

## Proposal Summary

SFY2025 4% LIHTC w/ OLIHTC AHFA Proposal Application

Affordable Housing Funding Application (AHFA)

Project Name: Innovation Square Phase 2

### Basic Project Information

|                            |   |
|----------------------------|---|
| Project Name:              | Innovation Square Phase 2                   |
| OHFA Project Number:       | TBD   |
| LIHTC Type:                | 4%  |
| Project Address:           | 2287 E. 103rd St.                           |
| Project City or Township:  | Cleveland                                   |
| Project County:            | Cuyahoga                                    |
| Construction Type:         | New Construction                            |
| Age Restriction:           | General Occupancy                           |
| Funding Pool:              | Metropolitan                                |
| Lead Developer:            | Fairfax Renaissance Development Corporation |
| Total Number of Units:     | 67  |
| Total Number of Buildings: | 1   |

### Project Rendering



### OHFA Resource Request Requiring Board Approval

|                                 | Amount       | Approval Date |
|---------------------------------|--------------|---------------|
| Est. Total 10-Year Ohio LIHTCs: | \$9,652,690  |               |
|                                 |              |               |
|                                 |              |               |
|                                 |              |               |
|                                 |              |               |
| Multifamily Bonds (Inducement): | \$12,959,655 |               |
| Multifamily Bonds (Final):      |              |               |
|                                 |              |               |
|                                 |              |               |

### Project Narrative

Fairfax Renaissance Development Corporation (FRDC) and McCormack Baron Salazar (MBS) propose the construction of Innovation Square Phase II, a new 67-unit affordable housing community. The new walkup building, with a mix of one and two-bedroom units, is the latest part of a comprehensive neighborhood revitalization initiative on Cleveland's east side. It will complement a new walkable, mixed-use, and mixed-income community along Cleveland's recently constructed Opportunity Corridor. The development is anchored by two new apartment communities, and a new 40,000 SF grocery store, which opened in January 2024. The building will share community space, business, and fitness centers, a rooftop, a ground floor garden, and a park with the directly adjacent Phase I building, the 82-unit Aura at Innovation Square.

### Development and Operations Team

|                            |   |
|----------------------------|---|
| Lead Developer             | Fairfax Renaissance Development Corporation |
| Co-Developer #1            | McCormack Baron Salazar                     |
| Co-Developer #2            | N/A   |
| Development Consultant     | N/A   |
| LIHTC Syndicator/Investor  | Ohio Capital Corporation for Housing        |
| OLIHTC Syndicator/Investor | Ohio Capital Corporation for Housing        |
| GP/MM #1 Parent Entity     | McCormack Baron Salazar                     |
| GP/MM #2 Parent Entity     | Fairfax Renaissance Development Corporation |
| GP/MM #3 Parent Entity     | N/A   |
| General Contractor         | John G. Johnson Construction                |
| Architect of Record        | City Architecture                           |
| Property Management Firm   | McCormack Baron Management                  |

### Site Information

|  |              |
|--|--------------|
| Site Size (Acres)                              | 1.6          |
| Scattered Sites?                               | No           |
| Total Number of Buildings                      | 1            |
| Total Number of Elevator-Serviced Buildings    | 1            |
| Total Parking Spaces                           | 63           |
| Parking Ratio (Parking Spaces per Unit)        | 0.9          |
| Urban Suburban Rural (USR) Geography           | Central City |
| Located in a Participating Jurisdiction (PJ)?  | Yes          |
| Located in a Qualified Census Tract (QCT)?     | Yes          |
| Located in a Difficult Development Area (DDA)? | No           |
| Census Tract Opportunity Index                 | Low          |
| Census Tract Change Index                      | No Change    |

### Nearby Amenities

| Amenity Type             | Name of Amenity               | Linear Distance from Proposed Project (miles) |
|--------------------------|-------------------------------|---|
| Grocery Store            | Fairfax Market                | 0.3   |
| Medical Clinic           | Cleveland Clinic              | 0.4   |
| Childcare Facility       | Little Treasures Childcare    | 0.7   |
| Senior Center            | Rose Center for Aging Well    | 0.85  |
| Pharmacy                 | Cleveland Clinic Pharmacy     | 0.4   |
| Public Library           | CPL Martin Luther King Branch | 0.6   |
| Public Park              | Ambler Park                   | 0.5   |
| Public School            | Bolton Elementary             | 0.16  |
| Public Recreation Center | Fairfax Recreation Center     | 0.4   |

