
<td>156,352</td>
<td>(675,526)</td>
<td>-432.05%</td>
<td>492,326</td>
</tr>
<tr>
<td><strong>Other Income (non-operating)</strong></td>
<td>0</td>
<td>0</td>
<td>0.00%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Income/Loss</strong></td>
<td>(519,174)</td>
<td>156,352</td>
<td>(675,526)</td>
<td>-432.05%</td>
<td>492,326</td>
</tr>
</tbody>
</table>

---

**Replacement Reserve**

- (136,506) - (135,271) - (1,235) 0.91% (478,154) (341,648)

**Operating Reserve**

- (11,271) - (11,272) 1 -0.01% (45,084) (33,813)

**Other Reserve**

- (12,650) - (12,650) 0 0.00% (50,600) (37,950)

**Total Reserve Contributions**

- (160,427) - (159,193) - (1,234) 0.78% (573,838) (413,411)

**Operating Surplus (Deficit)**

- (519,174) - (156,352) - (675,526) -432.05% 492,326

---

Page 27 of 98
Variance Discussion (Greater than $10K and 5%)

1) Variance is due to vacancy in two commercial spaces at 12AA

2) The following buildings have vacancies that significantly exceed budget:
   - Brewester: $6,100 variance
   - Joe Black: $8,800 variance
   - Oleta: $16,300 variance
   - Ponderosa: $5,500 variance
   - Union James: $6,600 variance
   - Bremer: $6,400 variance
   - Miller: $4,600 variance
   - Fleming: $4,200 variance

3) The second installment of the Liberty Bank Building developer fee was budgeted for February ($232K), but is now expected to be received in Q3. In addition, the first installment of $500K in developer fee for the Bonanza project was budgeted for Q1. Due to delays in the closing of this transaction, this fee is now anticipated to be received in June. Offsetting a portion of this negative variance is the $100K paydown of 12AA deferred developer fee, which was made prior to the budgeted timeline.

4) Variance relates to timing differences related to the PPG HOME Grant billing. Remaining balance of grant is anticipated to be fully billed prior to 6/30.

5) Timing of audit invoices fluctuates during Q1. Annual variance is expected to be minimal given fixed fee contract.

6) Over budget due to several reasons: 1. Consulting fees paid for masonry assessment fees at multiple buildings. 2. Consulting costs were incurred by the compliance department, primarily related to the lease up of the Liberty Bank Building (some of these costs were billed back to the project in March/April). CHH is also paying 3rd party real estate development consultants for work on the Bonanza project and the market rate development projects (to date these amounts have exceeded budget).

7) Variance due to vacant Associate Director of Real Estate, Vice President of Property Operations and Assistant Maintenance Tech positions, all of which were budgeted for a full year and are yet to be hired (Assoc. Dir of Real Estate and Assistant Maintenance Tech started in April). In addition, there are currently two open site manager positions.
### Asset Management Dashboard

#### Year to Date at March 31, 2019

<table>
<thead>
<tr>
<th>Building/Location</th>
<th>Residential Acct.</th>
<th>12-Month Rolling Avg.</th>
<th>Economic</th>
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<tbody>
<tr>
<td></td>
<td>Cash Flow Per Unit</td>
<td>Ready Total</td>
<td>March 2019</td>
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<tr>
<td></td>
<td>Budget</td>
<td>Make</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>Var. %</td>
<td>Var.</td>
<td>%</td>
</tr>
<tr>
<td>Physical Vacancy</td>
<td>After debt payments and reserve payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3) Explanation of select properties with high vacancies or large vacancy increases:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. After debt payments and reserve payments
2. Cumulative residential accounts receivable balance divided by monthly gross potential rental revenue
3. Portfolio Manager averages are averages across all unit types within portfolio and not averages across buildings

**Select properties with high vacancies or large vacancy increases:**
- **Bremner** - five vacancies in March (one leased late in the month and two others leased in late April). Rent concessions related to error by prior Site Manager.
- **Centennial** - seven vacancies March (one was leased early in the month and another in early April). Unrecorded vacancy from prior month allocated to March.
- **John Carney** - two vacancies in March (both have scheduled move-ins). Rent concessions related to error by prior Site Manager.
- **Maxwell** - one vacancy in March (a 2-bdr unit with higher rents).

### Financials

<table>
<thead>
<tr>
<th>Building/Location</th>
<th>Physical Vacancy</th>
<th>Operating Vacancy</th>
<th>Op Rev Per Unit</th>
<th>Operating Exp Per Unit</th>
<th>Cash Flow Per Unit</th>
<th>Portfolio Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Byron Apartments</td>
<td>After debt payments and reserve payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3) Explanation of select properties with high vacancies or large vacancy increases:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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### Financials

<table>
<thead>
<tr>
<th>Building/Location</th>
<th>Physical Vacancy</th>
<th>Operating Vacancy</th>
<th>Op Rev Per Unit</th>
<th>Operating Exp Per Unit</th>
<th>Cash Flow Per Unit</th>
<th>Portfolio Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Byron Apartments</td>
<td>After debt payments and reserve payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3) Explanation of select properties with high vacancies or large vacancy increases:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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2. Cumulative residential accounts receivable balance divided by monthly gross potential rental revenue
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<table>
<thead>
<tr>
<th>Bank</th>
<th>CHH Blended Component Unit</th>
<th>Type</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chase</td>
<td>Larned</td>
<td>Reserves</td>
<td>123,254</td>
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<tr>
<td>Chase</td>
<td>412</td>
<td>Reserves</td>
<td>100,552</td>
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<td>Capitol Hill Housing</td>
<td>Security Deposit</td>
<td>283,806</td>
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<tr>
<td>KeyBank</td>
<td>Capitol Hill Housing - SoundFamilies</td>
<td>Restricted Savings</td>
<td>19,562</td>
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<tr>
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<td>Hazel Plaza</td>
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<td>205,487</td>
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# CHH
## CASH IN BANK
### FOR THE MONTH ENDING: Mar 2019

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## Bank Discrete Component Unit

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## TOTALS BY BANK

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<td>TOTAL CASH</td>
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</table>
Calculations

**CHHIP Operating Cash Balance:** CHH main operating account balance at month end - prior 3 years

**Receivable as a % of GPR:** Measures how effective the Organization is at collecting rent charged to tenants

   - **Calculation:** Month end balance of tenant receivables accounts by site / total monthly gross potential rent
   - **Target:** CHH is still working to establish benchmarks for different receivable types

**Self Sufficiency Ratio:** Measures the Organization's ability to cover operating expenses with operating revenues

   - **Calculation:** Total operating expenses / total operating revenue less developer fees (grant income = prior 12 month avg)
   - **Target:** 100% = Operating revenues are sufficient to cover operating expenses

**Days Operating Cash:** Measures the cash on hand to cover operating expenses based on current spend rate

   - **Calculation:** Month end operating cash balance / Avg expense per day (prior 3 months)
   - **Target:** 2 months operating cash on hand

**Leverage Ratio:** Measures the ratio of assets funded through debt relative to other sources (operating/grants etc)

   - **Calculation:** Total liabilities at month end / end of month net position
   - **Target:** 2.5 - 4: 4.0 maximum ratio
SECTION 6:
Resolution 2019-06: Bonanza Omnibus
CHH Board Resolution 2019–06  Overview: Bonanza Omnibus Project Financing

**Purpose:** This resolution authorizes CHHIP to enter into and execute project finance agreements and commitments needed to admit the equity investor into the ownership of the project, and to close on all sources of capital financing needed to complete the project.

**Type of Resolution/Motion:**
- **Is this a formal resolution?** ☒ Yes ☐ No
- **Are we requesting a motion from the floor?** ☐ Yes ☒ No
- **Has this resolution been presented to a Board Committee?** ☐ Yes ☐ No
  - *If so, which committee or committees?* The Property Development Committee

**Charter or Rules and Regulations Modification:**
- **Does this Resolution change the Charter or Rules and Regulations?** ☐ Yes ☒ No
  - *If yes, you need to give notice to the Board 15 days prior to the proposed change.*
  - *Changes to the Charter or Rules and Regulations must use the strike out format so change is clear to reader.*

**General Description and Purpose:** The resolution authorizes CHHIP, in its roles as a public corporation, manager of the project’s Managing Member, project sponsor, developer, property manager and guarantor, to negotiate, enter into, execute and deliver all debt, equity and other finance related documents required to complete the project, and to admit Seattle Chinatown-International District Preservation and Development Authority as a member of the Company with a 21% interest in the Company.

**Organizational requirements of resolution:** None

**Financial cost of the resolution:** The costs of securing, executing and delivering all project financing are financed with project sources.

**Pros:** This is a necessary step in the financing of the Bonanza Project.

**Cons:** None

**Further Board Action or Reporting:**
- **Is further action required from the Board or a Board Committee?** ☐ Yes ☒ No
  - *If yes, please describe:* Please include here whether full Board or Committee needs to take action, and anticipated dates for action.
- **Is further reporting required to the Board or a Board Committee?** ☒ Yes ☐ No
  - *If yes, please describe:* The Status of the Bonanza Project is included in the monthly Property Development report to the Board.
RESOLUTION ADOPTED AT A MEETING OF
THE BOARD OF DIRECTORS
OF
CAPITOL HILL HOUSING IMPROVEMENT PROGRAM,
A WASHINGTON PUBLIC CORPORATION
(Bonanza 1)

RESOLUTION 2019-06

WHEREAS, Capitol Hill Housing Improvement Program, a Washington public corporation ("CHH"), is organized pursuant to RCW 35.21.660, 35.21.670, and 35.21.730-755, and Seattle Municipal Code Ch. 3.110; and

WHEREAS, the purpose of CHH shall be to assist homeowners, property owners, residential tenants and residents of the Capitol Hill community and such other communities as may be approved by the Board, in preserving, improving and restoring the quality of their homes, property and neighborhood, and to provide additional housing, cultural, social and economic opportunities and facilities; and

WHEREAS, CH Development Association, a Washington nonprofit corporation ("CHDA"), was organized to support and carry out the purposes of CHH; and

WHEREAS, CHH previously adopted Resolution 2018-05 in connection with the Project (as hereinafter defined) authorizing CHH, in addition to other items, to serve as the initial limited partner of Bonanza 1 LLLP, a Washington limited liability limited partnership (the "Partnership"), to serve as the manager of Bonanza 1 GP LLC, a Washington limited liability company (the "Company") and to serve as the developer of the Property (as hereinafter defined); and

WHEREAS, CHDA and CHH have agreed that it is in the best interests of the Company to admit Seattle Chinatown-International District Preservation and Development Authority ("SCIDPDA") as a member of the Company with a 21% ownership interest in the Company; and

WHEREAS, CHH is the current owner of real property located at 1532 18th Avenue, Seattle, Washington ("18th Avenue Apartments"), and is the sole member of Ponderosa at Madison LLC, a Washington limited liability company ("Ponderosa LLC"), which is the owner of real property located at 1602 18th Avenue ("Ponderosa Apartments"). CHH is also the general partner of El Nor Limited Partnership, a Washington limited partnership ("El Nor LP"), which is the owner of real property located at 117 18th Avenue, Seattle, Washington ("El Nor Apartments"). The 18th Avenue Apartments, Ponderosa Apartments and El Nor Apartments are collectively referred to herein as the "Property"; and

WHEREAS, CHH will serve in several capacities in this transaction including, but not limited to, (i) in its own public corporation capacity, (ii) in its capacity as manager of the Company, (iii) in its capacity as manager of the Company in the Company’s capacity as general partner of the Partnership, (iv) in its capacity as seller of 18th Avenue Apartments, (v) in its capacity as the sole member of Ponderosa LLC, (vi) in its capacity as general partner of El Nor LP, (vii) in its capacity as sponsor of the Project, (viii) in its capacity as developer of the Project, (ix) in its capacity as property manager of the Project, (x) in its capacity as guarantor under the various
guarantees required in connection with the financing of the Project, and (xi) in its capacity as Governmental Lender of the Governmental Loan (together, the “Capacities”); and

WHEREAS, CHH, in its applicable Capacities, desires to participate in the development and rehabilitation of the Property as low-income housing (the “Project”) and will serve as the developer of the Property; and

WHEREAS, CHH, in its applicable Capacities, has entered into a Purchase and Sale Agreement with the Partnership for the 18th Avenue Apartments (the “18th Avenue PSA”), for a purchase price of $2,353,400, which purchase price may be modified by CHH, to be paid through the assumption of existing debt, cash and seller financing; and

WHEREAS, CHH, in its applicable Capacities, has entered into a Purchase and Sale Agreement with the Partnership for the Ponderosa Apartments (the “Ponderosa PSA”) for a purchase price of $5,340,800, which purchase price may be modified by CHH, to be paid through the assumption of existing debt, cash and seller financing; and

WHEREAS, CHH, in its applicable Capacities, has entered into a Purchase and Sale Agreement with the Partnership for the El Nor Apartments (the “El Nor PSA”) for a purchase price of $10,663,800, which purchase price may be modified by CHH, to be paid through the assumption of existing debt, cash and seller financing; and

WHEREAS, CHH, in its applicable Capacities, desires to assign the various seller financing in the above referenced Ponderosa PSA and El Nor PSA to CHH pursuant to a Tri-Party Assignment and Assumption Agreement (the “Tri-Party Agreement”); and

WHEREAS, CHH, in its applicable Capacities, desires that the Partnership purchase, rehabilitate, operate and own the Property, and in connection therewith CHH, in its applicable Capacities, desires to negotiate, enter into, execute, deliver and perform its obligations under any documents related to the purchase, sale, and conveyance of the Project, including but not limited to those Conveyance Documents listed on Exhibit C; and

WHEREAS, CHH, in its applicable Capacities, desires to negotiate, enter into, execute, deliver and perform its obligations under any documents related to the design, development and construction of the Project, including but not limited to those Development Documents listed on Exhibit C.

WHEREAS, the 18th Avenue Apartments and the El Nor Apartments are subject to separate Section 8 Housing Assistance Payment Contracts (each a “HAP Contract”) and will be subject to separate Use Agreements (each a “HUD Use Agreement”) to be recorded against the 18th Avenue Apartments and El Nor Apartments at closing, which will be concurrently assigned and assumed by the Partnership; and

WHEREAS, the Ponderosa Apartments is also subject to a separate HAP Contract and a Use Agreement and Amendment of Existing Regulatory Agreement for Nonprofit Mortgagors for Multifamily Projects Insured or Assisted Under Section 236 of the National Housing Act and Subject to the Low Income Housing Preservation and Resident Homeownership Act of 1990 with a Capital Grant and Sale of Property, as amended (“HUD LIHPRHA Use Restriction”), which will be assigned and assumed by the Partnership at closing; and
WHEREAS, CHH, in its applicable Capacities, desires to apply to the United States Department of Housing and Urban Development ("HUD") to amend the HUD LIHPRHA Use Restriction, in addition to approving the assignment and assumption of the 3 HAP Contracts and the renewal of the terms of the 3 HAP Contracts for 20 years; and

WHEREAS, CHH, in its applicable Capacities, desires to negotiate, enter into, execute, deliver two Regulatory Use Agreements (Extended Use Agreements) and an Amended and Restated Regulatory Agreement (Extended Use Agreement) and such other documentation as may be reasonably required in connection with obtaining the allocation of Federal Low-Income Housing Tax Credits (the “Tax Credits”), (collectively, the “Tax Credit Documents”); and

WHEREAS, CHH, in its applicable Capacities, executed the letter of intent dated July 25, 2018, a copy of which is attached hereto as Exhibit A from Wells Fargo Affordable Housing Community Lending and Investment, a North Carolina corporation, setting forth the preliminary terms under which Wells Fargo Affordable Housing Community Development Corporation, a North Carolina corporation (the “Limited Partner”) will make an equity investment in and be admitted as a limited partner of the Partnership; and

WHEREAS, the Limited Partner requires that its admission to the Partnership and the rights and obligations of the general partner of the Partnership, developer, property manager and guarantor be governed by an Amended and Restated Agreement of Limited Liability Limited Partnership and those Equity Investor Documents listed on Exhibit C, together with such other documentation as may be reasonably required in connection with the admission of the Limited Partner to the Partnership (collectively, the “Equity Documents”); and

WHEREAS, CHH, in its applicable Capacities, desires to negotiate, enter into, execute, deliver and perform its obligations under the Equit Documents; and

WHEREAS, CHH, in its applicable Capacities, pursuant to Resolution No. 2019-__ (the “Governmental Note Resolution”), has approved the issuance of a multifamily note in the amount of not to exceed $25,150,000 (the “Governmental Note”), the proceeds of which will be used to make a loan (“Governmental Loan”) to the Partnership to provide financing for a portion of the cost of the acquisition and rehabilitation of the Project; has determined the terms and covenants of the Governmental Note; has authorized the execution and delivery of a funding loan agreement with respect to the Governmental Note, a project loan agreement providing for repayment of the Project Loan (defined below) and the form of a regulatory agreement governing the use of the Project; has provided for the execution and delivery of the Governmental Note to Wells Fargo Bank, National Association (“Construction Lender”); and has authorized and directed appropriate officers of CHH to execute such documents as are useful or necessary to the purposes contained in the Governmental Note Resolution; and

WHEREAS, CHH, in its applicable Capacities, desires to negotiate, enter into, execute, deliver and perform its obligations under any documents related to the issuance of the Governmental Note, including but not limited to those Tax-Exempt Loan Documents listed on Exhibit C.
WHEREAS, CHH, in its applicable Capacities, will execute a letter of intent dated August 13, 2018, a copy of which is attached hereto as Exhibit B from the Construction Lender, setting forth the preliminary terms of a construction loan in an amount not to exceed $25,150,000 (the “Project Loan”); and

WHEREAS, CHH, in its applicable Capacities, will execute a commitment with Federal Home Loan Mortgage Corporation (“Freddie Mac”), setting forth the terms upon which, upon conversion and delivery of the Freddie Mac Documents listed on Exhibit C, that Freddie Mac will make a Freddie Mac Forward Tax Exempt Loan evidenced by the outstanding portion of the Governmental Note in an amount not to exceed $11,500,000 (the “Term Loan”); and

WHEREAS, the proceeds of the Governmental Note will fund the Project Loan which will be used solely to pay capital costs for the development of the Project and certain costs of issuing the Governmental Note; and

WHEREAS, CHH, in its applicable Capacities, desires to have the Partnership assume the existing loan from the State of Washington Department of Commerce (“State”) in the original principal balance of $485,000 (the “El Nor State Loan”); and

WHEREAS, CHH, in its applicable Capacities, desires to have the Partnership assume the existing loan from the State in the original principal balance of $230,000 (the “18th Avenue State Loan”); and

WHEREAS, CHH, in its applicable Capacities, desires to have the Partnership assume the existing loan from The City of Seattle (“City”) in the original principal balance of $2,540,000 (as subsequently amended to a principal balance of $810,392) (the “El Nor City Loan”); and

WHEREAS, CHH, in its applicable Capacities, desires to have the Partnership assume the existing loan from The City in the original principal balance of $880,000 (the “18th Avenue City Loan”); and

WHEREAS, CHH, in its applicable Capacities, desires that CHH be the beneficiary under the various seller financing, including the seller financing related to the El Nor Apartments and Ponderosa Apartments outlined in the Tri-Party Agreement as well as the seller financing related to the 18th Avenue Apartments, in the approximate aggregate amount of $11,500,000 (together, the “Seller Loan”); and

WHEREAS, CHH, in its applicable Capacities, desires to make a loan to the Partnership in the approximate amount of $6,500,000 (the “Sponsor Loan”); and

WHEREAS, the Partnership’s obligations with respect to the Governmental Note, Project Loan, the Term Loan, the El Nor State Loan, the 18th Avenue State Loan, the El Nor City Loan, the 18th Avenue City Loan, the Seller Loan and the Sponsor Loan will be evidenced by those Financing Documents listed on Exhibit C attached hereto, and such other documentation as may be reasonably required in connection with the making of the various loans to the Partnership, all with terms as approved by the Authorized Representative (as defined herein) (collectively, the “Financing Documents”); and
WHEREAS, CHH, in its applicable Capacities, desires to, negotiate, enter into, execute, deliver and perform its obligations under the Financing Documents.

