REDI Fund Business Plan
Draft

Table of Contents

EXECUTIVE SUMMARY

The mission of the Regional Equitable Development Initiative (REDI) Fund (the Fund) is to promote equitable development within transit communities in the central Puget Sound region. By financing strategic acquisitions of both land and existing buildings, the Fund will support development and preservation of affordable housing, mixed-income and mixed-use projects that serve both low- and moderate-income households and are located within walking distance of frequent transit service.

The Fund will provide non-profit, mission-aligned for-profit and public entity borrowers access to efficient financing for the acquisition of sites for the preservation and development of affordable housing, near high capacity transit, within King, Pierce and Snohomish Counties.

Enterprise Community Loan Fund (ECLF), the CDFI subsidiary of Enterprise Community Partners (ECP), with support from ECP (collectively ECP and ECLF referred to hereafter as Enterprise), will serve as the administrative agent, the sole originator and loan servicer for the Fund and one of the senior lenders in the Fund. The administrative agent will be responsible for structuring and raising the capital, drafting the Fund's master credit agreement and the project loan documents and closing the Fund. In addition, the administrative agent will also manage the Fund's day-to-day operations including loan origination, credit review and approval process, financial and portfolio tracking and reporting. All loans will be approved by a credit committee to be composed of a subset of the entities providing the capital.

The capital stack of the Fund will be modeled after successful efforts in other markets including the Denver Regional TOD fund and the Transit Oriented Affordable Housing (TOAH) Fund in the San Francisco Bay Area. The Fund will be structured as a syndication with capital structured in tranches by risk. The top loss capital committed by the public funders will sit in a first loss position, leveraged by two subordinate debt tiers, and a tranche of senior debt from two Community Development Financial Institutions (CDFIs). See Exhibit A for more details for the Fund's capital stack.

The advantages of the proposed structure are the ability to blend multiple sources of capital in order to provide a loan product to the market with terms that will address the financing needs of developers targeting the acquisition of sites that promote equitable development within transit communities. These terms will include higher than typical loan-to-value, particularly for undeveloped, vacant land, loan terms of between three and six years and lower interest rates. The goal is to provide a loan product that will provide sufficient time for developers to refine project plans and secure funding while easing the burden of the high carrying costs associated with interest payments for these longer loan terms. In addition, the higher than typical LTV nature of the loan product will allow borrowers the flexibility to target the use of their existing financial resources to the predevelopment activities associated with the projects vs. tying up these funds for the acquisition of the sites. This in turn should allow developers to advance projects through the predevelopment stage in a more efficient manner.

The initial capital raise for the Fund is $18 million; leveraging $5 million of public sector investment. Each project loan will have a proportionate share of each risk tier and thus losses on any one project loan will be borne progressively by each risk tier. Public funds will absorb losses up to 28% of a single loan, then the 2nd loss lender, and so on. Because of the geographic restrictions imposed on a portion of the public sector capital, the specific composition of top loss for a given loan will differ by geography. The capital composition and risk tiers of the Fund are proposed in the Exhibit A.

As noted previously, the Fund will be structured as a syndication and will be documented via a master credit agreement detailing the fund operations including:

- the capital composition of the Fund,
- the underwriting and closing criteria to be applied to each underlying loan originated,
- the loan application and credit approval process,
- the flow of funds (disbursement and repayment of funds),
- the governance of the syndication including the strategic oversight committee and the credit committee[1],
- the loan documents template for documenting each underlying loan,
- the reporting of the activities of the Fund,
- the roles and responsibilities of Enterprise Community Loan Fund as administrative agent, sole loan originator and senior lender,

[1] ~~The public sector lenders in the REDI fund will also convene an advisory committee of housing and community development stakeholders to offer feedback on the use of the REDI fund and encourage alignment between other actors in the housing finance section. This will not be governed by the master credit agreement.~~

BACKGROUND

In two voter approved ballot initiatives, the Puget Sound region has committed local funding for a $25 billion dollar transit investment that spans three counties. The first of those investments opened in 2009 and subsequent sections of rail and bus service are slated to come online through 2023. This transit investment brings light rail and high capacity bus service to the Seattle area just as the region became one of the fastest growing in the country. Rapid population growth and local planning efforts to concentrate and incentivize growth around transit has created a highly competitive market for sites near transit. In many submarkets, land costs are increasing, development opportunities listed on the market are snapped up quickly, and affordable housing developers struggle to compete for sites near transit.

The Affordable Housing Steering Committee of the Growing Transit Communities (GTC) initiative[2], staffed by the Puget Sound Regional Council (PSRC), identified the need for a transit oriented affordable housing fund as a key implementation tool of the initiative to address equitable development issues. The GTC plan provides a regional framework for focusing residential and employment growth around the expanding transit system. The plan prioritizes increasing access to opportunity and affordable housing choices near transit, and looks to innovative tools such as an equitable transit oriented development acquisition fund for the Seattle region to achieve those outcomes.

Beyond aligning with the regional planning priorities, the REDI Fund is launching at a critical time in central Puget Sound. Economic growth has spurred Seattle to become one of the fastest growing cities in the country[3]. With housing production struggling to keep up, average rents have increased 6% annually since 2012, including a 7.5% increase on existing units[4]. Rents have increased most dramatically in centrally located neighborhoods with access to transit, jobs and retail amenities. Rent growth in the central city is pushing lower income households further from the opportunities and transportation links that are critical to their upward mobility. These growth patterns are also burdening household budgets, causing households in the Central Puget Sound to spend 50% of their income on housing and transportation costs.

Strong rental and office demand has created fierce competition for centrally located development sites, manifesting in both high prices and quick closings. The REDI Fund will provide affordable housing and mixed income developers an acquisition financing tool to make competitive offers and secure sites near transit and other amenities and opportunities. The REDI Fund’s preassembled capital will have the ability to close

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[2] Counties and cities in the Puget Sound region, as well as major institutions, affordable housing advocates, housing developers and other key stakeholders were very active partners in GTC and the Affordable Housing Steering Committee.

[3] http://www.citylab.com/housing/2015/05/these-11-cities-are-growing-faster-than-san-francisco/393860/

[4] http://www.smartgrowthseattle.org/mike-scott-can-handle-truth-apartment-rents/

quickly on new opportunities, and provide sufficient time to assemble permanent financing at a competitive interest rate.

The idea for an equitable TOD acquisition fund was further advanced through a contract that was overseen by the GTC Affordable Housing Steering Committee, between the PSRC, Enterprise and Impact Capital. These key entities worked to develop a business plan framework for a TOD fund including developer interviews, and an analysis of existing acquisition products and the gaps in the spectrum of financing tools necessary to facilitate equitable transit oriented development. The business plan framework was presented to a working group of public funders from the GTC Affordable Housing Steering Committee who shared an interest in seeding an equitable transit oriented acquisition fund for the region.

Throughout 2014, the working group of public funders met together with PSRC staff and Enterprise to further refine the business plan framework developed for GTC, and to develop a consensus on the public goals for a Regional Equitable Development Initiative (REDI) Fund. The concept was to create a capital source to facilitate the preservation and development of affordable housing via site control by mission aligned organizations and developers. The group recognized what was needed was acquisition loan capital with favorable terms that would assist affordable housing developers in acquiring strategic sites in advance of market speculation.

In January 2015, the working group of public funders with a strong commitment to seeding the REDI Fund, requested a proposal from Enterprise to be the administrative agent of the fund. This request was based on the prior competitive award of the contract to develop the equitable TOD fund concept through GTC, in which the public funders were all key partners.

Recognizing the importance of the REDI Fund's ability to finance strategic acquisitions in areas near frequent transit service, the three local housing funders, King County, City of Seattle and A Regional Coalition for Housing (ARCH) committed $2.5 million in public capital. In addition, King County and PSRC provided leadership and staff time to secure an additional $2.5 million from the State of Washington. This local funder collaboration has not only provided critical capital for creating an acquisition fund, but it has provided an opportunity for these public funders to collaborate on the direction of the region’s affordable housing pipeline. Furthermore, the involvement by the public funders as founding members of the REDI Fund builds upon the already strong collaborative nature of these entities in coordinating their permanent financing resources for affordable housing projects and extending that collaboration to focus on a longer term pipeline.

KEY PARTNERS

The REDI Fund has progressed to this point due the efforts of numerous key partners, each of whom has brought expertise and oversight in creating the current business plan for this fund, and will continue to support the launch and deployment of this important affordable housing resource for the Puget Sound region.

