



REQUEST FOR PROPOSALS

Hifumi en New Construction

Low Income Housing Tax Credit Investor and Construction Lender



Issue Date: August 22, 2023
Questions Due: September 6, 2023
Proposals Due: September 13, 2023 by 4:30 PM Pacific Time

I. EXECUTIVE SUMMARY

The Spokane Housing Authority (“SHA”) has formed the Hifumi en LLLP, a Washington limited liability limited partnership, to design, develop, construct, and operate the new Hifumi en project located in Spokane, Washington. SHA seeks proposals to finance this new construction project from organizations willing to serve in one or more of the following roles:

- An investor / limited partner for \$2,163,557 in annual 9% Low-Income Housing Tax Credits (“LIHTCs”)
- A construction lender for a construction loan of approximately \$15,600,000 to supplement a planned \$5,000,000 owner’s construction loan.

This RFP is not an offer to sell, or the solicitation of an offer to buy, any security. Investment in the tax credit partnership may be made by the selected partner only upon negotiation of a mutually satisfactory limited partnership agreement and related documents.

Any questions pertaining to this RFP must be submitted in writing to the RFP Coordinator:

Paul Trautman, Development Manager

Tel: 509-252-7148

ptrautman@spokanehousing.org

II. DEVELOPMENT OVERVIEW

A. PROJECT DESCRIPTION

Hifumi en
926 E. 8th Avenue
Spokane, WA 99202

Hifumi en Apartments is an existing income-restricted project within SHA’s portfolio. This existing building was constructed in 1972 and consists of one two-story building with 41 one-bedroom units serving disabled and elderly (55+) renters. The building has covenants and deeds of trust in favor of existing funders, including the City of Spokane, Washington State Department of Commerce, and Washington Trust Bank. The building is fully occupied by renters utilizing Tenant Protection Vouchers that subsidize monthly rent. However, this existing building is functionally obsolete and will be closed, vacated, and demolished at the midpoint of the Hifumi en new construction project.

The Hifumi en new construction project will construct 86 (perhaps as many as 88) one-bedroom apartments as 100% affordable housing continuing to serve disabled and elderly (55+) renters on a site that aggregates the existing Hifumi en Apartments land plus two adjacent parcels and right-of-way recently acquired by SHA. On the newly aggregated site, SHA will initiate two phases of construction. Phase 1 will construct a 47-unit building (“BIN1” or “Building A”), move all existing Hifumi en Apartments residents into the newly

constructed Building A, and place Building A in service. The existing Hifumi en Apartments will continue as an occupied, income-producing building until all existing renters are moved to Building A in approximately November 2024. Phase 2 will demolish the existing Hifumi en Apartments building and improvements, complete all site improvements, construct a community building, construct a 41-unit building (“BIN2” or “Building B”), and lease up of all completed units.

The Housing Authority will lease the underlying fee and the existing improvements, which will be demolished, to the Partnership pursuant to a 99 year lease for \$1 per year.

B. DEVELOPMENT PLAN

SHA was awarded a 9% LIHTC allocation in December 2022 by the Washington State Housing Finance Commission (the “WSHFC”), the state’s tax credit allocating agency. SHA was also awarded Spokane City, Spokane County, and Washington State Commerce affordable housing development funding. SHA plans to pursue Washington State University (“WSU”) Community Solar Expansion and Washington State Department of Commerce Connecting Housing to Infrastructure Program grant funds. SHA also plans to pursue IRS 45L and Residential Clean Energy credits. The financing plan is summarized as follows and further detailed in Attachment 3:

Permanent Funding Source	Amount	Status
WSHFC (9% LIHTC)	\$2,163,557 annual credits	Committed
Commerce	\$4,850,000	Committed
Spokane City	\$2,581,320	Committed
Spokane County	\$1,500,000	Committed
Deferred Developer Fee	\$1,709,476	Proposed
Land Acquisition Loan	\$1,547,250	Proposed

The property is intended to be operated as a LIHTC project for occupancy by the disabled and persons 55 years of age or older (55+). Income restriction set-asides will be at 30%, 40%, and 60% AMI.

Population Served	# Units	Bedroom Size
Senior (55+)	69 (71 if 88-unit total project)	1 bedroom
Disabled	17	1 bedroom

% Median Income Served	# Units	Bedroom Size
30% AMI	22	1 bedroom
40% AMI	44	1 bedroom
60% AMI	20 (22 if 88-unit total project)	1 bedroom

The new building schematics are currently at approximately 50% completion. Architect

services are under an AIA B101 agreement with Architecture All Forms for design and construction management. SHA has awarded a general contractor Request for Qualifications procurement to Walker Construction and is executing a preconstruction services contract to assist with cost-effective design and constructability.

