



OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT
DEVELOP LOUISVILLE
LOUISVILLE, KENTUCKY

GREG FISCHER
MAYOR

GABRIEL FRITZ
DIRECTOR

September 28, 2018

Ms. Kitty McKune
Executive Vice President, Development/General Counsel
New Directions Housing Corporation
1000 East Liberty Street
Louisville, KY 40204

RE: Brandeis Apartments, Louisville, KY (the "Property")

Dear Kitty:

The Office of Housing and Community Development (OHCD) has diligently worked to underwrite and review the request for loan forgiveness which was originally made by New Directions Housing Corporation's (NDHC) on February 6, 2018. As you know, since that time, OHCD has requested additional information regarding the financial status of the Property to assist us in this process. Now that we have full and complete documentation regarding the proposed refinancing structure, OHCD offers the following terms for loan modification:

- Mortgage loan in the original principal amount of \$513,334 dated February 3, 2011, which bears interest at a rate of 2% per annum with a maturity date of February 3, 2026 shall be forgiven; and
- Mortgage loan in the original principal amount of \$521,000 dated February 24, 2011, which bears interest at a rate of 1% per annum with a maturity date of February 24, 2026 shall be modified as follows:
 - The original principal amount shall be reduced from \$521,000 to \$168,000. The loan reduction is based upon Community Housing Capital's (CHC) required 80% loan to value (LTV) ratio given the appraised "as-improved" value of \$1,460,000 for the Property. Total debt service (OHCD and CHC) of \$1,168,000 meets CHC's required LTV.
 - The interest rate of 1% per annum will be reduced to 0%.
 - Annual payments on the principal shall be paid out of available net cash flow. Net cash flow proceeds shall be shared on a prorated basis of 50/50 between OHCD and the Property. Net Cash Flow shall be defined as Effective Gross Income (Gross Rent Potential less Vacancies Plus Other Income) LESS Total Operating Expenses LESS Annual Reserve for Replacement Deposits LESS Annual Payments made on the CHC loan LESS the prorated repayment of \$23,000 (\$2,555.56 per year) to the Property's replacement reserve. The remaining balance is due in full upon maturity.
 - In order to achieve a Debt Coverage Ratio (DCR) in years FYE 6/30/2020, 6/30/2021, and 6/30/2022, the Property has to forgo or reduce the required \$10,000 annual replacement reserve contribution for these three years. As a result, the replacement reserve is underfunded by a total amount of \$23,000. OHCD wants to ensure these missed contributions are made to the replacement reserve, and as such, has prorated contributions over the term of the OHCD loan. Annual prorated contributions of \$2,555.56 will be required payable from available net cash flow.

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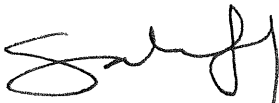
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If the replacement reserve is not underfunded or is underfunded by a lesser amount, then the required contributions shall be adjusted.

- The Property must submit property-specific annual audited financial statements by December 1st (five months following the Property's fiscal year end of June 30th) with annual cash flow payments due December 31st. The first payment will be due on December 31, 2019 for FYE 6/30/2019.
- The maturity date of the loan will be December 31, 2027. The loan term has been lengthened so it is coterminous with the Property's OHCD regulatory compliance period. The remaining balance of the loan shall be paid in full at maturity.
- With the submission of the audited financial statements, the property must submit a bank statement which documents the required replacement reserve deposits. It is OHCD's understanding that CHC authorizes withdrawals from the replacement reserve account. OHCD would like for this practice to continue. If there is no oversight of the replacement reserve account and CHC is unwilling to do so, then OHCD will require that it provide authorization for withdrawals from the replacement reserve account.
- OHCD agrees to re-subordinate to the refinanced CHC loan for the Property.

Please find attached an updated proforma which reflects these changes as well. We are ready to have loan documents amended by the county attorney upon your confirmation of the acceptance of these terms. Please feel free to contact me with any questions.

Sincerely,



Gabriel Fritz, Director
Office of Housing and Community Development
Develop Louisville
LOUISVILLE FORWARD

Cc: Marilyn Harris, Assistant Director
Lori Flanery, NDHC President and CEO

Attachments: Brandeis Proforma with CHC as amended by OHCD on 9/27/2018



New Directions Housing Corporation

October 4, 2018

Mr. Gabe Fritz
Director
Office of Housing & Community Development
Department of Develop Louisville
LOUISVILLE FORWARD
444 South Fifth Street, Suite 500
Louisville, KY 40202

RE: Brandeis Apartments, Louisville, Kentucky (the "Property")

Dear Gabe:

It is my great pleasure, on behalf of New Directions Housing Corporation ("New Directions"), to accept the terms of the modification to the existing loans between New Directions and Louisville/Jefferson County Metro Government, through its Department of Housing and Family Services ("Louisville Metro") as set forth in your letter dated September 28, 2018. New Directions is so grateful for the commitment that Louisville Metro has shown New Directions in helping to find a viable solution to the need for new replacement windows at Brandeis Apartments.

We would like to move forward with the modifications to the existing Metro loans immediately as we continue to work on a parallel path toward the closing of the loan with Community Housing Capital ("CHC"). My hope is that all that is needed is a modification to the existing note and mortgage on the \$521,000 note and mortgage and a cancellation and release of the loan documents on the \$513,344 note. Please let me know what the next steps are.

Again, many thanks to you and your team at Develop Louisville for your cooperation with this request.

Sincerely,

Kathleen O. McKune
Chief Development Officer & General Counsel

Enclosures

cc: Lori Hudson Flanery, CEO, New Directions Housing Corporation (w/enc.- via email)
Gerald Tyrell, CFO, New Directions Housing Corporation (w/enc. – via email)
Bridgette Johnson, COO, New Directions Housing Corporation w/enc. – via email)

