



REQUEST FOR LETTERS OF INTEREST FROM LENDERS AND INVESTORS

REQUEST RELEASE DATE: 1/11/2021

REQUEST RESPONSES DUE: 1/29/2021

**D. HAMILTON JACKSON TERRACE & ALPHONSO “PIGGY” GERARD
PARCEL NOS. 13-A, 13-B, 13-BA&C, 14 ESTATE RICHMOND
COMPANY QUARTER
ST. CROIX
U.S. VIRGIN ISLANDS**

I. INTRODUCTION

In 2020, MDG was selected by the Virgin Islands Housing Authority (“VIHA”) through an RFQ process as the Master Developer for approximately 600-800 public housing authority units, designated for either rehabilitation or demolition and new construction across multiple projects through the HUD Rental Assistance Demonstration Program (RAD) or Section 18 process. MDG and VIHA have executed a Master Development Agreement wherein MDG has begun pre-development activities at five of the sites, which are intended to achieve construction closings in 2021 and 2022. D. Hamilton Jackson Terrace (“Hamilton”) and Alphonso “Piggy” Gerard (“Piggy”) (collectively, the “Project”) is the second scheduled closing and first to be financed with the issuance of tax-exempt bonds/4% LIHTC, anticipated in Q3 2021. MDG is responsible for arranging Project financing and is now seeking lender proposals for debt to comply with tax-exempt volume cap bond rules, such that the project will be eligible for 4% LIHTC. MDG anticipates proposals for debt to include the direct purchase of tax-exempt volume cap bonds issued by VIHA but will entertain alternative debt structures proposed that allow the project to qualify for 4% LIHTC. MDG also seeks 4% LIHTC equity partners for this transformative project.

MDG Development Partners LLC / MDG Property Owners LLC

MDG is one of the leading real estate development firms in New York that specializes in the preservation of affordable housing. Together with its affiliated construction company, MDG has built and preserved over 20,000 units totaling over \$2.0 billion in development and construction costs. MDG has a 30+ year track record of building housing residents can be proud to live in. Our community-centered, people-first philosophy has given us a reputation as one of the most respected and innovative builders in New York and beyond. Using this philosophy, MDG has expanded its reach nationally including projects in Buffalo, NY, Cape May, NJ, and Winter Haven, FL, and will continue restoring neighborhoods to improve the lives of the people residing in those communities. MDG Development Partners LLC and MDG Property Owners LLC are affiliates of MDG Design & Construction LLC.

MDG’s Ocean Bay (Bayside) project in Queens, NY, serves as the template for successfully completing the Project and shares the following characteristics with the Project:

- Housing Authority partnership
- Rehabilitation of existing structures with extensive improvements
- Campus style project with extensive site-work
- Years of disinvestment and deferred maintenance prior to MDG involvement
- Storm damaged property
- Financed using FEMA funding and LIHTC equity

Ocean Bay (Bayside) was NYCHA’s first RAD conversion project and was a success, as evidenced by MDG’s selection as Developer on two subsequent NYCHA RFPs. Ocean Bay (Bayside) was successfully completed and converted to permanent financing in 2020.

Virgin Islands Housing Authority (“VIHA”)

VIHA’s mission is “To create vibrant, dynamic, sustainable communities so families can evolve economically, and to improve lives and strengthen communities through quality, safe, and affordable housing, and by providing a myriad of services to empower public housing residents.” VIHA offers approximately 3,000 units of public housing and 2,000+ Housing

Choice Vouchers (HCV). VIHA has embarked on an ambitious strategic plan to transform its public housing portfolio within 10 years through partnerships with developers, leveraging HUD’s Rental Assistance Demonstration Program and 20-year project based rental assistance contracts, as well as additional CDBG-DR and FEMA funds available.