Puget Sound Regional Council
As the coordinating agency for the Growing Transit Communities initiative, PSRC provided the backbone infrastructure and staffing to coordinate the GTC partners' pursuit of knowledge regarding the equitable TOD acquisition fund concept. As the regional Metropolitan Planning Organization, PSRC has been an invaluable facilitator of the REDI Fund working group and an amazing resource as the group has worked through many of the policy goals of the REDI Fund. In addition, PSRC was named the recipient entity in state legislation to receive the $2.5 million in state resources allocated to the REDI Fund. PSRC will have a pass-through sub-agreement with King County, and King County will move the state funds into the REDI Fund in compliance with the applicable state legislation. Given this role PSRC will remain involved with the deployment and ongoing evaluation of the REDI Fund, and will participate on the REDI Fund Advisory Committee.

King County, City of Seattle, and A Regional Coalition for Housing (ARCH)
As important partners in GTC, leaders in the Affordable Housing Steering Committee and local public lenders of the top loss capital portion of the REDI Fund, , these three public entities have provided the leadership and the financial investment to make this business plan viable. Moreover, these are the three local affordable housing gap funders in King County, and, as such, are the primary decision-makers regarding permanent funding for many of the projects that will access REDI Fund acquisition loans. Their collaboration in creating a financing tool that will thoughtfully and intentionally build a long range pipeline of affordable housing projects near frequent transit significantly advances the effort to create an efficient and well-aligned housing finance system.

Pierce and Snohomish Counties
Representatives from Pierce and Snohomish Counties were involved in the GTC partnership and the Affordable Housing Steering Committee, and have been attending working group meetings throughout the process to give their perspective on the REDI Fund's applicability and value to housing projects in their markets. The inclusion of state funds in the top loss capital portion of the fund has widened the geographic reach to allow a portion of loan activity in these two Puget Sound counties within the Sound Transit service area. Having their perspectives infused into the specific terms and the general approach of this fund, enables the fund to have a single set of terms that will be effective in submarkets throughout the three county area.

Enterprise Community Partners and Enterprise Community Loan Fund
Beginning in 2011, Enterprise brought staff resources from the programmatic and CDFI sides of the organization to advance the thinking around a Puget Sound TOD acquisition fund and share early lessons from our experience in creating funds around the country. Since that time Enterprise has worked in a variety of capacities to advance this early concept into its current state as an investable proposition, including creating business plan framework for PSRC in 2014 to communicate the opportunity to their membership,

and formally taking on the role of administrative agent to create the fund proposed here. Enterprise will:

- be the lead actor in assembling capital, structuring, documenting and closing the Fund;
- originate, underwrite and asset manage all loans on behalf of the Fund; and
- serve as the administrative agent for the Fund.

Additional information on Enterprise Community Partners and Enterprise Community Loan Fund is included in Exhibit G.

Impact Capital

Impact Capital collaborated with Enterprise early on to respond to the GTC Request for Proposals/Qualifications to develop the TOD acquisition fund concept into a framework. Impact Capital was a contract partner with Enterprise to develop the early framework and to facilitate discussions of the framework for the purpose of securing public investment. Impact Capital's insights on capital availability, critical financing gaps, and developer needs assisted in shaping the public funders interest and goals in creating the fund. As the REDI Fund begins to deploy capital, Enterprise anticipates a close working relationship with Impact Capital to pair their loan product offerings, including pre-development loans, with the Fund's acquisition capital.

THE REDI FUND STRUCTURE

Capital Stack

The REDI fund will have a total fund capitalization of $18 million, consisting of tiered risk tranches of public funds, subordinate debt (philanthropic and CDFI), and senior capital. Details on the loans by tranche are included in exhibit A.

Each project loan funded through the Fund will be comprised of capital from each of the risk tiers in the proportions shown above based on the geographic location of the project.

- **Top-Loss Capital:** The top loss capital totals $5 million. These funds are essential to the success of the Fund, providing a buffer against potential losses and allowing the Fund to lend at more flexible terms, including: 1) loan-to-value ratios higher than traditional financing; and 2) interest rates that are sensitive to the longer hold period required by these transactions.

  As shown above in the two capital stacks in attachment A, a portion of the top loss capital is restricted to projects located within Seattle. Loans originated in Seattle will draw funds as noted in the Seattle only capital stack. The capital designated for Seattle only is targeted at approximately 38% of the available capital. Exhibit A describes how loans will be funded based on their geographic location (Seattle or outside of Seattle).

  On a pro-rata basis, top loss lenders will absorb any losses on a given loan prior to the remaining REDI Fund lenders. The top loss share of each loan will be made non-recourse for borrowers that agree to a regulatory agreement that exceeds the minimum affordability requirements. See details in loan requirements section below.

  A portion of the King County funds are being granted from PSRC, which received those funds from an allocation of funds from the State of Washington for the purpose of capitalizing a portion of the public sector top loss tier.

- **Subordinate Capital:** The Living Cities Catalyst Fund will provide $3.5 million in subordinate capital. Subordinate mission capital is critical to scaling the overall size of the Fund while keeping the interest rate favorable to the borrowers. Subordinate capital will have a proportionate interest in each loan made from the Fund. These funds will also be made available on a recourse basis to the borrowers.

- **Senior Capital.** The balance of the Fund capital is comprised of $9 million of senior loan capital from Enterprise and potentially one additional investor. The senior risk position in the capital stack allows CDFI capital to be made available through the Fund at favorable rates and terms. Senior capital will have full recourse to the borrowers.

Fund Term and Origination Period

The Fund is proposed to have an initial ten year term with a five year origination period. The capital will be deployed as project loans are funded and repaid upon repayment of the project loans. Capital that is repaid prior to the maturity of the Fund will revolve and become available for funding of additional project loans.

Capital Disbursement

It is anticipated that the public sector capital will be made available on a non-interest bearing basis and will be held in trust accounts by Enterprise, and be disbursed into each project loan at closing. Interest bearing debt will be drawn down via capital calls as individual project loans are closed.

All acquisition and pre-development funds will be drawn by the borrower at closing. Interest reserves, where applicable, will be capitalized annually for the following 12 months.

Payments, Repayments and Risk Waterfall

The interest rates for the project loans will be fixed based on the blending of the interest rates due to each of the lenders plus servicing costs as reflected in the capital stack detail in Exhibit A. Individual project loans from the REDI Fund will have interest due quarterly with principal repayment due in full at project loan maturity. Interest payments will be distributed according the risk waterfall to each of the lenders for all outstanding project loans on a quarterly basis subject to payment by the borrowers. In the case that a project loan borrower does not make the required interest payments and/or principal repayment at maturity, Enterprise will not be required to make the corresponding payment to the lenders.

When interest payments and/or principal repayment is received by Enterprise, entirely or in part, each lender will be repaid in order of seniority in the cash flow waterfall. For loan tiers with multiple lenders, lenders will be repaid pro rata based on their share of that risk tier. The repayment waterfall will be structured to allow the following order of repayment:

- Operating costs due for fund administration
- Interest and principal to Senior Lenders,
- Interest and principal to Subordinate lenders,
- interest and principal to Second Loss,
- principal due to Top Loss lenders

Exhibit B attached includes sample loan loss scenarios to illustrate this repayment waterfall in the different geographic subareas.

As noted above, the Fund is being structured to allow for capital to revolve during the ten year term of the Fund. Thus, the public sector lenders have agreed to allow the repayment of principal to be re-deposited into the appropriate accounts for the purpose of making additional project loans. At the termination of the Fund, if the Fund is not renewed beyond the initial ten year term, the public sector lenders will receive payment of their capital net of any realized losses on an equal pro rata basis.

Concentration Limits

The portfolio concentration for the Fund must adhere to the following limitations:

- No more than 25% of the outstanding balance of the Fund involves transactions without an identified developer
- Administrative agent should strive to have no more than 50% of the outstanding balance of the Fund is secured by vacant (improved and unimproved), non-cash producing properties. In addition;
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Geographic Balance

The REDI Fund will make best efforts to achieve approximately the following geographic distribution of funds to project loans over the life of the Fund:

- Seattle (38%)
- East King County (24%)
- South King County & Shoreline (18%)
- Pierce County (12%)
- Snohomish County (9%)

The distribution of capital closed and disbursed for project loans is expected to vary over time. The public lenders in the Fund will collaborate with Enterprise on proactive origination in all of the subareas in order to facilitate achievement of this target distribution. If borrowers and acquisition opportunities cannot be cultivated in a certain subarea, the oversight committee will determine how to direct lending activity in a way that makes effective use of the REDI Fund capital.

