RIPPOWAM CORP. DEVELOPMENT UPDATE
July 2016

IN CONSTRUCTION

Lawnhill Terrace I: The first fifty (of sixty total) units have been completed. Another eight units will be complete by August 15, with the final two units available by the end of August. All fifty completed units are occupied or will be by month end. The overall project is 95% complete. Relocation associated with Lawnhill Terrace 1 has been completed except for those families moving back into completed units. Rippowam Corp. is coordinating closely with COC property management and Family Centers to ensure minimal disruption for all Lawnhill residents during relocation and renovations. Both COC staff and Family Centers have been extremely helpful. Special thanks to Natalie, COC property management staff and Family Centers for continuing to pick up much of the Admissions Department effort in Marysol's absence.

992 Summer Street/Czescik Homes: Construction commenced in November and continues on schedule with completion scheduled for February or March. Exterior framing has been completed and interior framing continues. Roof framing has been completed and finish roofing material is being applied. Mechanical, electrical and plumbing work in ongoing throughout the building, and exterior finish material is being applied. We continue to work closely with Family Centers and COC property management to assist residents of Czescik Homes in planning for relocation. Czescik currently has 30 occupied units and 20 vacancies, and naturally occurring vacancies are not being filled. 24 households will relocate to Summer Place. The remaining six households not moving to Summer Place have selected other properties in the COC portfolio as their relocation destination and are being moved as vacancies arise in those locations. A meeting has been scheduled to initiate communication and coordination between the COC property management team and the Inspirica team that will be providing supportive services. Inspirica services staff will begin meeting with Czescik residents in advance of their moving to Summer Place to build positive relationships and develop individual service plans.

IN PRE-DEVELOPMENT

Lawnhill Terrace 2: An application for 9% tax credits submitted in November was not selected for an award. A 4% tax credit application was submitted and is under review by CHFA and DOH. The scope of renovations that can be funded with 4% tax credits is limited, but we have been able to retain several quality of life improvements as well as address serious building system issues. New kitchens and baths are included, but not as attractive as those in Lawnhill 1. Central air conditioning will be provided. We anticipate a final decision from DOH regarding the amount of its funding award within the next two weeks.

Park 215, (Phase IV Vidal Court Revitalization: Following the submission of a baseline construction bid that was several millions below the comparable bid from the original Construction Manager, KBE, we have worked closely with Viking and the architect to identify and evaluate a wide range of potential cost savings. That process has been completed and resulted in a total construction contract price of $37,560,000, representing almost $3 million in additional value engineering savings beyond the baseline Viking proposal.

Despite shaving approximately $6 million from the original price proposed by KBE, construction period costs remain in excess of construction period funding sources by $800,000. Because we have sufficient permanent funding sources, we are seeking to move receipt of some monies from post-completion to the construction period.

We have concluded negotiation of a lease with purchase option for approximately 9,000 square feet of the commercial portion of the development with a vascular surgery group. This is 2,000 square feet more than the tenant originally requested, and represents 41% of the total commercial rentable area. In order to accommodate the desire of this tenant to purchase their space, the building will become a condominium upon the completion of construction. The residential portion will be structured as a single condominium unit, and the commercial space will be divided at least into two separate condo units, with further division possible if other commercial tenants wish to acquire their space. With financial closing and construction start now anticipated for late August or early September of this year, completion and initial occupancy are projected for April, 2018. Because of the 2018 completion date, our 2015 tax credits had to be exchanged for 2016 credits. We received approval from CHFA for the tax credit exchange this week, removing a significant obstacle to closing the financing and commencing construction.

The settlement agreement of the litigation filed by the former owner of 211 Stillwater over the amount of compensation for our acquisition of the property has been finalized and executed. Payment of the additional amount due to the former owners is being processed and this item is now behind us.

<u>IN PLANNING STAGE</u>

Rippowam Manor: We have advanced discussions on an agreement with our partner, Equity Resources Investments (ERI) on a plan to restructure the partnership and implement a program of renovations similar to those performed at Clinton Manor and Quintard Manor. Under the new agreement, COC would retain title to the land, and interest in the building would be 80% to ERI and 20% to North Street Elderly Housing Corporation (NSEH), which is controlled by COC. Operating cash flow and any proceeds of refinancing not used for renovations would be divided in the same manner. At present, while COC owns the property and leases it to the partnership, all cash flow goes to ERI. In return for giving up a share of the fee ownership, NSEH would receive a share of annual cash flow and refinancing proceeds. Rippowam Corp. would receive a developer fee for managing the renovations. The refinancing will trigger repayment of loans and accrued interest made by NSEH to the partnership. The amount due is almost $800,000. The agreement with ERI will be completed once a detailed physical needs assessment of the property and cost estimate for renovations are complete, and we hope to have a proposal to present to the Board in the coming months.