Issuance of Tax-Exempt Bonds

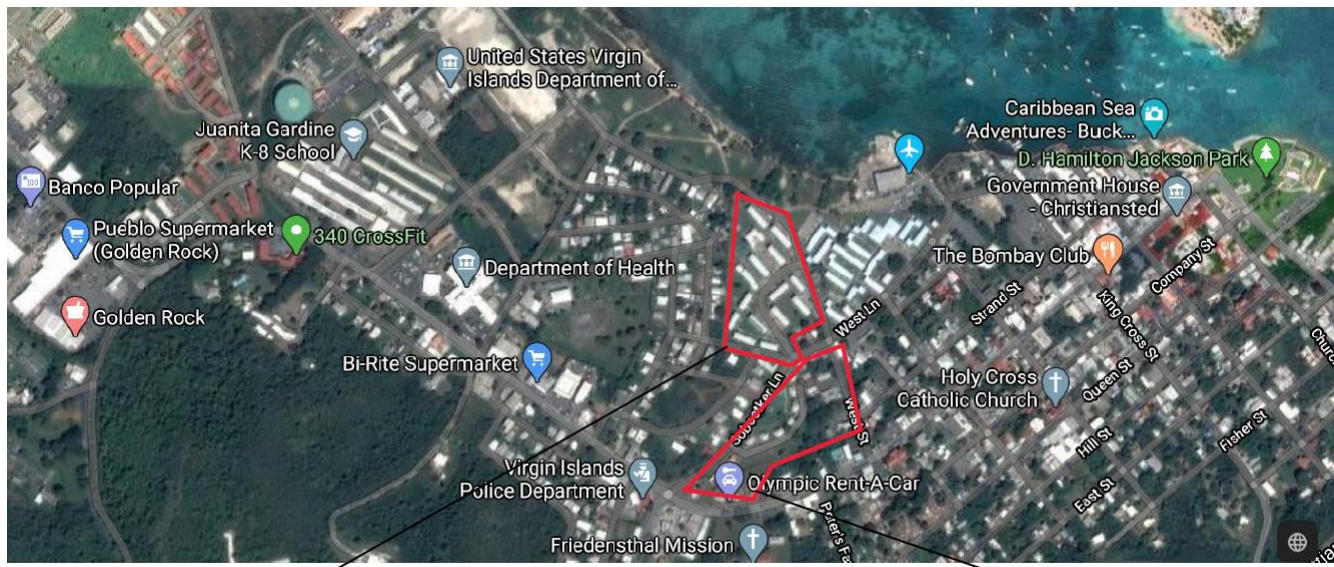
VIHA has an allocation of 2020 volume cap for this Project from the Virgin Islands Public Finance Authority (“VIPFA”). VIHA has assembled a team of industry experts to support the issuance of tax-exempt bonds to implement its strategic plan. Selected team members include Kutak Rock LLP and CSG Advisors, as bond counsel and financial consultant, respectively. VIHA and Virgin Islands Housing Finance Authority (“VIHFA”) have each completed numerous 9% LIHTC projects and will be collaborating with the selected team members to complete this transaction and numerous 4% LIHTC projects.

II. PROJECT INFORMATION

The Project, comprised of two adjacent developments, is located at Parcels 13-A, 13-B, 13-BA&C, 14 Estate Richmond, Company Quarter, St. Croix, U.S. Virgin Islands. The Project, situated on approximately 10 acres, contains 136 residential units within 27 residential buildings, as well as a community center/site office located at Hamilton.

The Project is in the Northeast of St. Croix, and is a 3-minute drive to downtown Christiansted, St. Croix’s main town. The Project is less than 1 mile to multiple supermarket options, including the Golden Rock shopping center, ½ mile to a bus stop, and is proximate to world class beaches. The Project’s address can be difficult to find on google maps, however it is located on Soboetker Lane, North of Northside Rd./King St.

The Project is located in an Opportunity Zone.