RESOLUTIONS

NOW, THEREFORE, BE IT RESOLVED by the Board of CHH as follows:

1. The above recitals are hereby incorporated into these Resolutions.

2. That CHH, in its applicable Capacities, is authorized, empowered and directed to take such actions as may be reasonably required in order to acquire, construct, rehabilitate develop and operate the Project and for the Partnership to own the Property.

3. That CHH, in its applicable Capacities, is authorized to admit SCIDPDA as a member of the Company, and to enter into, execute, and deliver all such documents as may be required or advisable to be admit SCIDPDA to the Company.

4. That CHH, in its applicable Capacities, is authorized, empowered and directed to enter into the 18th Avenue PSA.

5. That CHH, in its applicable Capacities, is authorized, empowered and directed to enter into the Ponderosa PSA.

6. That CHH, in its applicable Capacities, is authorized, empowered and directed to enter into the El Nor PSA.

7. That CHH, in its applicable Capacities, is authorized, empowered and directed to enter into the Tri-Party Agreement.

8. That CHH, in its applicable Capacities, is authorized, empowered and directed to execute and deliver such documents as may be required for the Partnership to acquire the 18th Avenue Apartments, including, but not limited to, the Conveyance Documents listed on Exhibit C.

9. That CHH, in its applicable Capacities, is authorized, empowered and directed to execute and deliver such documents as may be required for the Partnership to acquire the Ponderosa Apartments, including, but not limited to, the Conveyance Documents listed on Exhibit C.

10. That CHH, in its applicable Capacities, is authorized, empowered and directed to execute and deliver such documents as may be required for the Partnership to acquire the El Nor Apartments, including, but not limited to, the Conveyance Documents listed on Exhibit C.

11. That CHH, in its applicable Capacities, is authorized, empowered and directed to execute and deliver such documents as may be required for the design, construction, rehabilitation, and development of the Project, including, but not limited to, the Development Documents listed on Exhibit C.
12. That CHH, in its applicable Capacities, is authorized, empowered and directed to submit all such documents as may be required by HUD to cause the HAP Contract for the 18th Avenue Apartments to be renewed for a 20 year term and to be assigned and assumed by the Partnership and to execute a Use Agreement for the 18th Avenue Apartments.

13. That CHH, in its applicable Capacities, is authorized, empowered and directed to submit all such documents as may be required by HUD to cause the HAP Contract for the El Nor Apartments to be renewed for a 20 year term and to be assigned and assumed by the Partnership and to execute a Use Agreement for the El Nor Apartments.

14. That CHH, in its applicable Capacities, is authorized, empowered and directed to submit all such documents as may be required by HUD to cause the HAP Contract for the Ponderosa Apartments to be renewed for a 20 year term and to be assigned and assumed by the Partnership and to execute an amendment to the HUD LIHPRHA Use Agreement for the Ponderosa Apartments.

15. That CHH, in its applicable Capacities, is authorized, empowered and directed to serve as the property manager of the Project.

16. That CHH, in its applicable Capacities, is authorized, empowered and directed to negotiate, enter into, execute and deliver the Tax Credit Documents listed on Exhibit C and such other documents as may be required in connection with the award of the Tax Credits.

17. That CHH, in its applicable Capacities, is authorized, empowered and directed to negotiate, enter into, execute and deliver the Equity Documents listed on Exhibit C and such other documents as may be required by the Limited Partner in connection with the Limited Partner’s admission to the Partnership.

18. That CHH, in its applicable Capacities, is authorized, empowered and directed to negotiate, enter into, execute and deliver the Financing Documents listed on Exhibit C, including, but not limited to, the Tax-Exempt Loan Documents, Project Loan Documents, Freddie Mac Loan Documents, El Nor State Loan Documents, 18th Avenue State Loan Documents, El Nor City Loan Documents, 18th Avenue City Loan Documents, Seller Loan Documents, Sponsor Loan Documents and any such other documents as may be required with respect to the Governmental Note, Project Loan (including, without limitation, the issuance, sale and conversion thereof), Term Loan, El Nor State Loan, 18th Avenue State Loan, El Nor City Loan, 18th Avenue City Loan, Seller Loan and Sponsor Loan.

19. That CHH, in its applicable Capacities, is authorized, empowered and directed to serve as the guarantor under, and negotiate, enter into, execute and deliver, the guarantees listed on Exhibit C and such other documents as may be required by the Limited Partner, Construction Lender, Freddie Mac and any other party providing financing for the Project.

20. That CHH, in its applicable Capacities, is authorized, empowered and directed to execute and deliver any other documents as may be required to finance the development and construction of the Project.
21. That CHH, in its applicable Capacities, is authorized, empowered and directed to undertake such further acts and to execute and deliver such other documents as may be deemed reasonably necessary or proper in order to carry into effect any of the provisions of these Resolutions.

22. That any and all documents hereby authorized to be executed on behalf of CHH are authorized to be executed or taken by any one of the following individuals, acting alone, or their duly appointed successors (the “Authorized Representatives”):

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robert Schwartz</td>
<td>Chair</td>
<td></td>
</tr>
<tr>
<td>Shalimar Gonzales</td>
<td>Vice Chair</td>
<td></td>
</tr>
<tr>
<td>Derrick Belgarde</td>
<td>Secretary</td>
<td></td>
</tr>
<tr>
<td>Frank Alvarado</td>
<td>Treasurer</td>
<td></td>
</tr>
<tr>
<td>Chris Persons</td>
<td>Chief Executive Officer</td>
<td></td>
</tr>
</tbody>
</table>

23. Any one Authorized Representative is authorized, empowered and directed to take such further action on behalf of the CHH, in its applicable Capacities, as such Authorized Representative may deem necessary to effectuate the foregoing.

24. That any and all acts authorized pursuant to these Resolutions and performed prior to the passage of these Resolutions are hereby ratified and affirmed.

[Remainder of Page Intentionally Blank]
CERTIFICATE

I, ________________, certify that I am the ___________ of Capitol Hill Housing Improvement Program (“CHH”) and that the foregoing Resolutions were duly adopted at a meeting of the Board of Directors of the Corporation held on ________________, 2019, in accordance with the Charter and Rules and Regulations of the Corporation upon proper notice and at which time a quorum was present and that the above named officers are officers of the Corporation and occupy the position set opposite their name.

Dated ________________, 2019 By:______________________________
Name: __________________________
Title: ____________________________
July 25, 2018

Muammar Hermanstyne
Senior Project Manager, Real Estate Development
Capitol Hill Housing
1620 12th Avenue, Suite 205
Seattle, WA 98112

Re: Bonanza Apartments
Seattle, Washington

Thank you for providing Wells Fargo Community Lending and Investment with the opportunity to become your tax credit equity investment partner in Bonanza Apartments. This term sheet is for discussion purposes only and sets forth general terms and conditions of a proposed equity investment in a Limited Partnership that will acquire, develop, own and operate the property described below. This term sheet does not represent or imply an offer to invest funds nor does it limit the terms and provisions that would be set forth in the Partnership Agreement.

In this term sheet, the language and terms highlighted in yellow are items to be discussed with you, as either the information was not provided, or is a term to which you should pay particular attention.

We welcome the opportunity to work with you, and your team, and we are anxious to show you the advantages of partnering with the Wells Fargo Companies.

Very Truly Yours,

Paul Buckland
Senior Vice President
Wells Fargo Community Lending & Investment
2030 Main Street, Suite 800
MAC# E2231-080
Irvine, CA 92614
work 949.251.6065
paul.buckland@wellsfargo.com
Investment Entity:  

Bonanza LLLP (the “Partnership”), with Bonanza Apartments GP LLC, a single-purpose, bankruptcy remote entity, wholly owned by Capitol Hill Housing (“CHH”) as General Partner with a 0.01% ownership interest in the Partnership, and Wells Fargo Community Lending and Investment (“Wells Fargo”), its affiliate or designee, as Investor Limited Partner, with a 99.99% ownership interest in the Partnership.

Project Name/Description:  

Bonanza Apartments (“Project”) consists of the rehabilitation of 87 affordable units in 3 scattered buildings in Seattle, Washington. Each building has a Project-Based Section 8 contract that will be renewed for 20 years at closing. Ponderosa Apartments is located on 1602 18th Avenue and consists of 23 one-bedroom units, El Nor is located at 117 18th Avenue and consists of 55 one-bedroom units, and 18th Avenue Apartments is located on 1532 18th Avenue and consists of 3 one-bedroom units and 6 two-bedroom units. The unit mix consists of the following:

<table>
<thead>
<tr>
<th># Units</th>
<th>Sq. Ft.</th>
<th>Unit Type</th>
<th>% AMI</th>
<th>Tax Credit Net Rent</th>
<th>Section 8 Net Contract Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>500</td>
<td>1 BR</td>
<td>30.00%</td>
<td>$576</td>
<td>$1,625</td>
</tr>
<tr>
<td>1</td>
<td>500</td>
<td>1 BR</td>
<td>35.00%</td>
<td>$672</td>
<td>$1,660</td>
</tr>
<tr>
<td>53</td>
<td>500</td>
<td>1 BR</td>
<td>50.00%</td>
<td>$960</td>
<td>$1,450</td>
</tr>
<tr>
<td>23</td>
<td>500</td>
<td>1 BR</td>
<td>60.00%</td>
<td>$1,152</td>
<td>$1,512</td>
</tr>
<tr>
<td>6</td>
<td>713</td>
<td>2 BR</td>
<td>30.00%</td>
<td>$648</td>
<td>$1,810</td>
</tr>
<tr>
<td>2</td>
<td>MGR</td>
<td>2BR</td>
<td>N/A</td>
<td>$800</td>
<td>N/A</td>
</tr>
<tr>
<td>87</td>
<td></td>
<td></td>
<td>Yearly aggregate</td>
<td>$1,016,256</td>
<td>Yearly overhang</td>
</tr>
</tbody>
</table>

Ponderosa Apartments is a 3-story apartment building and was originally constructed in 1969. CHH completed acquisition and modest exterior upgrades to the property in 2009. The property is restricted to the elderly. El Nor is a 4-story building and is occupied by two 1907 vintage apartment buildings that were renovated in 1986 with connecting areas that render them a single structure. The property was last renovated as a tax credit rehab in 2001 (syndicated by NEF & Key Bank). The property is restricted to Senior Citizens ages 55+. 18th Avenue Apartment is a single 2-story apartment building constructed in 1982. The property is assumed to be restricted to seniors.

Project Based Voucher Section 8:  

Bonanza Apartments will receive separate 20-year project-based voucher Section 8 contracts at each of the buildings for all 87 units from HUD subject to annual appropriations of the budgetary authority to HUD by the United States Congress.

Land & Entitlements:  

Fee simple. The sites are located at 1602 18th Avenue, 117 18th Avenue, and 1532 18th Avenue in Seattle, WA.
Credit Price to the Partnership:

<table>
<thead>
<tr>
<th>Estimated Credits Available to Partnership</th>
<th>$12,653,743</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investor Limited Partner’s Share of Credits Available</td>
<td>99.99%</td>
</tr>
<tr>
<td>Estimated Credits Available to the Investor Limited Partner</td>
<td>$12,652,478</td>
</tr>
<tr>
<td>Credit Price</td>
<td>$1.02</td>
</tr>
<tr>
<td>Investor Limited Partner’s Net Capital Contribution</td>
<td>$12,905,527</td>
</tr>
</tbody>
</table>

Net Investor Pay In:

Capital Contribution #1: $1,290,553 (10.00%) to be contributed upon the last to occur of the following: (i) Wells Fargo’s admittance to the Partnership, and (ii) receipt of all necessary permits, or a permit ready letter (iii) receipt of fully executed loan documents for all financing sources outlined in Other Notes and Conditions and (iv) receipt of fully executed Section 8 contracts covering all 87 units. The Capital Contributions of the Investor Limited Partner will be advanced at closing based upon the approved closing draw schedule, and any remaining funding to be advanced based on percentage of completion under a construction loan format (approved draws), allocated as follows:
- $790,553 to pay Construction Costs and other development costs,
- $500,000 to pay Developer Fees.

Capital Contribution #2: $11,064,974 (85.74%) provided that the construction loan is not in default, this amount (intended to be the amount sufficient to pay down the construction loan to the amount of the permanent mortgages) will be contributed upon the last of the following to occur: (i) final Certificate of Occupancy for 100% of the units in the property, (ii) 100% qualified occupancy (including units which are vacant but qualified) and 95% occupancy for a period of 90 consecutive days, (iii) permanent loan closing/ conversion of all Partnership Financing outlined in the Other Notes and Conditions section, if applicable, (iv) receipt of Draft Cost Certification for the Property from the Accountants, setting forth the eligible basis and the total available Tax Credits, (iv) the attainment of an annualized Debt Service Coverage Ratio (“DSCR”) for a period of 90 consecutive days, sufficient to achieve a 1.15 to 1.00 DSCR in the conversion year of the permanent loan; thereafter, to 1.15 to 1.00 DSCR in the 15th year of the compliance period. These DSCR parameters are set forth in item #14 of the “Other Notes and Conditions” of this term sheet, (v) evidence of receipt of Property Tax Exemption (or satisfactory evidence of pending issuance thereof) (viii) disbursement of Capital Contributions #1 and #2, or (ix) August 1, 2020, allocated as follows:
- $1,771,645 to pay Developer Fees,
- $326,404 to pay Operating Reserves,
- $597,932 to pay Replacement Reserves,
- $8,368,993 to pay down the Construction Loan

1 Credits assume acquisition basis of 90% of the value of the land and building per developer projections. This is subject to underwriting which will rely on a third party appraisal for the value of the land and building.
Capital Contribution #3: $500,000 (3.87%) will be contributed upon the latter of (i) receipt of IRS Form(s) 8609, (ii) Final review and approval by the allocating agency (iii) Final Cost Certification for the property, (iv) receipt of the Qualified Tenant Certificate (tenant file audit) from the Partnership Accountants or an approved reviewer, (v) submission of the Extended Use Agreement, (vi) satisfaction of conditions precedent to, and disbursement of, Capital Contributions #1 through #2, and (vii) February 1, 2021, allocated as follows:

- $ 500,000 to pay Developer Fees,

Capital Contribution #4: $50,000 (0.39%) will be contributed upon the latter of (i) receipt of Investor K-1s and Partnership Tax Returns which includes LIHTC delivery for each IRS Form(s) 8609 (ii) disbursement of Capital Contributions #1 through #3, or (iii) February 1, 2021, allocated as follows:

- $ 50,000 to pay Developer Fees.

Developer Fees: Developer Fees are estimated at $3,316,495, of which $494,850 is projected to be deferred. Any Deferred Developer Fees shall be paid as a priority distribution from available cash flow as described in the “Net Cash Flow Split” section of this term sheet. The Administrative General Partner agrees to make a special capital contribution to the Partnership, equal to any unpaid balance of the deferred portion of the Developer Fees, if such portion has not been fully paid within 15 years from the date of Certificate of Occupancy issuance. Developer fee structure is subject to review by WFB’s tax counsel.

<table>
<thead>
<tr>
<th>Payment Milestone</th>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partnership Close</td>
<td>Tax Credit Equity</td>
<td>$500,000</td>
</tr>
<tr>
<td>Permanent Loan Conversion</td>
<td>Tax Credit Equity</td>
<td>$1,771,645</td>
</tr>
<tr>
<td>Receipt of 8609</td>
<td>Tax Credit Equity</td>
<td>$500,000</td>
</tr>
<tr>
<td>Receipt of Tax Return</td>
<td>Tax Credit Equity</td>
<td>$50,000</td>
</tr>
</tbody>
</table>

Guarantor(s)/Covenants: The obligations of the General Partner as set forth in the Partnership Agreement, including but not limited to those described below, shall be guaranteed by the Developer Entity (if applicable), Capitol Hill Housing, or other entities/individuals acceptable to Wells Fargo pending Wells Fargo’s due diligence.

Obligations of the General Partner and Guarantor(s): Development Completion Guaranty: The Guarantors will guarantee completion of construction of the Project substantially in accordance with plans and specifications approved by Wells Fargo, which includes, without limitation, a guaranty (i) to pay any amounts needed in excess of the construction loan and other available proceeds to complete the improvements, (ii) of all amounts necessary to achieve permanent loan closing and (iii) to provide unlimited operating deficit loans to the Partnership until all conditions through Capital Contribution #4 have been satisfied. Any amount funded under the Development Completion Guaranty shall be treated as an interest-free Operating Deficit Loan and repaid from available Cash Flow and Net Proceeds upon sale or refinancing per the Net Cash Flow Split and Residual Split, respectively,
as outlined below. After Capital Contribution #4 is disbursed, payment of any outstanding Operating Deficit Loan shall be repaid from available Cash Flow and Net Proceeds upon sale or refinancing per the Net Cash Flow Split and Residual Split, respectively, as outlined below.

The General Partner will provide copies of each draw request, change orders and all supporting documentation to Wells Fargo simultaneously with submissions to the construction lender. The Investor Limited Partner shall have the right to approve change orders in excess of $50,000 per occurrence and $100,000 collectively; approval not to be reasonably denied. The construction contract shall be a fixed price contract, either a guaranteed maximum contract or a stipulated sum, and the general contractor shall be bonded in a manner satisfactory to Wells Fargo or a letter of credit shall be provided in a minimum amount set during the due diligence review.

If construction completion occurs without the full utilization of the then available debt and equity proceeds, subject to lender’s consent any construction cost savings shall be held in reserve and used, with the consent of the Investor Limited Partner, for Apartment Complex amenities or other depreciable costs, provided, however, if the Eligible Basis of the Apartment Complex is at least an amount sufficient to generate the amount of Credits specified in this term sheet, any construction cost savings will be used, with the consent of the Investor Limited Partner, to (i) pay any deferred developer fees, as allowed by soft lenders, or (ii) take such other measures to reduce the risk of the investment to the Investment Limited Partner.

**Operating Deficit Guaranty:** The Guarantors agree to provide unlimited operating deficit loans to the Partnership until all conditions of Capital Contribution #4 have been satisfied.

After all conditions of the Capital Contribution #4 have been satisfied, the Guarantors will provide an operating deficit guarantee of $652,808, equal to 6 months of operating expenses, replacement reserves and debt service, for 36 months. The General Partner may fund operating deficits from the Operating Reserve account prior to funding operating deficits resulting from the guarantee.

