

March 19, 2018

Mr. Richard Angino
Third Wave Housing, LLC
463 ½ Carolina Circle
Winston-Salem, N.C. 27104

RE: Loan Commitment for Siler School Square

Dear Mr. Angino:

Chatham County (the “County”) is pleased to provisionally commit to loan \$120,000 toward the construction of forty-four (44) Affordable Rental Units on the former Henry Siler School property in Siler City, a key redevelopment for Chatham County (the “Project”). By this letter, the County indicates its intent to loan funds to After School, LLC, subject to the approval of your application for Low Income Housing Tax Credits from North Carolina Housing Finance Agency (NCHFA) for the Project.

The basic terms of our agreement will be as follows:

1. Loan Amount The County will loan \$120,000 to After School, LLC for the construction of the Project, provided a federal low income housing tax credit allocation is received from NCHFA.
2. Term The term of the non-recourse loan will be 30 years with interest accruing at the long-term adjusted Applicable Federal Rate (AFR) rate which is fixed at closing, currently 1.97%, per year provided that After School, LLC will agree to make the property affordable for low to moderate income residents for 30 years. The deed conveying the property shall contain covenants setting out the requirement that the property remain affordable for thirty (30) years.
3. Availability of Funds Chatham County will make one payment of the full Loan Amount at the time of closing on the subject property where the Project is to be constructed. Interest will not accrue until the earlier of 24 months after funding or the property’s conversion to permanent loan.
4. Security The loan will be secured by a promissory note and a deed of trust, providing the County a third lien security interest after the mortgagor and NCHFA, and subject to no other liens or encumbrance that have not been accepted by the County in writing..
5. Repayment The annual principal and interest payments on this loan are only paid from 50% (fifty percent) of cash flow when cash flow exceeds a 1.2 Debt Service Coverage

Ratio (DCR) after the deferred developer fee is paid in full and after the Partnership operating expenses. When repayment of the loan is required per these terms, the County will require annual payments once the Partnership audit is received which will be outlined in the promissory note. If the borrower defaults on the loan agreement, the loan will be due and payable in the full amount of the principal and accrued interest.

6. Affordable Housing RFP Application. The Chatham County Affordable Housing RFP Application dated 12/13/17 submitted by Third Wave Housing (the “RFP”) is incorporated herein by reference and shall govern the relationship between the parties with respect to this loan except as otherwise specifically set forth in this letter. In the event of any conflict between this letter and the RFP, the provisions of this letter shall control.
7. Expiration. This letter of commitment shall be valid until September 27, 2019.
8. Affordable Rental Units After School, LLC will agree to make the property affordable to Qualified Tenants for 30 years. A Qualified Tenant is a tenant whose income does not exceed the relevant limit set forth in Section 42(g)(1) of the Internal Revenue Code of 1986, as amended from time to time, or any corresponding provision or provisions of succeeding law. After School, LLC agrees that the relevant limit shall be 60% of the Area Median Income.

If you have any questions, please contact me at (919) 545-8300 or renee.paschal@chathamnc.org.

Sincerely,

Renee F. Paschal
County Manager, Chatham County