San Antonio Housing Trust Public Facility Corporation

Agenda Memorandum

File Number _______

Agenda Item Number: 5

Agenda Date: 1-22-2020

In Control: San Antonio Housing Trust Public Facility Corporation

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DEPARTMENT: San Antonio Housing Trust Public Facility Corporation

DEPARTMENT HEAD: Pedro Alanis

COUNCIL DISTRICTS IMPACTED: District 2

SUBJECT:

Discussion and possible action regarding approval of a Resolution authorizing the execution of a second revised Term Sheet for the Friedrich Lofts project.

SUMMARY:

The Friedrich Lofts project is an Affordable/Market structured financing that was previously approved by the PFC board in 2018, with the PFC owning the project and entering into a 75-year lease with the equity partnership. This will be a 347-unit three-story garden-type development with a 771-space parking garage.

This Board originally approved a Term Sheet with Provident Realty Advisors for the Friedrich Lofts project on February 28, 2018. During this time, the developer was unable to secure equity financing based on the previously approved financial terms. After working with several equity fund providers, Provident Realty Advisors (PRA) has negotiated terms with American South Real Estate Fund. The new equity terms require a reduction in the sharing percentage from 25% each to 16.5% of both PRA and the PFC.

In contrast, to a reduced share, PRA has agreed to set aside 14 of the units at 60% of the area median income permanently in lieu of the PFC funding an affordability concession program to buy-down such units as originally agreed to in the first Term Sheet.

The total project cost is $68,675,284 with a bank loan of approximately $54,858,000, and equity of approximately $10,972,284. The City previously awarded TIRZ funds of

$1,745,000 and $500,000 in SAWS fee waivers plus eligible City Fee Waivers. The revised PFC terms do not require any additional subsidy from the City. The PFC is anticipated to receive $250,000 as a closing fee, $25,000 per year as administrative rent, and 16.5% of cash flow and capital events after repayment of preferred equity funds estimated in Year 8.

ISSUE:

Forty percent (40%) of the 347 units in the project (140) will be set aside for tenants whose income is less than eighty percent (80%) of the area median income ("AMI"). In addition, another ten percent (10%) of the units (35) may be set aside for tenants whose income is less than sixty (60%) of AMI.

Rent will be set at 30% of the 80% and 60% AMI numbers, as applicable, and cannot be increased above 35% of AMI, so long as the project is tax exempt.

ALTERNATIVES:

If the San Antonio Housing Trust Public Facility Board does not indicate approval to proceed, the affordable and market rate units will not be built and the property will remain as it is.

FISCAL IMPACT:

No fiscal impact, as this is a non-binding resolution

RECOMMENDATION:

Staff recommends approval of the Resolution

ATTACHMENT:

Resolution
Term Sheet

FRIEDRICH LOFTS

CERTIFICATE FOR RESOLUTION

The undersigned officer of the San Antonio Housing Trust Public Facility Corporation, a Texas nonprofit corporation created pursuant to the laws of the State of Texas ("SAHTPFC") hereby certifies as follows:

1. In accordance with its bylaws, the Board of Directors of SAHTPFC (the "Board") held a meeting on January 22, 2020 (the "Meeting") of the duly constituted officers and members of the Board, at which a duly constituted quorum was present. Whereupon among other business transacted at the Meeting, a written

RESOLUTION APPROVING A SECOND AMENDED AND RESTATED TERM SHEET FOR THE FRIEDRICH LOFTS APARTMENTS PROJECT; AND OTHER MATTERS IN CONNECTION THEREWITH

(the "Resolution") was duly introduced for the consideration of the Board and discussed. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, said motion, carrying with it the adoption of the Resolution, prevailed and carried by a majority vote of the Board.

2. A true, full, and correct copy of the Resolution adopted at the Meeting is attached to and follows this Certificate; the Resolution has been duly recorded in the Board's minutes of the Meeting; each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting; and the Meeting was held and conducted in accordance with the Bylaws of SAHTPFC.

SIGNED January 22, 2020.

