



January 28, 2011

Mr. Milton Bailey
Ms. Brenda Evans
Louisiana Housing Finance Agency
2415 Quail Dr
Baton Rouge, LA 70808

Dear Mr. Bailey and Ms. Evans:

Based on the 1 year extension of the GO Zone Placed-in-Service requirements, our plan for BW Cooper is to close on the 410 unit transaction with the current committed financing sources. Within the transaction, we will provide for the financing, construction, and property management for a 250 unit development (with 175 units of tax credits and 75 units of Market Rate) should the proposed PIS Extension to December 31, 2012 not occur.

Previously completed work, and the addition of the 1 Year PIS Extension, provides the following status in regards to development and financing:

- Foundations for 93 units have been completed on the site (“Block E”).
- Steel has been ordered and fabricated by our contractor for the steel studs that we will use for the vertical construction of the 93 Block E units.
- All building permits for Block E units are in hand and paid for; building permits for the remaining 317 units are approved by the City and ready to be issued.
- HANO will execute on January 31 an Early Start Agreement for an additional \$15,000,000 in funding to provide bridge financing for start of vertical construction and placed-in-service of the 93 Block E units, while we complete a Financial Closing with our investor and guarantor.
- KBK will also execute on January 31 the vertical construction contract for the 93 Block E units. In addition, all terms of the construction contract to be executed at Closing have been agreed upon between HANO, KBK, and our GC.
- Our contractor can complete 176 units in Blocks E and D of the site by December 31, 2011, and can complete the remaining 234 units in Blocks A, B, and C by December 31, 2012, **providing there is no period of delay in funding for the construction**, and we begin construction on or before February 1, 2011.
- Also on January 31, HANO and KBK will enter into a Letter of Intent with US Bank to purchase the credits for both: 1) tax credit eligible basis placed-in-service by December 31, 2011 for 175 units, and 2) tax credit eligible basis placed-in-service by December 31, 2012 for 287 units (70% of the total 410 units are tax credit units).

- As a requirement of the US Bank investment, McCormack Baron Salazar will be hired by US Bank to provide construction oversight, ongoing asset management, and property management for the development.

The intent of the investor and its partners will be to achieve a Financial Closing on or before March 31, 2011, on the entire 410 unit transaction. The financing and current construction commitments include the entire equity investment in the credits reserved of \$66,767,610 at a fixed equity price (74.69 cents). Each of the financing and construction documents will have the terms necessary to provide that for the period through December 31, 2011, construction and financing draws will only be up to the amounts necessary to fund the construction, applicable soft costs and fees, and other placed-in-service costs of the initial 176 LIHTC units (Blocks D and E of the site). 175 of the 176 units will be designated and qualified as LIHTC units. As such, by December 31, 2011 we will complete 175 of the total 287 LIHTC units in the 410 unit development commitment (approximately 60% of the total LIHTC units).

Assuming no extension of PIS, an additional 75 units of Market Rate will be provided for in the Financial Closing (for a total development unit count of 250). The Market Rate units can be completed after December 31, 2011, with final completion of the total 250 unit transaction scheduled for May 1, 2012. Based on this structure, we accomplish the following:

- The applicable 70% tax credit percentage in the 250 unit transaction will provide tax credit eligible basis for final annual credits certified at approximately \$5,200,000 of the \$6,676,761 reservation, achieving usage of approximately 78% of the reserved credits.
- US Bank's pricing of the credits for the 250 unit transaction is the same price as the committed pricing for the entire 410 unit transaction.
- A single financial closing with all of the attendant approvals and commitments in place from HUD, HANO, the City, IDB, the State, and the Investor for the full amount of funding for 410 units.
- Assuming a further extension of PIS to December 31, 2012, the construction contractor would not be subject to a lapse in process on the site at the end of 2011 awaiting a second financial closing under a Two Phased Closing approach.
- Investor and all transaction participants are not exposed to additional credit pricing adjustment, interest rate risk, and construction pricing risk under a Two Phased Closing approach as the whole transaction will be priced and contracted for within the single closing.

Upon execution of legislation to extend PIS requirements to December 31, 2012, each of the financing and construction documents would provide continuing construction completion and funding up to the 410 unit amounts through December 31, 2012, without further negotiation or amendment.

With this structure and with our contractor on site through the remainder of 2011, the proposed 2012 PIS Extension legislation can be approved up through December 15, 2011, and our contractor will not incur any loss in time such that all 410 units can be completed by December 31, 2012. Under a Two Phased Closing approach a 2012 PIS Extension approval after October 1, 2011 exposes the transaction to the risk that the GC will have to shut down the construction site in December 2011 and await a second closing in 2012. If that were to occur, which we believe is highly likely given the experience of the timing of the current PIS Extension process in Congress, our GC cannot finish 234 additional units in 2012.

Our plan for the 250 unit transaction also assumes each lender for the development would provide a pro-rata portion of their committed funding for the 410 unit transaction as follows:

	<u>410 Unit Funding</u>	<u>250 Unit Funding</u>
OCD CDBG funding	\$27,000,000	\$19,097,560
OCD CDBG funding	\$13,000,000	\$13,000,000
HANO Commitment	\$17,200,000	\$15,000,000
City of New Orleans	\$10,000,000	\$ 6,052,505
HANO Ground Lease	\$10,500,000	\$ 7,486,000
New Orleans IDB	\$ 300,000	\$ 200,000

Therefore, we are requesting your approval to reprocess the credits to provide for 287 LIHTC units at BW Cooper with 175 completed in 2011 and an additional 112 completed upon a 2012 PIS Extension. The remaining 123 market rate units will be completed in association with the 2011 and subsequent 2012 PIS Extension at 75 and 48 units, respectively.

Based on the above analysis, it is our recommendation that we proceed with the Single Closing with Contingent Funding option for closing of the entire 410 unit development transaction within the terms noted above. It is our opinion this is in the best interests of HUD, HANO, the City of New Orleans, and most notably the new residents of Marrero Commons.

We look forward to completing this transaction with all participants and appreciate the continued support for this worthy development. Thank you in advance for your consideration to our proposals.

Sincerely,

Keith

Keith B. Key
President & CEO

Cc: Wayne Neveu
Fred Tombar
David Gilmore
Len Henry
Duvernay & Brooks
McCormack Baron Salazar