### Building Square Footage Breakdown

|   | Size (SF)     | Pct of Total |
|---|---------------|--------------|
| Commercial and Fee-Driven Space                     |               |              |
| Unrestricted/Market-Rate Unit Area                  |               |              |
| LIHTC Unit Area                                     | 47,648        | 76%          |
| Manager's Unit Area                                 |               |              |
| Common Area   | 10,791        | 17%          |
| Support and Program Space                           | 2,050         | 3%           |
| Tenant Storage Space                                |               |              |
| Major Vertical Penetrations (Elevator/Stairs, Etc.) | 1,980         | 3%           |
| Structured Parking/Garage                           |               |              |
| Basement  |               |              |
| <b>Total Square Footage of all Buildings</b>        | <b>62,469</b> | <b>100%</b>  |

### Units by LIHTC Income Restrictions

| LIHTC Income Restriction | Number of Units | Percent of Total Units |
|--------------------------|-----------------|------------------------|
| 20% AMI                  |                 |                        |
| 30% AMI                  | 12              | 18%                    |
| 40% AMI                  |                 |                        |
| 50% AMI                  | 6               | 9%                     |
| 60% AMI                  | 32              | 48%                    |
| 70% AMI                  |                 |                        |
| 80% AMI                  | 17              | 25%                    |
| Unrestricted             |                 |                        |

### Units by Bedroom Type and Rental Subsidy

| Bedroom Type       | Number of Units | Percent of Total Units | Units with Rental Subsidy | Percent of Total Units Subsidized |
|--------------------|-----------------|------------------------|---------------------------|-----------------------------------|
| Studio             | 15              | 22%                    | 0                         | 0%                                |
| 1-BR               | 42              | 63%                    | 11                        | 26%                               |
| 2-BR               | 10              | 15%                    | 1                         | 10%                               |
| 3-BR               |                 |                        |                           |                                   |
| 4-BR               |                 |                        |                           |                                   |
| 5-BR               |                 |                        |                           |                                   |
| <b>Total Units</b> | <b>67</b>       | <b>100%</b>            | <b>12</b>                 | <b>18%</b>                        |

|             |    |      |
|-------------|----|------|
| Manager's   |    |      |
| Total Units | 67 | 100% |

### Consolidated Annual Operating Budget

| Operating Line Item                               | Annual Amount    | Annual Per Unit Amount |
|---|------------------|------------------------|
| Potential Gross Rental Income and Fee Income      | \$902,364        | \$13,468               |
| Potential Gross Commercial Income                 | \$4,020          | \$60                   |
| Potential Gross Service Income                    | \$0              | \$0                    |
| Vacancy Allowance (Blended) 7%                    | (\$63,567)       | (\$949)                |
| <b>Effective Gross Income (EGI)</b>               | <b>\$842,817</b> | <b>\$12,579</b>        |
| <b>Administrative Expenses</b>                    |                  |                        |
| Administrative Expenses                           | \$67,050         | \$1,001                |
| Property Management Fee                           | \$54,000         | \$806                  |
| Owner-Paid Utility Expenses                       | \$97,271         | \$1,452                |
| Maintenance Expenses                              | \$106,400        | \$1,588                |
| Real Estate Taxes                                 | \$101,000        | \$1,507                |
| (Abated Real Estate Taxes)                        | (\$95,000)       | (\$1,418)              |
| Property and Liability Insurance                  | \$90,450         | \$1,350                |
| Other Insurance and Tax Expenses                  | \$61,021         | \$911                  |
| Ongoing Reserve Contributions (Operating Subsidy) | \$0              | \$0                    |
| <b>Total Annual Operating Expenses</b>            | <b>\$508,992</b> | <b>\$7,597</b>         |
| <b>Net Operating Income (EGI - OpEx)</b>          | <b>\$333,825</b> | <b>\$4,982</b>         |

### LIHTC Calculation

|                                | Acquisition  | Rehabilitation | New Construction   |
|--------------------------------|--------------|----------------|--------------------|
| LIHTC Eligible Basis           |              |                | \$23,096,009       |
| - Reductions in Eligible Basis |              |                | \$0                |
| = Net Eligible Basis           |              |                | \$23,096,009       |
| Codified Basis Boost           |              |                | \$30,024,812       |
| Adjusted Eligible Basis        |              |                | \$30,024,812       |
| X Applicable Fraction          |              |                | 100%               |
| Qualified Basis                |              |                | \$30,024,812       |
| 30% Present Value Rate         |              |                | 4.00%              |
| <b>Annual LIHTC Generated</b>  |              |                | <b>\$1,200,992</b> |
| Total 10-Year LIHTC Requested  | \$12,009,925 |                |                    |
| LIHTC Equity Generated         | \$10,792,000 |                |                    |
| Equity Price                   | \$0.90       |                |                    |