Exhibit H describes the formula for determining these percentages and how they might change with the addition of new public capital.

THE REDI FUND OPERATING PLAN

REDI Fund Documentation

As previously noted, the REDI Fund will be structured as a syndication and will be governed by a master credit agreement detailing the capital composition of the Fund as a whole and for each project loan, the underwriting requirements, the credit approval process, etc.

In addition to the master credit agreement, all public lenders will be party to an interlocal agreement outlining the agreements of the public funders for a collaborative loan fund in which the public lenders are able to pool resources across jurisdictional boundaries. The interlocal agreement documents the necessary agreements and requirements between the public lenders and details the agreement to pool separate sources of local public capital together in one fund managed by a third party entity, Enterprise. The interlocal agreement will also articulate the collective goals and expectations of the public lenders, such as geographic lending goals and lender requirements. In order to execute the interlocal agreement, the executive branch and councils of each jurisdiction must approve the terms of the interlocal agreement. Any modifications to the interlocal agreement that are not anticipated in writing within the agreement require the approval of the executive branch and councils for each jurisdiction.

Project loans will be documented by Enterprise and will name Enterprise Community Loan Fund as the administrative agent. Loans receivable will be held proportionally by each participating lender. Each lender will hold an interest in each project loan according to their share of the total capital stack and subordinated according to that lenders' position in the repayment waterfall. As the administrative agent, Enterprise will receive loan payments and distribute them quarterly to each contributing lender.

Fund Management and Governance

<u>Fund Advisory Committee</u>

The operation of the REDI Fund will be informed by an Advisory Committee, whose members will include REDI fund investors, regional TOD and affordable housing stakeholders, state level housing funders, affordable housing development consortia, community organizations and public interest groups with missions to promote equitable development in the urban areas of King County and the Puget Sound.

The Advisory Committee will be advisory to the Oversight Committee, and will offer outreach and origination guidance, provide perspective on how changes in the housing finance climate might affect loans in the REDI Fund portfolio, serve as ambassadors for the Fund to the public and community development community, and provide other strategic, programmatic, and outreach guidance to the Fund.

The Advisory Committee will serve solely in an advisory capacity and will not have any legally binding authority for the Fund. The Advisory Committee will not review individual project loan requests, nor will it have credit authority to approve or disapprove individual project loans nor make any changes to the Fund's legal structure or procedures.

The Advisory Committee will meet twice in the first year of deployment of the Fund and annually thereafter. In our role as Administrative Agent, Enterprise will present an annual summary of the REDI portfolio and lending activity to the Advisory committee.

The Advisory Committee will be convened by the rotating chair of the Oversight Committee.

Fund Oversight Committee

The Oversight Committee will include all participating lenders as well as designated housing staff from Pierce and Snohomish counties. The Oversight Committee will meet twice in the first year and annually thereafter. to review Fund activity and reports, and the Fund's loan portfolio. The Oversight Committee will consider and determine the strategic direction of the Fund, as necessary and appropriate. If deployment or other concerns necessitate, this committee could meet as frequently as quarterly The role of chairperson will rotate among the contributing public lenders.

The Oversight Committee will flag issues of concern but the consent of all participating lenders will be required for decisions that affect the structure, intent, or other significant and material aspect of the Fund's operations or make changes to the Master Credit Agreement. Examples include:

- Fund structural changes;
- Changes to the composition or voting rights of the credit committee;
- Changes to the underwriting criteria;
- Changes to reporting requirements.

The Oversight Committee will receive a report on the loan portfolio 45 days after each interim quarter and after the end of each calendar year. This report will include financial information on the loan portfolio as well as a summary of the progress toward affordability and geographic goals.

Role of Administrative Agent and Loan Originator and Servicer

Enterprise will serve as the administrative agent and the sole loan originator and servicer for the Fund. Duties include:

- Raising capital, developing the Fund's structure and legal documentation, and closing the Fund;
- Originating, underwriting, preparing loans for approval by the credit committee and closing the project loans;
- Managing the Fund's day-to-day operations, including project loan tracking, portfolio management, and reporting.

Enterprise's CDFI subsidiary will apply its normal lending standards and practices in its role as sole originator and servicer for REDI Fund project loans. These lending standards and practices adhere to commonly accepted industry standards.

The key personnel from Enterprise that will be responsible for all Fund activities are listed in Exhibit G.

REDI FUND Acquisition loan Terms

- *Term:* Acquisition loans for vacant or redevelopment sites may have a loan term up to 84 months. Operating multifamily properties that are not intended for redevelopment may have a loan term up to 48 months. Loan extensions will be considered on a case-by-case basis. Every effort will be made to structure project loans at origination with a term that meets the development plan and timeline.

- *Eligible Borrowers:* Eligible applicants include non-profit and for-profit housing developers, public development authorities, housing authorities and non-profit land banking agencies. Eligible borrowers and/or project partners must be able to meet minimum underwriting criteria and demonstrate a commitment and/or ability to develop and/or preserve affordable rental housing

- *Eligible Purpose of Loans*: Project loans originated through the Fund may fund the acquisition of: (1) vacant land and redevelopment sites, and (2) existing multifamily housing for long term preservation. The Fund will seek to diversify risk both by product type and geography, by making loans in accordance with the geographic targets previously listed.

- *Maximum Loan-to-Value:* The maximum loan-to-value will differ by borrower type. Project loans may not exceed 100% loan-to-value of the lesser of “as-is” appraised value or purchase price. Project loans to borrowers that commit to a higher level of affordability than the program minimum a maximum loan-to-value of 110% of the lesser of the “as-is” appraised value or purchase price[5], See loan requirements section for more detail the additional affordability requirements.

- *Collateral:* REDI fund loans will be secured by a deed of trust. The REDI deed of Trust will only subordinate to the REDI regulatory agreement. The deed of trust will be held by the administrative agent on behalf of all lenders in the syndication.

- *Recourse and Guarantee:* Loans will be 100% recourse basis. In the case of loans made to single purpose entities (SPE), corporate guarantees will be required for non-profits for 72.2% of the loan amount. In the case of for-profit borrowers, corporate and personal guarantees will be required at 100% of the loan amount when the borrower entity is a SPE.

- *Equity Requirement:* Non-profit borrowers: 5% equity, based on acquisition cost, can be in the form of subordinate debt from local government agencies, grants, and contributed land equity in lieu of some or all of the equity. For loans greater than $5 million, requests can be considered to cap the required equity at $250k.

[5] Maximum LTV for non-profits allows for pre-development if such funds are not available or feasible from another source.

For-profit project borrowers: 10% cash equity, based on total acquisition cost.

- *Interest Payments:* Interest-only payments, with principal due at the earlier of loan maturity or upon receipt of any repayment source, including the closing of construction financing or internally generated funds.

  Interest-only payments may be made via cash flow from operations of acquired property or from borrowers' (or their principals') general cash flow from operations. Borrowers (or their principals) shall be required to show evidence and maintain sufficient unrestricted liquidity to comfortably make all required interest payments. The Fund will actively pursue opportunities for properties with some current income to reduce holding cost burden to the borrower and the ultimate development budget.

  If deemed necessary by the administrative agent, some/all of the interest payments may be made from a capitalized interest reserve funded through loan proceeds. The interest reserve may be reduced or eliminated if the borrower or its principals demonstrates the financial strength to make out of pocket interest payments, identifies another source to pay interest payments or there is a source of stable cash flow from the acquisition property. If any interest reserve is exhausted, borrower will make payments out of pocket. Interest reserves will be drawn down and capitalized annually for the upcoming 12 months.

- *Eligible Uses:* Loan proceeds may be used for acquisition, due diligence, and closing costs. Up to 10% of a project loan, not to exceed $250k, may be used for predevelopment such as conceptual design and entitlement, if the borrower cannot feasibly access other sources of pre-development funds.

LOAN REQUIREMENTS AND PROGRAMMATIC PRIORITIES

Affordability Requirements and Goals

A regulatory agreement will be recorded by the Fund as part of the project loan documents package, requiring that a minimum of 10% of the units in a project seeking a REDI Fund loan must have monthly housing costs affordable at the lesser of:

1) monthly rent or multi-family for-sale prices set at 20% below the level of the average rent or multi-family for-sale prices for the Area Market in which the acquired property is located, or
2) monthly costs affordable a household at 80% AMI

These units must remain affordable for a minimum period of 50 years. This is intended to be a modest affordability requirement commensurate with the shallow subsidy provided by the REDI Fund. REDI Fund will proactively seek and prioritize projects that maximize residential affordability, and all public lenders have made a commitment to align take out public funding with REDI Fund acquisitions, as appropriate.