C. DEVELOPMENT SCHEDULE

Activity	Projected Dates
Publish Debt & LIHTC Equity RFP	8/22/2023
Questions due from interested lenders/investors	9/6/2023
Proposals due	9/13/2023 by 4:30 PM Pacific Time
Select lender and investor	9/27/2023
Close Partnership	2/1/2024
Begin Construction	2/15/2024
Construction Completion	10/1/2024 (BIN1/Building A) 11/1/2025 (BIN2/Building B)
Begin Lease-Up	10/1/2024 (BIN 1/Building A) 9/1/2025 (BIN 2/Building B)
Stabilization	12/1/2025

D. DEVELOPMENT TEAM

DEVELOPER, GENERAL PARTNER AND PROPERTY MANAGER:

SPOKANE HOUSING AUTHORITY:

Pamela Parr – Executive Director
 Lori McGowan – Deputy Executive Director
 Kathy Clark – Director of Finance
 John Chatburn – Director of Asset Management
 Paul Trautman – Development Director (RFP Coordinator)
 ptrautman@spokanehousing.org 509-252-7148

Spokane Housing Authority (SHA) was established on May 26, 1972, pursuant to Housing Authorities Law of the State of Washington, RCW 35.82. Under the Act, SHA is “a public body corporate and politic, exercising public and essential governmental functions, having all the powers necessary and convenient to carry out the purposes” of the Housing Authorities Law.

SHA is governed by a seven-member Board of Commissioners, who approves policies, makes development decisions, and takes official action as required by state and federal law. The City of Spokane, the City of Spokane Valley, and Spokane County Commissioners appoint six volunteer members of the Board of Commissioners for five-year terms plus one

Resident Commissioner. SHA serves Spokane County and through interlocal agreements also serves Ferry, Lincoln, Pend Oreille, Stevens, and Whitman Counties.

SHA has served as the developer, general partner, and property manager for the following Low-Income Housing Tax Credit projects:

Agnes Kehoe Place - 5313 N. Regal Street, Spokane, 99207

- 41 one-bedroom, and 10 two-bedroom units
- Tax Credit Historic Rehabilitation Development, opened in 2012.
- Funding Sources: Low Income Housing Tax Credits, Historic Tax Credits, WA State Dept. of Commerce Housing Trust Fund, City of Spokane HOME
- Incomes Served: Below 50% AMI, and below 30% AMI

Heritage Heights Apartments - 3818 North Cook, Spokane, WA 99207

- 20 one-bedroom, and 42 two-bedroom units
- Tax Credit property developed in 1997
- 2018 4% LIHTC Conversion/Rehab as part of the Wilbur and Cook LLLP Portfolio
- Funding Sources: 4% tax credit equity, Tax Exempt Private Activity Bonds
- Income Served: below 60% AMI

Pearl on Adams Apartments - 173 S. Adams, Spokane, WA 99201

- 35 one-bedroom units
- Tax Credit Historic Rehabilitation Development opened in 2010
- Funding Sources: Low Income Housing Tax Credits, Historical Tax Credits, WA State Dept of Commerce Housing Trust Fund
- Incomes Served: below 50% of AMI

Westfall Village Apartments - 3724 North Cook, Spokane, WA 99207.

- 22 one-bedroom, 50 two-bedroom, 30 three-bedroom, and 8 four-bedroom units
- Tax Credit developed in 1997
- 2018 4% LIHTC Conversion and Rehab as part of the Wilbur and Cook LLLP Portfolio
- Funding Sources: 4% tax credit equity, Tax Exempt Private Activity Bonds
- Income Served: below 60% AMI

Cornerstone Courtyard - 151 South Adams, Spokane, WA 99201

- 24 one bedroom, 16 two bedroom, and 10 three-bedroom units
- Tax Credit Historic Rehabilitation Development, opened in 2008
- Funding Sources: Low Income Housing Tax Credits, Historic Tax Credits, WA State Dept. of Commerce Housing Trust Fund, City of Spokane HOME, Federal Home Loan Bank
- Incomes Served: Below 50% AMI, and below 40% AMI

Parsons Apartments - 108 S. Jefferson, Spokane, WA 99201

- 46 one-bedroom, 4 two-bedroom units
- Purchased by SHA in 1979, 4% LIHTC/RAD conversion and rehab in 2016.
- Funding Sources: 4% tax credit equity, Tax Exempt Private Activity Bonds
- Incomes Served: below 60% of AMI

Woodhaven - 12424 N. Fairwood Drive, Spokane, WA 99218

- 12 one-bedroom, 24 two-bedroom, and 36 three-bedroom units
- Purchased by SHA in 2002, 4% LIHTC conversion and rehab in 2018 as part of the Cedar Haven LLLP Portfolio
- Funding Sources: 4% tax credit equity, Tax Exempt Private Activity Bonds
- Incomes Served: below 60% AMI