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Nicole Collazo, Assistant Secretary

RESOLUTION APPROVING A SECOND AMENDED AND RESTATED TERM SHEET FOR THE FRIEDRICH LOFTS APARTMENTS PROJECT; AND OTHER MATTERS IN CONNECTION THEREWITH

WHEREAS, Friedrich Crossing, LP, a Texas limited partnership (the "Partnership"), and SAHT Friedrich Crossing LP, LLC, a Texas limited liability company and a Partnership limited partner (the "SAHT Limited Partner"), have been formed to acquire and construct a 347-unit multifamily housing facility (the "Housing Facility") to be located on at 1617 East Commerce Street, San Antonio, Texas (the "Land," together with the Housing Facility, the "Project");

WHEREAS, at the request of the Partnership, San Antonio Housing Trust Public Facility Corporation ("SAHTPFC") has agreed to (i) serve as the sole member of a limited partner of the Partnership in connection with the financing of the Project, (ii) acquire the Land (or a condominium interest on the Land) and own the Project and lease it to the Partnership pursuant to a Ground Lease (the "Ground Lease"), and (iii) serve as the general contractor for the Project;

WHEREAS, the Partnership, SAHTPFC, and Provident Realty Advisors, Inc. or an affiliate or affiliates thereof (the "Developer") have revised the terms of their mutual relationship in a revised Term Sheet (the "Amended TS"), a copy of which has been attached hereto as Exhibit A;

WHEREAS, the Board has determined that it is in the public interest and to the benefit of the citizens and residents of San Antonio for the various entities to enter into the transactions described above so that the Partnership may construct the Project;

WHEREAS, this Board has reviewed the foregoing and determined that the action herein authorized is in furtherance of the public purposes of SAHTPFC;

BE IT THEREFORE RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN ANTONIO HOUSING TRUST PUBLIC FACILITY CORPORATION, THAT:

Section 1. The Amended TS, in substantially the form attached hereto, is hereby approved.

Section 2. The President, any Vice President, the Secretary, the Treasurer, the Executive Director, any Assistant Secretary, or any of them, are hereby authorized to execute the Amended TS, in substantially the form attached hereto.

Section 3. The President, any Vice President, the Secretary, the Treasurer, the Executive Director, any Assistant Secretary, or any of them, are authorized to negotiate and approve such changes in, or additions to, the terms of the Amended TS, including amendments, renewals, and extensions, as such officers shall deem necessary or appropriate upon the advice of counsel to SAHTPFC, and approval of the terms of any of the documents by such officers and this Board shall be conclusively evidenced by the execution and delivery of such documents.

Section 4. The officers of this Board, or any of them, are authorized to take any and all action necessary to carry out and consummate the transactions described in or contemplated by the documents approved hereby or otherwise to give effect to the actions authorized hereby and the intent hereof.

Section 5. If any section, paragraph, clause, or provisions of this Resolution shall be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Resolution.

Section 6. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the Board.

Section 7. All resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.

Section 8. This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

Section 9. This Resolution shall be in force and effect from and after its passage.

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SECOND AMENDED AND RESTATED TERM SHEET FOR THE DEVELOPMENT OF

FRIEDRICH LOFTS APARTMENTS

IN THE CITY OF SAN ANTONIO, TEXAS

JANUARY 22, 2020

This Term Sheet addresses the terms for the development and financing of the Property (hereafter defined). This Term Sheet is not meant to be an exhaustive document and will be replaced and superseded by definitive documentation. No legally binding obligations on either party will be created, implied or inferred until documents in final form are executed and delivered by all parties in a form acceptable to each party, in each party's sole and absolute discretion, provided that the parties agree that to the extent a business term is expressed herein, the parties agree that the definitive documents will reflect these terms. This Term Sheet replaces all previous understandings and agreements, written or oral, with respect to the Property.

The Project will be owned by SAN ANTONIO HOUSING TRUST PUBLIC FACILITY CORPORATION, a Texas public facility corporation ("SAHTPFC"). The Land will be purchased by an affiliate of PROVIDENT REALTY ADVISORS, INC., a Texas corporation ("Provident"), and will be conveyed by the Provident affiliate to SAHTPFC. SAHTPFC will at Closing pay the Provident affiliate for the Land and simultaneously enter into a long term lease with the Tenant covering the Land and the Improvements (if any), who will be deemed to make a Prepaid Rent Prepayment to SAHTPFC of an equal amount. Tenant will be responsible for the costs of the Improvements. SAHTPFC and a Provident affiliate will be limited partners of Tenant.