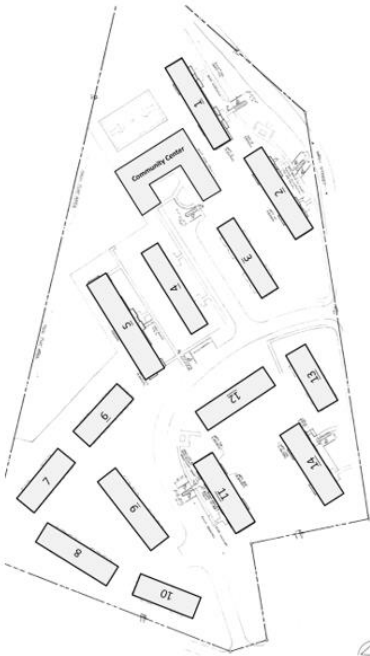


Hamilton

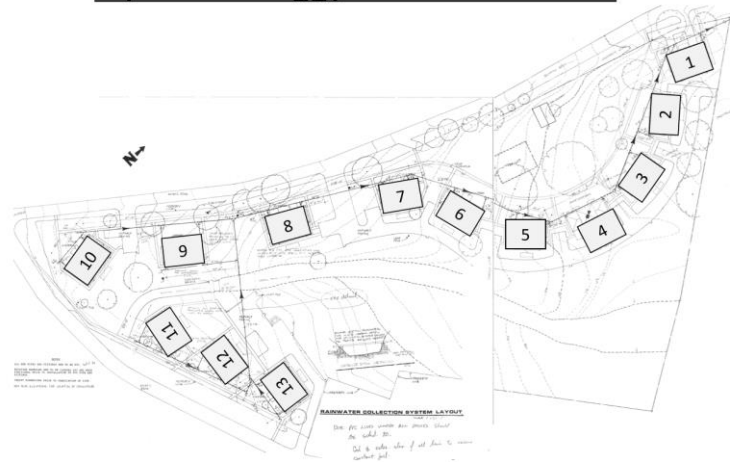
Piggy

Site plans reflecting the 27 residential buildings (14 at Hamilton and 13 at Piggy) and community center/office ancillary building at Hamilton are included below.