Cedar West Apartments - 4018 West Rowan, Spokane, WA 99205

- 25 one-bedroom, and 49 two-bedroom units
- Purchased by SHA in 1999, 4% LIHTC conversion and rehab in 2019 as part of Cedar Haven LLLP
- Funding Sources: 4% tax credit equity, Tax Exempt Private Activity Bonds
- Incomes Served: below 60% AMI

Valley 206 Apartments - 2400 N. Wilbur Road, Spokane Valley, WA 99206

- 66 one-bedroom units, 140 two-bedroom units, and 1 townhouse
- Purchased by SHA in 1997, 4% LIHTC conversion and rehab in 2018 as part of the Wilbur and Cook LLLP Portfolio
- Funding Sources: 4% tax credit equity, Tax Exempt Private Activity Bonds
- Incomes Served: below 60% AMI

In addition, SHA also operates a large Housing choice Voucher rental assistance program serving more than 6,000 households in Spokane, Steven, Pend Oreille, Lincoln, Ferry and Whitman counties and a statewide Aging and Long-Term Care rental assistance program.

ARCHITECT:

ARCHITECTURE ALL FORMS

Architecture All Forms is an architecture and design firm with offices located in Spokane, Washington and Portland, Oregon. Chris Weiland and Robert Vralsted draw from over 30 years of combined professional experience on a variety of project types including Affordable and Market Rate Multi-Family Residential, Single-Family Residential, Commercial, and Tenant Improvements.

Architecture All Forms approaches each project as an open and ongoing dialogue with the client that will continue throughout the duration of the project. We listen to the client to understand what the specific programmatic requirements, schedule, budget, and goals are for each project.

Architecture All Forms is licensed to provide architectural services in Washington, Oregon, Idaho, Nevada, and we have been qualified to provide on-call architectural services for numerous agencies and jurisdictions. Professional affiliations include NCARB (National Council of Architectural Registration Boards) and USGBC (U.S. Green Building Council)

LEGAL:

KANTOR TAYLOR PC

Seattle-based law firm, provides creative legal counsel to businesses and organizations in complex real estate development and finance transactions with an emphasis on affordable housing, community facilities and other economic development.

CONTRACTOR:

Walker Construction

Spokane-based construction contractor formed in 1983 who has completed over 3,600 affordable housing units including over 700 units with the Spokane Housing Authority. In 2023, Walker has approximately 96 employees and expects to perform \$110M in construction activity. Walker will participate in project design to guide constructability and cost-effectiveness.

III. PROPOSAL PROCESS

A. SELECTION PROCESS AND CRITERIA

SHA will evaluate each proposal based on the criteria set forth in the following sections. SHA will determine which are the most competitive proposals received. Interviews may be held at the discretion of SHA. SHA may also request that Proposers submit written statements amending their proposals and/or enter into negotiations with selected investor(s) and lender(s) to derive a best and final offer.

Please respond to each of the following items in the order shown. In response to this RFP, Respondents should clearly set out any assumptions used that differ from those included in this RFP.

B. EVALUATION CRITERIA FOR INVESTOR PROPOSALS

Tax Credit Investor Criteria	Points
1. Price and Pricing Considerations Amount of equity to be invested, anticipated pay-in schedule, credit amounts assumed, adjusters, and fees and expenses	45
2. Non-Pricing Considerations	20

Terms and conditions of the investment including guarantee provisions, operating and other reserve requirements, insurance requirements, back-end taxes, terms of purchase option and right of first refusal	
3. Closing Considerations Reasonability of due diligence requirements, process for getting approvals to close, demonstrated track record of the Respondent and its team members in closing in a timely and effective manner, comprehensiveness of proposal	20
4. Relevant Experience Experience in syndication or placement of low-income housing tax credits including, without limitation, experience and interest in the ownership of housing for the benefit of very low income residents; experience in Washington and with similar developments	15
TOTAL	100

C. EVALUATION CRITERIA FOR LENDER PROPOSALS

Lender Criteria	Points
1. Price and Pricing Considerations Application, origination, commitment, extension, and any other fees; expenses including legal costs, third-party reports, and credit enhancement and rating costs; loan interest rate and corresponding ongoing borrower cost	40
2. Loan Amount and Terms Loan amount, loan sizing parameters such as LTV and coverage ratios, underwriting requirements, security provisions, guarantee provisions, operating and other reserve requirements, prepayment provisions; insurance requirements	20
3. Closing Considerations Reasonability of due diligence requirements, process for getting approvals to close, demonstrated track record of the Respondent and its team members in closing in a timely and effective manner, comprehensiveness of proposal	30
4. Relevant Experience Experience making affordable housing multi-family housing loans involving public housing authorities or non-profit developers including, without limitation, experience in Washington and similar developments	10
TOTAL	100

D. PROPOSAL CONTENT FOR LIHTC Investors

Proposals from tax credit investors must address each of the items below (Section 1 – 16). Please follow the order shown below or, less preferably, use a different order but provide an index cross-referencing the order below to that of your letter. Respondents should set out any assumptions that differ from those included in this Solicitation.

