Microsoft Affordable Housing Initiative
Request for Preliminary Proposals

PROGRAM OVERVIEW

The Microsoft Affordable Housing Initiative (the “Initiative”) is a $500 million commitment to increase the amount of affordable housing in the greater Puget Sound area by making capital investments in housing projects and influencing public policy to generate innovative solutions to the regional housing crisis. Microsoft is committed to advocating and advancing strategies that reduce barriers and increase market participation.

Microsoft envisions committing this capital over the next three years. The Initiative will support the development and preservation of affordable housing serving low-income households (up to 60% of area median income) and/or middle-income households (60% - 120% of area median income). Developments must be 100 units or greater, located within a 60-minute peak commute time (including walk time if transit is utilized) of Bellevue, WA (the “Target Market”), and provide a minimum of 10 years of affordability. Within the Target Market, Microsoft’s priority locations currently include the cities of Auburn, Bellevue, Federal Way, Issaquah, Kent, Kirkland, Redmond, Renton, and Sammamish.

Funding available through the Initiative includes:

1. $225 million in investments to support the construction, acquisition, rehabilitation, and preservation of middle-income housing (i.e. projects that set aside at least 40% of their units for households earning between 60% - 120% of the area median income – the “Middle-Income Housing Set Aside”).
2. $250 million in investments to support the construction, acquisition, rehabilitation, and preservation of low-income housing (i.e. projects that set aside at least 80% of their units for households earning up to 60% of the area median income with restricted rents – the “Low-Income Housing Set Aside”). Microsoft envisions this $250 million will primarily be used to purchase private placements of long-term tax-exempt bonds, though alternative proposals will be considered.
3. $25 million in philanthropic grants to address homelessness. This funding is being handled separately with regional nonprofits on an invitation only basis.

Microsoft seeks preliminary proposals for funding through the Initiative that satisfy the following objectives (the “Initiative Objectives”): Capital Efficiency, Innovation, and Replicability & Scalability. Projects are meant to serve as a demonstration of successful models for creating and preserving affordable housing for low- and middle-income households.

1. Capital Efficiency: Microsoft may prioritize investments that leverage other public and private resources to the greatest extent possible and, therefore, require the least amount of Microsoft funding per unit. Additionally, as a related consideration, Microsoft will prioritize investments that require the shortest investment term or quickest exit to allow
the available funding to be recycled into future Initiative investments. Notwithstanding the foregoing, long term capital investments will be considered.

2. Innovation: Microsoft may evaluate investments by the extent to which they are innovative in capital delivery, public policy, and/or system change and are in alignment with the Statement of Mayors. Additionally, projects demonstrating innovative co-location of housing and services, housing in proximity to existing or planned services, and/or collaboration between new partners are encouraged.

3. Replicability & Scalability: Given the pressure on traditional financing structures (4% LIHTC for example), Microsoft is highly motivated to use its capital in a way that can be replicated and scaled by other investors in the future. Proposals that demonstrate that a certain type of investment and/or project can be replicated and scaled (for instance, using 501(c)(3) bonds or recycled tax-exempt bond volume cap) may be prioritized.

This Request for Preliminary Proposals is the first step of this process, which Microsoft intends to conduct on a rolling basis. Applicants are asked to prepare a brief application in accordance with the instructions outlined below. Applications that are of interest to Microsoft (in its sole and absolute discretion) will be invited to submit a more extensive proposal as part of the second step.

APPLICATION PROCESS

Microsoft intends to conduct a competitive application process for funds as is described below and in accordance with the Term Sheet incorporated in Attachment A.

A more defined schedule for application submission and response may be announced at a later date.

Timeline

<table>
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<tr>
<th>Applications Due:</th>
<th>We will begin accepting applications on June 15, 2019. Instructions for how to submit proposals are posted on this site. Applicants should expect confirmation of receipt no later than five business days from date of submission.</th>
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<tr>
<td>Response:</td>
<td>For all applications received by July 15, 2019, Microsoft will provide an initial response within 30 business days. Applications received after July 15, 2019 will be reviewed on a rolling basis.</td>
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Application Requirements

1. Cover letter from the CEO, President, Principal, Owner or Executive Director of the applicant, on the applicant’s letterhead outlining the proposed project, its location, how it is serving an unmet need, and any other commitments secured or under discussion for the
development. Please specify whether the project is requesting funding from the Middle-
Income Housing Set Aside, the Low-Income Housing Set Aside, or a combination of both
the Middle-Income Housing and Low-Income Housing Set Asides.

