



Wells Fargo Multifamily Capital
30 Hudson Yards, 62nd Floor
New York, NY 10001

June 12th, 2025

David Pearson
Related Affordable
30 Hudson Yards, 72nd Floor
New York, NY 10001

**RE: Letter of Interest for Permanent Financing
Highland Square– Greenville, SC**

Dear Mr. Pearson,

Wells Fargo Multifamily Capital (“WPMC”) is pleased to present you with the following Letter of Interest to provide permanent financing for Highland Square (the “Project”) in Greenville, SC. It is our assumption that a LIHTC partnership, which is comprised of a General Partner controlled by The Related Companies, L.P. and its tax credit limited partner, will utilize permanent loan proceeds to finance the acquisition and rehabilitation of a 152-unit affordable rental community. The project will consist of 40 one-bedroom units, 80 two-bedroom units, and 32 three-bedroom units. WPMC further understands that 152 units (100%) will be subject to ongoing affordability restrictions under Section 42 and must remain both rent and income restricted at or below 60% of Area Median Income (“AMI”). Additionally, 152 units (100%) will be subject to Section 8 and will benefit from project-based vouchers.

Wells Fargo, the nation’s largest commercial real estate lender, is decidedly focused on providing financing solutions for affordable housing developers and owners across the country. Our suite of dedicated financial products includes permanent debt, construction term loans, LIHTC equity investment, and bond underwriting. As such, we are uniquely positioned for this assignment.

Our interest in providing this financing is based on the sponsor’s track record of successfully completing projects of similar scope. We would like to provide permanent financing pursuant to the following terms in Schedule A (attached). The proposed permanent loan amount would be provided by Fannie Mae under their MBS as Tax-Exempt Bond Collateral (“M.TEB”) Program and a taxable DUS Loan. The proposed loan will be non-recourse, except for recourse carve-outs (i.e., bad boy acts).

The loan remains subject to full underwriting and review of third-party reports and, as such, loan terms are subject to change. Lastly, please be advised that this is not a commitment to provide financing, which can only come after completion of due diligence and additional credit, Fannie Mae and Wells Fargo approval.

Our team looks forward to working with you.

Very best,

A handwritten signature in black ink that reads "N. Alexander Yulfo". The signature is written in a cursive, flowing style.

Alex Yulfo
Managing Director
(212) 214-1001
Alex.Yulfo@wellsfargo.com

Highland Square Greenville, SC

Loan Product: Fannie Mae MBS as Tax-Exempt Bond Collateral Program (“M.TEB”)

Tax-Exempt

Pass-Through Bonds: It is anticipated the MBS will be deposited with the trustee for the benefit of the bondholders. The structure of the Tax-Exempt Pass-Through Bonds is as follows:

The par amount of the Tax-Exempt Pass-Through Bonds will equal the Loan Amount.

The interest rate on the Tax-Exempt Pass-Through Bonds will equal the Pass-Through Rate on the MBS. The interest rate will be determined upon the sale of the Tax-Exempt Pass-Through Bonds by a municipal underwriter in the public market.

The Tax-Exempt Pass-Through Bonds will pass through a payment equal to 100% of the principal and interest paid on the MBS on the business day following receipt of a payment on the MBS.

**Permanent Facility
Amount:**

Not to exceed the lesser of:

1. Total Loan Amount of \$26,549,000, comprised of
 - a. Tax-Exempt MTEB: \$26,100,000 and
 - b. Taxable DUS Loan: \$449,000
2. 70% of the “as-stabilized” appraised value of the Project, determined as of the current effective date of a third-party FIRREA compliant appraisal.
3. Should there be hard pay subordinate debt, the maximum combined LTV of both mortgages is 95% of “as-stabilized” value;
4. Minimum DSCR of 1.15x at the Interest Rate using Lender’s NOI net of Issuer, Trustee, and other bond-related recurring fees.

Should there be Hard Pay Subordinate Debt, the minimum combined DSCR of both all mortgages is 1.05x and loan proceeds are subject to change;
5. 100% of total development costs net of LIHTC equity raise, subordinate debt, and borrower equity; and
6. Borrower-requested Loan amount.

The above indicative Permanent Loan Amount assumes all subordinate debt, if any, is soft pay per Fannie Mae’s requirements, which includes payment out of no more than 75% of available cash flow. Furthermore, the aforementioned allowances for combined LTV and DSCR based on the inclusion of either soft or hard subordinate debt remain subject to Fannie Mae’s final approval. Should any funds be deemed as hard pay, the rate spread and loan structure are subject to change.

Preliminary NOI: \$1,969,534

Based on Borrower’s pro forma NOI, but subject to change based on Lender’s final underwriting. All underwritten income and expenses must be supported by a Lender-engaged appraisal and available market comps.

Lender is required, per Fannie Mae, to monetize and include any ongoing Issuer or Trustee Fee within the underwritten cash flow expenses. Lender assumes the Bond Issuer charges no annual issuer fee. Should that not be the case, the Preliminary Summary of Loan Terms are subject to change. Please advise Lender immediately if there are any annual ongoing administrative fees due to Bond Issuer, Trustee or Rebate Analyst.