1. PAY-IN AMOUNT

State your total proposed capital contribution, quoted as both a total dollar amount and a price per tax credit assuming \$2,163,557 total annual 9% credits.

The attached pro-forma reflects conservative dollar amounts of tax credit equity to be raised. SHA anticipates receiving offers in excess of those shown in the pro-forma and may use any additional equity to increase construction contingency or reduce deferred developer fee.

2. CREDIT DELIVERY ASSUMPTIONS

State your assumptions for the amounts of credits delivered to the limited partner for each year prior to full annual credit delivery. We are projecting 40% credit delivery in 2024, 30% credit delivery in 2025, and 30% credit delivery in 2026. Please discuss any potential early credit delivery adjusters, upward timing adjusters, and equity caps.

3. PAY-IN SCHEDULE

Please provide your proposed pay-in schedule by stating the percentage of total equity that each payment represents, the calendar date you have assumed for each pay-in, and all conditions (including any administrative ones) precedent to each pay-in. Describe also the purposes to which you would restrict the spending of each pay-in, if any (e.g. construction costs, reserves, developer fee, etc.).

Please note SHA is assuming a “base case” pay-in schedule of 10% at closing (February 2024), 20% at Building A completion (October 2024), 30% at Building B completion (Aug 2025), 30% at stabilization (December 2025), and 10% at 8609 (June 2026). Respondents are welcome to provide additional pay-in scenarios as alternates to the base case.

4. ADJUSTERS

Describe any capital contribution adjustment provisions if there is an increase or reduction in credits and/or acceleration or delay in credit delivery. Note whether there are limits on any adjustments.

5. FEES AND EXPENSES

Describe the amount and type of any upfront or ongoing fees to the investor such as an annual asset management fee. Note whether any fees would escalate over time and, if so, by what amount. For ongoing fees, if the payment source and/or priority are not described

in the cash flow distribution provided elsewhere in your proposal, describe the relevant provisions here.

Describe also the amount and character of any upfront or ongoing expenses for which you would require reimbursement. Assume that your legal counsel will provide the tax opinion.

6. *GUARANTEES AND NET WORTH REQUIREMENTS*

Describe the terms of each guarantee that you will require. State the guarantee amount (including any cap), timing and conditions for reduction and/or termination of the guarantee, and any reimbursement provisions for payments made on the guarantee.

The Housing Authority will not guaranty any projected losses not realized.

Identify any required financial covenants and the term that they are to remain in effect.

7. *RESERVES*

Describe your required reserves, indicating the amount of each reserve, the timing of funding each reserve, any escalator in any annual funding requirement, any conditions for withdraws from the reserves and reducing or eliminating the reserve, who holds the reserve, and to whom the reserve is released at liquidation and at sale or refinancing.

Note that SHA strongly desires that any reserves be either fully released through the cash flow waterfall prior to the end of the compliance period or clearly excluded from any calculation of the fair market value of the development for the purposes of determining any purchase option price.

8. *CASH FLOW*

Please indicate your proposed split of cash flow between SHA and the Investor, both during the compliance period and upon sale or refinancing. Note that because the Housing Authority is the sole member of the General Partner, it cannot make a 168(h) election. Please specify any pricing differential, if any, with and without bonus or accelerated depreciation.

9. *BACK-END TAX PROJECTION*

Please explain your projected back-end tax liability and resulting forecast of exit tax Include your assumptions for depreciation, capital accounts and capital reserves, including your projected capital account balance in year 15. .

Note that SHA strongly desires to have no back-end tax liability and is open to alternative structures to maximize yield while still having no liability.

10. INSURANCE REQUIREMENTS

Describe your insurance requirements and, specifically, whether any special (e.g., earthquake, mold, terrorism) insurance coverage will be required.

11. PROPERTY MANAGEMENT REQUIREMENTS

Please indicate any requirements related to or restricting Spokane Housing Authority as the property management firm.

12. END OF COMPLIANCE PERIOD

Provide the specific terms and conditions pursuant to which the Housing Authority or an affiliate may acquire the project and/or limited partnership interests at the end of the tax credit compliance period. SHA's desired purchase option price is the assumption of existing debt.

SHA desires that the option to purchase the property and/or partnership interests continues for at least three years following the end of the compliance period, and a right of first refusal at any time within 2 years following the end of the 15-year initial compliance period.

Notwithstanding the removal of the General Partner, SHA should retain the option and right of first refusal upon reimburse the investor's direct costs of removing the general partner.

The purchase price for any put option exercised by the investor should be for a purchase price of no more than \$1,000.

13. REPORTING AND AUDIT REQUIREMENTS

Provided a detailed summary of your reporting requirements, including due dates and penalty provisions, if any. Please note that our desired cycle times for recurring reports are: quarterly reports within 30 days from the end of the quarter and annual audits within 75 days from the end of the calendar year. SHA accounting for the limited partnerships will be performed on accrual basis only.

