

Birmingham HOPE VI, Off-Site Development - Oxmoor

Project Update

November 10, 2008

Land Acquisition: Land acquired and subdivision has been recorded.

Phase I: Construction is on schedule with completion scheduled for June 2009. We expect to begin lease up in early 2009, and we hope to have fully leased during the summer. With completion and occupancy, we plan to file the close-out application in the fall of 2009, ahead of schedule.

Phase II: The Out-of-Cycle application was not accepted by AHFA. The basis of their decision was that the amount would have taken too large of a share from their 2009 credits. We have had multiple meetings with AHFA to express the urgency and critical nature of the project. We have also stressed the importance of projects with HOPE VI funding since other low-income housing tax credit (LIHTC) projects are having problems obtaining financing in the current market. Despite our attempts to identify the benefits to project, the City, and the State, AHFA was not interested in changing their position.

Meanwhile, AHFA has issued the draft Qualified Allocation Plan (QAP) for 2009 LIHTC funding. The draft QAP has eliminated consideration for HOPE VI and similar mixed-finance projects. If the QAP is not changed, this will have a severely detrimental impact on the feasibility of obtaining LIHTC funding for Phase II. We have shared our concerns and comments with AHFA and have provided the comments to Alabama HA's as well as the Alabama Association of Housing and Redevelopment Authorities (AAHRA) to allow them the opportunity to encourage AHFA to make the recommended adjustments to the QAP

We will be submitting a tax credit application in March 2009. It is expected that with some positive adjustments to the 2009 QAP by AHFA, we will be selected. We would anticipate a notice of award in June 2009 allowing us to close and begin construction by the end of the year. To assist in gap financing, we have requested \$1 Million in City Bond funds. In addition, we plan to submit a FHLB application in the spring.

Phase III: It is expected that this Phase will dove-tail the efforts in Phase II with a tax credit application award in 2010. We continue to investigate the potential for true market rate units as a mix. This will be subject to rents, financing and market conditions at that time.