

## **Finance details for the Wyman St. acquisition**

The total acquisition model for this building... (10 units 52-54 Wyman St. Waban, MA) is shown as follows:

### **10% Inclusionary Zoning Ordinance**

The Newton Housing Authority has elected to take in-lieu cash payments through a formula established by the City's Aldermen under the Newton 10% Inclusionary Zoning Ordinance.

The two developments that the NHA will be receiving such cash payments from are:

Residences at Chestnut Hill Phase II	Rt. 9 Boylston St.
The Terraces	Langley Road, Newton Centre

The in-lieu cash payments, by formula, are remitted to the NHA once their designated units have been sold and Title conveyed to their buyers.

The NHA recently received a payment of \$821,250. from a unit sold at the Terraces \$700,000 will be used as a down payment on the 52-54 Wyman Street acquisition with a \$2,850,000 balance on this mortgage. \$21, 250. will be retained for related cost items and towards work to be performed.

From the Residences Phase II, the NHA will realize an additional net amount of approximately \$1,110, 872.30 when the remaining designated units in this development sell and Title conveyed.

From the Terraces, the NHA will realize an additional net amount of approximately \$3,475,865 when the remaining designated units sell and Title conveyed.

Therefore the NHA anticipates receiving an approx. net amount of a total of \$4,586,737.30 in 10% Inclusionary Zoning funds.

### **Interim Bridge Financing**

The NHA Management Checking Account has a current balance of approx. \$170,000. (non State, non Federal Funds). These funds plus \$100,000 from the monies received from the Terraces, will be used to assist in the payment of the monthly bank mortgage commitment.

Once the NHA receives additional funds from the sale of units from 10% Inclusionary Zoning Funds and/or monies from the CPA, the monies used from the Management Checking Account will be replenished. Additional funding received as a result of the sale of units will be used to pay down the mortgage balance without penalty to the NHA. The NHA will leverage the funds and keep \$1,000,000 as permanent debt so as to acquire future properties.

### **Additional funding**

The NHA has submitted a proposal to the Newton Community Preservation Committee for a \$1,000,000 CPA grant to be used for mortgage pay down on this acquisition.

It is anticipated that if awarded this grant...or any part thereof, funding would not be available until approximately March, 2005.

## Financial Models

### Village Bank details:

A copy of the Village Bank Mortgage Commitment Letter is provided.

The NHA Board of Commissioners has elected to maintain \$1,000,000 permanent debt service with 6.5% fixed rate and 30 year amortization. This would be accomplished after mortgage pay down to that level. The purpose for maintaining a conservative, permanent debt service was to preserve funds and leverage them for additional affordable housing acquisition opportunities.

It should be noted that since the Village Bank also provided mortgage financing to the seller only six months prior...they have accepted the satisfactory 21E Phase1 environmental report. The Bank has also offered pro-bono legal fees at closing, the 1% origination fee will be waived, and the appraisal fee will be reduced. There is no prepayment penalty for repayment or pay down of mortgage.

### Pro-forma Model: (see attached)

Detail:

- The NHA has elected to use a model reflecting 70% median income
- fully rented using Section 8 rents under current guidelines. HUD recommended NHA use 2003 FMR.(exception payment standards) \$1446. per month
- The NHA has elected to use 70% of median (\$82,600 2004 MFI) = \$57,820. and 30% rent = \$17,346. This would allow the NHA to be conservative in the model debt service in the event that HUD modifies Section 8 voucher valuations in the future. The model reflects the income level necessary to satisfy the debt service.

### Additional scope of work required

Prior to occupancy, all units and common areas will be tested for lead. A CDBG grant will be requested for lead and/or asbestos testing... and any remedial abatement if required Grant amount requested is \$45,000.

It is estimated that \$8,000-\$10,000 will be spent in the cosmetic renovation and appliance to 6 units of the 10 units ...for a total cost of \$80,000 to \$100,000. Monies required will be provided with funds received through units sold from the 10% Inclusionary Zoning Ordinance.

NEWTON HOUSING AUTHORITY  
TEN TWO-BEDROOM APTS. ACQUISITION PRO-FORMA  
USING 70% MEDIAN INCOME USING 2003 FMR

ADDRESS:	52 - 54 Wyman Street			
	WABAN SQUARE			
NO. OF UNITS	10			
PURCHASE PRICE	\$ 3,550,000.00			
MORTGAGE PAY-DOWN	\$ 2,550,000.00		Monthly Pymt.	Monthly Cash Flow +/-
PERM. DEBT SERV.	\$ 1,000,000.00	30 year amortization at 6.50%	\$ 6,320.68	\$ 3,005.52
		Fixed Rate		

