

South Portfolio 5, Chicago, IL

Section 8 Affordable Housing Portfolio



A subsidized multifamily housing complex consisting of seven partially renovated properties for low-income households. Over 70% of rental income is subsidized by the Chicago Housing Authority.

Property Detail

Property Type	Multifamily Section 8
Number of Buildings	7 (158 Units)
Number of Floors	2-3
Year Built	1930 - 1960s
Asset Class	B-

Investment Type	Financing Type	Minimum Investment
Currently Income Generating	Equity	\$25,000
Estimated Holding Period	Est. Distribution Frequency	Estimated Annualized NOI attributable to equity investors (Net of all Fees)*
60 Months	Quarterly	9.81%

Investment Highlights

1. Rent is heavily subsidized by Chicago’s municipal government

70% - 80% of the assets’ rent is subsidized by the Chicago Housing Authority (CHA) under Section 8 housing regulations. The CHA remains in good standing with the Sponsor and has been operating normally through the pandemic, paying on time and in full.

The current average occupancy rate across the portfolio is 86.1% as of August 2021. However, due to strong demand and based on comparable portfolios, the Sponsor is expecting to reach 94% occupancy rate for the asset.

2. Strong Market Demand for Affordable Housing

Chicago faces a chronic shortage of affordable housing options, with a report by the National Low Income Housing Coalition and Housing Action Illinois indicating that the city only has 31 available units per 100 low-income households. Less than 3% of Cook County households who applied for government-subsidized rental assistance in March received funding, and with the ongoing effects of COVID-19 continuing to disproportionately impact underserved urban communities, the demand for affordable housing is expected to remain persistently high.

3. iintoo’s previous deals in the same asset class and submarket remain stable

This is our fifth deal with the Sponsor. iintoo has previously raised capital for three comparable portfolios with the same Sponsor, which are in close proximity to this deal asset and cater to the same tenant demographics. Our due diligence indicates that the assets’ performance are in line with business plan projections. For more details, refer to page 3.

Investment Milestones

Estimated Closing Date

Sept 2021

Contractual Buyout Option

18-54 Months

* The indicative performance notifications herein above were determined based on the following stipulations: An investment’s Estimated Annualized Avg NOI is determined by deducting fees and expenses from the current rent roll and other cash flows. We confirm these numbers by comparison with comps received from appraisers. The performance notifications are hypothetical based on the methodology herein above indicated and the actual performance of an investment as stated will vary over time and might not be attained.

Sponsor Details

Goldman Investments

Expertise

Goldman Investments is an industry leader in privately-held vertically integrated commercial real estate investments. The company focuses on value-added residential transactions using innovative in-house technology and has over a decade of experience and success in the acquisition, development, management, and financing of multifamily properties across the U.S and the U.K.

GOLDMAN
INVESTMENTS



Track Record

With a real estate portfolio surpassing \$500 million, the Sponsor has bought and sold over 5,800 units over the last decade, most of which are located in Chicago and Texas.

Management Company

WPD Management

Goldman Investments is utilizing the management and operating services of WPD Management for this project. WPD Management manages 3000+ units across 180+ properties and specializes in renovating and stabilizing Class-B assets in Chicago's South Shore sub-market. According to WPD, ~50% of their units are subsidized, with vacancies averaging 2-3% and collection losses ranging from 3%-5%. The fact that they will be managing the subject properties post transaction is key to the potential success of this deal.



Municipal Government

The Chicago Housing Authority (CHA)

[The Chicago Housing Authority](#) is a municipal not-for-profit corporation which currently provides homes to more than 63,000 households while supporting healthy communities in neighborhoods throughout the city.

The CHA controls approximately 60% of the Section 8 Program in addition to approximately 14 other non-profits providing Section 8 programs in Chicago, according to the Sponsor. Households with an income of less than \$40K/annum are eligible for a rent subsidy, and each Section 8 housing tenant goes through an annual background check covering employment and financial status to determine their eligibility for rent subsidies.

Track Record – Our Previous Deals with the Sponsor

South Chicago, Portfolio 1 Performance — (3 Multifamily Assets, 86 units)

	May 2021	June 2021
Collection Rate	97.7%	96.3%
Occupancy Rate	98.3%	93%
Avg. Rental Rate	\$1,220	\$1,234

- Deal Closing Date: September 2019
- Q4/2019 Distribution to iintoo equity investors: 8.09% annualized
- Q1-Q4/2020 Distribution to iintoo equity investors : 7.40% annualized
- Q1-Q2/2021 Distribution to iintoo equity investors : 10.05% annualized

South Chicago, Portfolio 2 Performance — (7 Multifamily Assets, 92 units)

	May 2021	June 2021
Collection Rate	96.1%	95.3%
Occupancy Rate	94.1%	93.5%
Avg. Rental Rate	\$1,111	\$1,115

- Deal Closing Date: June 2020
- Q3-Q4/2020 Distribution to iintoo equity investors: 8.48% annualized
- Q1-Q2/2021 Distribution to iintoo equity investors : 11.55% annualized