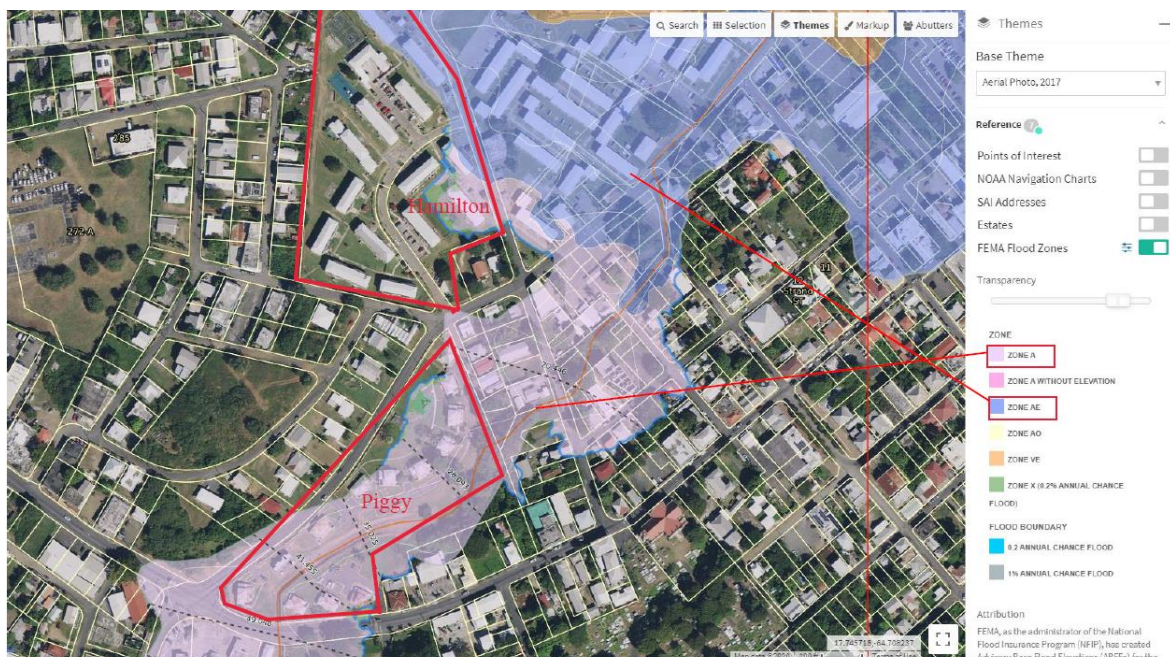
D. Hamilton Jackson Terrace Site Plan



Alphonso "Piggy" Gerard Site Plan



Originally constructed in 1954 (Hamilton) and 1956 (Piggy), the Project suffered damage in prior hurricanes and is partially located in flood Zone A (Piggy/Hamilton) and AE (Hamilton), as shown below. Zones A and AE are areas subject to inundation by the 1-percent-annual-chance flood event. As discussed in further detail below, resiliency measures are planned to mitigate against this risk. Upon completion of the phased rehabilitation, with short term tenant relocation during construction, the Project will include 136 units comprised of 32 one-bedroom units, 60 two-bedroom units, 38 three-bedroom units and 6 four-bedroom units.



The Project has been submitted to HUD’s Rental Assistance Demonstration (“RAD”) program. Under RAD, the Project will be removed from Section 9 (public housing) and receive funding through a project-based section 8 agreement. We have the option to select PBV or PBRA, and we currently considering PBRA. The RAD Contract Rent is the Gross Rent with a Utility Allowance (associated with the resident-paid utilities). The resident’s portion of the rent is capped at 30% of the resident’s household income. Any amount above the tenant-paid portion of the rent will be paid by the federal government.

Unit Distribution			Rental Income						
Unit Size	Total Units	%	Unit Size	Piggy RAD Rents		Hamilton RAD Rents		Total Annual Rent	
				Units	RAD Rents	Units	RAD Rents	Units	
1-BR	32	24%	1-BR	0	\$1,166	32	\$1,166	32	\$447,744
2-BR	60	44%	2-BR	12	\$1,369	48	\$1,369	60	\$985,774
3-BR	38	28%	3-BR	14	\$1,664	24	\$1,664	38	\$758,761
4-BR	6	4%	4-BR	0	\$1,802	6	\$1,802	6	\$129,735
Total	136	100%	Totals	26	\$476,698	110	\$1,845,316	136	\$2,322,014

III. PROJECT DESIGN AND SCOPE OF WORK

The Project will feature 136-units of affordable housing within approximately 100,000 SF. The Project will also include vastly improved community spaces including a renovated community center, landscaped grounds/recreational spaces, security improvements, solar photovoltaic arrays for electricity generation, and a re-envisioned site plan. In transforming the Project, residents will benefit from active and safe spaces to support healthy lifestyles, as well as added programming to connect residents to jobs and job training, and improved housing stability. A Needs Assessment will be conducted to ascertain the best use of supportive services funding.

Below are depictions of the existing and rehabilitated spaces for Hamilton:



Existing



Initial Conceptual Rendering, April 2020



*In Progress Conceptual Rendering, Jan. 2021
(finish selections are forthcoming)*

Below are depictions of the existing and rehabilitated spaces for Piggy:



Existing



*In Progress Conceptual Rendering, Jan. 2021
(finish selections are forthcoming)*

Design, Infrastructure, Resiliency, and Energy Efficiency Features

The Project will include many design, infrastructure, resiliency, and energy efficient improvements, resulting in a state-of-the-art project that is better equipped to handle future weather events.

Utilizing the RAD physical needs assessment and our expertise, we have developed a preliminary scope of work to address all necessary needs for the next 20 years of the Project. All outdated building components will be replaced, including roofs, windows, bathrooms, kitchens, electric, plumbing, flooring and paint. There will also be new site beautification measures, which will include landscaping, re-designed pedestrian walkways, seating areas and recreational facilities, as well as parking throughout. Flood prone areas will be mitigated through additional site work. The updated façade system will serve to improve the aesthetics and the Project's resilience. The system will include new hurricane-wind resistant windows and entry doors.

In addition, water supply and waste lines/stacks will be replaced. There will be a new back-up generator, security camera system and site lighting throughout the entire site, and energy resiliency improvements throughout.

Additional features of the Project include:

- LVT flooring in apartment interiors and ceramic tile in bathroom floors will be installed.
- Low/No VOC paints, coatings, primers, adhesives and sealants.
- ENERGY STAR labeled appliances will be used, including new hot water heaters.
- All residential, community and utility spaces will feature highly efficient and long-lasting LED light fixtures.
- All plumbing fixtures will be low water consumption type.