At the end of the 36-month period, the Operating Deficit Guaranty will be released, provided the Operating Reserves are fully funded in the amount of $326,404 and the project averages 1.15 DSCR or better for the last 12 months of the 36-month period, or any subsequent 12-month period. The release criteria will be attested to, and documented by the Partnership Accountants, based on audited numbers, and delivered to Wells Fargo or its successors.

**Tax Credit Adjusters:** The Guarantor will indemnify the Investor Limited Partner for any reduction, recapture, or late delivery of the Low Income Housing Tax Credits (“LIHTC” or “Credits”) in amounts determined as described below. The Partnership Agreement contains Credit Adjuster provisions designed to preserve the Investor Limited Partner’s yield in the event any expected Credits are not delivered as projected, as well as an upward credit adjuster for increased credits or faster delivery of credits capped at $200,000.
The projected aggregate LIHTC at equity closing will be determined by the projected qualified basis of the Partnership multiplied by the most recently published applicable percentage for the 30% present value credit, or the credit lock rate with the Agency/Authority, as applicable. Developer shall be required to credit rate lock the applicable percentage for the 30% present value credit at Equity Closing.

If an event occurs which affects the delivery of Federal aggregate LIHTC (e.g., shortage in basis in accountants final cost certification, or shortage in amount of LIHTC’s allocated by the Agency/Authority in IRS Forms 8609), then the Partnership Agreement will provide for a return of capital, to the Investor Limited Partner, net of any tax consequences, in an amount equal to the net credit price to the Partnership ($1.02) times the difference between (i) the projected aggregate LIHTC’s, less (ii) the adjusted aggregate LIHTC’s. The Partnership Agreement will provide a similar calculation for any increases to aggregate LIHTC’s.

If an event occurs, which affects the timing and delivery of Federal LIHTC (e.g., lease up slower than projected) allocable to the Investor Limited Partner in years 2019 or 2020, then the Partnership Agreement will provide for a return of such capital, to the Investor Limited Partner, net of any tax consequences, in an amount equal to the net credit price ($1.02) times the difference between (i) the shortfall in projected current year LIHTC’s, less (ii) the net present value of the shortfall in projected current year LIHTC’s for a 10 year period at a discount rate of 7.00%. The Partnership Agreement will provide a similar calculation for any increases in LIHTC’s delivered in years 2019 and 2020 over amounts projected.

There may be adjustment events occurring during the compliance period not considered or described in the aforementioned paragraphs. In the event that the actual amount of tax credits claimed by the Investor Limited Partner, is less than the amount specified, then the Administrative General Partner shall reimburse the Investor Limited Partner, on a dollar for dollar basis, for each lost dollar of Credit’s plus any resulting penalties, taxes due, or tax consequences. Similarly, if there is a recapture of Credit’s (except from the sale or transfer of the Investor Limited Partner’s interest in the Partnership), the Administrative General Partner shall indemnify the Investor Limited Partner against any tax credit recapture liability incurred (including interest, penalties, tax effects, or and any reasonable related legal or accounting costs).

In addition, to the extent any Tax Credit Adjuster owed to the Investor Limited Partner is solely attributable to a Change in Law, then such portion of the credit adjuster distribution or credit adjuster payment shall only be payable to the Investor Limited Partner from available Cash Flow and Net Proceeds upon sale or refinancing, in each case as a first priority distribution.

To the extent that any tax credit adjusters required to be made, are not made when due, the unpaid amount thereof shall bear interest at a rate equal to the lesser of (i) 7% per annum, compounded monthly, or (ii) the max interest rate permitted by law.

The General Partner and Guarantors will be obligated to repurchase Wells Fargo’s interest in the Partnership (less any tax credits already received and not recaptured) should the project fail to meet certain legal and operational performance criteria as outlined in the Partnership Agreement. The amount of the purchase price shall equal, as of the actual date of purchase, the sum of:
the aggregate amount of Capital Contributions and advances made by the Investor Limited Partner to the Partnership (less Credits previously allocated to the Investor Limited Partner prior to such purchase, but only to the extent that such Credits are not subject to recapture under the Code), plus

b) an amount of interest equal to 10% per annum thereon from the date of any Capital Contribution until the date of the Investor Limited Partner’s receipt of the Buyout Price, plus

c) the legal, accounting and internal costs incurred by the Investor Limited Partner in connection with its investment in the Partnership capped at $100,000, plus

d) the amount of any interest and penalties imposed on the Investor Limited Partner as a result of such purchase or its prior claiming of Credits with respect to the Partnership, plus

e) an amount that, on an After-Tax Basis, equals all transfer taxes or similar assessments incurred by the Investor Limited Partner in connection with its investment in the Partnership or the sale of its Interest pursuant to this Agreement, such amounts representing the parties’ good faith estimate of damages incurred by the Investor Limited Partner.

**LP Asset Mgmt. Fees:** An annual cumulative fee of $5,000, payable to the Limited Partner, commencing at the start of the tax-credit period, and increasing 3% annually.

**Incentive Management Fee:** 49.00% of the accumulated amount of cash flow and fees (including GP Asset Management Fee) to the General Partner (cannot exceed 50% per related party rules). The Incentive Management Fee will be payable to the General Partner from Net Cash Flow in the priority described below.

**Net Cash Flow Split:** Cash Flow to the Partnership shall be distributed as follows:

A. To Investor Limited Partner in payment of any amounts due as a result of any unpaid Credit Adjuster Amount, unpaid recapture amount, and unpaid Change in Law Adjusters, plus interest,

B. To Investor Limited Partner in payment of LP Asset Management Fees or any unpaid LP Asset Management Fees,

C. Unless the initial compliance period has expired, to the Operating Reserve until the Operating Reserve is fully funded at an amount of $326,404,

D. To the payment of any Loans provided by the Investor Limited Partner,

E. To the payment of any Deferred Developer Fees until the aggregate amount of Developer Fees paid from Investor Limited Partner’s Capital Contributions plus the amount of any Developer Fees paid from Net Cash Flow total $3,316,495,

F. To pay any deferred management fees owed to an affiliated property manager,

G. To the General Partner for payment of any unpaid Operating Deficit Loans,

H. Of the remaining balance, to pay the Residual Receipt Loans until all principal and interest are repaid,

I. Of the remaining balance, ten percent (10%) shall be distributed to the Investor Limited Partner,

J. To payment of Incentive Management Fee (subject to equity counsel review)

K. Any remaining cash 99.99% to the Limited Partner and .01% to GP

Note: Pursuant to related party rules, aggregate net cash flow distribution to the General Partner cannot exceed 50%.
Residual Split: Any gain upon sale or refinancing shall be distributed as follows:

A. First to fund reserves for contingent liabilities to the extent deemed reasonable by the General Partner and consented to by the Investor Limited Partner,

B. To Investor Limited Partner in payment of any amounts due as a result of any unpaid Credit Adjuster Amount, unpaid recapture amount, and unpaid Change in Law Adjusters, plus interest,

C. To Investor Limited Partner in payment of LP Asset Management Fees or any unpaid LP Asset Management Fees,

D. To State Investor Limited Partner in payment of State LP Asset Management Fees or any unpaid LP Asset Management Fees,

E. To the payment of any Loans provided by the Investor Limited Partner,

F. Unless the initial compliance period has expired, to the Operating Reserve until the balance in the Operating Reserve equals a required balance estimated to be $326,404,

G. To the Investor Limited Partner for payment of any exit taxes,

H. To the payment of any Deferred Developer Fees,

I. To pay any deferred management fees owed to an affiliated PM

J. To the General Partner for payment of any unpaid Operating Deficit Loans,

K. The balance shall be distributed 51.00% to the Limited Partner and 49.00% to General Partner

Limited Partner Put Option: Limited Partner Put Option - The Investor Limited Partner shall have the option to require the General Partner to purchase the Interests of the Investor Limited Partner at any time after the initial LIHTC compliance period, for consideration of $100. In the event that the Investor Limited Partner exercises the put option rights as set forth herein, the General Partner shall remain liable to the Investor Limited Partner for all recapture liability, indemnities, guarantees, liabilities and obligations to the Investor Limited Partner for matters accruing prior to the disposition of the Investor Limited Partner’s Interest, notwithstanding the disposition of the Investor Limited Partner’s Interest.

Right of First Refusal & Purchase Option: Right of First Refusal – Beginning on the first day of the end of the initial compliance period for the last building in the Apartment Complex the Partnership will not transfer, sell, alienate, assign, give, bequeath, or otherwise dispose of the Apartment Complex or any portion thereof to any third party that has made a bona fide purchase offer without first offering the Apartment Complex, for a period of thirty days, to the General Partner provided the General Partner is then serving as the General Partner of the Partnership. Within three (3) days of the Partnership’s receipt of a bona fide third party offer, the Partnership shall provide notice and a copy of such offer to the Investor Limited Partner, and after providing such notice and a copy of the offer to the Investor Limited Partner, the Partnership shall offer the Apartment Complex to the General Partner at the Refusal Right Sales Price. Notwithstanding the foregoing; (i) if there is a change of law or a ruling or other administrative guidance upon which the Partnership may rely on that would allow the Right of First Refusal to be changed to a right of first offer or a purchase option, the Right of First Refusal will be revised to incorporate the same; and (ii) following the end of the Compliance Period, the Limited Partner may, in its sole discretion, waive the bona fide third party offer requirement.
Refusal Right Sales Price: The sale price for the Apartment Complex pursuant to the Refusal Right shall be equal to the greater of (A) $100 or (B) the sum of (i) the principal amount of all outstanding indebtedness secured by the Apartment Complex (including any accrued interest and any loans to the Partnership by the Investor Limited Partner); plus (ii) an amount sufficient to enable the Partnership to distribute cash to the Partners pursuant to the liquidation provisions of the Partnership Agreement in an amount equal to the sum of (a) all federal, state, and local taxes of the Partnership and its Partners attributable to such sale; plus (b) the amount of any unpaid Credit Adjuster Distributions (net out any recapture that is directly and proximately caused by a Limited Partner transfer), plus interest; plus (c) Limited Partner Asset Management Fees owed to the Investor Limited Partner; plus (d) any other amounts owed to the Investor Limited Partner, without limitation, pursuant to the Partnership Agreement and associated documents, plus (e) any federal, state and local taxes owed by any Partner as a result of its receipt of such cash distribution related herein. For purposes of the prior sentence, any Credit Adjuster Distributions or Limited Partner Asset Management Fees, both of which are payable from Net Cash Flow and Net Proceeds of the Partnership Agreement, shall be considered to be “owed” to the Investor Limited Partner, notwithstanding that such amounts are payable on a contingent basis.

Refusal Right Closing & Expiration: The closing of a sale of the Apartment Complex pursuant to the Refusal Right shall occur within one hundred fifty (150) days after the General Partner notifies the Partnership of its intent to exercise such refusal right, but in no event prior to the end of the Compliance Period. The entire Refusal Right Sale Price shall be paid to the Partnership at the closing by assumption of outstanding indebtedness and, otherwise in cash or immediately available funds. If the General Partner fails to exercise the Refusal Right, or if the closing of the sale pursuant to the Refusal Right does not occur within the one hundred fifty (150) day period set forth, then unless otherwise mutually agreed, the Refusal Right shall expire.

Purchase Option:

Purchase Option – In addition to the Right of First Refusal, beginning on the first day of the end of the initial compliance period for the last building in the Apartment Complex, and extending 24 months thereafter, the General Partner shall have the right to either of the following Purchase Options:

a) Project Purchase Option - The Apartment Complex and any cash assets of the Partnership; or
b) LP Interest Purchase Option - The entire Interest of the Investor Limited Partner (and the Special Limited Partner, if any).

This purchase option may be exercised by the General Partner after giving written notice to the Investor Limited Partner, which shall provide the desired closing date for the purchase, which shall be no longer than 150 days, but in no event prior to the end of the Compliance Period.

Sales Price - The Sales Price of the Purchase Options shall be greater of:

a. Outstanding Debt & Taxes - The sum of $100 plus the amount of all outstanding debt (including any loans made by a Partner) and liabilities of the Partnership, plus an amount sufficient to distribute to the Investor Limited Partner an amount equal to the sum of:
   i. The amount of all federal, state and local income taxes which would be incurred by the Investor Limited Partner upon a sale of the
Apartment Complex for a price of $100 in excess of all debts of the Partnership, such tax to be calculated by assuming that the Investor Limited Partner is subject to tax on all allocated gain at the highest marginal corporate tax rate, and

ii. all unpaid amounts owed to the Investor Limited Partner under any provision of the Partnership Agreement, and

iii. an amount which, when added to the amounts calculated in (i) and (ii) above, and the aggregate amount is reduced by any federal, state and local income taxes owed thereon, will produce an amount equal to the amounts calculated in (i) and (ii) above; or

b. Purchase Options

i. Project Purchase Option - If the General Partner exercises the right to purchase the Apartment Complex and the cash assets, then the fair market value of the Apartment Complex and the cash assets.

ii. LP Interest Purchase Option – Alternatively, if the General Partner exercises the right to purchase the Interest of the Investor Limited Partner, the fair market value of the Investor Limited Partner’s Interest in the Partnership, which shall be determined as if the Apartment Complex and the cash assets were sold for its fair market value, as determined by a qualified appraiser acceptable to the Investor Limited Partner and the General Partner, and the net proceeds were applied in accordance with the liquidating distributions of the Partnership Agreement.

Determination of Fair Market Value: The fair market value of the Apartment Complex shall be determined by mutual agreement of the parties or, in the absence of such agreement, the General Partner and the Investor Limited Partner shall select a mutually acceptable appraiser who shall determine the fair market value of the Apartment Complex. In the event the parties are unable to agree upon an appraiser, each party shall select an appraiser. If the difference between the two appraisals is within ten percent (10%) of the lower of the two appraisals, the fair market value shall be the average of the two appraisals. If the difference between the two appraisals is greater than ten percent (10%) of the lower of the two appraisals, then the two appraisers shall jointly select a third appraiser. If the two appraisers are unable to jointly select a third appraiser, either the General Partner or the Investor Limited Partner may, upon written notice to the other, request that the appointment be made by the American Arbitration Association or its designee. The appraisals shall take into account any title restrictions and the requirement that the Apartment Complex remain dedicated for the use of low-income households pursuant to any restrictions under any loan agreements or regulatory agreements. If the third appraisal is less than either of the first two, then fair market value shall be the average of the two lowest appraisals. If the third appraisal is greater than the first two, then fair market value shall be the average of the two highest appraisals. If the third appraisal falls between the previous two appraisals, the fair market value shall be the value established by the third appraisal.

Appraisals: The General Partner and the Investor Limited Partner shall share the cost equally of any appraiser jointly selected or shall pay the costs of the appraiser they each select and shall share the cost equally of any third appraiser. Any appraiser selected shall be an MAI appraiser with at least five (5) years of experience in valuing
income-restricted multifamily rental property. The appraisals shall take into account any title restrictions and the requirement that the Apartment Complex remain dedicated for the use of low income households pursuant to any restrictions under any loan agreements or regulatory agreements, and any restrictions on the use of reserves imposed by lender.

**Project Purchase Option Closing:** The entire Project Purchase Option Sale Price shall be paid to the Partnership at closing in cash or immediately available funds, except for loans that are assigned and assumed by the General Partner unless otherwise mutually agreed. The General Partner shall be responsible for the costs of all attorneys’ fees of the Partnership, within reasonable market standards, incurred in connection with the closing.

**LP Interest Project Purchase Option Closing:** The entire LP Interest Purchase Option Sale Price shall be paid to the Investor Limited Partner at the closing in cash or immediately available funds, unless otherwise mutually agreed. For a sale under the LP Interest Purchase Option, the Investor Limited Partner shall be responsible for the costs of its own attorneys’ fees incurred in connection with the closing. All other costs of the purchase of the Interest shall be paid by the General Partner. Upon receipt of the LP Interest Purchase Option Sale Price, the Investor Limited Partner shall transfer its Interest to the General Partner, or designee of the General Partner.

**Purchase Option Expiration:** If the General Partner fails to exercise the purchase option, or if the closing of the sale does not occur within a one hundred eighty (180) day period, unless otherwise mutually agreed, this Agreement shall terminate.

**Termination:** The Purchase Option and Refusal Right shall be void and of no further force or effect upon (i) the removal or Withdrawal of the General Partner (or any Affiliate) from the Partnership as a General Partner, (ii) the admission of a party other than the current Partners into the Partnership without the Investor Limited Partner's written consent, or (iii) any material violation of any representations, warranties or covenants by the General Partner under the Partnership Agreement or the Guarantor under the Guaranty.

**For Projects With Non-Profit Partners:**

Wells Fargo will permit the sale of the project to an affiliated entity pursuant to the terms of a right of first refusal in accordance with Internal Revenue Code Section 42(i)(7).

**Replacement Reserves:**

The Partnership will fund $350 per unit per annum, with 3% annual increase, beginning at permanent loan conversion. The funds in the Replacement Reserve shall be held at Wells Fargo Bank (or with the first mortgage lender if required under its loan documents), shall not be used for any purpose other than capital improvements, and shall not be drawn without the prior consent of the Investor Limited Partner. Following the expiration of the initial Compliance Period applicable to all buildings in the Apartment Complex, funds remaining in the Replacement Reserve, if any, may either (A) remain in place, to be spent on capital expenditures and operating expenses of the Partnership in the reasonable discretion of the General Partner, or (B) be distributed as part of Cash Flow payments and distributions pursuant to the terms of the Partnership Agreement, if allowed by the Lenders.
Operating Reserves: The Partnership will fund an Operating Reserve in the amount of $326,404. The Operating Reserve shall be established at Wells Fargo Bank, National Association. Any withdrawal from the Operating Reserve shall require the signatures of both the General Partner and the Investor Limited Partner and shall be made to pay only operating expenses, debt service obligations, or other expenses of the Partnership as approved by the Investor Limited Partner, in the event that there are operating deficits. The funding will occur at Permanent Loan Conversion, as described in the “Net Investor Pay In” section of this term sheet, upon the funding of Capital Contribution #2. Any funds released from the Operating Reserve will be refunded from Net Cash Flow as described in that Section of this term sheet, up to $326,404. The Wells Fargo Operating Reserve may be used to pay Operating Deficits prior to the General Partner’s obligation to fund Operating Deficits through Operating Deficit Loans. Following the expiration of the initial Compliance Period applicable to all buildings in the Apartment Complex, funds remaining in the Operating Reserve, if any, may either (A) remain in place, to be spent on capital expenditures and operating expenses of the Partnership in the reasonable discretion of the General Partner, or be distributed in a manner that is consistent with the distribution plan as outlined in the Limited Partnership Agreement, if allowed by the Lenders.

Other Notes and Conditions: Wells Fargo reserves the right to adjust pricing and/or Capital Contributions herein based on Wells Fargo’s due diligence, which includes verification of the following information:

1) Partnership Financing - The General Partner must have firm commitment(s) for construction and fixed-rate permanent financing with terms, conditions and lender(s) acceptable to Wells Fargo. The amount(s) assumed for this letter are as follows:

   • $22,000,000 Wells Fargo Bank Construction Loan- The loan will have a variable rate and cushion as defined in the Construction Bridge Loan term sheet, an initial term of at least 20 months, with 2 three-months of extension option, and be repaid from equity and permanent proceeds. The loan amount may increase provided that construction period sources and uses balance.

