

## FAYETTE PLACE DISPOSITION CHRONOLOGY

November 15, 2006

**BACKGROUND:** In 2002, DHA embarked upon the voluntary conversion of the former 200-unit Fayetteville Street Public Housing community to a for-profit affordable housing development. The Fayetteville Street Public Housing community is located on approximately 19.8 acres of land near the intersections of Fayetteville, Umstead, and Merrick Streets, in Durham, North Carolina (the "Development").

DHA, through its wholly-owned non-profit subsidiary DVI, proposed to renovate the development by investing the proceeds of DHA-issued tax-exempt multifamily housing revenue bonds (the "Bonds") and Federal Low-Income Housing Tax Credits. The renovated property was projected to yield several benefits, including the elimination of an obsolete public housing development, the production of additional affordable housing in a distressed neighborhood and the de-concentration of poverty.

On October 23, 2002, the United States Department of Housing and Urban Development, Special Applications Center, approved a disposition plan allowing DHA to sell the Development to Fayette Place, LLC for \$1, in a non-competitive negotiated sale. Fayette Place, LLC is a DHA-controlled North Carolina for-profit limited liability company whose members include DVI (managing member) and Creative Housing Development Strategies, Inc. (member). This entity was created for the sole purposes of owning the Development and providing an ownership structure for the anticipated Federal Low-Income Housing Tax Credits.

DHA sold the Development to Fayette Place, LLC on December 30, 2002. On the same day, the Bonds were issued and sold. The Bond proceeds were placed into a trustee-controlled escrow account and could not be released to Fayette Place, LLC until permanent credit enhancement of the Bonds was secured, insuring the permanent timely payment of principal and interest to the Bond holders during the life of the Bonds.

Fayette Place, LLC did not secure the permanent credit enhancement and could not afford to continue making quarterly payments to the short-term credit enhancement provider of the Bonds. As a result, in the summer of 2004, the Bonds were redeemed and the proceeds were returned to the Bond holders. DHA aborted the deal.

### *CHRONOLOGY OF EVENTS:*

OCTOBER 23, 2002. HUD SAC approves the Disposition Plan submitted by DHA, allowing DHA to sell the Development to Fayette Place, LLC for \$1, in a non-competitive negotiated sale.

DECEMBER 30, 2002. DHA sells the Development to Fayette Place, LLC in a non-competitive negotiated sale. The Bonds were issued and held in trust.

JUNE - SEPTEMBER 2004. The Bonds were redeemed.

OCTOBER 10, 2005. HFSC, Inc. submits offer to purchase the Development.

OCTOBER 17, 2005. DHA rejects HFSC, Inc.'s offer to purchase the Development.

MAY 2, 2006. Campus Apartments submits letter of intent to purchase the Development.

MAY 11, 2006. The Finance-Audit Committee discusses the disposition of the Development.

MAY 12, 2006. DHA formally responds to Campus Apartments' letter of intent, stipulating that DHA's response did not constitute an offer to sell the Development or imply any commitment to sell the Development.

MAY 22, 2006. DHA sends letter to HUD Greensboro requesting, among other things, a procurement waiver allowing it to sell the Development to a bona fide purchaser (any third party willing to pay a market rate purchase price) in a non-competitive negotiated sale.

JUNE 12, 2006. TCG Development Services, LLC submits offer to purchase the Development.

JUNE 14, 2006. HFSC, Inc. submits second offer to purchase the Development.

JUNE 21, 2006. DVI Board authorizes the execution of the exclusive Campus Apartments letter of intent and instructs staff to negotiate with Campus Apartments regarding the sale of the Development, with the caveat that staff should return to the Board for final approval.

AUGUST 4, 2006. McCormack Baron Salazar and Struever Bros. Eccles & Rouse submit offer to purchase the Development.

AUGUST 23, 2006. DVI executes exclusive letter of intent with Campus Apartments. By executing the letter of intent, DVI agreed to negotiate exclusively with Campus Apartments regarding the sale of the Development.

SEPTEMBER 14, 2006. DHA sends request to HUD SAC requesting an amendment to October 23, 2002 Disposition Letter permitting, among other things, a non-competitive negotiated sale to Campus Apartments.

SEPTEMBER 27, 2006. DVI and CHDS authorize the sale of the Development to Campus Apartments, subject to HUD approval.

OCTOBER 18, 2006. McCormack Baron Salazar and Struever Bros. Eccles & Rouse submit second offer to purchase the Development.

OCTOBER 19, 2006. HUD SAC approves non-competitive negotiated sale of the Development to Campus Apartments, thereby making the effective date of the September 27, 2006 authorization resolutions of DVI and CHDS October 19, 2006.

NOVEMBER 3, 2006. HUD SAC amends its October 19, 2006 approval letter to clarify its authorization. Campus Apartments remains the approved purchaser pursuant to a non-competitive negotiated sale.

NOVEMBER 8, 2006. Fayette Place, LLC and Campus Apartments enter into Purchase Agreement to sell the development.

NOVEMBER 9, 2006. McCormack Baron Salazar and Struever Bros. Eccles & Rouse demand that DHA/DVI explain its disposition procedures vis a' vis the potential sale of the Development to Campus Apartments and discontinue negotiations with Campus Apartments.