

CF FOUNDATION, INC.

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By Hand Delivery

Christopher R. Edwards, M.D.

Chair of the Board of Commissioners

The Housing Authority of the City of Atlanta

230 John Wesley Dobbs Boulevard

Atlanta, Georgia 30303-2429

Christopher R. Edwards, M.D.

Chief Medical Officer

AWC Networks, LLC

260 Peachtree Street, NE

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March 1, 2018

Dear Dr. Edwards:

I write to put in the public record our request that the Board of Commissioners of the Housing Authority of the City of Atlanta (AHA) hold a special board meeting on or before Wednesday, March 7, 2018 at 5:00 pm to consider the proposal that has been presented concerning the refinancing the Villages of East Lake. For your information and the public record, I attach as Exhibit A the pertinent part of an outline of the proposed funding structure (the Proposal) prepared by AHA staff for an October 25, 2017 Board of Commissioners presentation. The Proposal will allow for necessary rehabilitation and renovation of the AHA apartments at the Villages of East Lake and does not require any new funding by AHA. Further, AHA will improve its financial position by sharing in development fees, increased cash flow and an improved security position. The Proposal includes, among other sources, an investment from the Georgia Department of Community Affairs (DCA) and new tax credits. DCA's funding commitment is, and always has been, time limited. I also attach as Exhibit B for the record and public information a communication from Laurel Hart of DCA to Catherine Buell, President & CEO of AHA, stating the commitment and time constraints. The Board's failure to act in a responsible manner consistent with its fiduciary duty has created a crisis for families in the Villages of East Lake.

Over 20 years ago, the East Lake Foundation and AHA entered into a partnership to transform the East Lake community and to create a new model of affordable housing through an innovative public-private partnership. The shared goal was to create a healthy, sustainable neighborhood that included broad, deep and durable pathways out of poverty for low income families.

With significant investment from the East Lake Foundation, CF Foundation and other Atlanta and national philanthropists (over \$100 million in community assets including Drew Charter School, a YMCA, two early learning centers, a grocery store, two branch banks, and an array of community health and wellness programs), East Lake has become a healthy, vibrant community, a place where families regardless of economic status can thrive. Today there are over 1,300 residents in the Villages. Children living in the Villages of East Lake have the first priority to attend Drew Charter School, consistently one of the highest performing schools in Atlanta with 100% of its first graduating class in 2017 earning a high school diploma and

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college acceptance. Residents of the Villages of East Lake who are supported by subsidy from AHA are thriving with 100% of non-elderly, non-disabled adults working or in training programs designed to lead to work. In fact, residents who live in the public housing supported apartments have increased their incomes by a factor of five. In the early 1990s, the former public housing community on the site was commonly called "Little Vietnam," not because of the ethnicity of the families who lived there but because it was a war zone. Today, the Villages of East Lake is one of the safest neighborhoods in Atlanta. Rather than try to undermine the success of this endeavor, AHA should be trying to replicate this success all across the city.

The East Lake Foundation, CF Foundation and others made these investments in good faith, with no expectation of any financial return on that investment. Because of our commitment to this work and the community, East Lake Foundation and CF Foundation have covered ongoing operating shortfalls at the Villages as well as capital upkeep. We have throughout this partnership dealt with AHA in good faith and with absolute integrity. Until recently, AHA dealt with us in the same way.

Since March 2015, we have had a series of proposals in front of AHA that have received internal staff approval, only to have the Board of Commissioners change the ground rules or postpone consideration. Most recently, we have been working with AHA staff and DCA to find a solution to refresh and rehabilitate the 15 to 20 year old apartment homes at the Villages. Since August 2017, the Board of Commissioners has had multiple opportunities to consider the Proposal that creates a path to refinance the Villages of East Lake while not requiring any capital from AHA, improving AHA's long term return in the project, and providing AHA with a share of the development fees and cash flow. But even more important, the Proposal benefits the low income residents of the Villages, the families the Board of Commissioners is obligated to serve.

Yesterday, for the fourth time in six months, the Board of Commissioners refused to take up the Proposal that has been carefully and thoroughly considered and recommended for approval by the Board of Commissioners by all relevant parties including AHA staff and both the Real Estate Committee and the Investment Committee of the Board of Commissioners. In each case, there has been no business reason stated for the failure to act. Another meeting scheduled for this afternoon was abruptly and without notice cancelled for lack of a quorum. One then can only assume that this intentional and willful failure to act is purely personally and politically motivated — a failure of the Board of Commissioner's duties to uphold the public trust and its contractual partnership duties to act in good faith. The families of the Villages who rely on the Board of Commissioners to act in their best interest deserve better.

To reiterate, we respectfully request a special board meeting to be held on or before Wednesday, March 7, 2018 at 5:00 pm to consider the Proposal for refinancing the Villages of East Lake. Failure to fully and finally approve the Proposal within that timeframe will be considered by us as a breach of your fiduciary duty and we shall pursue all remedies available to us at law and equity.