   • $10,947,530 TBD Permanent Loan - This term sheet assumes that the loan will bear a fixed interest rate, which we are currently underwriting at 5.10%, with a 35-year amortization period, and a 18-year maturity. Wells Fargo requests that the permanent rate be locked for a period of 24 months. Wells Fargo will require a minimum DSCR on the first mortgage loan at the time of conversion to permanent sufficient to achieve a 1.15 to 1.00 DSCR and to maintain a projected minimum 1.15 to 1.00 DSCR throughout the 15-year initial compliance period assuming the underwriting parameters set forth in item #14 of the “Other Notes and Conditions” of this term sheet.

   • $510,198 State Permanent Loan - This term sheet assumes that the loan will bear an interest rate of 1.00% (simple interest) and mature in 2051. The Loan is repayable from net cash flow as detailed in the “Net Cash Flow Split” section of this term sheet until all principal and interest is fully repaid, and
any remaining unpaid principal and interest will be repaid at maturity. This loan will be funded at the time of Capital Contribution #1. The State Loan will be subordinated to the Seller Loan for capital account purposes.

- **$1,328,517 City Permanent Loan** - This term sheet assumes that the loan will bear an interest rate of 1.00% (simple interest), and mature in 2051. The Loan is repayable from net cash flow as detailed in the “Net Cash Flow Split” section of this term sheet until all principal and interest is fully repaid, and any remaining unpaid principal and interest will be repaid at maturity. This loan will be funded at the time of Capital Contribution #1. The City Loan will be subordinated to the Seller Loan for capital account purposes.

- **$15,789,510 Seller Note** - This term sheet assumes that the loan will bear an interest rate of 3.04% (AFR), and mature in 50 years. The Loan is repayable from net cash flow as detailed in the “Net Cash Flow Split” section of this term sheet until all principal and interest is fully repaid, and any remaining unpaid principal and interest will be repaid at maturity. This loan will be funded at the time of Capital Contribution #1. Note: WFB projections show that $13,494,236 of the Seller Loan proceeds are needed at closing to make the construction period sources balance. The $2,295,274 Seller Note proceeds not used to fund the acquisition, will be placed into a WFB controlled collateral account to be used to pay down the construction loan at conversion.

Please note that a material change in the loan amounts, interest rates, benefits or losses, or any material change that increases the amount of deferred developer fees (e.g. budget increases) could result in (i) lower credit pricing, (ii) a reduction of developer fees paid at closing or (iii) extended timing for the payment of capital contributions.

2) **Due Diligence to be Requested** - The Investor Limited Partner will request Development Team Profiles demonstrating the experience and expertise of the General Partner, Guarantor(s), Contractor and Management Agent, and information sufficient to perform a management company review (marketing plan, etc.). We will also request the personal and/or corporate financial statements, tax returns, real estate schedules, cash flow schedules, and background checks on the General Partner, general contractor, and guarantor(s). We will require accurate construction and development budgets. An equity closing will also be contingent upon receipt, review and approval of environmental, geotechnical, structural and geological reports, site inspection, appraisal, market study, Final Plans & Specifications, fixed price construction contract, contractor bonding, cash flow projections if applicable, and all leases. The Investor Limited Partner shall also request such other documents, instruments and certificates including, without limitation, opinions and other assurances, as the Investor Limited Partner or their respective counsel may require.

3) **Seismic Risk Assessment** - The Investor Limited Partner will also require a Level I, Seismic Risk Assessment [Probable Maximum Loss (“PML”) study] performed by an approved engineer conforming to current industry standards.
and assuming a 475-year cycle for a 90% Total Loss factor, will be required for all Apartment Complexes in zones 3 and 4. The Investor Limited Partner will require that investments in properties with PML results of greater than 20% will require earth movement insurance. **The cost of the study will be paid for by the Investor Limited Partner.**

4) **Additional Title & Survey Requirements** - Please have the surveyor provide a delineation of the wetlands, if applicable.

5) **Inspecting Engineer** - The Investor Limited Partner will engage an inspecting engineer to review the project plans and specifications prior to Partnership close. Wells Fargo debt and equity will rely on the same inspecting engineer to conduct their review. The cost of this service will be paid by the Partnership. The costs of inspections on monthly draws will also be paid by the Partnership if not available from the construction or permanent lender.

6) **Contractor Bonding** - The Contractor will be bonded, or Wells Fargo will be provided with a letter of credit for 15% of the contract amount. It is anticipated that the GC Contract and construction schedule will require 100% completion prior to February 1, 2020. “100% Completion” is to be defined as receipt of either final or temporary Certificate of Occupancy for 100% of the units in the property (provided TCO permits occupancy, and any remaining work does not impair occupancy).

7) **Hard Cost Contingency** - The Development Budget will include hard cost construction contingencies in an amount equal to the greater of $1,312,665 or at least 10% of the General Contract. The aforementioned hard cost construction contingency will be budgeted separate and apart from any amounts included in the General Construction Contract.

8) **Property Manager** - Wells Fargo requires that the property management company have a demonstrated history of positive performance and experience with multi-family and Low-Income Tax Credit properties. Wells Fargo reserves the right to approve any property management firm selected. The management agreement shall have an initial term of one year and shall be renewable annually thereafter. If the property manager is an affiliate of the General Partner, up to 100% of the management fees shall be deferred to the extent necessary to reduce the amount, or avoid the occurrence, of an operating deficit, such deferred management fees will be paid from cash flow in periods where the asset is performing. The Investor Limited Partner is underwriting the Partnership’s property management fees in the amount of 4.16% Adjusted Gross Income. The amount of the property management fees may increase annually but not in an amount which is in excess 4.16% of Effective Gross Income, or as approved by the Investor Limited Partner.

9) **Partnership Accountants** - The Accountants for the Partnership shall be either (a) CohnReznick, (b) Novogradac & Company, (c) Loveridge Hunt or (d) another accounting firm selected by the Partnership and approved by the Investor Limited Partner. The Accountants shall prepare tax and financial reports as set forth in the Partnership Agreement, including the final cost certification.
10) **Rental Advantages to Market** - During the due diligence period, prior to equity closing, the pro-forma rents per unit type, net of any applicable utility allowances, will be underwritten to the lesser of (a) a 15% rental advantage to current market rents, or (b) achievable rents both as supported by the Investor Limited Partner market study and the appraisal. In order to complete the underwriting of the rents and expenses, the General Partner will be expected to provide historical performance information with respect to LIHTC rents, occupancy, and expenses in other similar properties with LIHTC which support the underwritten rents and expenses for the project. The underwriting standard used to determine the rental market advantages will not be memorialized in the Partnership Agreement and will not be used to underwrite the rents after execution of the Partnership Agreement.

11) **Tax Credit Delivery** - The Capital Contributions are based on a projected Credit allocation to the Wells Fargo Partner as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Federal Low Income Housing Tax Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$509,008</td>
</tr>
<tr>
<td>2020</td>
<td>$1,265,248</td>
</tr>
<tr>
<td>2021</td>
<td>$1,265,248</td>
</tr>
<tr>
<td>2022</td>
<td>$1,265,248</td>
</tr>
<tr>
<td>2023</td>
<td>$1,265,248</td>
</tr>
<tr>
<td>2024</td>
<td>$1,265,248</td>
</tr>
<tr>
<td>2025</td>
<td>$1,265,248</td>
</tr>
<tr>
<td>2026</td>
<td>$1,265,248</td>
</tr>
<tr>
<td>2027</td>
<td>$1,265,248</td>
</tr>
<tr>
<td>2028</td>
<td>$1,265,248</td>
</tr>
<tr>
<td>2029</td>
<td>$756,240</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$12,652,480</strong></td>
</tr>
</tbody>
</table>
**Lease-Up Schedule** – The tax credit delivery is based upon the following lease-up schedule:

<table>
<thead>
<tr>
<th>Month</th>
<th>Year</th>
<th>LIHTC Units Rented</th>
<th>TOTAL UNITS RENTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>2019</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>February</td>
<td>2019</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>March</td>
<td>2019</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>April</td>
<td>2019</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>May</td>
<td>2019</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>June</td>
<td>2019</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>July</td>
<td>2019</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>August</td>
<td>2019</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>September</td>
<td>2019</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>October</td>
<td>2019</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>November</td>
<td>2019</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>December</td>
<td>2019</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>January</td>
<td>2020</td>
<td>52</td>
<td>52</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>87</td>
<td>87</td>
</tr>
</tbody>
</table>

Credit delivery and lease up schedules are subject to underwriting. Any changes to this schedule may impact pricing and timing of equity contributions. This credit delivery schedule assumes a November 2018 closing.

12) **Cost Recovery** - The pricing included in this conditional letter of interest also assumes that the development budget includes the following capitalized costs and applicable cost recovery periods:

<table>
<thead>
<tr>
<th>Cost Recovery Period</th>
<th>Capitalized Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 years – Residential Real Property</td>
<td>$19,382,989</td>
</tr>
<tr>
<td>30 years – Acquisition Residential Real Property</td>
<td>$18,573,737</td>
</tr>
<tr>
<td>20 years – Site Work</td>
<td>$200,000</td>
</tr>
<tr>
<td>10 years - Personal Property</td>
<td>$304,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$38,461,226</strong></td>
</tr>
</tbody>
</table>

Any deviations from this depreciation schedule may impact pricing.

13) **Permanent Loan Conversion Requirements/ Stabilized Operations Performance Requirements** - The Partnership Agreement will contain provisions requiring Investor approval prior to the satisfaction of certain performance criteria as described in Capital Contribution #2 based on the following conditions:

a) **DSCR** - Depending upon whether the Partnership obtains permanent debt, the Partnership will be subject to satisfying the following ratio:

i. Debt Service Coverage Ratio (“DSCR”) - The annualized DSCR must be sufficient to achieve a 1.15 to 1.00 DSCR in the permanent loan conversion year and to maintain a projected minimum 1.15 to 1.00 DSCR throughout the 15-year initial compliance period assuming the underwriting parameters set forth in this section #14.

b) **Hard Debt** - In the event that the Partnership is financed with permanent debt requiring annual debt service payments, then, subject to final underwriting, or Investor Approval at time of permanent conversion:
i. The size of the permanent debt, which requires must-pay periodic payments, may not be in excess of $10,947,530, subject to Wells Fargo’s final underwriting.

ii. The annually required must-pay debt service on the property may not be in excess of $671,412 or such amount that maintains a minimum 1.15:1.00 DSCR through year 15.

iii. Expected Loan Terms - Subject to final underwriting, the loan terms for the permanent financing described above is expected to have constant monthly payments amortized over a period of 35 years, and bear an interest at a rate of not more than 5.10%.

c) Subject to final underwriting, rents will assume to escalate at 2.0% per year,

d) Subject to final underwriting, at the time of Stabilization, the underwritten rents will be based on actual rents received from tenants in occupancy under signed leases, after giving effect to any rent concessions by spreading the amount of such concessions evenly over the term of the lease,

e) Rents for units having rental subsidies of any kind will be assumed to be the greater of permissible rents under the subject subsidy, permissible rents under Section 42 of the Code, and achievable LIHTC based upon market conditions; however, Rents from rent subsidies received from a project-based HAP contract with a term that extends past the initial compliance period, will be assumed to include rent subsidies received from the project based HAP Contract,

f) Subject to final underwriting, Other Income will be the lesser of (i) $0 ($0 less 5.0% vacancy), or (ii) actual other income,

g) Subject to final underwriting, Commercial Income will be the lesser of (i) $0 ($0 less 20% vacancy) per year, or (ii) actual Commercial Income,

h) Subject to final underwriting, vacancies will be assumed to be the greater of (i) 5.0% or (ii) actual vacancy,

i) Subject to final underwriting, annual operating expenses will be underwritten at the greater of (i) actual annual operating expenses (estimated at conversion), or (ii) $7,290 per unit per annum ("PUPA"), inclusive of replacement reserves of $350 PUPA, and Management Fees of $723 PUPA.

j) Subject to final underwriting, expenses will assume to escalate at the rate of 3.0% per year.

14) Tax Abatement: This term sheet assumes the Partnership will benefit from 100% property tax abatement. An opinion from the General Partner’s legal counsel affirming the tax abatement will be required before closing.

15) Residual Analysis - Due to the soft debt financing, the Investor Limited Partner may require a residual analysis that shows that all financing will be repaid at maturity.

16) Legal Counsel Review - Transactional structure, including cash flow allocations, residual splits, special allocation of losses, economic substance and tax allocations are subject to approval by legal counsel.
17) **Benchmark Dates** - The following dates were assumed for this term sheet:

<table>
<thead>
<tr>
<th>Benchmark</th>
<th>Projected Occurrence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partnership Closing</td>
<td>11/1/2018</td>
</tr>
<tr>
<td>Construction Completion</td>
<td>2/1/2020</td>
</tr>
<tr>
<td>100% LIHTC Occupancy</td>
<td>2/1/2020</td>
</tr>
<tr>
<td>Perm Loan Conversion/Stabilization</td>
<td>8/1/2020</td>
</tr>
<tr>
<td>Receipt of IRS Form(s) 8609</td>
<td>2/1/2021</td>
</tr>
<tr>
<td>Receipt of Tax Return with Credits on all Buildings</td>
<td>2/1/2021</td>
</tr>
</tbody>
</table>

18) **Site Work Letter** - Prior to closing the equity transaction, the Investor Limited Partner will receive, review, and accept, a letter from the Partnership Accountants, or other acceptable third party, stating which site work costs are includable in eligible basis.

19) **Wells Fargo Equity Investor** - At Wells Fargo’s discretion, the equity investment and associated Partnership ownership interest described herein may be direct via a Wells Fargo affiliate, or via a fund sponsored by a third party syndicator investing on Wells Fargo’s behalf. In the event that a fund execution is utilized, Wells Fargo will assume all associated investment fees charged by the fund sponsor.

20) **Patriot Act** - To help fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person or corporation who opens an account and/or enters into a business relationship.

21) **Extra-Ordinary Legal Costs of the Investor Limited Partner** - The parties hereto agree that the transaction described herein is anticipated to close on or before **November 30, 2018** (the "Closing Date"). Wells Fargo will engage a third-party legal review of documentation associated with the transaction (the "Legal Review"), which review will not commence until at least 70% of the items set forth on the accompanying Due Diligence Checklist are received and will not conclude until all noted items are received and approved. Wells Fargo has budgeted $80,000 (the "Fixed Fee Amount") for expenses associated with the Legal Review. **WELLS FARGO WILL PAY FOR THEIR LEGAL COSTS INCURRED DURING DUE DILIGENCE, HOWEVER, if for any reason the transaction described herein has not closed by the Closing Date, Wells Fargo may, in its sole and absolute discretion, elect to extend the Closing Date. In the event that Wells Fargo extends the Closing Date, in addition to any other conditions or requirements that may be imposed at that time, Developer agrees that it will pay any and all costs and expenses associated with the Legal Review in excess of the Fixed Fee Amount. Any Legal Review costs charged to the developer are only for time incurred after the extension in excess of the Fixed Fee amount.**

22) **Ground Lease** – N/A
23) **Soft Debt** - The term of all soft debt loans are subject to tax counsel review.

24) **Project NOI During Construction** – N/A

25) **Expiration of Terms & Pricing** - Terms and Pricing are subject to change if the transaction described herein does not close on or before December 31, 2018.

26) **Wells Fargo Equity & Debt Financing** - Wells Fargo will have the right of first refusal to participate in the transaction as Construction Lender where a conventional product is required.

**Due Diligence Process:**

When Wells Fargo has received an executed copy of their proposal, a Due Diligence Period will begin. The Due Diligence Period will be the greater of (i) a period of 30 business days, or (ii) a period which allows Wells Fargo at least 30 days after receipt of the last due diligence item to perform their review (as tracked by Wells Fargo’s Due Diligence Checklist), during which time the Investor Limited Partner will conduct a Due Diligence review and negotiate with the General Partner, in good faith, the open terms, if any, of their proposal.

The Due Diligence review may include such matters as the verification of factual representations made by the General Partner; a review of the Project documents; site visit; and an evaluation of the General Partner’s financial capacity to perform under the terms and conditions of this proposal and the Partnership Agreement; the experience and expertise of the General Partner, Guarantor(s), Contractor and Management Agent; the project area market; the construction schedule; the residual potential of the property; and other relevant factors. The review will also include a plan and cost review.

Prior to the termination of the Due Diligence Period, Wells Fargo will approve ("Approval"), approve with conditions, or reject the terms and structure of the proposed investment. Upon Approval, both parties will reaffirm their intent to enter into the Partnership Agreement upon the terms specified in this proposal.

**Legal, Closing, and Other Expense:**

If Wells Fargo reaffirms their proposal prior to the termination of the Due Diligence Period, but, the General Partner has offered the interest to another purchaser, the General Partner will be responsible for reimbursing Wells Fargo for all third party costs incurred in conducting the Due Diligence Review, including, but not limited to, legal fees, a market study, an appraisal, a background investigation and site visits.

**Not a Binding Contract:**

The purpose of this Term Sheet is to generally describe an investment Wells Fargo is considering. This Term Sheet is not a commitment to invest nor a commitment to be bound by the terms proposed herein, and no commitment to invest will exist prior to the negotiation and execution of a mutually satisfactory Operating Agreement or Partnership Agreement. Except with respect to confidentiality provisions and reimbursement obligations contained herein, it is expressly understood and the parties expressly agree that this Term Sheet does not create a legally binding agreement as to any of the parties. In addition, the terms contained herein are subject to change upon
the completion of the Bank’s due diligence, and as may be required pursuant to the Bank’s applicable investment criteria, credit policies, or underwriting standards as may be in effect from time to time, along with other factors relevant to making an investment decision.

Except with regard to the confidentiality obligations, this Term Sheet does not survive Closing of the transaction. This Term Sheet shall not limit or modify in any way the terms and conditions ultimately contained in an Operating Agreement or related agreements.

Both parties acknowledge that the investment terms contained in this LOI have not undergone a thorough legal vetting by respective counsel and agree to negotiate in good faith subsequent to legal review.

**Confidentiality:** The recipient of this Term Sheet agrees to keep all terms of this Term Sheet confidential, and shall not disclose the terms of this Term Sheet to any third party other than their attorneys, accountants or tax advisors, who must in turn treat that disclosure as confidential. Notwithstanding the foregoing, nothing contained herein shall be deemed to limit, in any way, the disclosure of the tax treatment or tax structure of the transaction to third parties.

**Expiration:** This Term Sheet and Letter of Intent must be executed and returned no later than August 8, 2018 or the proposal will expire.
At your convenience, please send an executed copy of this Term Sheet to the undersigned at Wells Fargo. Upon its receipt, Wells Fargo will prepare a Partnership Agreement and related documents consistent with the terms and conditions set forth above.

We are very excited about the prospect of working with you and your development team, and thank you for this opportunity.

Very Truly Yours,

Paul Buckland  
Senior Vice President  
Wells Fargo Community Lending & Investment  
2030 Main Street, Suite 800  
Irvine, CA 92614  
work 949.251.6065  
paul.buckland@wellsfargo.com

Agreed and Accepted this Day:

By:  
Muammar Hermanstyne

Its:  
Senior Project Manager, Real Estate Development

Date:  

The purpose of this Term Sheet is to generally describe an investment the Investment Limited Partner is considering. These terms are subject to change upon the completion of the Investor Limited Partner’s Due Diligence, and as may be required pursuant to the Investor Limited Partner’s applicable investment criteria, credit policies, or underwriting standards as may be in effect from time to time, along with other factors relevant to making an investment decision. These terms may not be changed or otherwise modified orally. This Term Sheet does not survive Closing of the transaction.