Geographic Eligibility

Eligible properties must be located in King, Pierce or Snohomish County. Eligible project sites must be within a ½ mile walk shed of light rail or commuter rail, or within a ¼ mile walk shed of frequent bus service or streetcar stops. Additionally, local comprehensive plans must anticipate a minimum of ten residential units per gross acre for the subject site. Prior to full service operations, transit service will be considered eligible if:

(1) the service is fully funded,
(2) the station/stop location is formally determined, and
(3) service is either in place or scheduled to begin within the loan term.

UNDERWRITING APPROACH

Enterprise's CDFI subsidiary is an experienced community development lender with a strong track record in originating and underwriting loans for all phases of affordable housing and mixed-income housing development and property types including vacant land, redevelopment of underdeveloped sites, and preservation projects. A thorough analysis and evaluation of risk is inherent in the manner in which Enterprise reviews due diligence items provided by the borrowers as well as the review of third party reports (appraisal, market study (where applicable), property condition report, Phase I environmental report, etc.) to determine the viability of a loan request. In considering REDI Fund loan opportunities, Enterprise will provide their standard underwriting diligence, paying special attention to entitlement risk, take out viability, and community and public support (both monetary and political). Enterprise's underwriting will be performed based on the underwriting guidelines included in Exhibit C.

Development plan and alternate scenarios
Borrowers will be required at time of loan application to detail one or more plausible development strategies, including project description, take-out source(s), permanent financing options, projected # of units, including affordable units, and affordable housing cost levels, anticipated timeline and other information necessary to evaluate and preliminarily underwrite the alternative development plans. Financing timeline must include application for competitive funds a minimum of 18 months prior to end of loan term.

Take Out Financing
During underwriting, Enterprise will investigate the viability for take-out financing proposed by the borrower to the best of their ability at the time of underwriting. Given the likely permanent funding role of the public sector lenders in the REDI Fund, Enterprise will seek information from those entities to assess their level of comfort with a proposed project site and their opinions regarding the development plans.

Local Political Support
Underwriting will focus on local support for a project, particularly in those instances where a project anticipates local jurisdictions as a source of permanent financing or where a zone change or other discretionary entitlement will be required. Applicants are expected to demonstrate the nature and strength of public support that the proposed project has from the local jurisdiction/community. Examples of support could include:

- Letters of support from city council, other public agency, or community-based organization;
- Existing policies (e.g., comprehensive plan), programs, or initiatives that are furthered by the proposed project;

- Commitment or potential availability of public funds, other resources, or incentives for the project development.

Recognizing that some jurisdictions may not be supportive of affordable housing projects, this support is not a threshold to loan approval, provided that lack of local support doesn't jeopardize anticipated financing or entitlement approvals.

LOAN ORIGINATION AND APPROVAL

Enterprise will act as the sole originator and underwriter for the REDI Fund project loans. Project loan applications will be accepted on a rolling basis. Enterprise will review borrower submissions, make necessary inquiries, and submit a loan request package to the credit committee.

Approval of Loan Requests

Loan request packages for will be distributed to credit committee members via email five business days in advance of the scheduled credit committee telephonic meeting.

Credit Committee

The REDI Fund credit committee will convene as necessary to approve loan requests submitted by the administrative agent based on the established underwriting criteria.

Credit committee membership shall consist of:

- One seat for the most local top loss lender[6] of the application (s) being reviewed by the committee
- One rotating seat among the three top loss lenders[7].;
- One representative of the subordinate lender(s);
- One representative of the senior lender;
- One representative of the administrative agent.

The credit committee must have at least three members attend a meeting to represent a quorum, including one top loss lender and one senior lender. A loan request will be deemed approved if a majority of the credit committee members participating in the telephonic meeting vote in favor of the loan request.

LOAN MODIFICATIONS AND PORTFOLIO MANAGEMENT

[6] This will be the City of Seattle for anything in Seattle, ARCH for anything in their jurisdiction and King county for all other areas.
[7] In the event the most local public funder is the same as the current rotating public lender, that vote will revert back to the top lender that previously held that seat on the credit committee.

Enterprise as loan servicer will oversee the Fund's asset management functions. Enterprise will use its industry accepted lending standards and guidelines manual for servicing the REDI Fund loans. These lending standards and guidelines outline all of the procedures to be followed by Enterprise while servicing loans including a risk rating system to be applied to each loan for risk management purposes.

The asset management function will include overseeing the production of loan monitoring reports for each project loan that provides an update and assessment on the performance of each loan, including the status of loan repayment. Loan monitoring reports will be prepared semi-annually for all loans. For loans that have been down-graded for delinquency or other risk factors, Enterprise staff will be in regular communication with borrowers to address any risk factors relevant to the loan and the success of each project.

Loan monitoring reports will include the following:

- Portfolio Monitoring report that describes outstanding loans and loan performance, including a description of portfolio diversification and other key credit risk factors as agreed to by the Fund capital partners, loans that have been approved but have not closed yet and loans that are awaiting approval.
- Delinquency report noting any events of default, and any occurrence of any material adverse change for project loans.
- Summary of the fund's performance on programmatic priorities including geographic balance of loans, anticipated unit creation by AMI category, etc.

Loan Modifications and Extensions

All loan modification requests will be summarized by the administrative agent and distributed to the credit committee for review and approval. The modification request summary will include the reason for the modification, the impact of the modification on the project, an assessment of any change in the risk profile of the loan, and any impact of the modification on the future lending pipeline.

Modifications and extensions for current and performing loans may be approved via email. Committee members have 10 business days to review and respond with their vote. If a committee member doesn't respond within 10 days, that member will be deemed to have given approval.
Project loans deemed non-performing for either monetary delinquency (interest and/or principal) or non-monetary delinquency may be considered for restructure (modification of loan terms such as loan maturity, payment or repayment modification, etc.) will require consideration by the credit committee via a telephonic meeting.

The following modifications on a delinquent loan will require an affirmative vote by a majority of the participating lenders, including a top loss lender and a senior lender:

- Waivers of events of default
- Release of any collateral securing a project loan, except in the case of repayment
- Increase in the outstanding principal amount

- Modification of any payment terms or interest rate
- An extension for any period for which there is no reasonable expectation of full repayment of the loan at the end of the extension period.
- Revisions to the covenants that result in less stringent requirements
- Exceptions to fund policies on environmental risk, entitlements or insurance

<u>Loan Workouts:</u>
In the event a loan workout becomes necessary, the administrative agent will work with the borrower to prepare a workout plan and submit the plan to the credit committee. The workout plan must be approved by a majority of the credit committee, including a top loss lender and a senior lender. [If the committee is unable to approve a workout plan, the administrative agent and the senior lender must agree upon and approve a workout plan.] In the absence of an approved work out plan, the senior lender and administrative agent may, without limitation, require the Fund to enforce all of its rights and remedies with respect to the project loan and to charge off the project loan.

Borrowers will be expected to pursue a development plan that is relatively similar to what was proposed in the loan application, with consideration given to changes in market conditions and subsidy available in the interim. Should Borrower pursue an alternative development plan or disposition that is deemed by the credit committee as non-compliant with the Fund's stated goals and affordability requirements, the loan documents will include provisions for a substantial fee to be assessed upon sale of the real estate. The intended goal of the fee is to prohibit any financial incentive for speculation using the REDI fund and provide the oversight committee some leverage in influencing the disposition of the site. This fee will be detailed in the REDI Master Credit Agreement.

DEMAND ANALYSIS

Demand for new capital products is always difficult to assess. Currently, patient, low cost, higher LTV debt for acquisition of development sites is very, very scarce. Those few loans that have been made have been on an exception basis by entities that only lend to non-profit entities for 100% affordable housing projects. Without being able to assess current activity for this segment of capital, we have instead assessed demand in the following ways:

Requests to Enterprise
Over the last 12 months, Enterprise has received three unsolicited requests for higher than typical LTV, site acquisition loans for transit oriented sites in areas with strong rent growth, from borrowers with strong balance sheets. The borrowers were seeking to locate affordable housing in high opportunity locations but did not have access to equity and/or subsidy. These requests represented opportunities that currently do not fit Enterprise's loan product offerings and therefore we were unable to provide the financing. One project was approved by another CDFI on an exception basis and two others are currently seeking financing.

