PROJECT NARRATIVE – Introduction to General Description

E&G Property Services, Inc. (EGPS) proposes to leverage funding provided to five Limited Equity Cooperatives (the "Cooperatives") that enabled them to purchase their buildings to attract private debt and low-income tax credit equity to finance the substantial rehabilitation of the Cooperatives. Attracting this private capital will enable the members of their Cooperatives to stay in their units, continue to make monthly payments in approximately the same amount as they currently pay, while at the same time ensuring the long-term viability of the buildings within which they reside. The Cooperatives do not have the financial capacity to rehabilitate their deteriorating buildings without either substantial investments from DHCD (estimated at an additional $14 million (whatever the rehab budget is minus the first mortgage debt)) or through the deal proposed within this RFP response. See Exhibit A on the next page.

Under the deal structure proposed herein (and as outlined in the attached term sheet which has been endorsed by the Cooperatives), the Cooperatives will sell their buildings to a newly created Limited Partnership (LP). An affiliate of EGPS will be the General Partner of the Limited Partnership. The LP will rehabilitate and manage the properties for fifteen years. At the end of the LIHTC compliance period, the Cooperatives will re-purchase their buildings from the LP for a fixed price (roughly equal to the amount of debt on the building plus a negotiated amount). DHCD's existing acquisition financing to the Cooperatives would be assumed by the LP and would be subordinated to ~$7 million in first mortgage debt to be secured from a third-party lender (see attached Love Funding LOI). Initial conversations with DHCD's First Purchase Program Managers indicate that the Department is willing to do this as a part of the redevelopment of these buildings.

The renovation of the buildings will also be financed by ~$8 million in LIHTC equity raised from a $999,000 9% LIHTC allocation (which we understand to be the maximum amount permitted). The $0.85 per $1.0 price assumption contained within this proposal assumes that the 2009 allocation is monetized as allowed under the Recovery Act. Instead of DHCD needing to provide ~$12.5 million in additional financing, DHCD would provide only ~$6 million. Again, see the very round estimates in Exhibit A.

Almost 33% of the current members of these Cooperatives have incomes below 30% of area median income. Almost 95% of the current members have incomes below 60% of area median income. All of the current members have incomes below 80% of area median income. E&G would maintain these income levels.

The proposed project presents a hybrid opportunity to the District through DHCD. The additional funding for the extensive renovation of the properties has been stalled because of the economic downturn's effects on the DC budget. Use of LIHTCs will present an opportunity to bring a large capital subsidy to each project so that redevelopment can be facilitated in the near term. A return to homeownership will be achieved at the end of the LIHTC compliance period by re-selling the buildings to the respective co-ops, which will continue to function during this period. The co-op boards and members will have a limited continuing role in the development planning and the operation of the properties during the 15+-year compliance period.

The applicant for the allocation of LIHTCs is EGPS. EGPS and its affiliates including Edmondson & Gallagher (partnership, E&G) have acquired and redeveloped affordable apartments since 1982. Most of our properties are and have been deed-restricted under programs such as LIHTCs, tax-exempt bonds, Section 8, Section 236 and other programs. We have worked extensively with nonprofit organizations over the years as partners and advisors in DC and elsewhere. Two of our projects are among the largest LIHTC deals in DC – Meadow Green Courts on Minnesota Avenue, SE with 9% credits; and Fort Chaplin Park Apartments in NE and SE, DC along East Capitol Street, with 4% credits. We are expert in compliance and property management of affordable housing. All this experience will be useful as we organize five separate co-ops and their properties and implement this multi-site redevelopment project. The principals of EGPS are Thomas Gallagher, President; James Edmondson, Secretary-Treasurer; and Sarah Underwood, CFO. We have all been with EGPS for 25 years or more. We will form an affiliate LLC to serve as the general partner of the development entity. EGPS will assign the award of credit allocation for this project, if it comes, to this affiliate.

We have existing relationships with contractors, lawyers, accountants, engineers, architects, consultants, and vendors serving properties. We will assemble a team for the project that includes parties with which we have deep experience. We also intend to use the work and expertise of the advisors who have helped the five co-ops bring their visions to life with the help of DHCD. The five physical plans for the properties will call for extensive renovations. One proposes to add a floor to the existing structure. Our experience will permit us to manage this process effectively.

We call your attention to the term sheets that EGPS has negotiated with the participating co-ops with the important help of DHCD staff. The terms include describing the roles of the co-ops during pre-development and operation, the roles of EGPS and its staff, and how the parties will interact. The parties recognize that this application and project plan is not a "standard" for the LIHTC program or one that fits neatly into DHCD's LIHTC framework. We do, however, know that we can make it work.

There are special features that distinguish our proposal. The co-ops are DC nonprofits, and many of their residents/members have very low incomes, including many that receive rent supplement payments with incomes below 30% of median. Most are in 130% census tracts. DHCD has agreed to subordinate its large existing loans to new first mortgage conventional debt that we will bring to the project. In this challenging economic climate we have interested financiers for both the new debt and the tax-credit equity. DHCD may minimize the additional capital that redevelopment will demand of its limited resources by allocating 9% credits to this transaction.

EGPS and E&G have an outstanding record in its dealings with DHCD and DCHFA. There are no defaults. Any problems relating to its LIHTC properties have been dealt with expeditiously without consequence to the District. EGPS has been asked to advise other property managers about compliance, tenant selection, and vendor management because of the recognized expertise of its staff. E&G's relationship with DHCD in project finance goes back to 1986. It recently repaid a large note related to its purchase of land from DHCD for another DC project. DHCD had acquired the land under the old LAHDO program.

We hope that the application will be favorably received by Department.

EXHIBIT A

REDUCING THE CAPITAL REQUIREMENT OF DHCD

The following columns compare the capital contributions required of DCDHCD if the Cooperatives attempt to finance their redevelopment directly vs. financing with under this application. Numbers are rounded in thousands.

	Direct Financing	LIHTC Financing	Difference
Acquisition	$ 10,400	$ 10,400	$ -
Construction	$ 13,000	$ 13,000	$ -
Developer/Consultant Fees	$ 1,500	$ 3,000	$ (1,500)
Other Soft Costs	$ 3,000	$ 5,000	$ (2,000)
Total Costs	$ 27,900	$ 31,400	$ (3,500)
Less:			
Current DHCD Financing	$ (10,400)	$ (10,400)	$ -
LIHTC Equity	$ -	$ (8,000)	$ 8,000
Additional Private Debt	$ (5,000)	$ (7,000)	$ 2,000
Net Difference for Direct	$ 12,500	$ 6,000	$ 6,500
Additional Cost for DHCD	$ 12,500	$ 6,000	

Note: Estimates may be slightly different than in the pro formas in the application. But the relative scale is appropriate.