DEFINITIONS: The following terms shall have the following meanings:

"**Assumed Debt Service"** means the hypothetical equal monthly payments of principal and interest that would be owed by the Tenant to a lender, assuming (irrespective of whether the Tenant has actually incurred any indebtedness and the actual terms of any such indebtedness) that Tenant borrowed seventy percent (70%) of the most recent purchase price for the direct or indirect transfer of the entire Lease to a party that is not an Affiliate of the Tenant (including any indirect transfer of the Lease effected by means of the direct or indirect sale of all of the equity interest in the Tenant), at a rate of interest equal to the Ten Year Treasury Rate plus three hundred (300) basis points, determined on the date of transfer and with a thirty (30) year level debt service amortization. Notwithstanding, the foregoing, prior to the first sale of the Project, when using the defined term Available Cash for Partnership Distributions, actual debt service shall be deducted from cash proceeds in lieu of the Assumed Debt Service.

"**Available Cash"** means for the applicable period, all cash proceeds realized and received by Tenant from operations (other than (i) receipts of capital contributions to Tenant, (ii) proceeds from loans to or refinancing by Tenant, or (iii) proceeds from any direct or indirect sale or assignment of the Lease occurring after an election to effect a PFC Withdrawal, as hereafter defined) less (a) all operating costs and expenses of Tenant (and its affiliates to the extent relating to the Project), other than any expense not involving a cash expenditure (such as any amount charged for amortization or depreciation) or expenses paid to a related party; (b) the Assumed Debt Service; (c) all sums expended by Tenant (and its affiliates to the extent relating to the Project) for capital expenditures for the Project; and (d) cash reserves for working capital, capital expenditures, expenses, liabilities and other purposes as determined by Tenant after consideration of Tenant's financial position. Any of the costs, expenses and reserves contemplated in the foregoing clauses (a) through (d) may at the election of Tenant (and in such manner as Tenant shall reasonably approve) be carried forward and applied against future periods to the extent in excess of the aggregate amount of Available Cash for any current period. Available Cash must be calculated and accounted for consistently with the calculations of and accounting for distributions to Tenant's partners or owners.

"Capital Event" means any refinancing of the entire Project or the proposed sale of the entire Project (including any proposed assignment of the entire Lease) to a third party for consideration or of all of the interests in the Tenant Partnership to a third party for consideration.

"City" means City of San Antonio, Texas.

"Closing Date" means the date of closing for all financing for the Project.

"**Developer"** means Provident, or an affiliate of Provident.

"Equity Partner" means the entity or entities which are selected by Provident to contribute common equity (cash or property) to the Equity Partner and to be admitted as a limited partner to the Equity Partner, one of which will be Provident Partner. Such interest may receive a preferred return for all or a portion of its equity contribution.

"Governing Law" means the State of Texas.

"**Hypothetical Sale Price"** means in advance of marketing the Leasehold Estate for sale, the Tenant and SAHTPFC will determine and mutually agree upon the market value of the Project based upon an appraisal or broker opinion of value.

"Hypothetical NOI" means the then current period net operating income prior to the consummation of a sale of the Leasehold Estate as agreed to by the Tenant and SAHTPFC based upon an appraisal or broker opinions of value which is used in determining Hypothetical Sale Price.

"Hypothetical Capitalization Rate" means the market capitalization rate that is determined and agreed to by the Tenant and SAHTPFC based upon an appraisal or broker opinions of value that prospective purchasers of the Leasehold Estate are expected to utilize in determining the purchase price for the Leasehold Estate.

"Hypothetical Distribution" means the distribution (or proceeds) that SAHTPFC would receive from a sale if consummated by Tenant at the Hypothetical Sale Price pursuant to the payment waterfall as set forth in the Tenant's partnership agreement (the "**Partnership Agreement**").

"Hypothetical Available Cash" means the Hypothetical NOI less the Assumed Debt Service.

"**Preferred Equity Contribution Partner"** means the entity selected by Provident to provide the limited partner capital for the Project in the form of preferred equity and to be admitted as a limited partner to the Tenant or another entity in the chain of ownership.

"**Provident"** means Provident Realty Advisors, Inc., a Texas corporation, or its affiliates.

"Provident Partner" means an affiliate of Provident, which will be a limited partner of the Tenant.

"SAHTPFC" means San Antonio Public Facility Corporation, a Texas Public Facility Corporation.

