



CaRE Residential – Option A Responses to Housing Supply Board Questions

1. What is the likelihood that you will be awarded the HUD financing identified in your proposal? What happens if you do not secure this funding?

The preferred debt financing is an FHA insured loan using the HUD Section 221(d)(4) program. This program is intended to facilitate the new construction of multifamily rental units. The benefits include:

- Fixed-rate, 40-year amortization + construction period
- Non-recourse loan
- Loan up to 85% of costs

Because the loan is non-recourse, HUD can only recoup losses upon default taking ownership of the property. Therefore, HUD looks at two primary things:

- Developer, team credibility and past experience to ensure project will be built; and
- Pro forma projections to ensure project will make money.

The drawbacks, as with other government programs, is the additional paperwork, time, and expense for the approval process. To help navigate this process, CaRE has engaged Greystone, the leading FHA lender in the United States and a recognized expert in FHA mortgage insurance, to facilitate FHA insured financing through the 221(d)(4) program for the construction of the CaRE Residential Project. A letter of support from Greystone is attached to this document and a Letter of Intent is in the RFP submission appendix.

Unlike the Low-Income Housing Tax Credit (LIHTC) program, which is based on a competitive state-wide allocation of limited tax credits, the 221(d)(4) program simply insures mortgage loans issued through HUD-approved lenders. The program is not competitive and is designed to assist private industry in the construction of rental units.

If CaRE is unable to secure FHA/HUD financing, CaRE has engaged the Bank of Jackson Hole, Rocky Mountain Bank, First Interstate Bank, and Bank of the Ozarks to provide construction and permanent financing for the construction of the CaRE Residential Project. Letters of Intent from Rocky Mountain Bank and Bank of Jackson Hole are included in the RFP submission appendix; First Interstate Bank has also provided a Letter of Intent

2. What requirements are associated with the HUD financing identified?

The type of FHA/HUD financing is the 221(d)(4) program. The CaRE Residential Project meets the key requirements of the program which are highlighted below:

Purpose:

Section 221(d)(4) insures lenders against loss on mortgage defaults. Section 221(d)(4) assists private industry in the construction or rehabilitation of rental and cooperative housing for moderate-income and displaced families by making capital more readily available. The program allows for long-term mortgages (up to 40 years + construction period) that can be



financed with Government National Mortgage Association (GNMA) Mortgage Backed Securities.

Type of Assistance:

FHA mortgage insurance for HUD-approved lenders.

Eligible Activities:

Insured mortgages may be used to finance the construction or rehabilitation of detached, semidetached, row, walkup, or elevator-type rental or cooperative housing containing 5 or more units.

Eligible Borrowers:

Eligible mortgagors include public, profit-motivated sponsors, limited distribution, nonprofit cooperatives, builder-seller, investor-sponsor, and general mortgagors.

Eligible Customers:

All families are eligible to occupy dwellings in a structure whose mortgage is insured under this program, subject to normal tenant selection. There are no income limits. Projects may be designed specifically for the elderly or handicapped.

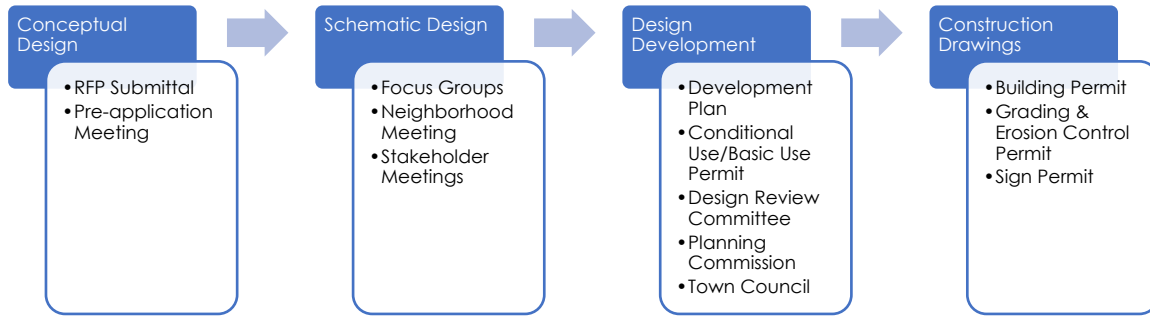
3. What is your design process moving forward? The group has some concern about the curb appeal of the development, please address this. Additionally, there are some concerns about the institutional nature of the project and livability. How will you address this through onsite management and design?