14. DUE DILIGENCE AND CLOSING REQUIREMENTS

SHA intends to close the financing on the date noted in the Schedule section above. Please indicate your ability and willingness to meet these projected closing dates.

Describe your internal approval process, due diligence requirements and all other requirements or processes that SHA should anticipate as a requisite to closing.

Describe any limiting conditions on your proposal such as time required to obtain approvals from the ultimate investor or internal committees.

Please identify if the investor will be a proprietary funds or multi-investor fund. If a proprietary fund, identify the fund and the procedures, process and timing of upper tier investor review and approval of the terms of the partnership agreement and due diligence.

15. INVESTOR COUNSEL

Provide the name of the firm(s) and the individual lawyer(s) that would be used to represent the investor. Include a detailed summary of the individual lawyer's experience relevant to this project.

16. DISAFFILIATION

Please indicate if your investment will require the ownership entity to be disaffiliated from the seller. If so, what is the maximum amount of interest SHA could retain in the sole managing member entity.

17. LIMITED PARTNER TRANSFERS

Address the general partner's consent to transfers of investor's interest to non-affiliated funds. If general partner consent is not possible, please provide proposed language identifying the circumstances in which such consent will be required.

18. REMOVAL OF GENERAL PARTNER

The limited partner shall only have the right to remove the general partner or sponsor for acts of gross negligence, willful misconduct, fraud, material breach, or acts that have a materially adverse impact on the partnership, limited partner or property. Please provide a copy of the removal provisions of your limited partnership agreement.

E. PROPOSAL CONTENT FOR CONSTRUCTION LENDERS

Proposals from construction lenders must address each of the items 1-4 below. To facilitate evaluation, proposals should be organized in the order of the outline set forth below. Please identify the issue being addressed in the introduction to each of your responses. Respondents should set out any assumptions that differ from those included in this Solicitation. Note that there are separate requirements for direct lenders and bond underwriters.

The following items pertain to prospective Construction Lenders.

1. *FIRM EXPERIENCE*

Describe your firm's recent experience making similar loans. In CY2022, what was the number and dollar volume of multifamily rental loans your firm made? Indicate your experience with other Washington borrowers.

2. *INDIVIDUAL EXPERIENCE*

Indicate the individual who would serve as loan officer and describe their relevant experience. Also, indicate who would serve as your legal counsel and include a detailed summary of the individual lawyer's experience relevant to this project.

3. *FINANCING STRUCTURE AND FEES AND COSTS*

Please provide a Term Sheet including, but not limited to:

- a. Description of the proposed loan
- b. Loan amount proposed, and maximum potential loan amount that could be underwritten
- c. Indicative rate as of August 22, 2023, and describe the index and spread used for the rate
- d. Term and any extension provisions and related fees
- e. Amortization Period
- f.
- g. Any interest rate reset terms
- h. Security and/or collateral requirements
- i. All applicable underwriting ratios and requirements for the project and borrower
- j. A description of the underwriting process, including approximate time needed to complete the financing and key approvals required
- k. Prepayment provisions
- l. Fees and expenses, including the fees of your legal counsel

4. REFERENCES

Please list at least three clients for whom your firm has recently served as Construction Lender. Provide contact information including name, title, affiliation, phone number and e-mail address.

IV. SUBMISSION REQUIREMENTS

A. Solicitation

This Solicitation sets forth the minimum requirements that all proposals shall meet. Failure to submit proposals in accordance with this request may render the proposal unacceptable. SHA reserves the right to analyze, examine and interpret any proposal for a period of not more than 60 days, commencing from the proposal due date and time noted herein.

B. Content of Proposals

Proposals shall be prepared simply and economically, providing a straightforward, concise description of Proposer's capabilities to satisfy the requirements of the Solicitation. Submission of technical literature, charts or other supplemental materials is within the discretion of the Proposer and should directly address the Evaluation Criteria. Responses to the submittal items listed below should not exceed 20 single-sided pages for investor proposals and 20 single-sided pages for lender proposals. Attachments, resumes, and pro-forma financials are not counted within the 20 page maximum.

Proposal contents shall conform to the following required sections:

- *Introductory Email*
This email subject line must state *Hifumi en Investor/Lender Proposal*. The body of the email should summarize what specific financing role(s) the proposal is for, indicate whether the proposal is from multiple firms working jointly and, if so, the nature and previous collaboration efforts of that team, and state that the proposal is valid for a minimum of 90 days. The email must also acknowledge receipt of any addenda, if any. Respondents may also wish to provide a concise summary of the Proposer's organization and generally introduce SHA to the capabilities of the firm.

- *Letter of Intent (Investors) or Term Sheet (Lenders)*
For potential LIHTC investors, the Letter of Intent must fully respond to the items described in the section called, *Proposal Content for LIHTC Investors*. The LOI format should follow the order set forth in this section.