"Tenant" means Friedrich Crossing, LP, the Tenant under the Lease for the Project, which will be a single purpose Texas limited partnership, the sole General Partner of which will be Friedrich Crossing GP, LLC, (or an affiliate), and the Limited Partners of which will be the an affiliate of Provident Realty, the Equity Partner JV and an affiliate of SAHTPFC.

Ad Valorem Tax Exemption: SAHTPFC shall be responsible for obtaining a 100% property tax exemption for the Project and Lease. SAHTPFC shall apply for, and use good faith efforts to obtain prior to closing, a predetermination letter from the appraisal district indicating that the Project will be exempt. Shortly after the Closing Date, SAHTPFC will apply for the formal tax exemption. Pursuant to the Lease and Partnership Agreement, if the ad valorem tax exemption with respect to the Project is lost ("Loss of Tax Status Event") (i) for any reason within the first 5 years or (ii) at any time during the Term of the Lease due to the fraud, willful misconduct or action or willful inaction of SAHTPFC or its affiliates, then as liquidated damages SAHTPFC, as Landlord, will convey the Project to Tenant (fee ownership of the Project, free and clear) and the Lease will terminate and SAHTPFC will assign its interest in the Tenant to another partner of Tenant. In the event of a Loss of Tax Status Event, prior to the transfers discussed in the prior sentence, SAHTPFC and the Tenant shall use reasonable efforts to modify the structure to allow the ad valorem tax exemption to continue. Notwithstanding the foregoing, SAHTPFC shall effectuate the aforementioned transfers within one hundred twenty (120) days following a Loss of Tax Status Event if the efforts of SAHTPFC and Tenant have not resulted in the reinstatement of a 100% ad valorem tax exemption.

Construction: Tenant will contract with a joint venture made up of SAHTPFC and PRA Construction, LP, a Texas limited partnership and an affiliate of Provident ("Provident Contractors"), to construct the Improvements. Provident Contractors will receive a Contractor Fee of 5%, and any construction contract will also include a contractor's contingency of 3% solely for the use of the joint venture. The joint venture will provide construction completion guarantees necessary to satisfy any lenders and Equity Partners for the Project on terms acceptable to Provident Contractors in its sole discretion.

Development Agreement: Developer, SAHTPFC and Tenant will enter into a development agreement ("Development Agreement") in a form acceptable to the parties, in accordance with the terms set forth herein. The Development Agreement will require the Tenant to finance and construct the Project pursuant to an approved set of plans and specifications and pursuant to an approved budget and agreed to schedule. The Project will be constructed pursuant to a fixed price contract. SAHTPFC will have a right to make changes, but at its expense once the plans are agreed to. Developer and Tenant will provide SAHTPFC with full indemnifications, reasonably qualified to the extent of SAHTPFC's role as the Landlord. SAHTPFC will have a right to attend meetings and inspect the property and will receive monthly progress reports. All draws will require construction consultants for debt and equity approval and architect certifications.

Developer Fee: Developer is to receive a Developer Fee in connection with the development of the Project in an amount equal to three percent (3.0%) of the total development costs of the Project. It is anticipated twenty-five percent (25%) of the Developer Fee will be earned and paid at the construction loan closing. Seventy-five percent (75%) of the Developer Fee will be earned and paid monthly out of the loan proceeds as part of the monthly construction loan process and the final payment will be earned and paid upon issuance of the final certificate of occupancy for the Project.

Entitlements: Entitlements will include, without limitation, obtaining a zoning designation for the Property allowing for the intended development, construction, and operation of the Project.

Guarantees: Certain financial obligations will be guaranteed by Provident on terms to be negotiated by Provident and lenders and the Equity Partners. SAHTPFC will not be required to provide any financial guarantees with respect to financing or construction of the Project.

Improvements: Approximately 347 units of multifamily residential housing, together with all to be constructed onsite infrastructure improvements for the Project, pursuant to Plans and Specifications developed by Developer, and will include a resort style pool, fitness center, clubhouse, internet café, veteran services and other Class-A multifamily amenities.