**PROJECTED INCOME & EXPENSES**

	Monthly	Annual
<b>Projected Income:</b>		
Gross Rental Income-Current Sec.8	\$ 14,460.00	\$ 173,520.00
Vacancy Allowance (3%)	433.80	5,205.60
Effective Rental Income	14,026.20	168,314.40
Less: Operating Expenses (See Below)	4,700.00	56,400.00
<b>Net Rental Income</b>	<b>\$ 9,326.20</b>	<b>\$ 111,914.40</b>
<b>Projected Expenses:</b>		
Utilities	\$ 1,000.00	\$ 12,000.00
Insurance	500.00	6,000.00
Legal	100.00	1,200.00
Accounting	100.00	1,200.00
Condominium Fee	-	-
Maintenance & Repairs	1,500.00	18,000.00
Maintenance & Administrative Cost	500.00	6,000.00
Reserve / Contingency Expenses	1,000.00	12,000.00
<b>Total Operating Expenses</b>	<b>\$ 4,700.00</b>	<b>\$ 56,400.00</b>

70% Median Income (2003 FMR)

- Two Bedrooms:
- The NHA has elected to use a model reflecting 70% median income
  - fully rented using Section 8 rents under current guidelines. HUD recommended NHA use 2003 FMR.(exception payment standards) \$1446. per month
  - The NHA has elected to use 70% of median (\$82,600 2004 MFI) = \$57,820. and 30% rent = \$17,346. This would allow the NHA to be conservative in the model debt service in the event that HUD modifies Section 8 valuations in the future. The model reflects the income level necessary to satisfy debt service.

**NEWTON HOUSING AUTHORITY  
BURN RATE BASED ON 70% MEDIAN INCOME**

MONTH	HAP	TENANT SHARE	TOTAL RENT INCOME	MONTHLY EXPENSES	MONTHLY NET INCOME
Jan-04	\$ 10,658.00	\$ 2,684.00	\$ 13,342.00	\$ 10,994.40	\$ 2,347.60
Feb-04	\$ 10,658.00	\$ 2,684.00	\$ 13,342.00	\$ 5,683.67	\$ 7,658.33
Mar-04	\$ 10,658.00	\$ 2,684.00	\$ 13,342.00	\$ 6,874.62	\$ 6,467.38
Apr-04	\$ 10,635.00	\$ 2,707.00	\$ 13,342.00	\$ 9,095.52	\$ 4,246.48
May-04	\$ 10,635.00	\$ 2,707.00	\$ 13,342.00	N/A	N/A

**BANKING INFO.**

	AMOUNT
Management Checking Balance	\$ 170,671.42
Remaining Bal. From Acquisition Account	100,000.00
Total Funds Available for Burn Rate	\$ 270,671.42

**VILLAGE BANK TERM OFFER FOR 50-52 WYMAN STREET(10 UNIT ACQUISITION)**

MORTGAGE AMOUNT	INTEREST RATE	TERM	MONTHLY P & I
\$ 2,850,000.00	5.25% Curr.Float Rate	30 years	\$ 15,737.80

**SNAP SHOT OF BURN RATE / CASH FLOW W/ ZERO OCCUPANCY**

FOUR MONTH AVG. NET INCOME (EXISTING UNITS)	CURRENT CHKG. BAL.	MONTHLY DEBT SERVICE SHORT FALL	NO. OF MONTHS BURN RATE
\$ 5,179.95	\$ 270,671.42	\$ 6,722.00	40.27

**SNAP SHOT OF BURN RATE / CASH FLOW WITH PROJECTED RENTAL REVENUE FROM FIRST DAY**

NUMBER OF UNITS OCCUPIED	NET INCOME AT \$901.58 PER UNIT	REMAINING SHORT FALL	REVISED NO. OF MOS. BURN RATE
2	1,803.16	\$ 8,754.69	30.92
4	3,606.32	\$ 6,951.53	38.94
6	5,409.48	\$ 5,148.37	52.57
8	7,212.64	\$ 3,345.21	80.91
10	9,015.80	\$ 1,542.05	175.53

Note: Assuming 60 days necessary to perform renovation / deleading for every 2 units.



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October 7, 2004

Jonathan L. Hacker  
Newton Housing Authority  
82 Lincoln Street  
Newton, MA 02461

Jonathan:

I am pleased to submit this Commitment Letter for your consideration. The Village Bank (the "Bank") will provide acquisition financing for the property located at 52-54 Wyman Street, Newton MA subject to the terms and conditions detailed below.

**1) Borrower:**

Newton Housing Authority

**2) Purpose:**

Acquisition financing for 52-54 Wyman Street, Newton MA. The purchase price is assumed to be \$3,550,000.00.

**3) Loan Amount:**

The Loan Amount will be \$2,850,000.00. (See section #5 below for interest rate options based on loan amount).

**4) Terms (refer to Interest Rate options in Section #5):**

Option 1:

Loan Amount \$1,000,000.00, thirty (30) year maturity and thirty (30) year amortization.

Loan Amount \$1,850,000.00, two (2) year maturity, interest only monthly.

Option 2:

Thirty (30) year maturity and thirty (30) year amortization.

**5) Interest Rates:****Option 1: Combination Fixed/Floating:**

Loan Amount \$1,000,000.00, 30 year fixed rate at 6.50% (the Bank's current 30 year fixed jumbo rate) locked for sixty days until December 9, 2004.