2. A description of the development. Write a concise narrative description addressing each of
the following issues (use separate headings):

   a) **Objectives and beneficiaries of proposal.** Specifically state how this proposed
development addresses some or all the Initiative Objectives described above. Please
specify the unit mix, targeted income and rent levels of the development, and length
of affordability commitment.

   b) **Demonstrate that the proposed project is financially feasible.** Provide Total
Development Cost (“TDC”) per unit and per square foot. Describe project leveraging
(i.e., percent of Microsoft financing to TDC). List all other sources of financing
including targeted state, federal and other funds (including any rental and operating
subsidy programs, tax abatements / exemptions, and other local support) and include
funding status.

   c) **Describe applicable housing development experience.** Describe experience and
capacity to develop, build, lease-up, and operate the proposed project (i.e., based
upon experience with projects of similar complexity), if applicable. Please provide
materials, names of projects and/or website links for similar projects successfully
completed, that most exemplify the style, quality, and feel of the proposed project.
Include relevant prior experience in successfully securing entitlements and funding in
the proposed jurisdiction.

   d) **Innovation:** Describe the innovation to be achieved by the project. Please cite any
public policy/system/process change advanced through the project. Specify the
advocacy and partnership needed to achieve the desired outcomes.

   e) **Other considerations:** Additional criteria that will be considered include income
diversity within the project and the surrounding neighborhood, readiness to proceed,
proximity to essential services, green development attributes, cultural
preservation/enhancement, neighborhood safety/walkability, and non-profit
involvement/social services. Please comment on any project attributes that relate to
these considerations.

3. **Financial Feasibility & Timeline**

   a) **Proforma.** Attach a development proforma, including sources & uses of funds,
operating proforma, and long-term cash flow forecast – including how the Microsoft
financing will be repaid.

   b) **Evidence of Additional Resources.** Provide commitment letters for additional
resources, entitlement approvals, or municipal incentives, if available.
c) **Timeline.** Provide a detailed development timeline for the proposed development. Describe the status of site control and the predevelopment process in general, as well as necessary approvals (zoning, building permit, etc.) by municipal permitting bodies and state regulatory agencies, as well as community support/opposition. Provide a development schedule including projected date of commencement of construction, certificate of occupancy, completion, and projected lease-up.
Microsoft Affordable Housing Initiative (the “Initiative”)
Attachment A – Term Sheet

Eligible Applicants: For-profit and non-profit developers creating and preserving low-income and middle-income housing units in the Target Market (see below).

Eligible Activities: New construction, acquisition, and rehabilitation of existing rental housing and/or adaptive reuse.

Target Market: Projects must be located within a 60-minute peak commute time (including walk time if transit is utilized) of Bellevue, WA (the “Target Market”). Microsoft’s priority locations currently include the cities of Auburn, Bellevue, Federal Way, Issaquah, Kent, Kirkland, Redmond, Renton, and Sammamish.

Required Affordability: Either (a) at least 80% of the housing units must be affordable to households earning at or below 60% of the area median income with restricted rents (“Low-Income Housing”) or (b) at least 40% of the housing units must be affordable to households earning between 60% and 120% of the area median income (“Middle-Income Housing”).

Financing Terms: Up to $250 million of financing for Low-Income Housing will be made available at market rate terms and is largely expected to be done through tax-exempt multifamily housing bonds.

Up to $225 million of financing for Middle-Income Housing will be made available through below-market return and/or subordinate capital.

In both cases, however, applicants should apply based on their financing needs to achieve the Initiative Objectives.

Affordability Term: Minimum of 10-years, though longer term affordability covenants are encouraged and may be required by other funding sources.

Maximum Investment Amount: There are no minimum or maximum investment amounts.

Interest Rate or Returns: Both market rate and below market rate pricing subject to Microsoft’s sole determination.

Maturity: Both short-term and long-term financing options, subject to Microsoft’s sole determination.
**Disbursement Schedule:** Funds may be disbursed lump sum or over an agreed upon disbursement schedule. Full supporting documentation will be required prior to disbursement of funds.

**Due Diligence:** Prior to closing, Microsoft or its agent, will review and approve selected documentation relating to the financing structure, loan documents/term sheets, title insurance, financial statements of the principals of the development team, the project proforma, customary third-party reports such as appraisal, environmental report, physical needs assessment, plan and cost review, and other items as requested by Microsoft.

**Additional Conditions:** Additional closing conditions shall be determined as part of the due diligence and underwriting process.

**Project and Financial Reporting:** Subject to Microsoft’s determination.