The current design is at a conceptual level, which means the design focus has been on understanding how all essential elements could be functionally incorporated within the parameters of the site while meeting the development codes. The conceptual design process included meeting the intent of the RFP, incorporating a mix of livable unit types, balancing number of units with associated parking and circulation, and ensuring adequate space for gear storage, mechanical systems, on-site management, and common gathering areas.

What is unique about the CaRE Residential conceptual building design is that it is based on a 7-foot grid and related unit modules. This allows for maximum design flexibility without compromising the key elements within the building. There is the ability to move units throughout the building and manipulate their location within the grid both horizontally and vertically. This means the façade can be manipulated to improve curb appeal, the unit locations can be adjusted to change the character of common spaces, and/or the unit types can be rearranged to improve the social culture within the building.

The design process moving forward is an iterative process that combines internal design team expertise with public review and feedback, see Figure 1 – Design Process. The key to the success of the design, and a lesson learned by many on the team, is listening to and incorporating constructive input from focus groups, neighbors and stakeholders. Our first step will be to conduct focus groups so that our team can better understand the space needs of potential tenants such as: Millennials, seasonal workers (J1-visa program), and established local workers looking for more secure, affordable, and convenient housing options. This will help us to ensure that we capture the desires of this demographic and program the building accordingly.

Figure 1 - Design Process



CaRE Residential is targeting young, local workers with a co-living project. Getting a better understanding of their housing needs and wants will be a crucial next step in the design process. At this stage, CaRE Residential is proposing a safe, healthy, secure and affordable living option in downtown Jackson for young workers. We recognize that to provide this form of workforce housing, the units are smaller than traditional units and rely on a shared living environment that requires active management. Additionally, the ground floor units will need some additional thought to ensure privacy at the street level.

This co-living environment is desirable in other high cost areas and offers workers a safer and healthier living environment compared to many workforce housing options available in Jackson, including sharing motel rooms with no communal spaces or kitchen facilities, parking space at the Recreation Center, camping on Forest Service land, or a multiple roommate situation. CaRE Residential is designed for co-living with defined private and public spaces with opportunities for residents to decide whether they want privacy or are looking for social interaction.

4. Please discuss how the building will function from a social perspective. How will common areas be used? What type of social interaction and quality of life do you plan to cultivate? How?

We plan to cultivate a shared lifestyle that is respectful of one another, the environment and the community. A place that residents can call home, where they can choose to be private or seek social interaction, and where they can prioritize experiences over things.

We envision common areas of differing sizes offering opportunities for shared cooking and dining, game/movie nights, networking, making connections, planning adventures, sharing stories, etc. We anticipate the need for active on-site management or “Rangers” to help cultivate social interactions, program activities, and control unwanted behavior.

CaRE Residential proposes a co-living, or social living environment that combines small private spaces with public common spaces. It enables a cost-effective approach to building workforce housing while offering local employees an affordable, safe, healthy and secure housing option in a location that eliminates the need for a vehicle. As part of the schematic design process, the Team plans to identify potential residents to engage the demographic into focus groups to foster a robust discussion about how they would like the building to function, which will inform the programming of the building.

5. Do you have examples of similar projects in scale and type? What lessons learned were there and how did you apply those to this project?

CaRE has pulled together a comprehensive and experienced team to successfully develop, finance, construct and operate a multi-family rental project in downtown Jackson. This Team has proven experience taking a project from concept through to completion in challenging urban areas around the country, local knowledge of the development process and construction impediments, expertise incorporating sustainable practices, and a desire to help Jackson address its workforce housing issue in a meaningful way.