Strong Acquisition Opportunities
There are several strong locations throughout the REDI Fund eligible geography with good access to transit and other services, moderate land values that make affordable housing feasible, and strong rental markets. Many of these sites have small residential or commercial buildings that could provide a modest amount of current income to defray carrying costs making them attractive acquisition opportunities if and when current owners are ready to list the sites for sale. Opportunities like this at Northgate, Shoreline, Mt Baker, Central Area, Beacon Hill have all come up in conversation with potential borrowers over the course of REDI Fund interviews.

Conversations with Potential Borrowers
Vetting the appetite for financing from the REDI Fund with potential borrowers prompts predictable risk analysis conversations as developers consider extending their pipelines. Non-profit developers cite a need to understand the availability of acquisition opportunities with current cash flow and to work with their boards on their comfort level of holding sites for an extended period of time, albeit with capital with favorable terms. The uncertainty of subsidy availability has slowed acquisition activity during the past year. Now that the Washington State Trust Fund has been restored, King County lodging tax bonding will provide the County with approximately $45 million in TOD housing resources early next year, and the Mayor of Seattle is calling for doubling the housing levy. Anecdotally, developers feel more bullish on site acquisition at this time, as compared to the same time last year.

Deployment is anticipated to ramp up over the first year as marketing efforts make potential borrowers aware of this new acquisition financing source l. During the X years of the deployment period we anticipate deploying $XM in year one, $XM in year 2…

Existing Resources and Financing Gaps

The current financing climate in the Central Puget Sound has an adequate supply of short term acquisition capital for non-profit developers that are anticipating developing a site or starting a rehab project within 36 months using a 9% LIHTC execution. These capital sources tend to be somewhat constrained on loan size for larger acquisitions but are otherwise readily available.

For acquisition terms beyond 36 months, the only consistently available program is a statewide Land Acquisition Program through the Washington State Housing Finance Commission. This statewide pool of longer term, low cost capital is often over-subscribed and tends not to be active in the higher cost markets of the Central Puget Sound. This product is also not available to for-profit borrowers or mixed-income projects.

As the public permanent funding resource base expands as described above, so do opportunities for different types of projects that include private developers and market rate housing. This will serve to increase the need for patient capital (in both term and cost) that will explore new deal types with creative and experienced borrowers.

Marketing and Outreach

Enterprise will utilize the relationship base of our Seattle and national staff to implement a targeted marketing and outreach plan. Enterprise will support strong potential borrowers in identifying potential sites, and assessing the risks inherent in extending their pipeline with longer term capital. Enterprise local staff will work proactively with potential borrowers to evaluate those site opportunities that best fit both the underwriting standards developed prior to closing and the policy intent of the Fund.

Enterprise Community Partners staff will lead the efforts around proactive origination and early opportunity assessment. This role will be distinct from the role of assessing and evaluating risk being undertaken by Enterprise Community Loan Fund staff. . Despite talking on an active origination role, as a lender, Enterprise will maintain objectivity on the underwriting and credit evaluation.

Enterprise will also make use of the existing marketing channels across its other capital business lines to ensure the REDI Fund is a known product across the local community development and housing industry. This will include promotion at local and national conferences in the Pacific Northwest. This marketing outreach will be supported by printed collateral materials as well as promotion of the REDI Fund on Enterprise's website.

Lastly, the REDI Fund advisory committee will be a critical body to ensure that all potential borrowers are aware of the Fund so that the community benefits and impact of the Fund are maximized. The diverse representation of that group, across geographies and sectors, will be a conduit to keep developers, funders and lenders in the region aware of the fund activities and capital availability.

FUND FINANCIAL PLAN

Enterprise developed a financial model for the $18 million REDI fund with an eye towards the most efficient financial structure. The goal is to maximize financial operations of the Fund and ensure that the Fund will be financially self-sufficient. A summary of this model is included in Exhibit E. The assumptions below are based on a 10 year financial pro forma and each lender's loan is in order of the loss waterfall. The public funders are in the top loss position, followed by subordinate capital from ECLF and Living Cities and lastly the senior debt from ECLF and a yet-to-be determined second senior source. The financial assumptions are as follows:

- **Cost of funds**: The blended interest rate will be dependent on the cost of capital of the remaining senior tranche currently being raised. Exhibit A details each lender's cost of capital plus the fund management fee.

- **Interest payments and fund expenses**: a 75 basis point spread (bps) fund management fee was added to each lender' portion of the capital provided, except for the Enterprise Community Loan Fund (ECLF) capital as this fee is reflected in the pricing. The fund management fee will cover the administration, accounting, management and servicing expenses of the debt by ECLF. Interest payments will be due quarterly from the borrower and if applicable paid quarterly to lenders in the Fund.

- **All in estimated project loan interest rate** of between 3.58% and 3.75%
- Average loan size of $2 million
- Deployment schedule of 2 loans per year
- Average loan term of four years; maximum loan term six years
- Origination period of five years
- 1/3 of capital redeployed
- Origination fee of 1.5%

Start Up Period

The REDI Fund startup expenses are anticipated to be $145,500 including:

- $75,000 for Enterprise Community Partners and Enterprise Community Loan Fund staff time to:
  - develop the Fund structure;
  - draft the business plan and financial model;
  - raise capital for the Fund;
  - close the Fund; and
  - implement Fund operations.

- $70,500 for legal services provided by Enterprise Community Partners internal counsel to:
  - advise on the structure of the Fund;

- draft the master credit agreement (MCA);
- coordinate the review of the MCA and all accompanying exhibits and schedules; and
- work with each lender's legal staff on closing.

This estimated legal costs do not include any costs related to any required legal opinions, such as charitability or corporate opinions.

Enterprise is absorbing the startup costs as part of existing grants for these efforts and in-kind contribution.

Management, Servicing and Administration

As mentioned above a 75 bps will be added to each lender's portion of capital. Management and operating functions paid by this fee include:

- processing capital calls;
- loan servicing, including invoicing, accounting and processing payments to REDI Fund lenders;
- tracking loan balances for all REDI Fund lenders;
- monitoring project status and ensuring any changes are compliant with program and covenant requirements;
- quarterly financial, programmatic and portfolio (delinquency, pipeline, etc.) reporting
- reviewing loan modification requests; and
- management of delinquent and/or problem loans.

Origination Fees

The borrowers will pay an origination fee of 1.5% of the loan amount being requested, with a minimum loan fee of $20,000. The origination fee will be partially due at loan application ($2,500, non-refundable), acceptance of loan commitment (50% of origination fee, non-refundable) and the balance due at loan closing. The borrowers will also be responsible for payment of all third party due diligence costs such as property appraisal, Phase I Environmental Report, property condition report, market study, and legal fees associated with loan closing.

REDI BUSINESS PLAN EXHIBITS

Summary Att 1 - REDI Fund Business Plan
v1

Exhibit A: REDI fund Capital Stacks by geography

Tier	Source	$ Amount	% of Loan by lender	% of Loan by tier	Recourse?	Cost of Funds	Mgmt Fee	Total Rate
Top Loss	ARCH	500,000	2.8%	27.8%		0.00%	0.75%	0.75%
	King Co	1,000,000	5.6%			0.00%	0.75%	0.75%
	PSRC via King County	2,500,000	13.9%			0.00%	0.75%	0.75%
	Seattle	1,000,000	5.6%			0.00%	0.75%	0.75%
2nd loss	CDFI	500,000	2.8%	3.0%	Y	6.75%		6.75%
Subordinate	Living Cities	3,500,000	19.4%	19.4%	Y	3.00%	0.75%	3.75%
Senior Debt	ECLF	2,000,000	11.1%	50.0%	Y	2.00%		2.00%
	ECLF	4,000,000	22.2%		Y	5.75%		5.75%
	CDFI	3,000,000	16.7%		Y	5.00%	0.75%	5.75%
	TOTAL FUND SIZE	**$ 18,000,000**	100%		**72.2%**			**3.58%**

Max Loan Size (25%) **$ 4,500,000**
Projected Rate to Borrower **3.58%**

Seattle vs. Regional sub-pools

Loans within the City of Seattle will be funded up to the 38% target allocation (6.84M) as described in the City of Seattle capital stack shown below. If loans are approved in excess of that amount, Enterprise will draw, pro rata, on the regional funding pool shown here. There are no geographic restrictions on any of the funds in the regional capital stack.

