

November 12, 2019

Investor and Lender Solicitation

The Commons at Martineztown

1. Addendum Number: #3
2. Issued By: Albuquerque Housing Authority
3. Addendum of solicitation: Investor and Lender Solicitation – The Commons at Martineztown
4. The hour and date specified for receipt of proposals is 5:00 pm MST on Friday, November 15, 2019 and is not extended through this addendum.
5. The solicitation is amended as set forth below. Proposer acknowledges receipt of this addendum through notification sent out by email and on the AHA website.
6. Description of amendments:

Questions and Responses to Solicitation:

Question 1: Please confirm that the intended and expected timeline for Rehab of the 96 units is 23 months as the RFP indicates. Typically, a 100± unit project would be closer to a 12-to-18 month construction period

Response 1:

AHA intends to include proposed construction period as a factor in selecting the general contractor for the project with the goal of achieving an 18-month construction period. Until AHA receives confirmation from a general contractor, we conservatively assume a 23-month construction period.

Question 2: Please provide the supporting schedule calculating the development period interest on the construction financing

Response 2:

The estimated construction period interest was not calculated on a schedule. It was estimated based on construction period interest accrued on rehabilitation projects similar in scale, scope, financing, and construction period.

Question 3: Can you confirm that the NM State Loan for \$2M can be in 4th lien position?

Response 3:

The lien position of the State of New Mexico Capital Outlay cannot be confirmed as the funding has not yet been secured. It should, however, be assumed that the funding will be in the 4th lien position.

Question 4: Keeping in mind the request in the RFP related to caps on guarantees, which entity will serve as the guarantor?

Response 4:

AHA is assuming that the agency will be the guarantor.

Question 5: Would you please clarify the following statement / ground lease structure – “The partnership will lease the property from the county, and the lease payments will equal the payments on the outstanding bonds.” The Operating Expense budget does not reflect any ground lease payments

Response 5:

The amount of the lease payments will be determined, in part, by how the lender proposes the permanent mortgage structured. If the lender proposes to maintain the tax-exempt status of the permanent loan, then the lease payments will equal the payments on the first mortgage loan and are shown as loan payments on the project proforma. If the lender proposes replacing the tax-exempt debt with taxable, the tax-exempt bonds will be retired excepting a nominal amount (e.g. \$5,000) as required to maintain the property tax exemption.

Question 6: We see that the first buildings are completed in March of 2021 and the last in March of 2022. As such, we have assumed that the 41 buildings come into service pro rata. If there is a specific completion schedule please provide.

Response 6:

A specific construction completion schedule will be established in conjunction with the selected general contractor. In the meantime, assuming that the 41 buildings come into service pro rata is reasonable.

Question 7: You have indicated in one of the addendums that you plan to start the project with 20 units vacant and will plan to relocate the tenants on site. “Response 7: Our goal is to have 20 units vacant by the start of construction that will be first to be rehabilitated, and then use these units to move tenants in groups of approximately 20 at a time. We will temporarily relocate tenants offsite as needed.”

As such, we are assuming there will be 75% of credits in 2021 and 93.8% of credits in year 2. Please confirm whether this is accurate and in line with your plans.

Response 7:

The assumptions outlined above appear to be reasonable and consistent with AHA's plans. Please state assumptions regarding anticipated credit delivery in your proposal.

Question 8: We are assuming that you will take the 168(h) election allowing the LLC to qualify for bonus depreciation. Please confirm.

Response 8:

AHA has not made a final determination regarding the 168(h) election. Please state if you are assuming such an election in your proposal.

Question 9: Please confirm that the bonds are drawn down as needed. We may need to see how you've calculated your construction interest as we are deriving a higher number than what is in your budget.

Response 9:

The bonds will be drawn down as needed for construction period expenses. The estimated construction period interest was not calculated on a schedule. It was estimated based on construction period interest accrued on rehabilitation projects similar in scale, scope, financing, and construction period.

Question 10: Do you expect the project to earn any cash flow during construction?

Response 10: Based on a preliminary analysis of cash flow during construction we do anticipate there may be cash flow available for the rehabilitation expenses. A more detailed cash flow analysis will be conducted as sources are finalized. We do not anticipate, however, cash flow being a significant source of financing.