Similar projects executed by project team members are included in the RFP submission and include:

- Stage 1075, San Francisco, California; and
- Los Angeles Airport (LAX) Hyatt Place/Hyatt House Hotel.
- Hidden Hollow, Jackson, Wyoming
- Sagebrush Apartments, Jackson, Wyoming

Each team members brings relevant and specific development experience to the project, along with lessons learned that have informed the CaRE Residential conceptual design. We share lessons learned including incorporating convenient gear storage to minimize property damage, involving HUD early on to streamline the approval process, using quality car stackers, relying upon advice from robust focus group sessions, listening to and incorporating neighbor concerns, using durable materials to lessen maintenance costs, building a tight shell to reduce energy consumption and lowering operating costs, and including ample secure bike storage. From an entitlement perspective, early engagement with town staff to seek collaboration has facilitated expedited timelines allowing projects to break ground sooner.

6. There are some concerns about the institutional nature of the project and livability. How will you address this through onsite management and design?

Please see answer to question #3.

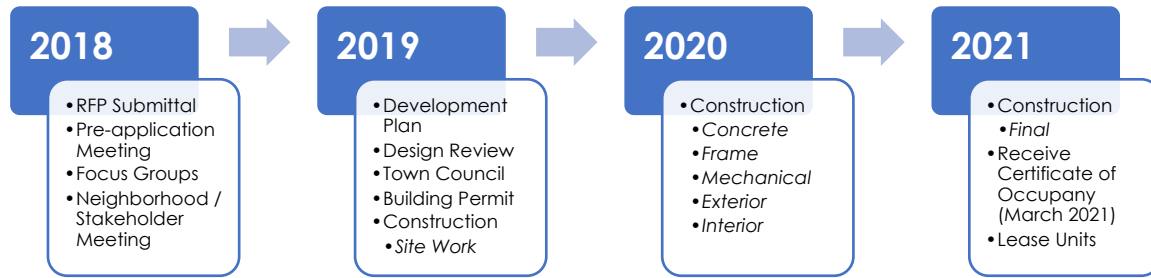
7. What is the status and what are the terms for the Grey Crane property acquisition?

CaRE Residential has the Grey Crane property (176 Center Street) and the 165 North King parcel securely under contract with an executed Purchase and Sale Agreement.

8. Please discuss your timeline for certificate of occupancy.

The Team conservatively expects CaRE Residential to receive its Certificate of Occupancy in March 2021. Figure 2 below is an overview of the CaRE Residential timeline.

Figure 2 - Timeline



A detailed entitlement and construction timeline is provided in the RFP submission.

9. The site may be transitioning some ([see this staff report](#)). What opportunities might this present you? What challenges might this present you?

The plans for the adjacent parcel were considered with the CaRE Residential conceptual design. The proposed alley vacation and realignment off of Center Street potentially allows the CaRE Residential Project to gain vehicular access off of this new alley located to the south of the RFP parcel (174 N. King Street). In addition, it is helpful to understand the development pattern on the adjacent parcel to inform the design. Preliminary but cooperative discussions with the adjacent neighbor’s key principal, Jim Walters, have been initiated.

10. Have you spoken with Crystal Creek Capital, the adjacent landowner, who will break ground on a large hotel this spring? How will that development impact your proposed development? What is your staging plan?

Members of the CaRE Residential Team had a productive meeting with Crystal Creek Capital on February 14th. Opportunities to share resources, coordinate construction, and stage construction were discussed. Crystal Creek Capital indicated that they plan to break ground in Spring 2019, which allows for infrastructure construction coordination.

The CaRE Team recognizes that a thoughtful and comprehensive construction staging plan will be required in this downtown location, similar to staging plans used by Team members to construct large multi-family projects in other dense urban environments. There have been initial conversations with neighboring properties and with Crystal Creek ownership.