Permanent Loan

Pricing:

The total fixed interest rate is currently estimated to be **5.50%** for the Tax-Exempt MTEB, which is based on a spread over the yield of Tax-Exempt Municipal Bonds, and 6.00% for the Taxable DUS Loan.

The interest rate on the MBS will be locked upon the determination of the Pass-Through rate, which will be determined upon the sale of the Tax-Exempt Pass-Through Bonds by a municipal underwriter in the public market. This rate is subject to change.

Permanent Loan

Term:

17 years

Amortization:

35 years (subject to Fannie Mae approval) – Loan is fully amortizing at closing

Interest Accrual:

Actual/360

Prepayment:

15 years of Yield Maintenance, followed by 1% prepayment until three months prior to maturity. Borrower must pay interest accrual through the last day of the month in which prepayment occurs, along with fee maintenance outlined above. The loan is open at par for the last 90 days.

Ground Lease:

Not Applicable.

Assumptions and Requirements

1. NOI (net of issuer fee) of \$1,969,534
2. Assumes no ground lease.
3. Assumes no subordinate debt.
4. Assumes 100% property tax exemption.
5. Assumes 100% of the units are restricted at or below 60% of AMI. Assumes no income averaging.
6. Assumes HAP contract will be in place at closing, covering 152 units.
7. Assumes no commercial rent.
8. Assumes Borrower budgeted contractual management fee of \$103,968 (\$684/unit/year).

Permanent Loan Fees

Borrower will be responsible for all costs related to the third-party reports and construction monitoring fees. If Wells Fargo is also the Construction Lender, Bridge Lender, and/or LIHTC Investor, reports will be shared and collection of fees will be coordinated, when applicable.

1. **Lender Application Fee** – \$25,000 – The Application Fee shall be used for payment of a non-refundable Review Fee of \$5,000 and for reimbursement of Lender’s expenses. An accounting of Lender’s expenses shall

be provided at the Loan closing and other than the Review Fee, any unused portion of the Application Fee will be credited to Borrower at Loan closing. In the event that Lender's costs and expenses exceed the Application Fee, Borrower shall pay such difference at the Loan closing or promptly upon demand.

2. **Fannie Mae Delivery Fee** - An amount equal to 0.10% of the Loan Amount, which fee is due and payable at Closing.
3. **Good Faith Deposit** – Borrower must pay a 1.0% Good Faith Deposit on the Tax-Exempt MTEB and a 2.0% Good Faith Deposit on the Taxable DUS Loan within 24 hours prior to Rate Lock. Upon Rate Lock the Good Faith Deposit will be fully earned by Lender and will be forfeited if closing does not occur for any reason other than a willful default by the Lender.
4. **Lender Origination Fee** – 1.00% of Permanent Loan Amount; earned upon rate lock and payable at closing.
5. **Permanent Lender Legal Fee** – Borrower is responsible for paying all fees and related out-of-pocket costs of Lender's and, if applicable, Fannie Mae's legal counsel (whether or not the Loan closes).
6. **Construction Monitoring** - Lender will monitor the progress and quality of construction and report such findings to the Agency on a regular basis throughout the rehabilitation period. Borrower will be responsible for all costs associated with construction monitoring.
7. **Cost of Issuance Reimbursement** – If COI is selected, qualified municipal bond underwriter fees to be reimbursed by Fannie Mae up to an amount no greater than 0.75% of the Loan Amount. Reimbursement of this fee occurs on or around the date the MBS is delivered by Fannie Mae, which is shortly after loan conversion.
8. **Breakage** - If the Interest Rate is locked, and Applicant fails to convert the Loan for any reason other than a willful default by Lender, Applicant will pay all costs associated with such breakage.

Property-Level Reserves

1. **Property-level Reserves** – Real Estate Taxes, Insurance, and Replacement Reserve impounds will be required.
2. **Re-Stabilization Reserve*** - A Re-Stabilization Reserve may be required in an amount equal to between 3- and 6-months of debt service, apportioned to the percentage of units covered by a project-based rent subsidy contract. The Re-Stabilization Reserve will be waived if the HAP contract term exceeds that of the loan term.

***Subject to supportive information regarding Sponsor's experience with owning and operating project-based Section 8 assets, Guarantor's financial strength, and length of HAP contract term, Lender may request a waiver of the Re-Stabilization Reserve requirement from Fannie Mae.**

WFMC Acknowledgement

The Bank's current understanding of the Project and this terms letter is based on the budget submitted by the Borrower. WFMC acknowledges that this Project budget is subject to change. This letter does not represent a final commitment by the Bank for the proposed financing, nor does it define all of the terms and conditions of loan documents, but is a framework upon which a loan request may be submitted.

Issuance of a commitment by WFMC is subject to the approval of the loan request under the WFMC's internal approval process, which includes, but is not limited to, a review of the Borrower's then financial condition and a review and approval of all third-party reports, in addition to completion of loan documents in form and substance acceptable to the WFMC.

This letter is non-binding and for discussion purposes only.