This correspondence is not a commitment to invest, and no commitment to invest will exist prior to the negotiation and execution of a mutually satisfactory Partnership Agreement.
August 13, 2018

Mr. Muammar Hermanstyne
Capitol Hill Housing
1620 12th Ave., Ste. 205
Seattle, WA 98122

Mr. Jeremy Wilkening
Capitol Hill Housing
1620 12th Ave., Ste. 205
Seattle, WA 98122

Re: Letter of Interest for the direct purchase of tax exempt bonds to fund the rehabilitation of the Bonanza Portfolio, which includes 87 units of affordable housing for low income individuals and families in three projects in Seattle, Washington.

Dear Mr. Hermanstyne and Mr. Wilkening:

This letter supersedes the previous LOIs dated May 3, 2018 and July 24, 2018. Wells Fargo ("the Bank") appreciates this opportunity to respond to your inquiry regarding construction financing for the Bonanza scattered site portfolio, which will provide affordable rental housing for low income individuals and families in Seattle, WA. The purpose of this letter is to outline some (but not all) of the preliminary proposed loan terms.

Based upon a preliminary review of the pro forma operating statements, development budget, cash flow projections and estimated sources and uses of funds schedule dated August 2, 2018, the Bank anticipates that the structure of the proposed loan would include, without limitation, the terms listed below.

The proposed loan structure and pricing may change based upon market conditions and the Bank's analysis of additional information you will provide. This letter is not a commitment to lend. Additionally, the Bank's preliminary analysis with respect to the proposed loan structure described in this letter is not, and must not be construed to be, an evaluation of the project for investment purposes or otherwise.

**CONSTRUCTION/TAX CREDIT BRIDGE LOAN:**

**Borrower:** Bonanza, LLLP

**Guarantors:** Capitol Hill Housing and other entities required by Bank shall provide full completion and repayment guarantees.

**Collateral:** The loan will be secured by (i) a first lien deed of trust on the property; (ii) an assignment of leases and rents; (iii) an assignment of all reciprocal easement agreements; and (iv) any other collateral deemed appropriate.
The Bank must approve all secondary financing. The Bank acknowledges that there may be subordinated debt and/or restrictive covenants relating to the federal Low Income Housing Tax Credits, City of Seattle funds, State of Washington funds and Seller funds.

**Purpose:** To provide monies to assist in the acquisition, development, construction of the proposed project, and possibly bridge a portion of the planned investment from Low Income Housing Tax Credits.

**Loan Amount:** The loan amount will be the lesser of:

- a) Approximately $22,000,000
- b) 80% of the total development cost to construct the Project, or
- c) 80% of the total real estate value plus tax credit value of the Project, as determined by an appraisal commissioned and accepted by Wells Fargo (the Bank’s “Investment Value”).

**Cash Equity:** The Bank reserves the right to determine the exact amount of cash equity based on the final structure of the transaction and loan.

**Tax Credits:** Bank understands that Borrower is applying for an allocation of Low Income Housing Tax Credits. Any construction and bridge loan would be contingent upon the sale of the tax credits to a purchaser acceptable to the Bank.

Borrower shall submit to Lender for Lender’s approval prior to close of the Loan a commitment from an investor or investors acceptable to Lender (“Investor”) to purchase the limited partnership interest(s) in Borrower and the Property in the approximate amount of $13,000,421 (“Investor Commitment”). The Investor Commitment shall be with Investors and upon terms acceptable to Lender (including conditions for funding and any funding adjustment provisions) and shall be in full force and effect at the time of closing of the Loan and shall remain in full force and effect during the term of the Loan until such time as Investor is admitted as a limited partner of Borrower as described above. Lender reserves the right to request and verify, to the Lender’s satisfaction, the names of the entities that make up the Investor that will be the end and actual users of the LIHTCs and may require written acknowledgement from these entities that they have agreed to honor the terms and pricing in the Investor Commitment. The Investor is required to enter the partnership agreement at construction loan closing with a minimum net initial investment equal to 10% and Lender may require a larger initial investment based on Investor, terms of Investment Commitment, and or changes in the overall structure of the transaction.

**Term:** The maximum term shall be twenty-four (24) months from the date of closing. The maximum term will not exceed the commitment term of the permanent lender.

**Extension Option:** Two three (3) month options to extend the loan term will be available to the Borrower, provided the loan is in good standing. The first extension will be at no cost and the second will require a fee equal to one-eighth of one percent (0.125%) of the loan commitment amount. In addition, the first extension is contingent upon
the property having obtained a Certificate of Occupancy and being at least 90% leased and occupied, and the second extension is contingent upon the property being at least 95% leased and occupied. Any extension must also fall within the committed term of the permanent lender. Any extension may be contingent upon the Bank requiring the Borrower to replenish the loan’s interest reserve account.

**Interest Rate:** One-month LIBOR plus 1.60%, more specifically, the outstanding balance on the Loan shall bear interest at a rate 1.60% in excess of one-month LIBOR, quoted by Lender as the London Inter-Bank Offered Rate for deposits in U.S. Dollars at approximately 9:00 a.m. Pacific. There shall be a LIBOR rate floor of 0.0%. The interest reserve shall be approved by the Bank, based on final project underwriting.

Note, the pricing described above is indicative pricing based on market conditions at this writing and may change.

**Repayment:** Interest only monthly on funds disbursed.

**Prepayment:** No restriction or penalty.

**Fees:** The origination fee will be 0.50% of the commitment amount. In addition, the Borrower must pay all of Bank’s out of pocket expenses incurred in the transaction, including without limitation, administration fee (estimated at $1,500), all direct closing costs, appraisal and appraisal review fees, plan and cost review, environmental review fees (estimated at $19,000), inspection fees (estimated at $1800/inspection), and miscellaneous minor direct costs such as courier expenses, UCC filing fees, and Tax Service Contract (estimated to total $500). If Wells Fargo is also the equity investor, reports will be shared internally in order to minimize costs.

**Legal Fees:** Bank estimates that there will be legal fees of approximately $45,000 for this transaction based on initial information provided. Such legal fees will be payable by Borrower and may vary depending on the extent of review necessitated by the complexities of the project and documents.

**Ground Lease:** Bank will require a leasehold interest in the property and the following Lender Protections to be included in the ground lease:
- Notice and cure rights upon Borrower default
- Right to take an assignment of the Ground Lease upon foreclosure
- Right to obtain a new Ground Lease upon the termination of existing ground lease for any reason including rejection of the ground lease in a bankruptcy proceeding
- Agreement that Ground Lessor will not modify the ground lease without Bank’s consent

If the Borrower is related or affiliated to the Ground Lessor, Bank will require the mortgage to be secured by the ground lessor’s fee interest in the property as well as the borrower’s leasehold interest.

**GENERAL CONDITIONS:**
Documents: Any loan must contain all the terms and conditions required by the Bank. The loan
documents must be satisfactory to the Bank and the Bank’s attorneys.

Construction Contract: Bank reserves the right to review and approve the construction contractor and
construction contract as to form, content, and values. The construction contract will
be a fixed price contract.

Appraisal: The Bank will require an appraisal ordered by the Bank, at the Borrower’s expense,
in form and substance satisfactory to the Bank prior to any funding of the proposed
loan.

Environmental: The proposed loan will be contingent upon the Bank’s satisfaction with a Phase I
environmental audit, to be submitted by the Borrower to Bank at Borrower’s
expense.

ADA Compliance: Acknowledgment from an engineer, architect or professional inspector, prior to
closing that the project complies with ADA.

RCW 19.36.140
Oral agreements or oral commitments to loan money, extend credit or to forbear from enforcing
repayment of a debt are not enforceable under Washington law.

This letter of interest will expire if not signed by August 17, 2018, unless re-affirmed by Wells Fargo. The terms
contained herein are confidential, and except for disclosure to your officers and employees, to professional
advisors retained by you in connection with this transaction, or as may be required by law, may not be
disclosed in whole or in part to any other person or entity without the prior consent of Wells Fargo Bank.

We look forward to working with you in the financing of this project. Please call if you have any questions
(206) 343-2714.

Sincerely,

Amy Mandell
Vice President

Accepted and Agreed:

[Signature]

Capitol Hill Housing

8/15/18
Date
Exhibit “C”
List of Documents

A. Tax-Exempt Loan Documents
   1. Funding Loan Agreement
   2. Project Loan Agreement
   3. Regulatory Agreement
   4. Federal Tax Exemption and Agreement
   5. Certificates
   6. Project Note
   7. TEFRA Notice
   8. IRS Form 8038

B. Development Documents
   1. A101 and A201 Construction Contract (Elevator Contract)
   2. A102 and A201 Construction Contract (Primary Contract)
   3. B101 Architect Agreement
   4. Engineering Contracts

C. Conveyance Documents
   1. 18th Avenue PSA
   2. Bargain and Sale Deed (18th Avenue)
   3. Real Estate Excise Tax Affidavit (18th Avenue)
   4. Assignment and Assumption of Work Product and Reimbursement Agreement
   5. Assignment, Assumption and Bill of Sale (18th Avenue)
   6. El Nor PSA
   7. Bargain and Sale Deed (El Nor)
   8. Real Estate Excise Tax Affidavit (El Nor)
   9. Assignment, Assumption and Bill of Sale (El Nor)
  10. Ponderosa PSA
   11. Bargain and Sale Deed (Ponderosa)
   12. Real Estate Excise Tax Affidavit (Ponderosa)
   13. Assignment, Assumption and Bill of Sale (Ponderosa)

D. HAP and TPA Documents
   1. HAP Contract (18th Avenue)
   2. HUD Use Agreement (18th Avenue)
   3. Assignment, Assumption and Amendment Agreement of Section 8 Housing Assistance Payments Contract (18th Avenue)
   4. HAP Contract (El Nor)
   5. HUD Use Agreement (El Nor)
   6. Assignment, Assumption and Amendment Agreement of Section 8 Housing Assistance Payments Contract (El Nor)
   7. HAP Contract (Ponderosa)
   8. First Amendment to Use Agreement and Amendment of Existing Regulatory Agreement (Ponderosa)
   9. Assignment, Assumption and Amendment Agreement of Section 8 Housing Assistance Payments Contract (Ponderosa)
E. Organizational Documents
   1. Amended and Restated Operating Agreement of Bonanza 1 GP LLC
   2. Indemnity Agreement
   3. Incumbency Certificates
   4. IRS Form 8832 (Entity Classification Election)
   5. IRC Section 168(h)(6)(F)(ii) Election

F. Equity Documents
   1. Amended and Restated Agreement of Limited Liability Limited Partnership
   2. Guaranty
   3. Right of First Refusal, Purchase Option and Put Option Agreement
   4. Incentive Management Fee Agreement
   5. Reimbursement and Assignment Agreement
   6. Security Agreement
   7. Asset Management Fee Agreement
   8. Development Fee Agreement
   9. Construction Contract Rider
   10. General Partner Representation Letter

G. Project Loan Documents
   1. Construction Disbursement Agreement
   2. Promissory Note Secured by Deed of Trust (One-Month LIBOR Rate, Adjusted Monthly)
   3. Allonge to Promissory Note Secured by Deed of Trust
   4. Construction and Permanent Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing
   5. Repayment Guaranty (Secured Loan)
   6. Completion Guaranty
   8. Pledge and Security Agreement
   9. Assignment of Deed of Trust and Loan Documents
   10. Collateral Assignment of Contract (Housing Assistance Payments Contract) (18th Avenue)
   11. Collateral Assignment of Contract (Housing Assistance Payments Contract) (El Nor)
   12. Collateral Assignment of Contract (Housing Assistance Payments Contract) (Ponderosa)
   13. Copartnership, Joint Venture or Association Borrowing Certificate
   14. Limited Liability Company Authorizing Partnership Activity
   15. Corporate Resolution Authorizing Execution of Guaranty and Indemnity and Endorsement and Hypothecation of Property (Capitol Hill Housing Improvement Program)
   16. Corporate Resolution Authorizing Execution of Guaranty and Indemnity and Endorsement and Hypothecation of Property (CH Development Association)
   17. Corporate Resolution Authorizing Limited Liability Company Activity
   18. Disbursement Instruction Agreement
   19. Agreement to Disburse Prior to Recording
   20. Assignment of Management Agreement
   21. Assignment and Subordination of Development Fee Agreement
   22. Assignment of Architectural Agreements and Plans and Specifications
23. Assignment of Construction Agreements

H. **Freddie Mac Documents**
1. Construction Phase Financing Agreement
2. Amended and Restated Project Note
3. Endorsement to Capitol Hill Housing Improvement Program Multifamily Note (Bonanza Portfolio Projects), Series 2019
4. Amended and Restated Multifamily Deed of Trust, Assignment of Rents, and Security Agreement - Washington
5. Guaranty – Multistate
6. Continuing Covenant Agreement
7. Recycled Borrower Certification (Direct Purchase of Tax-Exempt Loans Program)
8. Consent to Assignment of HAP Contract as Security for Freddie Mac Financing (18th Avenue)
9. Consent to Assignment of HAP Contract as Security for Freddie Mac Financing (El Nor)
10. Consent to Assignment of HAP Contract as Security for Freddie Mac Financing (Ponderosa)
11. Assignment of Management Agreement and Subordination of Management Fees

I. **18th Avenue City Loan Documents**
1. Amended and Restated Loan Agreement
2. Promissory Note (Restated Original)
3. Amended and Restated Deed of Trust, Assignment of Rents, Security Agreement, and Fixture Filing
4. Certificate and Indemnity Agreement Regarding Hazardous Substances and Building Laws
5. Assumption and Consent Agreement
6. FIRPTA Certification

J. **El Nor City Loan Documents**
1. Amended and Restated Loan Agreement
2. Promissory Note (Restated Original)
3. Amended and Restated Deed of Trust, Assignment of Rents, Security Agreement, and Fixture Filing
4. Certificate and Indemnity Agreement Regarding Hazardous Substances and Building Laws
5. Assumption and Consent Agreement
6. FIRPTA Certification

K. **18th Avenue State Loan Documents**
1. First Amendment to Housing Trust Fund Contract
2. First Amended and Restated Promissory Note
3. First Amended and Restated Deed of Trust
4. First Amended and Restated Low Income Housing Covenant Agreement
5. Assignment, Assumption and Consent Agreement

L. **El Nor State Loan Documents**
1. First Amendment to Housing Trust Fund Contract
2. First Amended and Restated Promissory Note
3. First Amended and Restated Deed of Trust
4. First Amended and Restated Low Income Housing Covenant Agreement
5. Assignment, Assumption and Consent Agreement

M. **Sponsor Loan Documents**
   1. Promissory Note (Bonanza – Sponsor Loan)
   2. Sponsor Deed of Trust (Sponsor Loan)

N. **Seller Loan Documents**
   1. Promissory Note (Bonanza – Seller Loan)
   2. Seller Deed of Trust (Seller Loan)
   3. Tri-Party Agreement

O. **Tax Credit Documents**
   1. Regulatory Agreement (Extended Use Agreement) (18th Avenue)
   2. Amended and Restated Regulatory Agreement (Extended Use Agreement) (El Nor)
   3. Regulatory Agreement (Extended Use Agreement) (Ponderosa)
   4. Election of Applicable Percentage
   5. Tax Credit Application

P. **Miscellaneous Documents**
   1. Priority and Subordination Agreement
   2. Reliance Certificate
   3. Mechanic Lien Indemnification
   4. Owner Title Affidavit(s)
   5. Non-Imputation Affidavit and Indemnity
   6. Estimated Closing Statement(s)
   7. Subordination Non-Disturbance and Attornment Agreement(s)
SECTION 7:
Consent Agenda
and Attachments
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CONSENT ITEMS

MINUTES AND REPORTS
1. April 2019 Draft Board Meeting Minutes (attached for adoption)
2. Committee Reports and Minutes (attached for acceptance)

DONATIONS, TRANSACTIONS OVER $10,000 OR 1-YEAR, AGREEMENTS WITH PUBLIC ENTITIES

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<th>Blended</th>
<th>Date</th>
<th>Bldg/Entity</th>
<th>Contract with:</th>
<th>Amount</th>
<th>Purpose</th>
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<td>Date</td>
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<td>Purpose</td>
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<td>March 25, 2019</td>
<td>UJ</td>
<td>Accord Contractors, LLC</td>
<td>$20,444.00</td>
<td>Repair, repave, restripe James Apts driveway and parking.</td>
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<td>April 23, 2019</td>
<td>UJ</td>
<td>K&amp;D Quality Painting</td>
<td>$24,200.00</td>
<td>Power wash and repaint entire bldg.</td>
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<td>April 19, 2019</td>
<td>UJ</td>
<td>Hulk Construction LLC</td>
<td>$10,423.00</td>
<td>Repair sidewalks at Union and James, and parking lot apron at Union.</td>
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<table>
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<th>Discrete (For informational purposes only)</th>
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<th>Contract with:</th>
<th>Amount</th>
<th>Purpose</th>
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</thead>
<tbody>
<tr>
<td>April 23, 2019</td>
<td>12AA</td>
<td>Able General Contracting, LLC</td>
<td>$21,689.00</td>
<td>Install wall and relocate vent fan garage level P2.</td>
<td></td>
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REGULAR BOARD MEETING MINUTES
Pike-Pine Room
1620 12th Avenue, Seattle

April 8, 2019

Members Present: Frank F. Alvarado III, Derrick Belgarde, Rachel Ben-Shmuel, Jill Cronauer, Bob Fikso, Chasten Fulbright, Cathy Hillenbrand, b.g. Nabors-Glass, Robert Schwartz, Rachael Steward

Members Absent: Dana Behar, Paul Breckenridge, Sara Cubillos (Emerging Leader Fellow), Shalimar Gonzales, Eric Snow

Staff Present: Robyn Dhatt, Jill Fleming, Greg Gibson, Michelle Lambert, Chris Persons, Michael Seiwerath, Sarah Shoemake (taking minutes), Jeremy Wilkening

Guests Present: Randall Lindsay

The meeting was called to order by Robert Schwartz at 5:30 pm.

Robert noted that the Tenant Communications Tracking document will be removed from the Consent Agenda, as it includes outdated information. Staff are restructuring the resident communications systems now and will have updated information for a future Board Meeting.

Frank noted that he attended the special meeting of the Executive Committee meeting on March 18th and as such his name should be included on the attendees list.

A motion to approve the amended Consent Agenda was made by Frank Alvarado, seconded by Derrick Belgarde and Rachael Steward, and passed unanimously.

Disclosures and recusals: Rachael Steward disclosed that she works at Seattle Housing Authority. b.g. Nabors-Glass disclosed that she works at Goodwill.

Board Member Resignation: Dana Behar submitted his resignation from the CHH PDA Board, effective this meeting. Chris and Rob thanked Dana for his eight years of service.

Public comment: Randall Lindsay, current CHH resident, shared his concerns about changes to the Garden Club at his building. The Portfolio Manager and Site Manager have met with him and there are future meetings scheduled with him and other residents to resolve the issue.
Presentation and Discussion

Robert noted that since Sara Cubillos’ suggestion to create strategic questions to promote productive Board discussions, the Meeting Keys in all meetings since have included strategic questions for presentations.