IV. PROJECT FINANCING INFORMATION

The Project's proposed financing includes a combination of tax-exempt bonds issued by VIHA, 4% Low-Income Housing Tax Credits ("LIHTC") and disaster related funds to be awarded to VIHA. VIHA will seek CDBG-DR and FEMA PA/428 subsidy funds for the Project. A Lessor Note for the acquisition cost and Borrower equity in the form of deferred developer fee will also be development sources.

Upon construction completion and stabilization, LIHTC equity and a permanent mortgage will take out the short-term bonds.

The sources and uses summary table is below:

Construction Sources		per DU	% of total
TE Construction Loan	19,600,000	144,118	47.5%
Lessor Note	2,500,000	18,382	6.1%
VIHA CDBG-DR	11,000,000	80,882	26.6%
VIHA Reimbursement FEMA PA/428	-	-	0.0%
LIHTC Equity	1,483,946	10,911	3.6%
Accrued Interest	165,000	1,213	0.4%
Deferred Reserve Deposits	2,045,228	15,038	5.0%
Deferred Developer Fee	4,500,000	33,088	10.9%
Total	41,294,174	\$ 303,634	100.0%
Surplus/(Gap)	0		

Permanent Sources		per DU	% of total
Permanent Mortgage	4,725,000	34,743	11.4%
Lessor Note Excluding Construction Period Interest	2,500,000	18,382	6.1%
VIHA CDBG-DR	11,000,000	80,882	26.6%
VIHA Reimbursement FEMA PA/428	8,050,000	59,191	19.5%
LIHTC Equity	13,708,183	100,795	33.2%
Accrued Interest	165,000	1,213	0.4%
Deferred Developer Fee	1,145,991	8,426	2.8%
Total	41,294,174	\$ 303,634	100.0%
SURPLUS/(SHORTFALL)	0	\$0	

Uses		per DU	% of total
Acquisition Cost	2,500,000	18,382	6.1%
Contractor Price and Contingency	22,742,658	167,225	55.1%
Third Party Costs	2,403,000	17,669	5.8%
Financing Costs	1,594,271	11,723	3.9%
Carrying Costs	4,424,765	32,535	10.7%
Reserves and Contingency	2,629,480	19,334	6.4%
Developer Fee	5,000,000	36,765	12.1%
TOTAL USES	41,294,174	\$ 303,634	100.0%

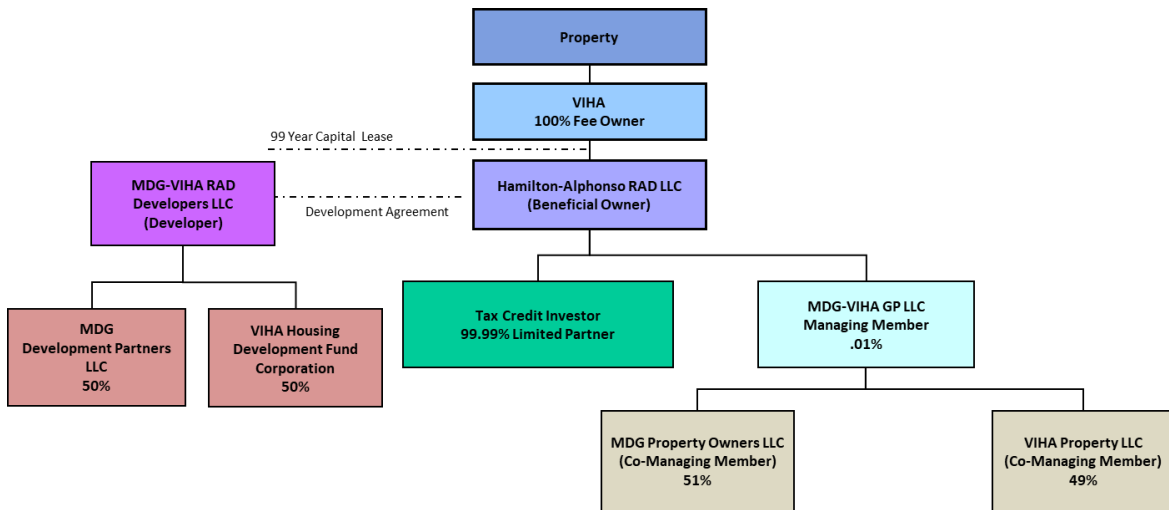
Forsyth Street Advisors is the financial consultant on the Project and has prepared a complete financial underwriting model which is attached to this Request.