City of Seattle Loans @ 38% of Fund ($6.84M in total)						**Regional Loans**			
Tier	**Source**	**$ Amount**	**% of Loan**	**Risk Tier**	**Share of Risk Tier**	**Source**	**$ Amount**	**% of Loan**	**Share of Risk tier**
Top Loss	Seattle	1,000,000	14.6%	28%	53%	Seattle	-	0%	0%
	ARCH		0.0%		0%	ARCH	500,000	4.5%	16%
	King Co		0.0%		0%	King Co	1,000,000	9.0%	32%
	PSRC/KC	900,000	13.2%		47%	PSRC/KC	1,600,000	14.3%	52%
2nd loss	CDFI	190,000	2.8%	2.8%	100%	CDFI	310,000	2.8%	100%
Subordinate	Living Cities	1,330,000	19.4%	19.4%	100%	Living Cities	2,170,000	19.4%	100%
Senior Debt	ECLF	760,000	11.1%	50.0%	22%	Enterprise Net Assets	1,240,000	11.1%	22%
	ECLF	1,520,000	22.2%		44%	Enterprise	2,480,000	22.2%	44%
	CDFI	1,140,000	16.7%		33%	CDFI	1,860,000	16.7%	33%
TOTAL		**6,840,000**	**100%**				**11,160,000**	**100.0%**	

Scenario A - loan funding sample scenario

City of Seattle Loan @ $2M

City of Seattle Only			
Tier	**Source**	**$ Amount**	**% of Loan**
Top Loss	ARCH	-	27.8%
	King Co	-	
	PSRC/KC	263,158	
	Seattle	292,398	
2nd loss	Enterprise	55,556	2.8%
Subordinate	Living Cities	388,889	19.4%
Senior Debt	Enterprise Net Assets	222,222	11.1%
	Enterprise	444,444	22.2%
	CDFI	333,333	16.7%
	TOTAL	**$ 2,000,000**	**100.0%**

City of Seattle Loan with other Top Loss lenders @ $5M

Source	**$ Amount**	**Remaining Seattle Pool**	**Draw on regional Pool**	**New Percentage**
ARCH	7,168	-	7,168	0.1%
King Co	14,337	-	14,337	0.3%
PSRC/KC	659,781	636,842	22,939	13.2%
Seattle	707,602	707,602	-	14.2%
CDFI	138,889	134,444	4,444	2.8%
Living Cities	972,222	941,111	31,111	19.4%
Enterprise Net	555,556	537,778	17,778	11.1%
Enterprise	1,111,111	1,075,556	35,556	22.2%
CDFI	833,333	806,667	26,667	16.7%
Total	**$ 5,000,000**	**$ 4,840,000**	**$ 160,000**	**100%**

Regional Loans (Remaining $11M)

Tier	**Source**	**$ Amount**	**New Percentage**
Top Loss	ARCH	492,832	3.5%
	King Co	985,663	6.9%
	PSRC/KC	1,577,061	17.4%
	Seattle	-	0.0%
2nd loss	CDFI	305,556	2.8%
Subordinate	Living Cities	2,138,889	19.4%
Senior Debt	Enterprise Net	1,222,222	11.1%
	Enterprise	2,444,444	22.2%
	CDFI	1,833,333	16.7%
	Total	**$ 11,000,000**	**100%**

Exhibit B: Loan Loss Waterfall examples

The loan loss scenarios below show how repayments of different sizes would repay to the individual lenders in the syndicate. These scenarios assume that the borrower is current on all interest at the time of partial repayment.

Loan capital will be repaid to lenders in order if senority. For loan tiers with multiple lenders, lenders will be repaid pro rata based on their share of that risk tier.

$3M City of Seattle Loan					Share of	$2.5M repayment scenario		$2M repayment scenario	
Tier	Source	$ Amount	% of Loan	Risk Tier	Risk Tier	Repayment	Loss	Repayment	Loss
Top Loss	Seattle	438,596	14.6%	27.8%	53%	175,439	263,158		438,596
	ARCH		0.0%		0%				-
	King Co		0.0%		0%				-
	PSRC/KC	394,737	13.2%		47%	157,895	236,842		394,737
2nd loss	CDFI	83,333	2.8%	2.8%	100%	83,333	-	-	83,333
Subordinate	Living Cities	583,333	19.4%	19.4%	100%	583,333	-	500,000	83,333
Senior Debt	ECLF	333,333	11.1%	50.0%	22%	333,333	-	333,333	-
	ECLF	666,667	22.2%		44%	666,667	-	666,667	-
	CDFI	500,000	16.7%		33%	500,000	-	500,000	-
TOTAL		**3,000,000**	**100%**			**2,500,000**	**500,000**	**2,000,000**	**1,000,000**

$3M Regional Loan (outside the City of Seattle)					Share of	$2.5M repayment scenario		$2M repayment scenario	
Tier	Source	$ Amount	% of Loan	Risk Tier	Risk tier	Repayment	Loss	Repayment	Loss
Top Loss	Seattle	-	0%	27.8%	0%	-	-		-
	ARCH	134,409	4.5%		16%	53,763	80,645.16		134,409
	King Co	268,817	9.0%		32%	107,527	161,290.32		268,817
	PSRC/KC	430,108	14.3%		52%	172,043	258,064.52		430,108
2nd loss	CDFI	83,333	2.8%	2.8%	100%	83,333	-		83,333
Subordinate	Living Cities	583,333	19.4%	19.4%	100%	583,333	-	500000	83,333
Senior Debt	ECLF	333,333	11.1%	50.0%	22%	333,333	-	333,333	-
	ECLF	666,667	22.2%		44%	666,667	-	666,667	-
	CDFI	500,000	16.7%		33%	500,000	-	500,000	-
TOTAL		**3,000,000**	**100.0%**			**2,500,000**	**500,000**	**2,000,000**	**1,000,000**

REDI FUND UNDERWRITING GUIDELINES

PROJECT LOAN - ACQUISITION LOAN			
Administrative Agent on behalf of all Lenders:	Enterprise Community Loan Fund, Inc.	This criterion is :	
Loan Type:	Acquisition	Met	Mitigated and discussed in the UW package
Loan Amount:	Maximum loan amount is the lesser of 25% of the REDI Fund's total capital or $5,000,000. Loans over this amount may be considered on an exception basis, but would require the approval of required lenders.		
Development Parameters:	All acquisition sites must be: • Located in Pierce, King or Snohomish County. • Located within ½ mile walk shed of light rail or commuter rail, or within a ¼ walk shed of frequent service bus or streetcar stops. • Have zoned density in the local comprehensive plan for at least 10 units per acre.		
Loan to Value:	Maximum loan-to-value as follows: • Nonprofit borrowers - Up to 110% of the lesser of the "as-is" appraised value or the purchase price, to include funds for predevelopment expenses. • For profit borrowers – Up to 100% of the lesser of the "as-is" appraised value or the purchase price, to include funds for predevelopment expenses.		
Equity Requirement:	Minimum equity contribution from borrower as follows: • Non-profit borrowers - 5% equity, based on acquisition cost, can be in the form of subordinate debt from local government agencies, grants, and contributed land equity in lieu of some or all of the equity. For loans greater than $5 million, requests can be considered to cap the required equity at $250k. • For profit borrowers – 10% cash equity, based on total acquisition cost.		

Eligible Projects:	Projects utilizing loans from the REDI Fund must be proposed as primarily residential in nature, to include the following housing types: • New multifamily rental housing. • New multifamily for-sale housing (on exceptional basis). • Preservation of affordable multifamily rental housing projects, where market pressure or expiring subsidies threaten loss of affordable housing stock. Mixed-use projects are eligible, with the following conditions: • Non-residential uses make up no more than 20% of the floor area, or Non-residential uses may constitute up to 30% of the project floor area where those uses contribute a public benefit to the community, including such uses as affordable commercial space for local merchants, community centers and facilities, including day care and health care.		
Eligible Borrowers:	Eligible applicants include non-profit and for-profit housing developers, public development authorities, housing authorities and non-profit land banking agencies. Borrowers must demonstrate strong financial capacity, experience owning and operating multifamily housing, and a demonstrated ability to complete projects using any subsidy sources anticipated as permanent financing. Joint ventures teams may be considered and pre-approved on a case-by case-basis.		

	Special purpose entities affiliated with the project sponsors are also eligible.		
Affordability Requirements:	A minimum of 10% of the units in the project have rents affordable to the lesser of 80% AMI rents or 10% below market rates for the neighborhood.		