A rent comparability study was completed in January of this year, which indicated that rents could be increased, further enhancing net cash flow. That study has been updated, and due to continuing strength in the Stamford rental market, the results showed an increase of approximately $25 per month in the rents the property would command as a market rate development. Another version of the rent study will be prepared in the coming weeks reflecting estimated market rents following the completion of renovations, and this study will be submitted to HUD with a request to increase Section 8 operating subsidy to provide a level of income comparable to what the development would receive as a market rate site. If approved by HUD, the higher rents would support additional debt to fund renovations and possibly allow a cash distribution to partners. The Section 8 subsidy allocated to the development would be increased and tenant contribution would not be affected. We have invited proposals from qualified firms for the physical needs assessment and cost estimate, and hope to submit a rent increase proposal to HUD prior to the end of 2016.

Vidal Court Replacement – Phase V: Under an existing HUD grant, master planning and schematic design for a possible fifth phase of the Vidal Court revitalization on Stillwater Avenue was performed. A preliminary cost estimate for the development has been completed, but further action on this phase is not scheduled for the near term.

ASSET MANAGEMENT

Greenfield: We are awaiting the issuance by CHFA of corrected tax credit forms which will allow project close-out and release of additional developer fee

Clinton Manor: Final close-out documents have been approved and executed and we have received the final developer fee payment

Quintard Manor: Final close-out documents have been approved and executed, and receipt of the final developer fee payment is anticipated next week

UPCOMING TRANSACTIONS AND TASKS

Greenfield, Clinton Manor, Quintard Manor: Complete close-out of Greenfield and obtain final portion of developer fee for Quintard

Lawnhill Terrace Phase I: Monitor progress of renovations of final ten units, and facilitate re-occupancy when complete.

Lawnhill Terrace Phase II: Awaiting CHFA and DOH decisions on 4% tax credit and State funding requests.

992 Summer Street/Czescik Homes: Monitor construction, continue Czescik Homes relocation effort. Facilitate communication and coordination between COC property managers and Inspirica service provider team.

Park 215: Complete outstanding items in partnership agreement and lender documents. Continue marketing effort to obtain tenants for remaining available commercial space. Schedule intial closing and commence construction

Rippowam Manor: Finalize new partnership agreement, develop financing package to facilitate renovations and fund loan repayment and capital distribution

PORTFOLIO PERFORMANCE

Very strong occupancy levels for both affordable and market rate units continue at Fairgate, Westwood, Palmer Square, and Greenfield. Seasonal weakness typical of the winter period has been replaced by typical strong demand for market rate units at all four sites. Strong demand and occupancy also continues at the fully affordable developments in the Rippowam Corp. portfolio: Post House, Taylor Street, Clinton Manor, and Quintard Manor. Rippowam staff work very closely with property managers from COC and Stone Harbour Management, and with Family Centers, which provides supportive services for all sites in our portfolio.

EXTERNAL COMMUNICATIONS AND ISSUES

CHFA Tax Credit Allocation Policies: CHFA has made modifications to the Qualified Action Plan (QAP) which disadvantage us significantly in seeking and utilizing 9% tax credits. The QAP contains policies and priorities for the type of projects and communities to receive tax credits, as well as a system of ranking points to be used in evaluating applications for tax credits. Despite extensive efforts on our part, The QAP modifications adopted by the CHFA Board of Directors will make applications submitted by COC less competitive. The QAP changes also significantly limit the amount of tax credit equity each project can raise, which may cause even an approved application to be financially infeasible. We are continuing discussions with both CHFA and DOH to educate key personnel in hopes of securing move favorable QAP modification in coming years.

DOH Funding Policies: Historically, State funding in tax credit projects from the State Department of Housing (DOH) has been provided as a grant or "soft" debt for which interest and principal payments are accrued and later forgiven, not repaid. DOH has changed that policy and now seeks repayment of State investment from surplus cash that would otherwise be available to the project sponsor. In concept, diversion of a small amount of surplus cash to DOH is manageable, but on our first project under the new policy, Park 215, DOH began by seeking 75% of surplus cash, confiscating funds that would otherwise flow to COC and Rippowam. We have negotiated the DOH portion of cash flow down to 55%, but this remains a substantial and unanticipated reduction in annual revenue. CHFA required that we defer a large portion of developer fee for Park 215 so we lose both fee and ongoing cash flow.

Communities of Opportunity Policy: DOH and CHFA intend to begin emphasizing what are considered to be "communities of opportunity" in determining the allocation of tax credits and other capital loans and grants. CHFA now proposes to revise the Qualified Allocation Plan (QAP) to provide 9% tax credit applicants with additional ranking points for projects located in Communities of Opportunity. Communities of opportunity are generally those with higher incomes, fewer low income households, higher rated public schools, and more growth. Urban areas, such as the West Side of Stamford, do not fare well in this calculation and the addition of the new policy further hinders our opportunities to receive tax credits and DOH funding. We will continue to seek modification of polices we believe unfairly penalize COC and that do not recognize the importance of neighborhood revitalization.