### Construction Sources of Funds

| Construction Sources              | Amount              | Percent of Total |
|-----------------------------------|---------------------|------------------|
| Federal LIHTC Equity              | \$2,158,400         | 9%               |
| Ohio LIHTC Equity                 | \$1,158,200         | 5%               |
| Construction Loan                 | \$13,645,000        | 55%              |
| Deferred Developer Fee            | \$609,000           | 2%               |
| Post-Construction Costs           | \$2,322,500         | 9%               |
| Cleveland ARPA-Gen Funds          | \$1,524,179         | 6%               |
| FHA Perm Loan                     | \$3,391,000         | 14%              |
| <b>Total Construction Sources</b> | <b>\$24,808,279</b> | <b>100%</b>      |

### Development Budget, Eligible Basis, and Cost Containment Standards

| Development Costs  | Amount              | Per Unit Amount  | LIHTC Eligible Basis |
|--|---------------------|------------------|----------------------|
| Acquisition  | \$467,000           | \$6,970          | \$0                  |
| Predevelopment   | \$1,433,287         | \$21,392         | \$1,433,287          |
| Site Development   | \$726,269           | \$10,840         | \$726,269            |
| Hard Construction  | \$15,419,008        | \$230,134        | \$15,419,008         |
| Financing  | \$2,012,855         | \$30,043         | \$1,310,445          |
| Professional Fees  | \$255,000           | \$3,806          | \$204,000            |
| Developer Fee  | \$4,003,000         | \$59,746         | \$4,003,000          |
| OHFA and Other Fees  | \$237,860           | \$3,550          | \$0                  |
| Capitalized Reserves   | \$254,000           | \$3,791          | \$0                  |
| <b>Total Development Costs (TDC)</b>                         | <b>\$24,808,279</b> | <b>\$370,273</b> | <b>\$23,096,009</b>  |
| LIHTC Eligible Basis as a Percent of Total Development Costs |                     |                  | 93%                  |

### Cost Containment Standards

|                           | Project   | Maximum   | Variance |
|---------------------------|-----------|-----------|----------|
| TDC per Unit              | \$370,273 | \$400,000 | -7%      |
| TDC per Gross Square Foot | \$397     | \$420     | -5%      |

### Maximum Permanent Debt Sizing

|                                 | Max Loan for Stabilized Y1 | Max Loan to Stabilized Y15 |
|---------------------------------|----------------------------|----------------------------|
| Net Operating Income (NOI)      | \$333,825                  | \$333,825                  |
| Debt Service Coverage Ratio     | 1.20                       | 1.00                       |
| NOI Available for Debt Service  | \$278,187                  | \$333,825                  |
| Interest Rate                   | 5.90%                      | 5.90%                      |
| Amortization Period (Years)     | 40                         | 40                         |
| Loan Term (Years)               | 40                         | 40                         |
| <b>Maximum Perm Loan Amount</b> | <b>\$4,267,259</b>         | <b>\$5,120,711</b>         |
| Actual Perm Loan Amount         | \$3,391,000                |                            |
| Variance                        | (\$876,259)                |                            |
|                                 | <b>Year 1</b>              | <b>Year 15</b>             |
| Debt Service Coverage Ratio     | 1.42                       | 1.25                       |
| OHFA Minimum DSCR               | 1.20                       | 1.00                       |

### Permanent Sources of Funds

| Source Name                    | Total               | Percent of Total |
|--------------------------------|---------------------|------------------|
| Federal LIHTC Equity           | \$10,792,000        | 44%              |
| Ohio LIHTC Equity              | \$5,791,000         | 23%              |
| Permanent First Mortgage       | \$3,391,000         | 14%              |
| Deferred Developer Fee         | \$1,218,000         | 5%               |
| City General Funds             | \$2,000,000         | 8%               |
| Congressional Earmark          | \$1,616,279         | 7%               |
| <b>Total Permanent Sources</b> | <b>\$24,808,279</b> | <b>100%</b>      |