Pipeline Review: Jeremy updated the Board on the current projects in the Property Development Pipeline. The Board discussed onsite parking at the various development projects and requirements from the City, investors, etc. The Board also discussed changes to the population affecting unit size and the need for early learning as well as space for teenagers.

Real Estate Resolutions

Resolution 2019-04: South Annex Acquisition: Jeremy updated the Board on the South Annex/YouthCare project, noting that this resolution covers the purchase and sale agreement as well as predevelopment spending.

A motion to approve the Resolution 2019-04: South Annex Acquisition was made by Rachel Ben-Shmuel, seconded by Bob Fikso and passed unanimously.

Finance and Asset Management

Finance and Asset Management Report: Greg presented the regular April FAM Report and dashboard for February 2019, noting that there was an error in the original balance sheet which has been updated.

A motion to approve the updated April Finance and Asset Management Report was made by Chasten Fulbright, seconded by Frank Alvarado and passed unanimously.

Executive Committee and Governance

Branding update: Michael updated the Board on the branding process, noting that draft messaging would be received from the consultant in the next few weeks.

Public Accountability Report: Sarah Shoemake gave a presentation on the highlights of CHH’s annual public accountability report. This report showcases CHH’s commitment to public accountability and highlights our compliance to communication both with and from the Capitol Hill community and other members of the public, meeting and event notifications, community involvement and availability of information per the CHH Charter and Rules and Regulations and RCW 42.56.

Board Development:

Candidates - Chris updated the Board on potential new Board members in the coming months.
Returning Board Members - Rob referred the Board to the list of three Board members in the Packet who will be voted on for re-appointment.

A motion to reappoint Rachael Steward, Derrick Belgarde and Rachel Ben-Shmuel to the CHH Board for an additional three-year term each was made by Chasten Fulbright and Cathy Hillenbrand, seconded by Frank Alvarado and passed unanimously.

Racial Equity Task Force & Culture Committee Introduction: Chris introduced the two staff groups to the Board. He explained that the Culture Committee came out of 18 Point Plan created in August 2018. This group works on the communication, policies and norms of the organization. The Racial Equity Task Force (RETF) was started in June 2018. This group reviews the equity of the organization. The RETF surveyed staff and have shared input and recommendations to the Executive Team. Both teams worked to coordinate the upcoming All Staff Meeting. Chris suggested that the teams report up to the Joint Board Development Committee to then share information with the Board. Chris noted that the RETF requested that the staff Executive Team attend the People’s Institute Northwest Undoing Institutionalized Racism training, which they will all attend in May. Rachael suggested that the Executive Team schedule time after the training to debrief and determine tangible next steps. Chris will report back to the Executive Committee after the training.

Special Executive Committee Meeting: Chris explained that Rob requested a special Executive Committee meeting regarding an HR issue brought up at March Board meeting. The Special Meeting took place on Monday, March 18th. Chris noted that the HR Attorney advised that the CHH policies meet all legal requirements and advised on how to follow up with the issue.

The meeting was adjourned by Robert Schwartz at 7:32 pm.

Attested,

Derrick Belgarde, Secretary
May 13, 2019
May 2019 PROPERTY MANAGEMENT COMMITTEE
BOARD REPORT AND MINUTES

Property Management Committee Members:  b.g. Nabors-Glass, Chasten Fulbright, Derrick Belgarde, Felicia Cross
Staff Liaisons to the Board:  Terra Walsh, Ashley Thomas, Noah Wernstedt-Lynch
(BOLD indicates those members in attendance)

Date, time and location of meeting:  May 7, 2018 -3:00 –4:00 PM Belmont Conference Room
Date, time and location of next meeting:  June 3, 2018 -3:00 -4:00 PM Belmont Conference Room

Please note there were no Board members in attendance at the May Property Management Committee Meeting.

- **Elizabeth James Water Savings Project**
  - Scope – Replace all toilets, aerators, and shower heads for water conservation.
  - Status Complete.  OH to schedule inspection.

- **12th Ave Arts Theater Lobby Acoustics Project**
  - Scope – Install carpet, acoustic panels, and door seals.
  - Status – Added door sweeps.  On order.

- **Oleta Projects**
  - Apt 201/202 Renovation – Demo and reconstruct after rodent inspection and eradication.
  - Front Entry Hand Rail Installation (life/Safety issue).
  - Complete.

- **Broadway Crossing Paint Project**
  - Scope – Repaint front canopy, resident deck structures, and trim.
  - Status – Design completed.  Need condo approval for canopy work.

- **Fredonia Water Heater Replacement Project**
  - Scope – Replace existing gas water heater and associated piping and reinsulate tank and piping.
  - Status – Developing scope of work and send for bids April.  Tested for asbestos. No asbestos found.

- **Park Hill Water Damage Restoration Project**
  - Scope – Repair water damaged surfaces in apts 1, 4, 7, and the laundry room.
  - Status – Complete.

- **Larned Sprinkler Head Replacement Project**
  - Scope – Replace recalled sprinkler heads throughout bldg.
  - Status – Waiting for test results to determine if replacement needed.

- **Fleming Parapet Wall/Chimney Bracing Project**
  - Scope – Design and install bracing systems for URM bldg. construction.
  - Status – In for permit review.
• **Joe Black Indoor Air Quality Project**  
  o Scope – Identify cause of indoor air quality issues, design and install mitigation measures.  
  o Status – Heat pump and bath fan projects are Complete. Insulation bids received. Lighting out for bid. Windows/doors to be bid when docs received.

• **12th Ave Arts Bldg Commercial Door Project**  
  o Scope – Repair/replace exterior folding doors in commercial spaces.  
  o Status – Identified door mfr. Supplier getting contract docs together.

• **Lincoln Ct Structural Repairs**  
  o Scope – Install post/beam connectors in basement.  
  o Status – Complete

• **Union James Remodel Unit 105/207 (James) Project**  
  o Scope – Address mold and rodent issues.  
  o Status – In progress. Target mid-June.

• **Joe Black Remodel Unit 16/18 Project**  
  o Scope – Address mold issues.  
  o Status – In progress. Target mid-June.

• **Fleming Cable TV Wiring Relocation Project**  
  o Scope – Relocated cable TV wiring from exterior of building/repair wire molding.  
  o Status – On hold.

• **Oleta Cable TV Wiring Relocation Project**  
  o Scope – Relocated cable TV wiring from exterior of building/repair wire molding.  
  o Status – On hold.

• **Lincoln Ct. Cable TV Wiring Relocation Project**  
  o Scope – Relocated cable TV wiring from exterior of building/repair wire molding.  
  o Status – On hold.

• **Berneva Cable TV Wiring Relocation/Masonry Repair Project**  
  o Scope – Relocated cable TV wiring from exterior of building/repair wire molding.  
  o Status – Not funded.

• **Berneva Dormer Roof Repair Project**  
  o Scope – Repair dormer roofs (4).  

• **Union James REAC Repairs**  
  o Scope – Various repairs.  
  o Status – In progress with completion of all items by May 30, 2019.

• **12th Ave Arts HVAC Issue Project**  
  o Scope – Install enclosure around the heat pump units in P-2.  
  o Status – Start 4/25

• **Park Hill Masonry Repair Project**  
  o Scope – Reinstall bricks on south elevation.  
  o Status – Awarded to Anson Masonry. Permit submitted for review.

• **Park Hill Water Damage Repair Project**  
  o Scope – Repair water damaged sheetrock in units 1, 4, and laundry room.  
  o Status – Complete.
Building Operations:
- March monthly snapshot vacancy was 5.2%
- 12-month rolling vacancy rate was 3.8%

Explanation of select properties with high vacancies or large vacancy increases:

- **Bremer**
  - Five vacancies in March (one leased late in the month and two others leased in late April). Rent concessions related to error by prior Site Manager. Four have applicants attached, fifth vacated on 4/30/19.

- **Centennial**
  - Seven vacancies March (one was leased early in the month and another in early April). Unrecorded vacancy from prior month allocated to March. Five have new applicants & re-launching two of the units. Two applicants denied.

- **Joe Black**
  - Four vacancies in March.; two 3-bdr and two 2-bdr units with higher rents. Two require extensive maintenance repairs and clean up. One 2-bdr has scheduled move-in, waiting on SHA voucher.

- **John Carney**
  - Two vacancies in March, (both have scheduled move-ins). Rent concessions related to error by prior Site Manager.

- **Miller Park**
  - One vacancy in March (a 2-bdr unit with higher rents). 80% units have been hard to find qualified applicants. Multiple denials.

- **Oleta**
  - Eight vacancies March (one was leased early in the month). Most vacant units are on hold for rodent mitigation/investigation. Unrecorded vacancy loss dating back to December allocated to March. Units to be launched week of 5/3, no new rodent activity. New Site Manager to start week 5/3.
- **Ponderosa**
  - Three vacancies in March (one was hard turn due to water damage). All three units are held due to Bonanza resyndication project.

- **Union James**
  - Two vacancies in March (both are 2-bdr units with higher rents). Full renovations expect completion by mid-June.

- **Unity Village**
  - Three vacancies in March (one 3-bdr and two 2-bdr units). 3-bdr unit leased in late March and the 2-bdr units were leased in early April. Applications attached to all three units.

**Resident Services March**

**Rental Assistance:**
- 12 Residents applied for Rental Assistance
- 7 Residents received rental assistance
- 8 Residents attended Financial Fitness Workshops

**Rental Assistance Program**

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<td>Feb</td>
<td>$24,041.33</td>
<td>$8,350</td>
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<td>Mar</td>
<td>$21,491.33</td>
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<td>Apr</td>
<td>$5,446</td>
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<td>May</td>
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<td>$2,550</td>
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<tr>
<td>Total</td>
<td></td>
<td>$24,041.33</td>
</tr>
</tbody>
</table>

Page 84 of 98
Service Touches & Community Programs

231 Total Service Touches

124 Residents Accessed Community Programs
- 61 Tickets (Aquarium, Zoo, SAM) were provided to Residents
- 63 Residents attended a building event (Bingo, Community Meal, or Kelley Ross Senior Drug Education presentation)

107 Service Referrals from Resident Services Coordinators
- 30 Non-Referral Services: 1:1 check-in to follow up on service referrals, build relationships, as well as conversations between RSC and residents about PM complaints, MSP complaints, or conflict.
  - 21 Check-In
  - 6 Property Management Complaints
  - 1 Maintenance Complaints
  - 2 Resident Conflict
- 32 Resident Services Resource Line contacts: The Resident Services Resource Line is a phone line residents can contact to self-refer to Resident Services.
- 11 Employment Services Referrals
- 11 Utility Assistance Referrals
- 10 Rental Assistance Referrals (outside of CHH Rental Assistance Program)

13 Other Referral Types: Resources include Domestic Violence (3), Transportation (2), Food Assistance (5), Financial Services (1), Senior Services (1), and Youth
### Capitol Hill Housing

#### Asset Management Dashboard

**Year to Date as of March 31, 2019**

<table>
<thead>
<tr>
<th>Physical Vacancy (at month end)</th>
<th>Op Rev Per Unit</th>
<th>Op Exp Per Unit</th>
<th>Cash Flow Per Unit</th>
<th>Residential Acct. Rec. %</th>
<th>12-Month Rolling Avg.</th>
<th>Economic Vacancy</th>
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<td>Budget</td>
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</tr>
<tr>
<td>December 2017</td>
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<td>3,200</td>
<td>930</td>
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<tr>
<td><strong>Building</strong></td>
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</tr>
<tr>
<td><strong>Elizabeth James</strong></td>
<td>365</td>
<td>725</td>
<td>(360)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Four Twelve</strong></td>
<td>605</td>
<td>1,110</td>
<td>(505)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Joe Black Apartments</strong></td>
<td>825</td>
<td>1,640</td>
<td>(815)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Union James</strong></td>
<td>240</td>
<td>460</td>
<td>(220)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,370</td>
<td>4,030</td>
<td>(2,660)</td>
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<tr>
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<tr>
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<td>50%</td>
<td>20%</td>
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</tr>
<tr>
<td><strong>Rent Concessions</strong></td>
<td>15%</td>
<td>25%</td>
<td>10%</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Total</strong></td>
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<td>75%</td>
<td>30%</td>
<td></td>
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<tr>
<td><strong>Building</strong></td>
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</tr>
<tr>
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<td>45%</td>
<td>75%</td>
<td>30%</td>
<td></td>
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</tbody>
</table>

### Notes

1. After debt payments and reserve payments

2. Cumulative residential accounts receivable balance divided by monthly gross potential rental revenue

3. Portfolio Manager averages are averages across all unit turns and not averages across buildings

### Explanation of select properties with high vacancy or large vacancy increases:

- **Bremmer**: Five vacancies in March (one leased late in the month and two others leased in late April). Rent concessions related to error by prior Site Manager.
- **Centennial**: Seven vacancies in March (one was leased early in the month and another in late March). Unrecorded vacancy from prior month allocated to March.
- **Joe Black**: Four vacancies in March; two 3-bdr and two 2-bdr units with higher rents. One requires extensive maintenance repairs and clean up. One 2-bdr has scheduled move-in on 5/1.
- **John Carney**: Two vacancies in March (one has hard turn, both have scheduled move-ins). Rent concessions related to error by prior Site Manager.
- **Miller Park**: One vacancy in March (a 2-bdr unit with higher rents).
- **Oleta**: Eight vacancies March (one was leased early in the month). Most vacant units are on hold for rodent mitigation/investigation.
- **Unrecorded vacancy lost dating back to December allocated to March.

### Residential Vacancy Losses

- **Pondersoa**: Three vacancies in March (one was leased early due to water damage).
- **Unley Village**: Four vacancies in March (one 3-bdr and three 2-bdr units).

### Financials

- **Total Portfolio**

<table>
<thead>
<tr>
<th></th>
<th>Mar 19</th>
<th>3/31/19</th>
<th>3/31/19</th>
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<tr>
<td><strong>Vacancy</strong></td>
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<td>4.3%</td>
<td>4.3%</td>
</tr>
<tr>
<td><strong>Rent</strong></td>
<td>4.3%</td>
<td>4.3%</td>
<td>4.3%</td>
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<tr>
<td><strong>Total</strong></td>
<td>8.6%</td>
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</table>

### Other Notes

- **M:\Asset Management\AM - General Asset Management\Reporting\March-2019-AM dashboard.xlsx**
Board Report March 2019

2019 Capital Projects in Process/Pending:

• **Holden Vista – Reroof**: Design in progress. Working through issues with T-Mobile antenna installation.

• **Helen V – Window Replacement**: Soliciting for architect. New window design required.

• **Villa – Water Intrusion Repairs**: Investigation by envelope specialist in progress.

• **Broadway Crossing – Paint Project**: Working through issues with lender. Ready to bid.

• **Park Hill - Masonry Project**: Contract awarded to Anson Masonry. Contractor is not responding to calls.

• **Berneva – Masonry Repair**: Waiting for funding approval.

• **Holden Vista Water Line Replacement** – Waiting for funding.

• **Fredonia - Siding Replacement**: Contract with architect. Design to start in May.

• **Fleming Window Sill Repair/Repaint** – Waiting for funding approval.

• **Holden Vista – Water System Replacement**: Waiting for funding approval.

• **Oleta -Masonry Repair**: Waiting for funding approval.
May 2019 FUNDRAISING AND COMMUNICATIONS MEMORANDUM

To: Capitol Hill Housing Board of Directors   CC: Christopher Persons
From: Michael Seiwerath

Grants and Donations

In the last four weeks:
- A grant of $10,000 was awarded by Union Bank for general operations.
- A grant of $15,000 was awarded by the Hugh and Jane Ferguson Foundation for support of public realm planning.
- A grant of $25,000 was awarded by the City of Seattle Department of Neighborhoods for Public Realm Planning.
- A grant of $22,500 was awarded by the Seattle Foundation Communities of Opportunity Program from ongoing participation in the Yesler Community Collaborative. This award was made to a collation of organizations via the Yesler Community Collaborative, with CHH as one of the sub-grantees.
- Our request to the City of Seattle Dept. of Construction & Inspection requesting $55,000 for eviction prevention programs was declined.
- Our request to the Kresge Foundation requesting $100,000 for the Capitol Hill EcoDistrict was declined.

In the last 30 days, CHH Foundation staff has submitted the following proposals:
- A full proposal to the JPMorgan Foundation requesting $250,000 for equitable development.
- A request to the Kresge Foundation for $100,000 for planning and capacity building related to LGBTQ Senior Housing on Capitol Hill.
- A request to the Cathay Bank Foundation requesting $10,000 for general operations.

In addition to these new applications, proposals or LOI’s remain pending to the Satterberg Foundation, the Muckleshoot Charitable Fund, the Contorer Foundation, 4Culture, The Mark Torrance Foundation, and others.

Rise Together Capital Campaign

Recent grant and donation activity includes:
- The National Endowment for the Arts awarded $100,000 to the Capitol Hill Arts Stabilization Fund from the highly competitive national grant program Our Town. It is not a capital grant, but will fund staff and consultant time for planning and capacity-building around the project.
- Final proposed State Capital Budgets have been passed in the House and Senate, and both show two line items for the White Center Community HUB totaling $1.5M. It is not clear why these appropriations were not reconciled into a single line item, but it could be very good news for the Rise Together White Center campaign. In any case, it is clear that some level of funding for our White Center project made it into the final budgets. We will keep the Board updated as we learn more.
Rise Together Capital Campaign (continued)

- A $100,000 proposal to the USA Today charitable giving program was disqualified, as staff did not understand the eligibility requirements for fundraising through the grantmaker’s platform. As a result, fund development staff have revised our processes around how we decide to pursue grant opportunities and tracking opportunities post-submission.

Proposals still pending include a $300,000 proposal to the US Conference of Mayors for the Central District projects; a $75,000 proposal to Heritage Bank for the whole Rise Together campaign; and a $5M request to the Gates Foundation to support the whole campaign.

On the communications front, we are working with two graduate students from the University of Washington’s Communications Leadership program, who are providing pro-bono services to produce a short inspirational video about Rise Together. The intended use for the video is the Rise Together website homepage and social media.

Events

Top of the Town took place on May 2, 2019. The event raised $115,000 in sponsorship from 27 sponsors, which represents the largest number of sponsors to participate in a CHH event. However, the amount contributed by our sponsors was $5,000 less than in 2018 and $20,000 less than budgeted for 2019. Once sponsor seats and staff seats were accounted for, we sold general admission 42 tickets for the event, more than twice the number we had anticipated.

At the time of this memo, total income from the event equals $200,125, which includes sponsorships, ticket sales, pledges, donations made at the event, and donations made in lieu of attendance. We expect that number to rise as additional gifts come in over the coming days.

The date for Top of the Town 2020 has been set. Please join us at the Hotel Sorrento on Thursday May 7, 2020.

Omnivorous is confirmed for Thursday October 10 at Washington Hall in the Central District. Planning is about to begin in earnest with a meeting of the Omnivorous Committee later this month. We welcome participation from CHH Board members in this ad hoc committee, and ask anyone interested to be in touch Joshua Okrent, jokrent@capitolhillhousing.org.

Sponsorship opportunities for Omnivorous are now available at most levels. Board members with an interest in sponsoring the event, or those who have connections with organizations that may be interested, should be in touch with Joshua Okrent, jokrent@capitolhillhousing.org. To date $33,000 in sponsorship has been secured vs. a goal of $60,000.