South Chicago, Portfolio 3 Performance — (13 Multifamily Assets, 194 units)

	May 2021	June 2021
Collection Rate	93.9%	91.8%
Occupancy Rate	95.9%	94.8%
Avg. Rental Rate	\$943	\$948

- Deal Closing Date: November 2020
- Q4/2020 Distribution to iintoo equity investors: 7.67% annualized
- Q1-Q2/2021 Distribution to iintoo equity investors : 9.03% annualized

Similar Projects Completed by the Sponsor



The Market

Local Economic Drivers

In recent years, Chicago's South Shore and West Side have garnered increasing interest from renters looking to move out of the city's higher priced and more congested neighborhoods. As a result, both neighborhoods have experienced [a marked upswing in private sector redevelopment](#), and neighboring Jackson Park was recently selected as the future site of the Barack Obama Presidential Center. Such ongoing projects are expected to boost working class employment and galvanize infrastructural/public transit improvements throughout the area, indicating an anticipated overall upward trajectory for Chicago.

Garfield Park

Located just west of the city's economic core, Garfield Park is a blue-collar neighborhood that has experienced a recent flurry of local development. While this neighborhood has been historically underserved, there has been a coordinated effort to revitalize Garfield Park's economic landscape, with initiatives to create [more high-quality affordable housing](#) as well as attract new investment to the neighborhood.

Organizations such as the Hatchery, a business incubator established by an extensive network of mission-driven organizations, are attracting new business to the area, and multiple projects such as [Garfield Green](#) and Mayor Lori Lightfoot's new [Neighborhood Activation initiative](#) are helping revitalize Garfield Park from a residential perspective. Given the pace of economic progress and new development in the area, local residents are working to ensure that Garfield Park is able to [support new development without displacing lower-income households](#) – a goal which dovetails with our current investment opportunity.

Austin Neighborhood

Like Garfield Park, Austin is part of Lori Lightfoot's [Invest South/West initiative](#) – a \$750M equitable development strategy established to revitalize ten historic neighborhoods on Chicago's South and West sides. The neighborhood is anchored by Columbus Park, one of Chicago's most popular recreational spaces, and Austin is the center of an ongoing urban renewal initiative dubbed the "[Austin United Alliance](#)". With multiple community-focused projects, such as AUA's mixed-income, multi-story rental building that includes social spaces and outdoor art, the Austin submarket is poised for sustained growth in the coming years.

Property Details

General

Seven multifamily properties comprising 158 units spread across 141.25K SQF of rentable space. Most units range from 1BR units averaging 600 SQF to 2BR & 3BR units averaging 810 SQF. One of the properties, 5030 W North Ave, includes three commercial units that are currently leased to small businesses and retail tenants.

Property Addresses

- 7600 S Stewart Ave, Chicago, IL 60620
- 3542 W Polk St, Chicago, IL 60624
- 950 N Laverne Ave, Chicago, IL 60651
- 5800 W Washington Blvd, Chicago, IL 60644
- 5030 W North Ave, Chicago, IL 60639
- 5000 W Quincy St, Chicago, IL 60644
- 4400 W West End Ave, Chicago, IL 60624

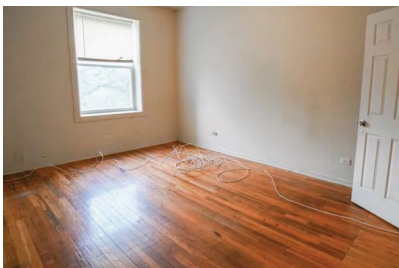
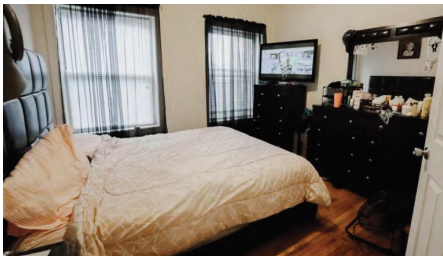


Property Images

Exterior



Interior



Estimated Profit Distributions

Pursuant to the deal structure and payment waterfall, the estimated cash distributions from the on-going cash flows will be distributed first to iintoo the investor entity and the Sponsor as an equity investor, on a pari passu, pro rata basis, until reaching a 7% return hurdle, then the Sponsor will be entitled to its 30% promote, and the rest of the profits will be distributed to the equity holders pro rata.

From sale or refinance, it is first to any overrun loan from sponsor, then to return of capital contributions of equity holders, then to finish the hurdles of the equity holders pro rata to the extent not done so above, then 70-30 to equity holders until the iintoo investor entity attains an IRR of 17.5%, and then it flips 70-30 to the sponsor.

Please see JV Agreement, Section 4 for further details.