Geographic Distribution:	The REDI Fund will make best efforts to achieve approximately the following geographic distribution of funds to project loans over the life of the Fund: • Seattle (38%) • East King County (24%) • South King County & Shoreline (18%) • Pierce County (12%) • Snohomish County (9%)		
Financial Covenants:	1. Debt to Equity ratio not to exceed 3:1 2. Maintain a minimum equity balance equal to the outstanding amount owed by Borrower to the Facility. 3. Unrestricted cash balance equal or greater to $500,000 plus 6 months of interest for all outstanding debt for operating properties that meet a 1.10 DCR. 4. Unrestricted cash balance equal to or greater than $1,000,000 plus 24 months of interest for all outstanding debt for vacant properties and properties not meeting a 1.10 DCR. 5. Borrowers (and their principals) must be in good standing with relevant jurisdiction and must be current on all taxes. 6. Borrowers (and their principals) must be in good standing with all Lenders, any applicable state and federal agencies, and any other current lenders/funders, including HUD/FHA when applicable to permanent financing. 7. Borrowers (and their principals) must have no material defaults on development financing, including federal and state debt, within the past 7 years. Borrowers (or their principals) must maintain an organizational debt coverage ratio of 1.10. The ratio will be calculated as Earnings Before Interest Expense and Depreciation plus Liquid Investments not reserved against future debt payments divided by debt payments for the year. (EBID + Investments not reserved)/Debt payments >= 1.10 8.		

Recourse:	Each Acquisition Loan will be a recourse obligation of each borrower as follows: • Nonprofit borrowers – 72.2% recourse basis. • For profit borrowers – 100% recourse basis In the case of loans made to single purpose entities (SPE), corporate guarantees will be required for nonprofits for 72.2% of the loan amount. In the case of for profit borrowers, corporate and personal guarantees will be required at 100% of the loan amount when the borrower entity is a SPE.		
Interest Rate:	Loan pricing will be fixed at loan closing, with interest to be paid quarterly. The rate will depend on the ultimate blend of capital in any given loan (see Schedule x) and will be reflected in the Acquisition Loan Note.		
Repayment:	Quarterly interest only payments, with principal due at maturity or upon receipt of any repayment source, including the closing of construction financing or internally generated funds. Interest-only payments will be made via cash flow from operations of acquired property or from Borrowers' (or their principals') general cash flow from operations. Borrowers (or their principals) shall be required to evidence and maintain sufficient unrestricted liquidity to comfortably make all required interest payments under this facility. If deemed necessary by the Administrative Agent, some/all of the interest payments may be made from a capitalized interest reserve funded through loan proceeds. The interest reserve may be reduced or eliminated if the Borrower or its principals demonstrates the financial strength to make out of pocket interest payments, identifies another source to pay interest payments or there is a source of stable cash flow		

	from the acquisition property. If any interest reserve is exhausted, Borrower will make payments out of pocket. The loan is prepayable without penalty or premium.		
Fees:	The Borrower will pay an Commitment Fee of 1.50% of the Project Loan, payable half upon acceptance of the Acquisition Loan Commitment Letter and the balance upon closing. There will also be a $2,500 application fee, which will be credited against the Commitment Fee at closing. The Borrower will pay the Administrative Agent's attorneys' legal fees.		
Covenants:	Standard for this type of loan and some special covenants for this Facility that will be reflected in the Loan Documents.		
Events of Default:	Standard.		
Term:	The maximum loan term is seven (6) years.		
Security:	All loans will be secured by real estate in a first priority position. Other secured loans will be subordinate and subject to subordination and standstill agreements. Additional collateral may also be required, if appropriate.		
Loan Conditions:	Closing will be contingent upon the favorable review and approval of: • Standard financial covenants (see above) • Standard due diligence requirements • No material adverse change in financial condition and performance • State of title and survey acceptable to lender's attorney		
Non-Compliance	Borrowers will be expected to pursue a development plan that is relatively similar to what was proposed in the loan application, with consideration given to changes in market conditions and subsidy available in the interim. Should Borrower pursue an alternative development plan or disposition that is deemed by the credit committee as non-compliant with the Fund's stated goals and affordability requirements, the loan documents will include provisions for a substantial fee to be assessed upon sale of the real estate. The fee will prohibit any financial incentive for speculation using the REDI		

	fund and provide the oversight committee some leverage in influencing the disposition of the site. This fee will be detailed in the REDI Master Credit Agreement.		
Zoning:	By the 24th month of the term of any loan, if required zoning is not already in place, borrower must initiate a re-zoning process with the appropriate municipality. Initial underwriting will vet the viability of securing such land use approvals if they are not currently in place.		
Third Party Reports:	MAI appraisal with as-is market value for the land and any existing buildings dated within six (6) months of loan closing. Environmental site assessment, geotechnical survey, property condition report and other reports as required by the Lender dated within six (6)		
	months of loan closing.		
Reporting Requirements:	In addition to the standard reporting requirements for a loan of this nature, Borrower must agree to comply with any additional reporting requirements required by the Administrative Agent to document the impact of the Facility. All reporting requirements will be clearly defined in the Loan Documents .		

Summary Att 1 - REDI Fund Business Plan
v1

Task	Start	End	Notes
Complete draft of business plan		10/6/2016	
review and comment on second draft of the business plan	11/10/2015	11/20/2015	
Business plan final		**11/20/2015**	
Final draft of interlocal	10/15/2015	11/10/2015	
Draft Master Credit agreement/fund documents	11/1/2015	11/25/2015	
Negotiate MCA/Loan documents	11/30/2015	1/15/2016	
Final draft of MCA/loan documents		1/15/2016	
Investor UW and appoval			
Living Cities			
Business plan and UW package to LC		10/6/2016	
site visit (approx timing)			
Committee approval			
City of Seattle			
Committee review	12/1/2015	12/15/2015	
Council approval	1/1/2016	1/15/2016	
ARCH			
ARCH interlocal and business plan approval (administrative)	9/18/2015	#############	
King County			
King County interlocal and business plan approval (administrative)	#############	#############	
Executed grant agreement with PSRC		12/15/2015	
Senior Lenders			
Senior Debt underwriting	11/15/2015	12/15/2015	
Senior Debt committee review and commitment	12/15/2015	12/31/2015	
Committee approval from all investors		1/15/2016	
Closing			
Fund document signatures & fund closing	1/15/2016	1/31/2016	

EXHIBIT E - REDI Fund Income Statement

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Originations												
Projects	2	4	3	0	2	3	-	-	-	-	-	14
Total Projects Closed	$4,000,000	$8,000,000	$6,000,000	$0	$4,000,000	$6,000,000	-	-	-	-	-	$ 28,000,000
Total Outstanding	$4,000,000	$12,000,000	$18,000,000	$14,000,000	$18,000,000	$16,000,000	$10,000,000	$10,000,000	$ 6,000,000	$ 6,000,000	$ -	
Income Statement												
Revenue												
Interest- Loans	$ 150,000	$ 450,000	$ 675,000	$ 525,000	$ 675,000	$ 600,000	$ 375,000	$ 375,000	$ 225,000	$ 225,000	$ -	$ 4,275,000
Origination Fee (per loan)	$ 60,000	$ 120,000	$ 90,000	$ -	$ 60,000	$ 90,000	$ -	$ -	$ -	$ -	$ -	$ 420,000
Appraisal (per loan)	$ 8,000	$ 16,000	$ 12,000	$ -	$ 8,000	$ 12,000	$ -	$ -	$ -	$ -	$ -	$ 56,000
Legal (per loan)	$ 20,000	$ 40,000	$ 30,000	$ -	$ 20,000	$ 30,000	$ -	$ -	$ -	$ -	$ -	$ 140,000
Total Revenue	$ 238,000	$ 626,000	$ 807,000	$ 525,000	$ 763,000	$ 732,000	$ 375,000	$ 375,000	$ 225,000	$ 225,000	$ -	$ 4,891,000
Expense												
Legal- Start Up	$ 70,500											$ 70,500
Admin and Other- Start Up	$ 75,000											$ 75,000
Interest on PRI	$ 23,333	$ 70,000	$ 105,000	$ 81,667	$ 105,000	$ 93,333	$ 58,333	$ 58,333	$ 35,000	$ 35,000	$ -	$ 665,000
Interest on ECLF	$ 7,500	$ 22,500	$ 33,750	$ 26,250	$ 33,750	$ 30,000	$ 18,750	$ 18,750	$ 11,250	$ 11,250	$ -	$ 213,750
Interest on ECLF Senior	$ 60,000	$ 180,000	$ 270,000	$ 210,000	$ 270,000	$ 240,000	$ 150,000	$ 150,000	$ 90,000	$ 90,000	$ -	$ 1,710,000
Interest on CDFI	$ 40,000	$ 120,000	$ 180,000	$ 140,000	$ 180,000	$ 160,000	$ 100,000	$ 100,000	$ 60,000	$ 60,000	$ -	$ 1,140,000
Origination Fee (per loan)	$ 60,000	$ 120,000	$ 90,000	$ -	$ 60,000	$ 90,000	$ -	$ -	$ -	$ -	$ -	$ 420,000
Appraisal (per loan)	$ 8,000	$ 16,000	$ 12,000	$ -	$ 8,000	$ 12,000	$ -	$ -	$ -	$ -	$ -	$ 56,000
Legal (per loan)	$ 20,000	$ 40,000	$ 30,000	$ -	$ 20,000	$ 30,000	$ -	$ -	$ -	$ -	$ -	$ 140,000
Admin/Servicing/Fund Management Fee	$ 19,167	$ 57,500	$ 86,250	$ 67,083	$ 86,250	$ 76,667	$ 47,917	$ 47,917	$ 28,750	$ 28,750	$ -	$ 546,250
Total Expense	$ 383,500	$ 626,000	$ 807,000	$ 525,000	$ 763,000	$ 732,000	$ 375,000	$ 375,000	$ 225,000	$ 225,000	$ -	$ 5,036,500
Net Income	**$ (145,500)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (145,500)**