Lease: Lease between SAHTPFC, as landlord, and Tenant, pursuant to which SAHTPFC leases the Property to the Tenant for a term (the "**Term**") of 75 years (the "**Lease**"). So long as Tenant is not in default under the Lease, Tenant will be permitted under the Lease to assign its interest in the Lease without the requirement of any consent from Landlord. Landlord will not be permitted to assign its interests under the Lease in any manner which jeopardizes the availability of exemption of the Project from ad valorem taxation or to the extent as may be prohibited in any loan documents with the lenders or any agreement between the Tenant and any Equity Partner. The rent will be (1) deemed prepaid rent at closing equivalent to the cost of Land conveyed to the PFC and (2) $25,000 per year Administrative Fee, adjusted by the Consumer Price Index beginning in the second year (the "Administrative Fee"), to cover administrative costs to SAHTPFC (in the absence of a foreclosure or PFC Withdrawal). Notwithstanding the foregoing, the parties agree that Provident's transfer of the Land and existing improvements to SAHTPFC shall satisfy any prepaid rental requirement provided for in the Lease.

The Lease will provide that for any year the Tenant wishes to obtain a property tax exemption, it will set aside or rent 40% of the units to tenants earning less than 80% of the area median income (AMI) and 10% of the Units to tenants earning less than 60% of AMI (the "Affordable Units"). Rents for the Affordable Units will be initially set at 30% of 80% of AMI and cannot be increased above 35% of 80% of AMI.

The Lease will require the Tenant to maintain the Project as a Class A apartment project and will require renovations to the extent financially feasible, to the extent necessary to maintain the Project as a Class A apartment project. Tenant will insure the Project and will set aside an amount per door per year as determined by lenders as a reserve for replacements. Tenant will provide full indemnities to SAHTPFC. Provisions will be negotiated to help the PFC assure that the Project remains a Class A apartment project throughout the Term of the Lease, including conducting periodic needs assessments at predetermined intervals and at any point in time when there is a significant negative change in occupancy. For avoidance of doubt, the parties agree that maintaining the Project as a Class A apartment project means keeping the Project as originally designed and constructed in appropriate condition to compete with other Class A apartment projects of the same age as the Project, but does not mean adding amenities, making structural or other changes to the exterior or interior of the Project to make it consistent with newly constructed Class A apartment projects at a future date.

Management: Provident will designate the property manager for the Project subject to SAHTPFC's approval of the manager, which approval shall not be unreasonably withheld, delayed or conditioned. The manager will receive a base Management Fee as follows:

Commencing with substantial completion of the first residential building, 3.0% multiplied by the effective gross income of the Project as outlined in the Management Agreement; but in no event less than $3,500.00 per month.

Miscellaneous Expenses: Tenant Partnership will be responsible for and will include in the Project Budget all legal fees of SAHTPFC and Provident actually incurred in connection with the preparation, negotiation and execution of the Organization Documents, all reasonable out-of-pocket expenses, including, without limitation, all business, financial, collateral due diligence expenses, and, to the extent provided herein, all appraisal fees and all examination fees.

Net Cash Flow Rent: None, unless lender forecloses on the leasehold estate or there is a PFC Withdrawal (as defined below), then in an amount equal to the Post Withdrawal Percentage multiplied by the Available Cash for such period.

Other Terms: Tenant's Partnership Agreement will contain such usual and customary terms for limited partnership formed for the acquisition, financing, ownership, development, management, leasing and sale of the Project, including, without limitation, provisions for limitation on transfer of partnership interests, delivery of periodic financial and other reports necessary for securities laws disclaimers, accredited investor representations and compliance under the Development Agreement.

Partnership Distributions: Available Cash will be distributed by the Tenant Partnership to the Partners in the following order and priority:

First to any Preferred Equit Partner until it has received the greater of 7.0% internal rate of return (per annum compounded monthly based on actual days elapsed and a 360-day year);

Second to the payment of any priority capital advance(s) (to fund required cash not otherwise available), pro rata in accordance with the then outstanding principal balance of such priority capital advances, if more than one, in each case, first to the payment of then current interest set at 8%, then to the payment of accrued and unpaid interest, and then to the return of then outstanding principal balance;

Third to any Equity Partners, the unpaid Preferred Returns until such time such Partner's unpaid Preferred Return is reduced to zero;

Fourth, if from proceeds of a Capital Event, to the Equity Partners until such time as such Partner's unreturned common contribution (that is a return of capital, as defined in the Tenant's Partnership Agreement) is reduced to zero; and

Thereafter After payment of all preferred returns, net Available Cash shall be distributed among the Tenant's partners as follows: (i) 16.5% to SAHTPFC; and (ii) 83.5% to Provident and the other Equity Partners.