We kick off Omnivorous planning with a “flash sale” for early ticket sales on May 16 & 17, 2019. During that time, tickets will be available online at a $10 discount. Tickets normally $85 will sell for just $75. Tickets are available at https://splashthat.com/sites/view/omnivorous19.splashthat.com and we encourage all Board members and their networks to purchase tickets during that time.

To open the Flash Sale, CHH is hosting a Happy Hour at Rachel’s Ginger Beer in the 12th Avenue Arts Building on Thursday May 16 from 5:00-7:00 PM, with the first 50 drinks complementary, and drinks at Happy Hour pricing for our guests for the remainder of the evening.
Communications

We went to print for the annual Capitol Hill EcoDistrict report mid-month. Communications staff supported the All Staff gathering in their roles on the Culture Task Force and Racial Equity Task Force by facilitating and contributing sweat equity. In Late April, our strategic communication consultants Provoc visited to share a feedback summary and test draft messaging with previous participants and a combined meeting of Foundation and PDA board members. Provoc has since provided a draft messaging guide incorporating reactions from their visit. After a last round of consolidated CHH feedback, they will then provide a final messaging guide and which will close out this phase and move us to naming. The Communications Team also completed marketing support for Top of the Town the first week of May.

April saw 24 media mentions, largely related to Liberty Bank Building and the upcoming Yesler Family Housing project with SCIDpda. This included coverage by national outlets such as the LA Times and Washington Post. See links to articles below in the soft copy version of this packet.

<table>
<thead>
<tr>
<th>Date</th>
<th>Article Title</th>
<th>Outlet</th>
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<tr>
<td>4/2/2019</td>
<td>Washington Ensemble Theatre Presents Erin Markey's SINGLET</td>
<td>Broadway World</td>
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<td>4/12/2019</td>
<td>The Liberty Bank Building preserves the Central District's past while looking toward the future</td>
<td>King 5</td>
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<tr>
<td>4/3/2019</td>
<td>On the List</td>
<td>SpringShot festival, Balikbayan Filipino Eats pop-up, poet Morgan Parker</td>
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<td>4/17/2019</td>
<td>District 3 renters speak out as Mandatory Housing Affordability public hearing comes to Capitol Hill</td>
<td>CHS Blog</td>
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<tr>
<td>4/15/2019</td>
<td>Really Really Theatre Group Presents Duncan Macmillan's LUNGS</td>
<td>Broadway World</td>
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<td>4/16/2019</td>
<td>Seattle takes a small step against gentrification</td>
<td>LA Times</td>
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<td>4/16/2019</td>
<td>Provider selected for program to restore homelessness outreach to Broadway</td>
<td>CHS Blog</td>
</tr>
<tr>
<td>4/15/2019</td>
<td>That Brown Girl Cooks, Caters and Now Owns</td>
<td>South Seattle Emerald</td>
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<tr>
<td>4/18/2019</td>
<td>SCIDpda leads Yesler Terrace redevelopment with new affordable housing project for 2021</td>
<td>International Examiner</td>
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<td>4/17/2019</td>
<td>When the subduction zone quake finally happens, it may take decades to recover. But will there be equity in the rebuilding process?</td>
<td>Real Change</td>
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<td>4/22/2019</td>
<td>Sam Wan and SCIDpda to be honored at ICHS Bloom Gala</td>
<td>Northwest Asian Weekly</td>
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<td>4/22/2019</td>
<td>15 things CHS heard at the chamber’s Capitol Hill Homelessness Forum</td>
<td>CHS Blog</td>
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<td>4/26/2019</td>
<td>Seattle barber Earl Lancaster remains amid swirl of displacement</td>
<td>PSBJ</td>
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<tr>
<td>4/26/2019</td>
<td>Barber’s New Lease Signals Growth within Central District</td>
<td>Seattle University</td>
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<td>4/26/2019</td>
<td>Look ahead: the hottest Seattle events for May 2019</td>
<td>Seattle Times</td>
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<td>4/29/2019</td>
<td>Who’s accountable for saving Seattle’s cultural districts? All of us</td>
<td>Seattle Times</td>
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<td>4/26/2019</td>
<td>Who Gets to Future? Race, Representation, and Design Methods in Africatown</td>
<td>Make4All / UW</td>
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<td>4/26/2019</td>
<td>Black church puts $4.5M plan to exit 23rd and Union into motion</td>
<td>CHS Blog</td>
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<td>4/29/2019</td>
<td>Plymouth Pillars, music, and good dogs — Goodbye to the Mayor of Melrose</td>
<td>CHS Blog</td>
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# 2019 Capitol Hill Housing Budget and Actuals

Updated May 7, 2019

## Unrestricted Budget

<table>
<thead>
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<th>2019 Goal</th>
<th>2019 Actual</th>
<th>% to Goal</th>
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<tr>
<td>Individual</td>
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<td>Events &amp; Sponsorships</td>
<td>$234,000</td>
<td>$156,000</td>
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<tr>
<td><strong>TOTAL</strong></td>
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<td><strong>$485,828</strong></td>
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## Restricted Budget

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<th>2019 Actual</th>
<th>% to Goal</th>
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<td>Individual</td>
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<td>$</td>
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<td>Events &amp; Sponsorships</td>
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<td>$</td>
<td>0.0%</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$45,000</strong></td>
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## Combined Budgets (Restricted & Unrestricted)

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<th>2019 Actual</th>
<th>% to Goal</th>
</tr>
</thead>
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<tr>
<td>Government</td>
<td>$12,500</td>
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<tr>
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<td>28.4%</td>
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<tr>
<td>Individual</td>
<td>$235,000</td>
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<td>62.3%</td>
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<tr>
<td>Events &amp; Sponsorships</td>
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<td>66.7%</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$964,288</strong></td>
<td><strong>$520,487</strong></td>
<td><strong>58.1%</strong></td>
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MAY 2019 PROPERTY DEVELOPMENT BOARD REPORT AND MINUTES

Property Development Committee Members: Dana Behar, Rachel Ben-Shmuel, Andrew Brand, Paul Breckenridge, Liz Dunn, Bob Fikso

Staff Liaisons to the Board: Chris Persons, Jill Fleming, Jeremy Wilkening
(BOLD indicates those members in attendance)

Date, time and location of meeting: May 7th, 2019 5:30-6:30 pm Belmont Conference Room
Date, time and location of next meeting: June 3rd, 2019 5:30-6:30 pm Belmont Conference Room

First, note that in June we are meeting on Monday June 3rd and will be joined by AP Hurd and will discuss the middle-income housing initiative.

The PDC discussed the Bonanza transaction and reviewed the pro forma as well as reviewed the board resolution that will be presented at the May board meeting. Jeremy shared the project proforma and reviewed to the committee how the seller note works, how much the project is spending on construction, and how much developer fee CHH will receive for the project. The Committee overall agreed with the amount being spent on construction and developer fee pay-in.
APRIL 2019 COMMUNITY DEVELOPMENT COMMITTEE BOARD REPORT

Committee members: Derrick Belgarde, Rachel Ben-Shmuel, Sara Cubillos, Eric Snow, Rachael Steward
Staff Liaisons to the Board: Alex Brennan, McCaela Daffern, Joel Sisolak
(BOLD indicates those members in attendance)

Date, time and location of meeting: March 21, 2019 1-2pm, Belmont Conference Room
Date, time and location of next meeting: June 20, 2019, 1-2pm, Belmont Conference Room

The Committee discussed its work plan and expressed concern over the impacts of the departure of Steve Sawada as Community Liaison. Joel agreed to offer a follow up meeting with missing members.

Staffing Transition: Steven Sawada has left employment with Capitol Hill Housing for a position with the City of Tacoma. There is no immediate plan to refill the Community Liaison position. McCaela Daffern is also leaving CHH effective April 12. She has accepted a position with King County.

Capitol Hill EcoDistrict Steering Committee: The Steering Committee will host an all-day planning retreat on April 19 at Northwest School. The focus of the retreat will be increasing collaboration among partner organizations in the neighborhood.

Mandatory Housing Affordability (MHA): On March 20th, Mayor Durkan signed Mandatory Housing Affordability into law in the lobby of 12th Ave Arts. She was joined by a diverse coalition of leaders who came together to shape and support passage of this historic legislation that will create 6,300 units of affordable housing over the next ten years. Over the past three years, S&P staff attended dozens of hearings and meeting on this topic and spent countless hours building the capacity of the Capitol Hill Renter Initiative participants to engage in this policy debate.

Protected Bike Lane: On March 5th, Joel Sisolak and partners from Seattle Central Greenways and Seattle Neighborhood Greenways shared the unique community engagement model we developed for the fall 2018 Pike Pine Protected Bike Lane Community Design Workshop with members of the City Council’s Sustainability and Transportation Committee. At the meeting, Joel encouraged the City to consider how this model could be adapted and replicated in other communities as a means for providing public input into future infrastructure investments. Rob Johnson had these encouraging words to say: “I just want to say thanks. As somebody who has political ownership over a controversial protected bike lane, to watch community members come together to try to find collaborative solutions is really great.”

Climate Health Initiative: In March, we submitted a Letter of Interest to the Kresge Foundation’s Climate Change, Health, and Equity Initiative. In partnership with Byrd Barr Place, EcoDistricts, and several to-be-determined pilot communities, we will develop a model of community development for low-income communities and communities of color to organize and participate in planning for anticipated transit stops. Our hope is that communities will be empowered to direct growth and build capacity to influence public policy so that they are able to build and maintain healthy, resilient neighborhoods rather than be
Community Development Committee
May 2019 Report
Page 2 of 2

further displaced. This work builds on a health equity initiative led by Byrd Barr Place and will focus on climate-related health risks, such as air pollution, food insecurity, housing insecurity, and pedestrian safety. Byrd Barr Place is currently working with the Urban League, the Governor’s Commission on African American Affairs, Kaiser Permanente, the Group Health Foundation, the Seattle Foundation, and Pacific Hospital to deepen understanding of the ways that health disparities affect African American communities in WA.

Copenhagen Masterclass: A delegation of policy makers and local leaders will travel to Copenhagen August 11-16 to study world-renowned public spaces and public life. Leaders from Seattle U, Seattle Central, Kaiser Permanente, City government and Sound Transit will join Joel, Chris and Alex on the trip.

Pesticide Free Capitol Hill: The Capitol Hill EcoDistrict has partnered with the Northwest Center for Alternatives to Pesticides (NCAP), Seattle Audubon, Seattle University, and Seattle Parks and Recreation to establish Capitol Hill as a pesticide free neighborhood. With NCAP, we recently submitted a Letter of Interest to the King County WaterWorks grant program for funding to attain a formal Pesticide Free Park designation for Cal Anderson Park, forming a habitat corridor to connect to wildlife refuges at other sites in the neighborhood. Additionally, this funding will help us to develop a volunteer stewardship program to maintain the park and to create an outreach and education strategy to connect with property owners.

Support for Lowell Elementary: We got a great piece of news from our friends at Country Doctor that Kaiser Permanente has awarded $60,000 grant for planning a School-Based Health Center at Lowell Elementary School.
A School Based Health Center (SBHC) is exactly as the name implies: the center for health in a local school. They can provide a range of services, including primary medical care, mental/behavioral health care, dental care, health and nutrition education, etc.
Last June, the CH EcoDistrict hosted a forum with Lowell and other education leaders on how we might support education success in the neighborhood. Successive discussions pointed to the need to address the health needs of students and then to this application. Lowell submitted the application to Kaiser Permanente with Country Doctor. CHH provided a letter of support.

Pesticide Free Park: CHH and the EcoDistrict are collaborating with multiple public and private partners to improve the health of Cal Anderson Park and secure its designation as a “Pesticide Free Park.” We intend to build from this designation to encourage healthy landscaping practices throughout the EcoDistrict and develop a habitat corridor on 11th Avenue that connects Cal Anderson Park with Volunteer Park. We’ve submitted joint funding applications with Seattle Audubon and the Northwest Center for Alternatives to Pesticides (NCAP). NCAP has existing funding that will support a community education event in Cal Anderson Park in the summer.

Olympia EcoDistrict Forming: In November, a delegation from Evergreen and the Commons attended an EcoDistricts Foundation Course in Seattle hosted at Langston Hughes. CHH and the Central Area Collaborative shared info about our respective EcoDistricts. Joel then lectured at Evergreen and participated in a series of meetings with Olympia’s mayor, City Councilmembers, faith leaders, neighborhood groups.
At a packed March 14 forum at Traditions Café near the Capital Campus. Joel headlined this fun community meeting about forming a new Olympia EcoDistrict that builds on the energy and wisdom from the Commons and spans downtown, perhaps evening including the Capital. Approximately 150 people attended representing local businesses, state workers, community groups and civic leaders.
Executive Committee Members: Robert Schwartz (Chair), Shalimar Gonzales (Vice Chair), Frank Alvarado (Treasurer), Derrick Belgarde (Secretary), Cathy Hillenbrand (Immediate Past Chair)

Staff Liaisons to the Board: Chris Persons, Sarah Shoemake (taking minutes)

Date, time and location of meeting: Monday, April 29, 2019 - 5:00pm - Belmont Conference Room

Date, time and location of next meeting: Tuesday, May 28, 2019 - 5:00pm - Belmont Conference Room

Minutes

Meeting began at 5:05pm

1. Lead Items
   a. CHH Culture Committee and Strategic Planning
      i. Spring All Staff Debrief: Chris reviewed feedback from the Spring 2019 All Staff meeting held in April. The vast majority of those who responded said the meeting was either good or great.
      ii. Rebrand: Chris reviewed the draft timeline for the third phase of the rebrand process. We hope to time the decision-making process with the annual Board’s retreat later this year.

2. Strategic
   a. EcoDistrict:
      Chris discussed the EcoDistrict with the Executive Committee and the role of this work within the context of all of our community development and sustainability work.

   b. Greg’s New Position: The Committee reviewed the major points of Greg’s new position and although they were supportive of the need for the position and Greg’s capacity as a manager expressed concern that the role around equity might create some concern. Also the fact that this position was created and filled without a process could be concerning.

   c. Jill’s Sabbatical: Chris shared the draft reporting structure for Jill’s upcoming sabbatical and discussed the major areas of work distribution. The Board was concerned by the number of director reports that Chris would have during this period.

   d. Changing our corporate structure: Chris updated the Committee on the research and plan for potentially changing the corporate structure, which is likely pushed back to work on until 2020.

3. External Relations, Community Programs, Board Issues
   a. May Board Meeting – Chris reviewed the current draft of the May Board Meeting Agenda. He noted that there currently are not any scheduled resolutions for Board review. Greg will present a Culture task force presentation, similar to the one he gave at the recent All Staff Meeting.
will introduce risk tolerance for a longer presentation to take place at the October Board meetings.

4. Development and Acquisitions
   a. LGBTQ Senior Housing Pivot: Chris reminded the Committee of the LGBTQ location pivot and updated on the status of funding.

   b. Missing Middle Housing: Chris updated the Committee on our work to develop apartments focused on workers around the 80% AMI range.

Meeting ended at 6:30pm.
MAY 2019 JOINT BOARD DEVELOPMENT COMMITTEE
BOARD REPORT AND MINUTES

Joint Board Development Committee Members: Margaret Pak Enslow (Foundation Secretary), Shalimar Gonzales-Committee Chair (PDA Member), Cathy Hillenbrand (PDA Member), Alice Quaintance (Former PDA Member), Randy Robinson (Foundation Member)

Staff Liaisons to the Board: Michael Seiwerath, Sarah Shoemake

Date, time and location of meeting: n/a
Date, time and location of next meeting: May 22, 2019 – 4-5pm – Belmont Conference Room

The Joint Board Development Committee did not meet since the last full Board meeting. During the month, the Committee continued to advance its ongoing projects, including:

Board Development
a. Foundation & PDA Boards – Staff are moving forward with potential candidates.
b. Emerging Leader Mentor – PDA Emerging Leader Fellow, Sara Cubillos, has been connected with a mentor from the PDA Board, Frank Alvarado.
c. Board Recruitment Outreach Document – Sarah is working on a document of listservs and advertising locations to reference when recruiting new Board members. The document will be shared with the Committee for additions once it is complete.
d. Board Survey Draft – The Committee reviewed the draft Board survey and gave suggestions. Sarah will also incorporate ideas from a survey Shalimar plans to share.
e. Board Member Orientation – Sarah is scheduling an orientation for new members.

Events
a. Joint Board BBQ – The tentative date is Thursday, August 1st. Committee Members and staff are looking into potential hosts or venues.
b. Joint Board Retreat – The Joint Board Retreat will likely be rescheduled from June to later in the year. Staff suggested this change to allow for more time for the rebrand and strategic planning processes to continue, so that the retreat discussion could be deeper and more productive.
c. Other events
   i. LBB Tours – Check out website for dates
   ii. Annual Meeting – June 4th
   iii. Omnivorous – Oct 10th
CHH Board Resolution 2019-07 Overview: Bonanza Bond

Purpose: This resolution authorizes the issuance of a Governmental Note in the principal amount of not to exceed $25,150,000, the proceeds of which will be used to make a loan to Bonanza 1 LLLP, a Washington Limited liability limited partnership, acting as a borrower for financing to rehabilitate the Bonanza Project.

Type of Resolution/Motion:
- **Is this a formal resolution?** ☒ Yes  ☐ No
- **Are we requesting a motion from the floor?** ☐ Yes  ☒ No
- **Has this resolution been presented to a Board Committee?** ☒ Yes  ☐ No
  
  *If so, which committee or committees?* The financing structure of the Bonanza project has been presented to the Property Development Committee.

Charter or Rules and Regulations Modification:
- **Does this Resolution change the Charter or Rules and Regulations?** ☐ Yes  ☒ No
  
  *If yes, you need to give notice to the Board 15 days prior to the proposed change.*
- **Changes to the Charter or Rules and Regulations must use the strike out format so change is clear to reader.**

General Description and Purpose: The financing of the Bonanza project is made possible through the use of 4% tax credits which require the use of tax-exempt bonds. Following the allocation of Washington State Housing Bond Cap to the project by the Washington State Housing Finance Commission, CHH in its capacity as a Public Development Authority, is issuing a tax-exempt note (bond) to be purchased by Wells Fargo Bank, NA, to be used for the rehabilitation of the project. It is anticipated that upon conversion to the permanent phase of the project, Freddie Mac will purchase the governmental note. This resolution authorizes a number of actions to complete the issuance of the bond or governmental note.

Organizational requirements of resolution: None

Financial cost of the resolution: The costs of issuance are part of the Bonanza Project budget and are financed with project sources of funds.

Pros: This is a necessary step in the financing of the Bonanza Project.

Cons: None

Further Board Action or Reporting:
- **Is further action required from the Board or a Board Committee?** ☐ Yes  ☒ No
  
  *If yes, please describe:* Please include here whether full Board or Committee needs to take action, and anticipated dates for action.
- **Is further reporting required to the Board or a Board Committee?** ☒ Yes  ☐ No
  
  *If yes, please describe:* The Status of the Bonanza Project is included in the monthly Property Development report to the Board.
CAPITOL HILL HOUSING IMPROVEMENT PROGRAM

RESOLUTION NO. 2019-07

(Bonanza Portfolio Projects)

A RESOLUTION of the Board of Directors of the Capitol Hill Housing Improvement Program providing for the issuance of a multifamily note in the principal amount of not to exceed $25,150,000, the proceeds of which will be used to make a loan to Bonanza 1 LLLP, a Washington limited liability limited partnership, to provide financing for a portion of the cost of acquiring, rehabilitating and equipping three affordable multifamily rental housing projects located within the City of Seattle to provide housing for low income persons; determining the terms and covenants of the multifamily note; authorizing the execution and delivery of a funding loan agreement with respect to the issuance of the multifamily note, a project loan agreement providing for the repayment of the loan by Bonanza 1 LLLP, a regulatory agreement governing the use of each of the projects, and other financing documents; appointing a fiscal agent for the multifamily note; providing for the sale and delivery of the revenue note; authorizing and directing appropriate officers of Capitol Hill Housing Improvement Program to execute such documents as are useful or necessary to the purposes of this resolution; and determining related matters.