Capital Stack

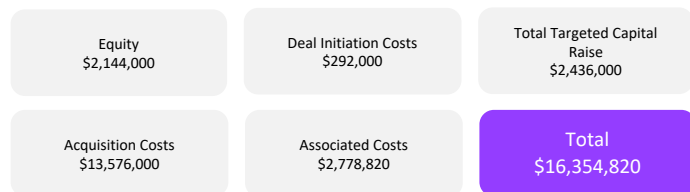


*Raised by overseas investors

Ownership

The iintoo investor entity is expected to hold a 74.77% stake in the special purpose entity that owns the asset. Ownership of the asset is via a designated SPV held by investors. The principal of the Sponsor provides a personal undertaking of the obligations of the Sponsor under the JV agreement. iintoo will oversee and monitor the project until its completion and provide investors with quarterly progress reports.

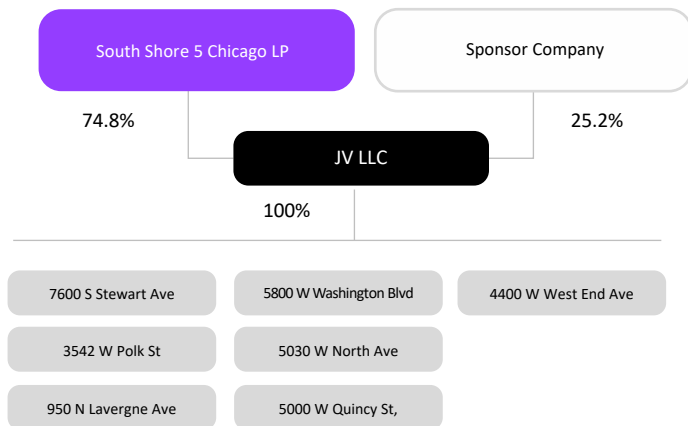
Deal Structure



Buyout

Starting at 18 months until 54 months from the project start date, the sponsor is entitled to a buy-out right that should amount to a return to the iintoo investor entity of its target IRR under the Business Plan plus 7% of its closing capital contribution.

Legal Structure



Financial Snapshot

Sources & Uses

Uses	
Acquisition Price	13,576,000
Capital Improvements	1,666,235
Purchase Costs	932,585
Working Capital & Other Reserves	180,000
Total Uses	16,354,820

Sources	
Sponsor and Other Investors Equity	1,079,820
iintoo Equity Investors	2,144,000
iintoo Debt Investors	1,056,000
Total Equity	4,279,820
Bank Loan	12,075,000
Total Sources	16,354,820

Estimated Cash Flow Distributions

(\$)	Year 1	Year 2	Year 3	Year 4	Year 5
Rental Income	2,001,806	2,118,378	2,181,930	2,247,387	2,314,809
Other Income	20,640	20,846	21,055	21,265	21,478
Total Income	2,022,446	2,139,225	2,202,984	2,268,653	2,336,287
Property Taxes	(156,076)	(163,879)	(172,073)	(180,677)	(189,711)
Insurance	(67,150)	(68,493)	(69,863)	(71,260)	(72,685)
Repairs, Maintenance & Turnover	(256,682)	(274,650)	(288,382)	(302,802)	(317,942)
Utilities	(189,553)	(194,099)	(197,981)	(201,941)	(205,980)
Marketing & Administration	(95,898)	(95,569)	(98,119)	(100,746)	(103,451)
Management Fee	(121,347)	(128,353)	(132,179)	(136,119)	(140,177)
Reserve	(39,500)	(39,895)	(40,294)	(40,697)	(41,104)
Total Expenses	(926,206)	(964,939)	(998,892)	(1,034,242)	(1,071,050)
Net Operating Income (NOI)	1,096,240	1,174,285	1,204,092	1,234,411	1,265,237
Debt Service	(458,850)	(458,850)	(458,850)	(458,850)	(458,850)
Asset Management Fee	(85,596)	(85,596)	(85,596)	(85,596)	(85,596)
Release of Reserves	-	180,000	-	-	-
Net Cash Flow Before Tax	551,794	809,839	659,646	689,965	720,790
Estimated NOI for Overall Project	12.9%	18.9%	15.4%	16.1%	16.8%
Expected Cash Flow to iintoo Investors	356,001	491,059	412,450	428,318	444,452
Capital Reserve	(60,000)	(120,000)	(55,000)	(55,000)	(55,000)
Expected Cash Flow to iintoo Debt Investors (9% Interest)	(105,570)	(105,570)	(105,570)	(105,570)	(105,570)
Partnership Costs	(14,550)	(9,300)	(9,300)	(9,300)	(10,550)
Expected Cash Flow to iintoo Equity Partnership	175,881	256,189	242,580	258,448	273,332
Expected Cash Flow to iintoo GP (1% Ownership Rate)	(1,759)	(2,562)	(2,426)	(2,584)	(2,733)
Expected Cash Flow to iintoo Equity Investors (99% Ownership Rate)	174,123	253,627	240,154	255,864	270,599
Estimated NOI to iintoo Equity Investors	7.1%	10.4%	9.9%	10.5%	11.1%

For a more detailed financial breakdown of this offering, please refer to the expanded financials which are available in the Document Center. Note full disclaimer below.

Disclaimer

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