



April 7, 2015

Mr. Kevin Drexel
McCormack Baron Salazar, Inc.
720 Olive Street, Suite 2500
St. Louis, Missouri 63101

**SUBJECT: North Carolina Housing Finance Agency 2015 Tax Credit Application
Commitment Letter for the Lofts at Southside Phase II**

Dear Mr. Drexel:

I am pleased to inform you that the City of Durham intends to provide construction/permanent financing to Southside Revitalization Phase II LP (the "Borrower") for the second phase of development for the *Lofts at Southside* ("Project") in the City of Durham. The City of Durham will provide a total of up to \$3,800,000.00 in the form of a construction/permanent loan from the HOME Investment Partnership program (HOME) and local housing bond funds. Additionally, the City of Durham will provide up to \$3,000,000.00 in grant funding for the associated site preparation and infrastructure improvements.

The proposed terms of the City of Durham's loan of \$3,800,000.00 will be as follows:

1. The term of the loan will be no less than 45 years, plus the construction period.
2. The interest rate of the loan will be 0% during construction and 2% during the permanent phase of the loan.
3. Loan repayment will be based upon a percentage of the project cash flow (defined as net operating income less conventional debt service) with the outstanding balance of principle due on maturity
4. The loan can be re-subordinated on re-financings and fully assumable on sales.
5. The loan will be evidenced by a loan agreement, a note and a deed of trust. The anticipated security interest of the Lender shall be fee simple and a second position.
6. No fees will be charged for the loan.

This commitment of City of Durham funds is conditional subject to the following:

1. The award of 2015 tax credits and other financing by the North Carolina Housing Finance Agency.
2. Compliance with all applicable local, state and federal regulations.
3. Approval of Project plans and specifications and all Project development costs.
4. Compliance with all provisions of the Davis Bacon Act which requires that all laborers and mechanics employed in the construction of the Project are paid prevailing wages.

This commitment of funds is also based on the development budget included in the Low Income Housing Tax Credit application being submitted to the North Carolina Housing Finance Agency. This commitment is valid until December 31, 2016.

We look forward to the commencement of construction of the subject development. If we can be of further assistance, please free to contact me at (919) 560-4222.

Sincerely,

Thomas J. Bonfield
City Manager

c: G. Keith Chadwell, Deputy City Manager
Reginald J. Johnson, Director, Community Development