Sincerely,



Lillian C. Giornelli

President, CF Foundation

Cc: Mayor Keisha Lance Bottoms
Catherine Buell
Laurel Hart
Members of the AHA Board of Commissioners
Members of the East Lake Foundation Board of Directors
Members of the CF Foundation Board of Directors

Need for Refinance and Renovation

- *Existing financing structure a long-term burden on operations and cash flow (high debt rate)*
- *18 - 20 year old properties need a capital infusion for renovations and improvements*
- *High operating costs can be improved by renovation*
- *Ongoing deficits / Cash flow shortfall means inability to make major capital investments and service original transaction debt obligations*



Existing Debt Obligations Beyond Payoff of First Mortgage Bonds and Swap

East Lake Housing Corporation Operating Deficit Loans: (after original financing)

Funded to Phase I (2000 – 2017) \$6,229,624

Funded to Phase II (2003 - 2017) \$7,082,587

sum of repayment obligation: \$13,312,211

obligations payable in priority from cash flow

Existing AHA Mortgages:

Original HOPE VI loan – Phase I \$5,824,000

Original HOPE VI loan – Phase II \$11,903,505

UFAS improvements loan & interest \$532,189

sum of AHA debt obligations: \$18,259,694

loans payable from available cash flow



Rehabilitation Scope

- **Construction Costs:** \$31,500/unit
- **Rehab Goals & Objectives**
 - ✓ Upgrade the property to high standards and competitiveness
Repaint units, replace flooring, kitchen cabinets, appliances, plumbing fixtures, interior door hardware, and venetian blinds, refinish tubs, and update light fixtures
 - ✓ Improve the exterior street appeal and presentation
Replace vinyl siding; upgrade landscape, repaint exteriors
 - ✓ Lower operating costs
 - ❖ **Improve Energy Efficiency:** *Replace HVAC equipment, add attic insulation to R-38, install energy efficient windows (Earthcraft certification)*
 - ❖ **Improve Security:** *Upgrade camera equipment; replace vehicle entry gate systems, improve lighting*
 - ❖ **Lower Maintenance Costs:** *Repave parking lot, replace water heaters and playground equipment, repair storm drains, repair fence, replace roof shingles*
- **Relocation:** None expected. Work expected to be done while residents remain in their units.
- **Construction schedule:** 18 months – anticipated start in July 2018



New Transaction Structure

- Section 9 Public Housing Subsidy → Section 8 Project-Based Assistance via RAD
- Tax-Exempt Bonds generate 4% as-of-right Low Income Housing Tax Credits
- Permanent financing provided by FHA-insured mortgage.
- \$5+ million in Georgia Dept. of Community Affairs ("DCA") 1% subsidy loan
- Full amount of existing AHA loans assigned to new partnership
 - \$18.3 million currently at 0.0% interest, increasing to 0.5%
- East Lake Housing Corporation to write off \$13 million in operating deficit loans and take new \$11.8 million seller note at 0.5%
- Term of ground lease extended 57 years to allow for new LIHTC and loans

Sources (in millions)

\$24.0	FHA 221(D)4 Loan
\$ 5.0	DCA Gap Loan
\$ 11.8	East Lake Housing Corporation Seller Note
\$ 18.3	AHA Notes (existing)
\$ 11.0	Tax Credit Equity
\$ 0.6	Deferred Developer Fees
\$ 2.5	Construction Period Cash Flow
\$73.2	Total Sources

Uses (in millions)

\$ 26.7	Acquisition (Buildings)
\$ 18.3	Existing AHA Notes
\$ 17.1	Construction Hard Cost
\$ 0.6	Design Cost
\$ 0.2	FF&E & other Equipment Costs
\$ 1.5	Legal & other Professional Costs
\$ 3.9	Financing & Other Soft Costs
\$ 0.9	Operating/Replacement Reserves
\$ 4.0	Acquisition/Development Fee
\$73.2	Total Uses

New Funding Via RAD Re-Capitalization Pays for Renovation and Improves Cash Flow

New LIHTC Equity investment - **\$11.0 million**:

New DCA Funding Commitment (Kresge Healthy Housing Initiative) - **\$5.0+ million**

New favorable First Mortgage Debt – up to **\$24.0 million**

AHA RAD Conversion to stable RAD Based Vouchers contract on Public Housing Units

No new AHA funds required for **\$17.1 million** renovation

AHA Loan position improved versus existing position



15-Year AHA Return Projections

\$102,000	Transaction Fees - paid from development budget
\$800,000	Co-Developer Fee - 25% share of Fee after deducting 20% overhead
\$601,839	Asset Management Fees - 0.5% of total project revenue
\$1,690,819	Debt Service payments – same distribution tier as Seller Note and Incentive Mgmt. Fee
\$355,740	Cash Flow Distributions from Net Cash Flow – as 25% Limited Partner of General Partner
\$3,550,398	15 year aggregate return – 16.8% return on initial investment of \$18.3 million

Note: cash flow to AHA under current structure/operations: \$0



VILLAGES OF EAST LAKE I & II

BUSINESS TERMS IN CONNECTION WITH RECAPITALIZATION AND REHABILITATION OF PROJECT



October 25, 2017

Exhibit B

On Feb 27, 2018, at 10:15 PM, Laurel Hart <laurel.hart@dca.ga.gov<<mailto:laurel.hart@dca.ga.gov>>>
wrote:

Catherine,

Rachel and I have been checking in over the last few weeks and it is my understanding that you will be seeking approval for Eastlake tomorrow from your board. If there is anything you need from the Georgia Department of Community Affairs for this presentation, please let me know. I think Rachel has my personal cell phone.

I have asked my team to hold off reassigning the HOME funds for the Kresge program until Thursday. However, we must select a substitute property from the program waiting list if AHA board approval cannot be obtained tomorrow. Once we designate the final Kresge participants, we will be fully committed on our HOME funds until 2019.

I am hopeful that you are successful in obtaining board support for Eastlake and we can begin moving towards closing as quickly as possible. Please let me know the outcome of the meeting.

Thank you.

Laurel