Exhibit F: Interviewed Firms during product design for REDI:

Borrowers/Developers:
Capital Hill Housing
Bellwether Housing
LIHI
Lake Union Partners
Douglaston Development
Mt. Baker Housing
Forterra
Jonathan Rose
Beacon Development
NorthHaven
King County Housing Authority

Funders and CDFIs:
Impact Capital
Low Income Investment Fund
City of Seattle Office of Housing
King County Housing and Community Development

Financial Institutions:
Living Cities
Prudential
Morgan Stanley
Wells Fargo
Metlife

Exhibit G: Key Enterprise Staff

Jon Clarke, Senior Loan Officer, Enterprise Community Loan Fund, Inc.
Jon will serve as chief underwriter for all loans made out of the Fund. Jon joined Enterprise after serving most recently as Senior Program Officer and the chief credit officer at Impact Capital. Prior to that, he served as a senior housing developer at Beacon Development Group, where he managed the development of multiple affordable housing projects for nonprofit and housing authority clients throughout Washington State. Jon also acted as a senior development analyst in the Tax Credit Division of the Washington State Housing Finance Commission working on the allocation of federal low income housing tax credits.

Devin Culbertson, Program Director, Enterprise Community Partners, Inc.
Devin leads Enterprise's transit oriented Development work in the Puget Sound region and will be responsible for originating lending opportunities for the REDI fund. Devin joined Enterprise in 2012 as an analyst and underwriter for Enterprise Community Investment before joining he TOD team. Before joining Enterprise, Devin worked as a developer of single family and multifamily affordable housing.

Charlotte Crow, Vice President and Treasurer, Enterprise Community Loan Fund - Ms. Crow joined ECLF in May, 2006 with 25 years of banking, finance and treasury experience. She is responsible for raising capital, investor relations, cash management, fund structure support and general treasury functions for ECLF.

Prior to joining ECLF, Ms. Crow spent 14 years at Signet Bank in Richmond, Virginia where she was in charge of the asset and liability management group and served as a member of the Asset and Liability Committee. Toward the end of her tenure with Signet she reported to the Vice Chairman and was responsible for enterprise wide risk management and the development of transfer pricing and shareholder value performance measurement methodologies. Subsequently, she held senior finance positions with two start-up finance companies in the Baltimore area. Immediately prior to joining ECLF she was with Vertis, Inc., a $2 billion, highly leveraged public company where she managed all treasury functions, including debt management, investor relations and cash management. Ms. Crow received a B.A. in economics and psychology from Kenyon College and completed her MBA at the College of William and Mary with a concentration in finance.

Timothy Martin, Chief Credit Officer, Enterprise Community Loan Fund, Inc.
Tim Martin, as Chief Credit Officer, is responsible for reviewing and approving loan transactions and for monitoring and managing the risks associated with the loan portfolio. He holds final approval authority for all conforming loans made out of the Fund. Mr. Martin joined the Enterprise Community Loan Fund in March, 2009 with more than 12 years of banking, housing finance, and community development lending experience. Prior to joining Enterprise, Mr. Martin spent six years at Fannie Mae. During his last two years, he served as the Director of Credit Risk for the Community Lending Group. In this role, he was responsible for the approval of new housing related construction participations and managing a debt portfolio of approximately $500 million. In his first four years at Fannie Mae, he served as a Senior Underwriting Manager for Community Lending, where he was responsible for underwriting, closing, and managing transactions including

debt participations, equity investments, and large loan syndications. Prior to joining Fannie Mae, Mr. Martin spent seven years at Bank of America as a Community Development Lender. He financed various affordable housing transactions from low-income housing and historic tax credit developments to HOPE VI properties. Mr. Martin received a B.S. in economics and geography, cum laude, from Towson University and a master's degree in city and regional planning from the University of North Carolina at Chapel Hill with a concentration in housing and real estate development.

Melinda Pollack, Vice President, Enterprise Community Partners, Inc.
Melinda Pollack is vice president, Transit-Oriented Development, at Enterprise Community Partners, Inc. Melinda is based in Enterprise's Denver office. She joined the staff in 2007 to focus on transit-oriented development (TOD) financing solutions and policy efforts for the Denver region. Through this effort she guided the creation of the Denver TOD Fund. She presently co-chairs Mile High Connects, a collaboration of more than 20 philanthropies and nonprofits dedicated to ensuring that all people benefit from the Denver region's transportation expansion, with an agenda focused on transportation, housing, jobs, education and health. Melinda leads Enterprise's technical assistance team supporting federal Sustainable Communities Initiative grantees and supports colleagues working to implement transit-oriented agendas in six regions across the U.S. Prior to joining Enterprise, Melinda was vice president for strategic initiatives at Mercy Housing, providing consulting services related to affordable housing for healthcare systems and religious communities and leading Mercy's affordable housing preservation activities.

Noni Ramos, Chief Lending Officer, Enterprise Community Loan Fund, Inc.
Noni Ramos is vice president and chief lending officer for Enterprise Community Loan Fund, Inc. She is responsible for managing new product development, marketing the organization's financial products and managing loan production activities. Noni manages a team of lenders across the country in delivering financing for affordable housing and other community development needs. She also works across various Enterprise subsidiaries and affiliates to develop and launch new financial products and initiatives. Prior to joining Enterprise, Noni held various lending and programmatic positions of progressive leadership during her 14-year tenure at the Low Income Investment Fund (LIIF). As chief credit officer at LIIF, she was responsible for directing all lending and portfolio management functions for their $200 million on- and off-balance sheet portfolios. She began her professional career with Citibank working in various lending functions including community development.

Exhibit H: Target Regional Distribution of REDI Fund Loans

Allocation of State funds:

Regional Split				KING	PIERCE	SNOHOMISH
	Population			56%	20%	24%
	Transit Nodes			62%	14%	24%
	Combined			**59%**	**17%**	**24%**

KC 59% is further divided by RAHP

KC Split (RAHP)		36%	32%	32%		
	Adj for North	**36%**	**28%**	**36%**		

Source	**Total**	**Seattle**	**East KC**	**Balance KC**	**Snohomish**	**Pierce**
State	$ 2,500,000	$ 529,963	$ 412,194	$ 529,963	$ 435,789	$ 592,091
King Co	$ 1,000,000	$ 360,000	$ 280,000	$ 360,000		
Seattle	$ 1,000,000	$ 1,000,000				
ARCH	$ 500,000		$ 500,000			
Total	$ 5,000,000	$ 1,889,963	$ 1,192,194	$ 889,963	$ 435,789	$ 592,091
% Split		**38%**	**24%**	**18%**	**9%**	**12%**

Fund Size:						
18,000,000		6,803,868	4,291,898	3,203,868	1,568,839	2,131,526

King County Only Distribution of REDI Fund Loans DRAFT 2/24/15

Source	Total	Seattle	East KC	Balance KC
King Co	$ 1,000,000	$ 360,000	$ 280,000	$ 360,000
Seattle	$ 1,000,000	$ 1,000,000		
ARCH	$ 500,000		$ 500,000	
Total	$ 2,500,000	$ 1,360,000	$ 780,000	$ 360,000
Leveraged	**$ 12,500,000**	**$ 6,800,000**	**$ 3,900,000**	**$ 1,800,000**
% Split		**54%**	**31%**	**14%**

KC Split (RAHP)		36%	32%	32%
	Adj for North	**36%**	**28%**	**36%**