ADOPTED May 13, 2019

This document was prepared by:

FOSTER PEPPER PLLC
1111 Third Avenue, Suite 3000
Seattle, Washington 98101
(206) 447-4400
CAPITOL HILL HOUSING IMPROVEMENT PROGRAM

RESOLUTION NO. 2019-07

(Station House Apartments)

A RESOLUTION of the Board of Directors of the Capitol Hill Housing Improvement Program providing for the issuance of a multifamily note in the principal amount of not to exceed $25,150,000, the proceeds of which will be used to make a loan to Bonanza 1 LLLP, a Washington limited liability limited partnership, to provide financing for a portion of the cost of acquiring, rehabilitating and equipping three affordable multifamily rental housing projects located within the City of Seattle to provide housing for low income persons; determining the terms and covenants of the multifamily note; authorizing the execution and delivery of a funding loan agreement with respect to the issuance of the multifamily note, a project loan agreement providing for the repayment of the loan by Bonanza 1 LLLP, a regulatory agreement governing the use of each of the projects, and other financing documents; appointing a fiscal agent for the multifamily note; providing for the sale and delivery of the revenue note; authorizing and directing appropriate officers of Capitol Hill Housing Improvement Program to execute such documents as are useful or necessary to the purposes of this resolution; and determining related matters.

WHEREAS, RCW 35.21.730 provides that a city may form a public corporation “in order to improve...the general living conditions in the urban areas of the state...”; and

WHEREAS, The City of Seattle, Washington (the “City”), acting in accordance with RCW 35.21.730, formed Capitol Hill Housing Improvement Program (“Capitol Hill Housing”), a public corporation, for such purposes; and

WHEREAS, RCW 35.21.745 provides that a public corporation may be empowered to issue bonds and other instruments evidencing indebtedness; and

WHEREAS, Capitol Hill Housing’s Charter, as restated, provides that Capitol Hill Housing shall have and exercise all powers necessary or convenient to effect the purposes for which Capitol Hill Housing is organized including, without limitation, the power to lend and borrow money and to issue bonds and notes to provide sufficient funds for achieving Capitol Hill Housing’s purposes, and further provides that Capitol Hill Housing may operate within the City,
outside the boundaries of the Capitol Hill neighborhood, with the prior approval of the Board and upon a determination by the Board that such project or activity will further the purpose of Capitol Hill Housing; and

WHEREAS, Capitol Hill Housing seeks to encourage the provision of rental housing for low income persons by providing financing for a portion of the costs of acquiring, rehabilitating, and equipping the following three affordable multifamily rental housing projects: (1) the nine-unit multifamily housing facility known as the 18th Avenue Apartments located at 1532 18th Avenue, in the City of Seattle; (2) the 55-unit multifamily housing facility known as the El Nor Apartments located at 117 18th Avenue, in the City of Seattle; and (3) the 23-unit multifamily housing facility known as the Ponderosa Apartments located at 1602 18th Avenue, in the City of Seattle (collectively, the “Project”); and

WHEREAS, the Project will be owned by Bonanza 1 LLLP (the “Borrower”), a Washington limited liability limited partnership, of which Capitol Hill Housing will be the manager of the general partner, and used to provide housing for low income persons, and no more than an insubstantial portion of the proceeds of the Governmental Note (defined below) will be used in connection with the financing or refinancing of any portion of the Project to be used for any other purpose; and

WHEREAS, the Capitol Hill Housing Board deems it necessary and advisable and in the best interest of Capitol Hill Housing to issue a note in a principal amount of not to exceed $25,150,000, the proceeds of which will be used to make a loan to the Borrower for the purposes described herein; and

WHEREAS, it is anticipated that Wells Fargo Bank, National Association (the “Initial Funding Lender”) will offer to make a loan to Capitol Hill Housing evidenced by the Governmental Note on the terms set forth herein, that upon the conversion to the permanent phase
of the financing and satisfaction of certain conditions, the Federal Home Loan Mortgage Corporation ("Freddie Mac") will purchase the Governmental Note, and Wells Fargo Bank, National Association (the "Freddie Mac Seller/Servicer") will act as servicer for the Governmental Note during the permanent phase;

NOW, THEREFORE, BE IT RESOLVED by the Board of the Capitol Hill Housing Improvement Program as follows:

Section 1. Definitions. As used in this resolution, the following terms have the following meanings:

“Assignment” means the Assignment of Deed of Trust and Loan Documents to be executed by Capitol Hill Housing, assigning its interest in the Security Instrument (as defined in the Funding Loan Agreement) and other Construction Loan Documents to the Fiscal Agent.

“Authorized Officers” means the any of the following officers of Capitol Hill Housing or their duly appointed successors: Chair, Vice Chair, Treasurer, Secretary or Executive Director.

“Board” means the Capitol Hill Housing Board of Directors.

“Borrower” means Bonanza 1 LLLP, a Washington limited liability limited partnership of which Capitol Hill Housing is to be the manager of the general partner thereof.


“Construction Loan Documents” means, collectively, the Construction Phase Financing Agreement (as defined in the Funding Loan Agreement), the Construction Continuing Covenant Agreement (as defined in the Funding Loan Agreement), and all other documents to be executed and delivered by Borrower to the Initial Funding Lender in connection with the Project.
“Financing Documents” means, collectively, the Funding Loan Agreement, the Governmental Note, the Tax Certificate, the Project Loan Documents, the Construction Loan Documents (during the construction phase of the Loan) and all other documents or instruments evidencing, securing or relating to the Funding Loan and the Loan.

“Fiscal Agent” means the entity serving as fiscal agent under the Funding Loan Agreement, initially U.S. Bank National Association.

“Freddie Mac” means the Federal Home Loan Mortgage Corporation, and its successors and assigns.

“Freddie Mac Seller/Servicer” means Wells Fargo Bank, National Association, or its successors and assigns as Freddie Mac’s seller/servicer under the Freddie Mac Commitment (as defined in the Funding Loan Agreement).

“Funding Lender” means any person who is holder of the Governmental Note.

“Funding Loan” means the loan in a principal amount not to exceed $25,150,000 to be made to Capitol Hill Housing by the Initial Funding Lender pursuant to the Funding Loan Agreement.

“Funding Loan Agreement” means the Funding Loan Agreement to be executed by the Initial Funding Lender, Capitol Hill Housing and the Fiscal Agent, as amended, supplemented or restated from time to time.

“Governmental Note” means the Multifamily Note (Bonanza Portfolio Projects), Series 2019 of Capitol Hill Housing, issued pursuant to, under the authority of and for the purposes provided in this resolution.

“Initial Funding Lender” means Wells Fargo Bank, National Association, as the initial holder of the Governmental Note.
“Loan” means the loan from Capitol Hill Housing to the Borrower of the proceeds of draws on the Governmental Note.

“Project” means, depending on the context, (1) acquisition and rehabilitation of three affordable multifamily rental housing projects located in the City of Seattle at (a) 1532 18th Avenue, Seattle, Washington, Washington (known as the 18th Avenue Apartments), (b) 117 18th Avenue, Seattle, Washington (known the El Nor Apartments), and (c) 1602 18th Avenue, Seattle, Washington (known as the Ponderosa Apartments), containing approximately 87 units in the aggregate, and located on real property to be legally described in Exhibit A to the Security Instruments, or (2) the multifamily rental housing projects so acquired and rehabilitated.

“Project Loan Agreement” means the Project Loan Agreement to be executed by the Borrower, Capitol Hill Housing and the Fiscal Agent, as amended, supplemented or restated from time to time.

“Project Loan Documents” means the Security Instrument (as defined in the Funding Loan Agreement), the Project Note, the Project Loan Agreement, the Regulatory Agreement, the Assignment, the Continuing Covenant Agreement (as defined in the Funding Loan Agreement), any Subordination Agreement(s) (as defined in the Funding Loan Agreement), and any and all other instruments and other documents evidencing, securing, or otherwise relating to the Project Loan or any portion thereof.

“Project Note” means the Promissory Note Secured by Deed of Trust to be made by the Borrower, including all allonges, riders and addenda thereto, evidencing the Borrower’s obligation to repay the Loan, which Project Note will be delivered to Capitol Hill Housing and endorsed by Capitol Hill Housing to the Fiscal Agent, as it may be amended, restated, supplemented or otherwise modified from time to time.
“Regulatory Agreement” means the Regulatory Agreement to be executed by the Borrower and Capitol Hill Housing governing the use of the Project, including any supplements or amendments thereto.

“Tax Certificate” means the Federal Tax Exemption Certificate and Agreement to be executed by Capitol Hill Housing and the Borrower, including any supplements or amendments thereto.

All other capitalized terms used but not defined herein shall have the meanings assigned to them in the Funding Loan Agreement.

Section 2. Authorization of Governmental Note and Application of Proceeds. For the purpose of providing financing for a portion of the costs of the Project and of issuing the Governmental Note, Capitol Hill Housing shall issue the Governmental Note in a principal amount of not to exceed $25,150,000. The Board hereby determines and declares that (a) the Project, and the financing for the Project to be accomplished through the issuance of the Governmental Note, will further the purpose of Capitol Hill Housing, (b) such financing is important for the feasibility of the Project, and (c) it is in the best interest of Capitol Hill Housing to issue the Governmental Note for the purposes set forth in this resolution. Recognizing that the locations of the Project are outside the boundaries of the Capitol Hill Community described in the Charter of Capitol Hill Housing, the Board approves Capitol Hill Housing’s participation in activities relating to the Project and its financing. All proceeds from draws on the Governmental Note shall be lent to the Borrower for those purposes.

Section 3. Description of Governmental Note. The Governmental Note shall be called the Multifamily Note (Bonanza Portfolio Projects), Series 2019, of Capitol Hill Housing, shall be in a principal amount not to exceed $25,150,000 and shall be dated its date of delivery. The Authorized Officers, and each of them acting alone, are authorized to determine and approve the final terms
of the Governmental Note. The Governmental Note shall be issued in registered form; and shall be in such denomination, shall bear interest payable on such dates and at such rates, shall mature at such times and in such amounts, shall have such prepayment or redemption provisions and shall have such other provisions consistent with the purposes of this resolution as set forth in the Governmental Note and the Funding Loan Agreement. The Board finds that the issuance of the Governmental Note on the terms described herein and to be set forth in the Governmental Note and the Funding Loan Agreement, and the execution of the Financing Agreements to which Capitol Hill Housing is a party are necessary and appropriate to provide sufficient funds for achieving the purposes of Capitol Hill Housing. The execution of such instruments by an Authorized Officer shall be conclusive evidence of approval of the terms thereof and of the terms of the Governmental Note as set forth therein.

Section 4. Draws on the Governmental Note. Draws on the Governmental Note are to be made and recorded in accordance with the terms and provisions set forth herein and in the Financing Documents. Draws shall be recorded in such form as the Borrower and the Initial Funding Lender may agree. Draws on the Governmental Note shall be limited to an aggregate principal amount not to exceed $25,150,000.

Section 5. Security for the Governmental Note. The Funding Loan, the Governmental Note and the obligations of Capitol Hill Housing under the Funding Loan Agreement shall be special, nonrecourse obligations of Capitol Hill Housing payable solely from the Revenues and other funds and money and the Pledged Security pledged and assigned under the Funding Loan Agreement. The Funding Loan, the Governmental Note and the obligations of Capitol Hill Housing under the Funding Loan Agreement shall be secured by a pledge of the Pledged Security, which shall include (a) all rights, title and interest of the Capitol Hill Housing in the Revenues, (b) all right, title and interest of Capitol Hill Housing in and to the Project Loan Agreement, the Project Note, the
Security Instrument and the other Project Loan Documents (with certain reservations and exceptions noted in the Funding Loan Agreement), and (c) except for funds, money or securities in the Cost of Issuance Fund, the Administration Fund and the Rebate Fund, all funds, money and securities and any and all other rights and interests in property whether tangible or intangible from time to time conveyed, mortgaged, pledged, assigned or transferred as and for additional security for the Funding Loan by Capitol Hill Housing or by anyone on its behalf or with its written consent to the Fiscal Agent, all as set forth in the Funding Loan Agreement.

The Capitol Hill Housing Improvement Program is organized pursuant to Seattle Municipal Code (SMC) 3.110 and RCW 35.21.660, 35.21.670, and 35.21.730-.755. RCW 35.21.750 provides as follows: “All liabilities incurred by such public corporation, commission, or authority shall be satisfied exclusively from the assets and properties of such public corporation, commission or authority and no creditor or other person shall have any right of action against the city, town, or county creating such corporation, commission, or authority on account of any debts, obligations, or liabilities of such public corporation, commissions, or authority.”

Neither Capitol Hill Housing nor any of the officers or employees of Capitol Hill Housing or any members of the Board shall be personally liable for the payment of the Funding Loan, the Governmental Note or the obligations of Capitol Hill Housing under the Funding Loan Agreement.

Section 6. Form and Execution of Governmental Note. The Governmental Note shall be in a form consistent with the provisions of this resolution, the Funding Loan Agreement and State law, shall bear the manual or facsimile signatures of the Chair of Capitol Hill Housing and shall be attested by the manual or facsimile signature of the Secretary of Capitol Hill Housing.

The Governmental Note shall be authenticated by the Fiscal Agent as set forth in the Funding Loan Agreement. No Governmental Note shall be valid for any purpose until so authenticated. The authorized signing of a Certificate of Authentication shall be conclusive.
evidence that the Governmental Note so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this resolution and the Funding Loan Agreement.

Section 7. Preservation of Tax Exemption for Interest on Governmental Note. Subject to the second paragraph of this section, Capitol Hill Housing covenants that it will take all actions necessary to prevent interest on the Governmental Note from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Governmental Note or other funds of Governmental Note treated as proceeds of the Governmental Note at any time during the term of the Governmental Note that would cause interest on the Governmental Note to be included in gross income for federal income tax purposes. Capitol Hill Housing also covenants that, to the extent arbitrage rebate requirements of Section 148 of the Code are applicable to the Governmental Note, it will take all actions necessary to comply (or to be treated as having complied) with those requirements in connection with the Governmental Note, including the calculation and payment of any penalties that Capitol Hill Housing has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the Governmental Note from being included in gross income for federal income tax purposes (but only from amounts received by Capitol Hill Housing from the Borrower as payments for those purposes).

The Project Loan Agreement shall require the Borrower to reimburse Capitol Hill Housing for all costs to Capitol Hill Housing of its compliance with the covenants contained in this section, and Capitol Hill Housing shall not be required to expend any funds, other than such reimbursement or other money received under the terms of the Project Loan Agreement, in so complying.

Section 8. Approval of Issuance and Delivery of Governmental Note to Initial Funding Lender and Transfer to Freddie Mac. It is anticipated that the Initial Funding Lender will offer to
lend the proceeds of the Funding Loan to Capitol Hill Housing under the terms and conditions
contained in this resolution and to be set forth in the Funding Loan Agreement and the
Governmental Note. The Board finds that such offer is in the best interest of Capitol Hill Housing,
and therefore approves the offer to make such financing available under the terms and conditions
in this resolution. The Governmental Note will be delivered to the Initial Funding Lender with the
approving legal opinion of Foster Pepper PLLC, municipal bond counsel of Seattle, Washington,
regarding the Governmental Note.

It is further anticipated that Freddie Mac will offer to purchase Funding Loan following
the conversion date under the terms and conditions to be contained in the Construction Phase
Financing Agreement and the Freddie Mac Commitment. The Authorized Officers, and each of
them acting alone, are authorized to execute and deliver on behalf of Capitol Hill Housing any
documents reasonably required to be executed by Capitol Hill Housing to carry out the transactions
contemplated by the Construction Phase Financing Agreement or the Freddie Mac Commitment.

Section 9. Authorization of Documents and Execution Thereof. The Board authorizes the
Authorized Officers, and each of them acting alone, to negotiate and approve the Financing
Documents and the form of Governmental Note. The signature of any Authorized Officer on a
Financing Document shall be construed as Capitol Hill Housing’s approval of such Financing
Document and the terms set forth therein. The Board authorizes and approves the execution and
delivery of, and the performance by Capitol Hill Housing of its obligations contained in, the
Governmental Note, the Financing Documents to which it is a party, and this resolution and the
consummation by Capitol Hill Housing of all other transactions contemplated by this resolution in
connection with the issuance of the Governmental Note. The Board authorizes and directs the
Authorized Officers, and each of them acting alone, to execute on behalf of Capitol Hill Housing
such financing statements and other documents, instruments, amendments or supplements to
Financing Documents, and agreements as may be necessary or desirable in connection with the issuance of the Governmental Note or required by the Initial Funding Lender, Freddie Mac or the Freddie Mac Seller/Servicer as a condition to the transactions contemplated by this resolution.

Section 10. Acting Officers Authorized. Any action authorized or directed to be taken by the Secretary, Treasurer, Chair or Vice Chair of Capitol Hill Housing or the Executive Director of Capitol Hill Housing may, in his or her absence, be taken by the acting Secretary, Treasurer, Chair, Vice Chair or Executive Director of Capitol Hill Housing, respectively.

Section 11. Ratification and Confirmation. Any actions of Capitol Hill Housing or its officers prior to the date hereof and consistent with the terms of this resolution are ratified and confirmed.

Section 12. Changes to Titles or Parties. While the titles of and parties to the various documents described herein may change, no change to such titles or parties shall affect the authority conferred by this resolution to execute, deliver, file (if required), enforce and perform the documents in their final form.
Section 13. Effective Date. This resolution shall be in full force and effect from and after its adoption and approval.

ADOPTED by the Board of the Capitol Hill Housing Improvement Program at an open public meeting thereof this 13th day of May, 2019.

CAPITOL HILL HOUSING IMPROVEMENT PROGRAM, a Washington public corporation

By: ________________________________
   Chair

ATTEST:

_______________________________
Secretary
CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting Secretary of the Capitol Hill Housing Improvement Program (“Capitol Hill Housing”) and keeper of the records of Capitol Hill Housing, CERTIFY:

1. That the attached Resolution No. 2019-07 (the “Resolution”) is a true and correct copy of the resolution of the Capitol Hill Housing Board of Directors (the “Capitol Hill Housing Board”), as adopted at a meeting of the Capitol Hill Housing Board held on May 13, 2019, and duly recorded in the minute books of Capitol Hill Housing.

2. That such meeting was duly convened and held in all respects in accordance with law, and, to the extent required by law, due and proper notice of such meeting was given; that a quorum was present throughout the meeting and a majority of the members of the Capitol Hill Housing Board present at the meeting voted in the proper manner for the adoption of the Resolution; that all other requirements and proceedings incident to the proper adoption of the Resolution have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this Certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 13th day of May, 2019.

___________________________________________
Secretary