11. What are your proposed terms for the 5 requested Town units?

The CaRE Residential Option A proposes that 5 units are reserved for the Town:

- 1 Dormitory Unit (4 Beds)
- 2 Studio Apartments
- 2 One-Bedroom Apartments

The rents are proposed at market rate with a Workforce Rental restriction and for a term similar to the ground lease. The Town can select different units with a minimum of 5 being reserved for the Town, with an option for additional units.

12. Please elaborate on the sustainability, durability, and energy efficiency for the project.

A multifamily building is inherently efficient, both in construction material use and ongoing energy use. Combined with the downtown Jackson location, a building will be even more efficient from a walkability standpoint, reducing vehicle miles and improving air quality.

Energy Efficiency

CaRE Residential proposes to adhere to Climate Sustainability through Energy Conservation goals by using passive design strategies, including above-code levels of insulation, airtight enclosures verified with blower door testing, heat-recovery ventilation, and triple-pane windows will be prioritized. Optimizing efficiency of the building envelope minimizes heat loss and maximizes comfort while also significantly reducing peak heating loads, allowing mechanical systems to be downsized and reducing energy use for the lifetime of the building.

Windows are optimized with specified glazing for daylight penetration deep into spaces, and external window shading, where appropriate, provides effective sun control to minimize overheating and reduce the need for active cooling. Ceiling fans in common rooms, living areas and bedrooms provide low-tech comfort. 100% LED lighting, occupancy sensors and other controls, and ENERGY STAR appliances round out the energy efficiency strategy.

CaRE will perform whole-building energy modeling to assess proper levels of investment in the building envelope and equipment efficiency. Analyses will reveal projected performance of various options with regard to heating and cooling loads, energy usage, and utility costs.

Material selection will have a focus on durability without compromising a healthy indoor environment. Materials will be specified that can stand up to the frequent turnover that comes with a workforce housing product. However, these materials while durable will not contribute VOC's or other gases that contribute a poor indoor air quality.

GREYSTONE

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February 20, 2018

Mr. Michael Palmer
Care Wyoming Partners, LLC
10474 Santa Monica Blvd., Suite 301
Los Angeles, CA 90025

Re: *Jackson Hole Apartments*
174 North King Street
Jackson, WY (the "Project")

Dear Mr. Palmer:

Greystone Servicing Corporation, Inc., and its affiliates ("Greystone"), is the leading FHA lender in the county. During our 30-year history, we have closed over \$15 billion in FHA insured financings. In 2017, we were ranked #1 for volume of deals (83 Firm Commitments received) for over \$1.34 billion. Included in that amount, is roughly \$350 mm of new construction. As of February 2018, our pipeline includes over \$500 million of 221(d)(4) applications in various states of review/processing/closing.

The 221 (d)(4) program is the HUD platform for multifamily new construction. The term sheet attached provides a basic overview of the program requirements. We have reviewed the subject property proposal and firmly believe that this project is eligible and meets the requirements for the 221(d)(4) program and would receive the support of HUD.

The process/timeline for the 221(d)(4) is lengthier than conventional bank financings. However, the higher loan-to-cost proceeds, 40-year amortization and low interest rate make it an appealing product to many developers. Below is quick overview of the typical life cycle for a 221(d)(4).

HUD Timeline (Total Time: 14 months – March 2018 to April 2019)

1. Prepare Concept Package (3wks)
2. Submit Concept Package and Discussions with HUD (3wks)
3. After invitation to submit is received from HUD, prepare initial application and order 3rd party reports (60-90 days)


Mr. Michael Palmer
February 20, 2018
Page 2

4. HUD Review (45-60 days) and then issues invitation to submit Firm Application
5. Submit Firm Application (Final Costs and CDs) (45-60 days)
6. HUD Firm Commitment Issued (45 days)
7. Closing (60 days)

We look forward to the opportunity to work with you on this transaction. Please call me with any questions or concerns,

Sincerely,

GREYSTONE SERVICING CORPORATION, INC.


Christine Griffin
Managing Director