For potential lenders, the Term Sheet must fully respond to the items described in the section called, *Proposal Content for Construction Lenders*.

C. Submission of Proposals

Proposals shall be submitted by September 13, 2023 by 4:30 PM Pacific Daylight Time.

Submit proposal via email to RFP Coordinator Paul Trautman at ptrautman@spokanehousing.org. Proposers should email one electronic file in a PDF format containing all submission materials. To ensure proper identification and receipt, state "Hifumi en Lender Investor Proposal" in the email subject line. A reply acknowledging receipt of the proposal will be emailed.

D. Changes to the Solicitation

SHA reserves the right to make changes to this Solicitation. Any changes to the Solicitation shall be made by written addendum.

A prospective proposer may request clarification to this Solicitation at any time before the September 6, 2023 deadline for written questions.

Any addenda shall have the same binding effect as though contained in the main body of this Solicitation. Verbal instructions or information concerning this Solicitation or the development given out by SHA managers, employees, or agents to prospective proposers shall not be binding.

Addenda, if any, will be emailed to the same list of potential investors and lenders that receive the initial Solicitation and posted on SHA's website.

E. Cost of the Proposals

Costs incurred by any proposer in the preparation of its response to the Solicitation are the responsibility of the proposer and will not be reimbursed by SHA. Proposers shall not include any such expenses as part of their proposals.

Moreover, SHA may at any time in its sole discretion, prior to the financial closing, cancel the selection of the Selected Investor and/or Selected Lender. In such event, SHA and the Selected Investor and/or Lender shall bear their own costs and expenses incurred prior to such termination or cancellation, including, without limitation, legal

fees, to the extent not explicitly agreed to in advance and funded through a deposit by SHA prior to any such termination or cancellation.

F. Form of Solicitation

For tax credit investors, acceptance of the Selected Investor's proposal for the investment specified herein will be initially evidenced by a Letter of Intent ("LOI"). Upon execution of a LOI, the parties will work in good faith to finalize the partnership agreement and other documents effecting the terms of the investment, all in form and content satisfactory to SHA and the Selected Investor (collectively, the "Partnership Documentation").

For lenders, acceptance of the Selected Lender's proposal for the loan specified herein will be initially evidenced by execution of a loan commitment letter. Upon execution of the loan commitment, the parties will work in good faith to finalize the loan documentation, in form and content satisfactory to SHA and the Selected Lender (collectively, the "Loan Documentation").

G. Assignment or Transfer

The successful respondent shall not assign or transfer any interest in the Partnership Documentation or Loan Documentation in whole or in part, without prior written approval of SHA.

H. Late Proposals

All proposals that are not received by the deadline stated in this Solicitation will be deemed late and will not be considered.

I. Clarifications to Proposals

SHA reserves the right to obtain clarification of any point in a firm's proposal or to obtain additional information necessary to properly evaluate a proposal. Failure of a proposer to respond to such a request for additional information or clarification could result in rejection of that firm's proposal.

J. Solicitor Options

SHA reserves the right at any time without liability, in its sole discretion and for any reason, to do any or all the following:

1. Cancel and/or reissue the Solicitation, in whole or part, and/or reject all proposals;
2. Reject, in whole or in part, any or all proposals received in response to this Solicitation

- that are incomplete and/or non-responsive;
3. Waive or correct any immaterial defect or technical error in any response, proposal or proposal procedure, as part of the Solicitation or any subsequent negotiation process;
 4. Request that certain or all respondents to this Solicitation clarify, supplement or modify certain aspects of the information or proposals submitted; and/or
 5. Extend deadlines for accepting proposals, request amendments to proposals after expiration deadlines or negotiate or approve final agreements.

The determination of the criteria and process whereby responses are evaluated, the decision as to who shall be selected, or whether or not a selection shall be made as a result of this Solicitation, shall be at the sole and absolute discretion of SHA.

SHA shall not select any entity that is determined not responsible to perform or that has been suspended, debarred or otherwise determined ineligible to receive an award.

K. Requirements and Conditions

A tax credit investor will be required to develop a partnership agreement, purchase option and right of first refusal, and other ancillary agreements to govern the operation of the proposed partnership and investment of the investor's capital contributions. The investor will work in conjunction with SHA, and their legal and financial advisors in doing so, and will assist in providing review and comment on other parts of the overall financing. The tax credit investor will coordinate with its own counsel in preparing the tax opinion for the transaction. The tax credit investor shall share third-party reports with the lender(s) to streamline due diligence and minimize related costs.

The Selected Investor must be able to represent the following at closing:

- The Selected Investor will certify they have not been barred from investing in this development by any federal department or agency.
- The Selected Investor has conducted its own financial and legal analysis of the investment. The Selected Investor understands the risks of the investment, has evaluated the merits and risks of making the investment and has determined that the investment is a suitable for the Investor. The Selected Investor acknowledges that no representations or commitments of any kind (except those expressly contained in the limited partnership agreement and related documents) relating to the investment have been made by SHA or any person acting on their behalf or have been relied upon by the Selected Investor.