Loan Amount \$1,850,000.00, Floating rate tied to Wall Street Journal Prime plus 1.0% (currently equal to 5.50%).

**Option 2: Fixed:**

Loan Amount \$2,850,000.00, 30 year fixed rate at 6.50% (the Bank's current 30 year fixed jumbo rate) locked for sixty days until December 9, 2004. The Bank will amend the principal and interest payments ("P&I") upon paydown(s) of principal greater than \$50,000.00.

Note: Although the proposed loan would normally be priced at the Bank's investment property rate, which is approximately 100 basis points above the residential rate and would require a 1.0% commitment fee, the Bank is offering the preferential residential rate with no points, as detailed above. In addition, the normal rate lock period is 30 days, the Bank is extending this lock-in period for sixty days.

**6) Fees:**

The Borrower is responsible for paying all closing costs, including, but not limited to, appraisal, title insurance, recording, and flood certification fees incurred by the Bank. It is understood that the Bank will pay for the attorney's service fee.

**7) Repayment (refer to Interest Rate options in section #5):****Option 1:**

Loan Amount \$1,000,000.00: The loan will amortize over thirty (30) years. Monthly principal and interest payments will be \$ 6,320.68. Payments will be made in arrears and will be due on the first of each month.

Loan Amount \$1,850,000.00: Interest only monthly, 2 year maturity.

**Option 2:**

The loan will amortize over thirty (30) years. Monthly principal and interest payments will be \$18,013.94. Payments will be made in arrears and will be due on the first of each month.

**8) Security:**

First real estate mortgage and assignment of rents on the subject property located at 52-54 Wyman Street, Newton MA.

**9) Guarantors:**

None.

**10) Advances:**

This Commitment is conditional upon the Borrower being in full compliance with the terms of all loan documents. Should a default occur with regard to any provision of any loan document or of the Commitment Letter, this commitment may, at the option of the Bank, terminate without notice to the Borrower.

**11) Depository Account(s):**

The Borrower must maintain its main operating checking account(s) at the Bank.

**12) Prepayment**

The loan may be prepaid in part or full at anytime without penalty.

**13) Additional Provisions:**

The receipt, review and approval by the Bank of an appraisal for the subject property. Granting of the loan is subject to the Bank having total collateral equal to \$3,562,500 resulting in a maximum loan-to-value ratio of 80%.

Boundary lines of the properties offered as security for the mortgage loan shall be established by a recent survey prepared by a registered engineer or licensed surveyor showing any and all improvements, boundaries, access, egress, easements, encroachments and utilities above and below the ground.

Title insurance will be required by the Bank, written on the current form of ALTA Lender's Policy of Title Insurance, subject only to such title exceptions as shall be approved by the Bank.

The Borrower shall furnish the Bank with fire and extended insurance coverage sufficient to protect the Bank against all risks. Coverage shall be maintained so as to afford 100% coverage against loss. Policies should name The Village Bank ITS SUCCESSORS AND/OR ASSIGNS AS THEIR INTEREST MAY APPEAR, as the first lien holder, first mortgagee and loss payee.

Certification must be presented as to each property location relative to any flood plain zone. In the event the premises are situated in a flood plain area, the Bank shall be provided flood plain insurance naming the Bank as first mortgagee and loss payee. You will be responsible to pay the flood insurance certification fee at closing.

Financial Covenants: Annual financial statements and tax returns for the Borrower must be submitted upon request. From time to time, such other financial data and information about the Borrower and affiliates as the Bank may reasonably request.

No junior mortgages will be allowed on the subject property without the Bank's written consent, but will not be unreasonably withheld.

The terms and conditions contained herein shall survive the closing of the Loan and shall be considered a part of the loan documentation. To the extent that the terms and conditions herein contradict the closing documents, the closing documents will govern.

This Commitment Letter can only be canceled, modified or amended by a written instrument executed by the parties hereto or their legal representatives and said contract supersedes and negates any and all prior or contemporaneous oral agreements.

The Bank's obligations hereunder are entirely contingent on there being no material adverse change in the financial condition, business or properties of the Borrower or Guarantors between the date hereof and the date of closing and that the Borrower is presently not in violation of any agreement, contract judgment, decree, statute, law or governmental regulation that would materially affect its financial condition or properties.

The Borrower is hereby notified that a default of any provision of any loan document or of this Commitment Letter shall be considered a default of all loan documents as well.

**This commitment is subject to approval from the Bank's Loan Committee, which has not been received as of the date of this Commitment Letter.**

If you have any questions please contact me, Al De Vito or Andrew Franklin at 617-964-0117.

Sincerely,

  
Amy L. Corda  
Senior Vice President

The undersigned hereby accepts this commitment and agrees to the terms and conditions set forth herein.

By:   
Executive Director

Date: October 6, 2004



Please Initial: Rate/Term/Repayment Option 1: JA, DHA  
-Or- Rate/Term/Repayment Option 2: \_\_\_\_\_