The Project is anticipated to reach construction closing in Q3 2021 with LIHTC delivery beginning in 2022.

V. OWNERSHIP STRUCTURE AND DEVELOPMENT TEAM

VIHA will remain the Project's fee owner and will enter into a nominee agreement with Hamilton-Alphonso RAD LLC ("Beneficial Owner", "Borrower" or "Owner"), a single purpose limited liability company. The Managing Member of the Beneficial Owner is MDG Property Owners LLC (with 0.0051% ownership). A to-be-determined VIHA LLC (with .0049% ownership) will be a Special Limited Partner. The Investor Member (with 99.99% ownership) will be an entity formed by the Tax Credit Investor. The Investor Member neither operates the Project nor does it receive any cash flow.

Below is the organizational chart for the ownership entity.



The developer, a to-be-determined MDG-VIHA RAD Developer LLC, is a joint venture between MDG Development Partners (50% Member) and VIHA (50% Member).

The Project guarantor is anticipated to be Charis Consulting LLC, an MDG affiliate with substantial net worth and liquidity.

VI. FORM OF RESPONSES AND SUBMISSION/THRESHOLD REQUIREMENTS

Responses for debt and/or equity, must provide a letter of interest stating terms, rates, pricing, guarantees and other material terms. Proposers shall also include a brief description of the offeror’s capabilities to execute, including prior relevant experience with public housing authority, U. S. Virgin Islands based and/or other complementary projects, as well as three references. As a minimum threshold, proposers must have prior relevant experience with housing authority, U. S. Virgin Islands based and/or other complementary projects to be selected for this transaction.

Responses may include direct purchase of bonds or notes, or public sale with credit enhancement and minimum rating of “A”. Project financing must meet the 50% percent private activity bond test so that the project qualifies for 4% LIHTC. The tax credit investor selected through this RFP process is expected to have a 99.99% interest in the ownership entity.

Offerors can propose to serve as lender, tax credit investor partner, or both. Responses shall clearly indicate if the proposal is all or none.

Offerors shall clearly state the relationship of the proposed bondholder and tax credit investor: responses where the bondholder or a party related thereto holds more than 49% interest in the tax-credit partnership (including upper tier investors) shall not be considered.

Offerors can propose to serve as lender, tax credit investor partner, or both.

Responses shall be submitted by 4pm EST/5pm AST on Friday January 29th to: clevenson@mdgny.com.

VII. EVALUATION CRITERIA

Evaluation shall be based on (i) relevant experience and capacity and (ii) pricing and material terms.

- (i) Relevant Experience and Capacity - 50%

Recent experience in the form of prior year(s) data, including overall number and dollar volume of loans/multifamily revenue bond transactions or LIHTC equity investments in transactions similar to the proposed, as applicable. Please list at least three references for whom your firm has recently served as Lender or LIHTC investor, as applicable. Provide contact information including name, title, affiliation, phone number and email address.

- (ii) Pricing and Material Terms - 50%

As illustrated in the provided LOI, as applicable, material terms including without limitation:

- Amount of equity to be invested, anticipated pay-in schedule, credit amounts assumed, adjusters, and fees and expenses. Terms and conditions including guarantee provisions, operating and other reserve requirements, insurance requirements, back- end taxes, terms of purchase option and right of first refusal.
- Financing structure (direct purchase or back-to-back), including fees and costs, loan/amortization term and extension provisions, prepayment provisions, relevant underwriting ratios, insurance, guarantee, reserve and any additional requirements for the borrower.
- Closing considerations, including due diligence requirements, process for approvals to close on the transaction, net worth and liquidity requirements, anticipated fees and expenses.