PFC Structuring Fee: SAHTPFC, or one of its affiliates, will receive a structuring fee equal to $250,000 at the closing of the Project.

Plans and Specifications: Each of SAHTPFC, Tenant, Lenders, and Partners will have the right to review and approve the Plans and Specifications for Project in the design development stage and once they are materially completed, such approval not to be unreasonable withheld or delayed. Once any one of SAHTPFC, Tenant, Lenders, and Equity Partners have approved the conceptual and/or schematic design for the Project, it may not object to such design Plans and Specifications, unless the subsequent Plans and Specifications materially and adversely affects the design character or value of the Project.

Post-Withdrawal Percentage: A percentage calculated upon the consummation of a Capital Event in connection with a PFC Withdrawal (as defined below), or any foreclosure of the Leasehold Estate, which percentage shall be equal to the quotient of (i) the Hypothetical Distribution if SAHTPFC had not effected such PFC Withdrawal, multiplied by the Hypothetical Capitalization Rate and divided by the Hypothetical Available Cash; provided, however, that (A) if, after giving effect to all distributions and other payments of proceeds in respect of such Capital Event, all of the partners of the Tenant have received an ROI (to be defined in the Partnership Agreement) with respect to their common contributions (to be defined in the Partnership Agreement) of at least 1.5, then the Post-Withdrawal Percentage shall not be less than sixteen and one-half percent (16.5%), and (B) if, after giving effect to all distributions and other payments of proceeds in respect of such Capital Event, any of the partners of the Tenant have received an ROI with respect to their common contributions of less than 1.5, then the Post-Withdrawal Percentage shall be zero percent (0%) until the five (5) year anniversary of the consummation of such Capital Event and sixteen and one-half percent (16.5%) for all periods thereafter.

Preferred Return: Seven percent (7%) per annum on the then unreturned balance of capital contributions of the Equity Partners (including Provident Partner).

Prerequisites to Closing: The Seller of the Land and the City of San Antonio must resolve all legal proceedings between them and the Seller must agree that it will not seek further incentive for the development of any adjacent land. The Developer must obtain all required historic approvals, including the City's HDRC and OHP approvals. The Parties must also be in receipt of a predetermination letter from the Bexar County Appraisal District confirming that the Project and Land, as proposed, shall be 100% exempt from ad valorem taxes.

Project: The Project will be the Land and Improvements to be developed by Developer.

Project Budget: An initial Project Budget is attached hereto as Exhibit B. The Project Budget will be finalized and approved by all parties to the transaction prior to Closing, and will include the proposed sources of funds that will be needed to develop, construct and operate the Project, and the uses on which the funds will be spent. Sources of revenue include, without limitation, rental income, capital contributions and other revenues. Project uses include all reasonable and necessary direct and hard costs incurred in connection with the Project.

Project Financing: SAHTPFC will provide the leasehold estate for the Project to the Tenant Partnership pursuant to the Lease. The Lease will be prepared once the Lenders are identified and will include commercially reasonable provisions required by the Lenders, which may include a requirement SAHTPFC subordinate its interests in the Project, including the leasehold and fee interests in the Project.

<u>Loans</u>

For the Project, Developer will obtain a senior loan from a senior lender to the Tenant for approximately the amount shown in the Project Budget for development of the Project to be secured by a first-lien deed of trust on the Tenant's leasehold interest in the Project, and a lien on SAHTPFC's fee interest in the Project. Developer may also obtain subordinate loans (which may be structured as mezzanine financing) from a subordinate lender for approximately the amount shown in the Project Budget which may be secured by a second-lien deed of trust on the Tenant's leasehold interest, a lien on SAHTPFC's fee interest in the Project or partnership interest in the Tenant or Equity Partner.

All financings and guarantees must be acceptable to SAHTPFC, Developer and the Tenant in their sole and absolute discretion. SAHTPFC, Equity Partners, and Developer will be provided with a right of notice and the right to cure Tenant's defaults for all financings.

The Tenant will also seek a loan from the TIRZ in which the Project is located in the approximate amount of $1,745,000, upon terms acceptable to the TIRZ, Provident, Tenant and SAHTPFC.