- The Selected Investor can bear the economic risk of losing the entire investment.
- The Selected Investor understands that the investment will not be registered under the Securities Act of 1933, as amended (the "Act"), or the securities laws of any state, and the investment will be offered and sold in reliance upon an exemption to such registration, subject to substantial restrictions on transfer.
- The Selected Investor understands that no public or private market for the investment is likely to develop. The Selected Investor further understands that:
 - SHA nor related limited partnerships have any obligation or intention to register the investment for resale under any federal or state securities laws or to take any action (including the filing of reports or the publication of information required by Rule 144 under the Act) that would make available any exemption from the registration requirements of such laws; and
 - The Selected Investor may be precluded from selling or otherwise transferring or disposing of any of the investment for an indefinite period of time or at any particular time and may be required to bear the economic risk of the investment for an indefinite period of time.
- The Selected Investor further acknowledges that the investment may not be sold without compliance with all relevant provisions of the limited partnership agreement. The Selected Investor also acknowledges that it will be responsible for compliance with all conditions on transfer imposed by any blue sky or state securities law administrator and will hold the limited partnership and SHA harmless from any breach thereof by the Selected Investor.
- If the Selected Investor is a corporation, partnership, trust or other entity, it is authorized and qualified to become a limited partner in, and authorized to make its capital contribution to, the limited partnership and it has not been formed solely for the purpose of making the investment, or if it has been formed solely for the purpose of making the investment, then all of the beneficial interests in such entity are owned by entities that otherwise would be able to satisfy the representations required herein of the Selected Investor.
- The Selected Investor has had the opportunity to examine all material books and records and all material documents relating to the proposed transaction and to ask questions of, and receive answers from, the officers and other representatives of SHA concerning its operations, the terms and conditions of the investment and any other matter relating to the limited partnership or the investment, and to obtain any additional information which SHA possesses or can acquire without unreasonable effort or expense.
- The Selected Investor has such knowledge and experience in financial and business matters, and specifically in tax credit syndications and low income housing tax credits, that it can evaluate the merits and risks of its investment in the Partnership and of making an informed investment decision, and the Selected Investor has obtained, in its judgment, sufficient information to evaluate the merits and risks of such investment.

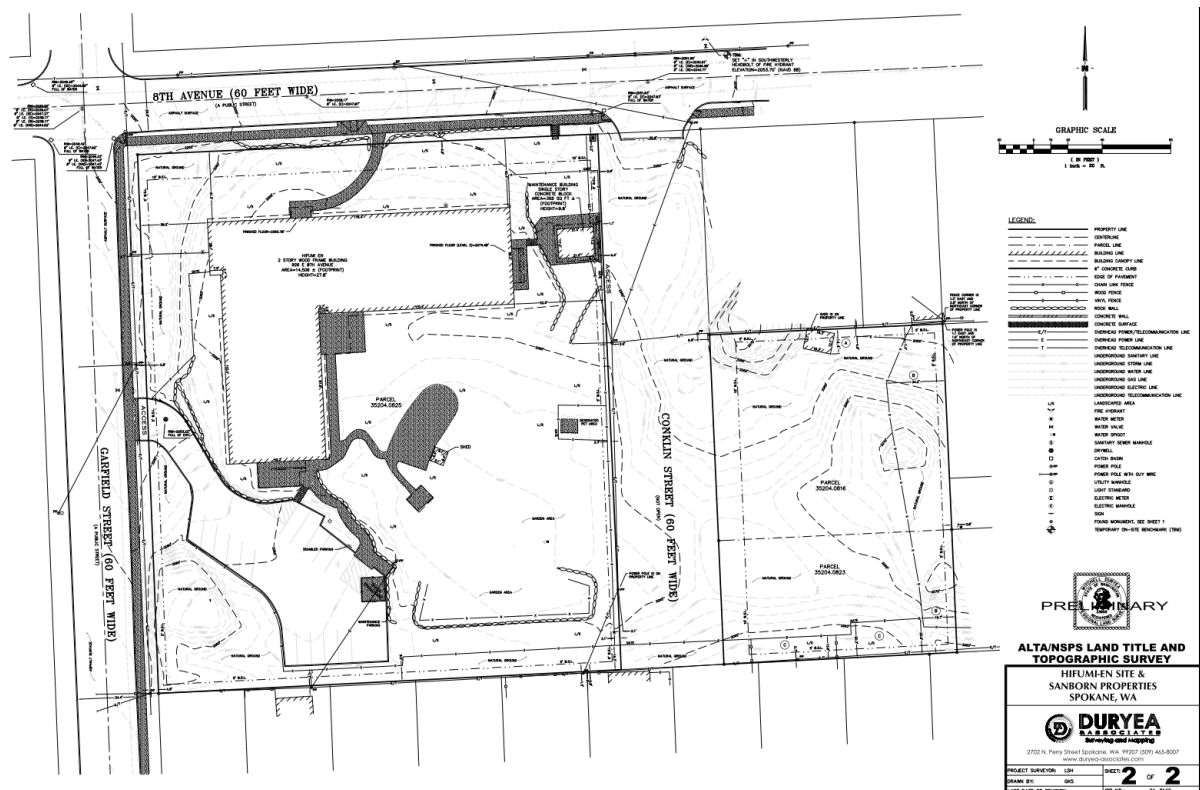
- The Selected Investor acknowledges that, if it is making the investment in a fiduciary capacity, the above representations and warranties shall be deemed to have been made on behalf of the person or persons for whom the Selected Investor is so purchasing.

