

**EXHIBIT A**  
**CHOICE NEIGHBORHOODS PHASE 2**  
**FINANCING COMMITMENT FOR**  
**CONSTRUCTION OF 72 RENTAL UNITS**

1. Purpose - Permanent mortgage or grant financing of the construction of a 72-unit rental housing complex for families, known as Choice Neighborhoods Phase 2, located on Cleveland Avenue between New Hope Lane and East 14<sup>th</sup> Street.
2. Permanent Loan or Grant – The form of permanent financing will depend on the fund source. Subordinate, permanent mortgage financing, including HOME funds, is subject to determination of final cost and continued availability of the fund source through project completion. The loan will be evidenced by a Promissory Note and secured by a Deed of Trust. The total of all mortgage encumbrances shall be supported by appraised value. A grant will include provisions requiring repayment of funds if the project fails to comply with the terms of the agreement.
3. Fees - Borrower will be responsible for all fees and closing costs as well as the City's direct legal and other expenses associated with processing the Loan documents.
4. Terms and Conditions - As City financing is provided on a "gap" basis, a final determination of the interest rate and loan terms will be based on a proforma cash flow analysis upon finalization of construction cost and other leveraged financing. Additionally, HOME program requirements include a layering review to document that no more HOME funds are used than necessary to achieve economic feasibility for low-income affordability. CDBG funds may only be used for acquisition, clearance (including demolition and remediation of environmental hazards), and publicly owned infrastructure.
5. Other Financing - The Borrower shall be responsible for attaining commitments, satisfactory to the City, for the balance of the project cost from other additional permanent financing and equity sources, including, but not limited to, Low Income Housing Tax Credits and Choice Neighborhoods Implementation (CNI) grant.
6. Rental and Occupancy – Not more than thirty-one (31) units may be market-rate units. All other units will be rented to low-income persons, as defined by the North Carolina Housing Finance Agency for the Tax Credits and the U.S. Department of Housing and Urban Development (HUD).
7. Reserves - In addition to an initial operating reserve and rent-up reserve to be established from tax credit proceeds, Borrower shall make deposits into operating and replacement reserves in amounts and a schedule acceptable to the City and in compliance with tax credit requirements.
8. Ownership - The project will be developed, owned and managed by a Limited Partnership, to be known as WS CNI PHASE 2, LP, its affiliates or assigns, which will be managed by a general partner entity controlled by McCormack Baron Salazar and a Limited Partner entity

controlled by the Housing Authority of Winston-Salem, and such ownership structure shall be approved by the City of Winston-Salem. Subsequent authorization of the City will be required prior to any transfer or assignment of ownership of the property.

9. Subdivision, Construction and Maintenance Standards - Financing eligibility requires attainment of zoning, subdivision, site plan, and erosion control plan approvals as applicable. Construction shall be required to comply with all applicable state and local building codes, and all state, local and federal requirements governing handicapped accessibility. This commitment is subject to review and approval of the scope of work and specifications by the Community Development Department of the City and final cost certification upon construction completion. Borrower shall maintain the property in compliance with the City's Minimum Housing Code.
  
10. Other Conditions – Borrower shall comply with all applicable regulatory requirements of the fund source and all applicable Choice Neighborhoods Implementation and Low Income Housing Tax Credit regulations. HOME Investment Partnership Program and Community Development Block Grant program requirements include, but are not limited to, Environmental Review, Davis-Bacon, Section 3, HUD Contractor-Consultant certification standing, Minority/Women Business Enterprise (M/WBE), and fair housing regulations.