<u>Equity</u>

Developer will obtain one or more Preferred Equity Contribution Partners and Equity Partners who will invest approximately the amount shown in the Project Budget. One of the Equity Partners will be Provident Partner which will make a contribution of the Land at the Agreed Value, if they have acquired the Land, and a contribution of cash as provided for in the Project Budget. Contributions from the

Equity Partners will be contributed to the Tenant, for approximately the amounts shown in the Project Budget. The Partners will be paid from Cash Flow and will at all times be subordinate to the Loans. The Equity Partners will receive a Preferred Return of 7% on their contributions and will be repaid their investment from a Capital Event before any "Promote". Accordingly, Cash Flow splits will adjust after the payment of the Preferred Returns.

Project Term: The "**Project Term**" is from commencement of Project for a period of 75 years after closing. Two years prior to the end of the Project Term, Tenant shall assist the PFC with evaluating its options upon the end of the Project Term and the reversion of the Project to the PFC. Should the City choose to sell the Project at the end of the Project Term, the Tenant shall assist the City in the sale of the Project.

Property: Approximately 4.876 +/- acres for the Project to be built and operated as proposed by this Term Sheet, and shown on the parcel map attached as Exhibit A hereto. The Property will be purchased to SAHTPFC in return for pre-paid lease for the Agreed Value.

Representations and Warranties: Those customarily found in credit agreements for asset-based lending transaction of this type and others appropriate to this transaction in the reasonable credit judgment of SAHTPFC and Provident, subject to limitations and exceptions to be agreed upon.

Sale/PFC Election: For each Capital Event other than a sale or assignment of SAHTPFC's interest(s) in the Lease, SAHTPFC shall have the option, but not the obligation, to waive and forgo all rights it may have to any distribution of Available Cash or payment of any purchase price arising out of such Capital Event (*i.e.*, to forfeit its entire Partnership Interest and all rights under this Term Sheet, including the right to receive the $25,000 per year Administrative Fee) (a "**PFC Withdrawal**"), and in lieu thereof exercise the right to begin receiving Net Cash Flow Rent.

Prior to such Capital Event, Tenant shall obtain appropriate appraisals or broker's opinions of values to calculate the Hypothetical Distribution, Hypothetical Available Cash and shall provide them to SAHTPFC. In the event the terms of the Actual Sale Price is greater than the Hypothetical Sales Price by more than 5%, SAHTPFC may re-evaluate its election to make a PFC Withdrawal.

Upon Subsequent Capital Events, which are sales of the leasehold interest or the ownership interest of Tenant, SAHTPFC may elect to forgo its Net Cash Flow Rent in exchange for proceeds of the Capital Event equal to the Post Withdrawal Percentage times the Hypothetical NOI less the Assumed Debt Service divided by the Hypothetical Capitalization Rate, all for that sale.

	Immediately prior to the consummation of such Capital Event, if there is a PFC Withdrawal, distribution of Available Cash shall be deemed amended to allocate the percentage ascribed to SAHTPFC therein among the other Partners on a proportionate basis in accordance with the existing percentages ascribed to them.
Sales Tax:	The SAHTPFC will, as General Contractor (which will subcontract with Provident Contractors), be responsible to for the purchase of materials for the construction of the Project so that the purchases will be exempt from all sales and use taxes pursuant to Applicable Law.

This instrument may be executed in several counterparts, each of which will be deemed an original and all of which will constitute one and the same instrument, and will become effective when counterparts have been signed by each of the parties and delivered to the other party; it being understood that all parties need not sign the same counterpart. The exchange of copies hereof and of signature pages by facsimile transmission (whether directly from one facsimile device to another by means of a dial-up connection or whether mediated by the worldwide web), by electronic mail in "portable document format" (".pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, or by combination of such means, will constitute effective execution and delivery hereof as to the parties and may be used in lieu of the original document for all purposes. Signatures of the parties transmitted by any of the foregoing methods will be deemed to be their original signatures for all purposes.

Signature Pages Follow

PROVIDENT: **Provident Realty Advisors, Inc.**

By: ______________________________

Name: ____________________________

Title: _____________________________

SAN ANTONIO HOUSING TRUST PUBLIC FACILITY CORPORATION: **San Antonio Housing Trust Public Facility Corporation**

By: ______________________________

Nicole Collazo, Assistant Secretary

EXHIBIT A

Property

<u>EXHIBIT B</u>

Initial Project Budget