Lenders providing construction financing will have the following responsibilities, without limitation:

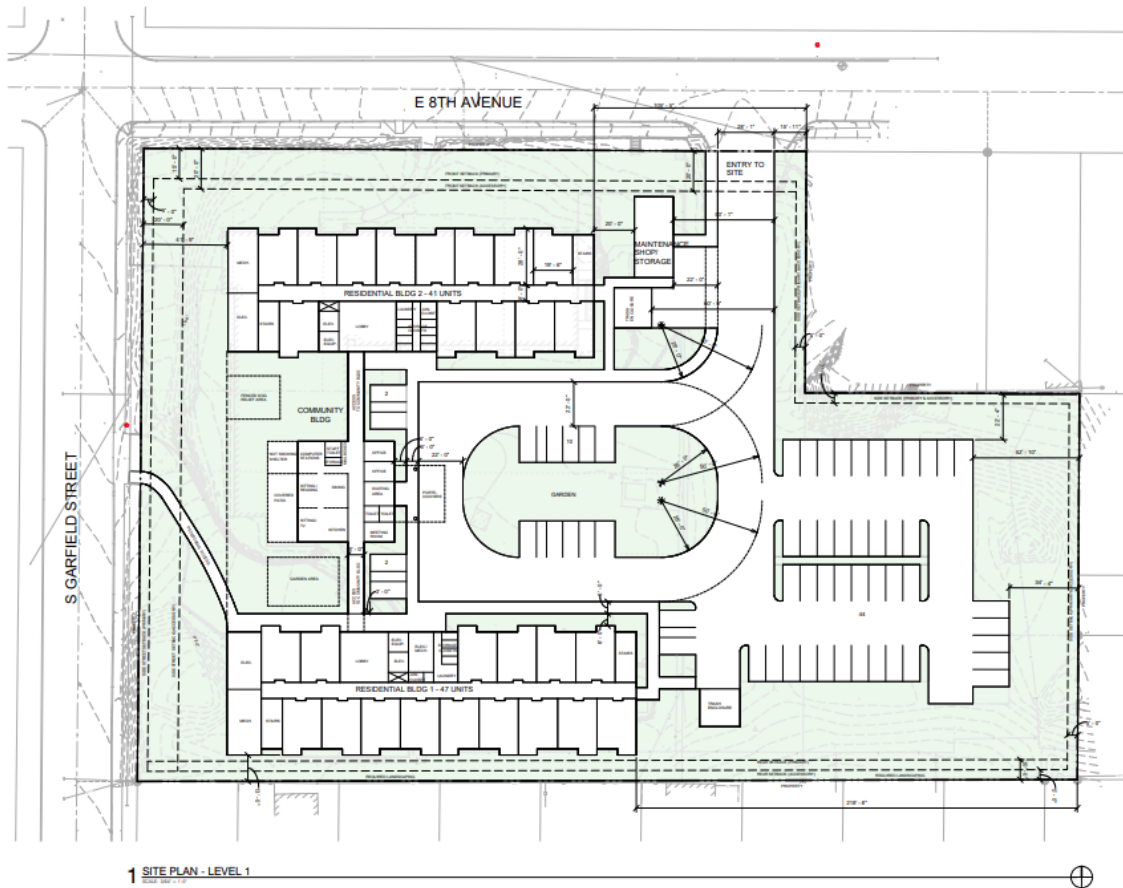
- Working in conjunction with the SHA's development team, advise and assist SHA in formulating and executing a construction financing plan that best accomplishes the purposes of the financing at the lowest possible upfront and ongoing cost and most favorable terms for the borrower.
- Assist lender's counsel in preparing documentation for the financing.
- Share third-party reports with the tax credit investor to streamline due diligence and minimize related costs.

V. ATTACHMENTS

Attachment 1. Hifumi en Existing Site Conditions



Attachment 2. Hifumi en Preliminary Site Plan for New Construction



Attachment 3. Hifumi en Financial Model

See attached Excel workbook