

475 Sansome Street  
Suite 1700  
San Francisco, CA 94111  
t. 415.391.5780  
f. 415.276.2088

August 28, 2017

David E Gouin  
Housing and Community Services Director  
City of Santa Rosa  
90 Santa Rosa Avenue  
Santa Rosa, CA 95404

Re: City of Santa Rosa 2017 Multifamily Housing Revenue Note  
(The Crossing on Aston Apartments)

Dear Mr. Gouin:

We are serving as bond counsel to the City of Santa Rosa (the "City") in connection with the City's issuance of the captioned Multifamily Housing Revenue Note (the "Note"). The Note is being issued to finance the acquisition and construction of a 27-unit multifamily rental housing development located at 1500-1555 John Richards Way (formerly 706-708 Aston Avenue) in the City of Santa Rosa (the "City"), County of Sonoma, California, known as The Crossings on Aston Apartments (the "Project") by UHC 00596 Santa Rosa, L.P., a California limited partnership (the "Borrower").

Most of the City's tax exempt obligations for affordable housing are structured as bonds. However, City Code Chapter 4-52, Multifamily Housing Revenue Bond Law, allows for the issuance of notes as well as bonds. The financing for the Project is structured as a note, with Citibank, N.A. ("Citibank") being the purchaser of the note. Section 4-52.030 of the City Code defines "Bonds" as "any bonds, *notes*, certificates, debentures or other obligations issued by the City pursuant to this chapter and payable exclusively from revenues as in this chapter defined and from any other funds specified in this chapter upon which such obligations may be made a charge and from which they are payable" (*emphasis added*). Based on that definition, references to "bonds" in the City's policies includes notes.

In connection with the preparation of the documentation relating to the issuance of the Note, Ryan George of Eichner, Norris & Neumann PLLC, counsel to Citibank, distributed the attached memorandum. We have reviewed the memorandum, and can verify that it accurately reflects the financing structure being utilized in connection with the issuance of the Note. Additionally, we agree with the statement in the memorandum to the effect that "while this structure, differs in form and appearance from a traditional bond direct placement structure, in substance it represents economically the same transaction for the project borrower." We also



agree with the statement in the memorandum that “the proposed alternative structure does not significantly change the role, responsibilities or liabilities of the governmental entity.” In a traditional tax-exempt unrated bond private placement program, the bond holder assumes all of the risk of the success or failure of the project, and the issuer assumes none of the risk. The same is true with the proposed structure.

Accordingly, we are of the opinion that the structure being utilized for the issuance of the Note has the same protections for the City as do the multifamily bonds previously issued by the City as the City’s obligation to make payments on the Note is limited to amounts received from the Borrower, and no funds of the City are at risk. In the event the Borrower were to default on its obligations, the City would have no liability with respect to the financing.

I hope this addresses the concerns of the City. Please contact me if you have any further questions or comments.

Very truly yours,

A handwritten signature in blue ink that reads "Stephen Melikian". The signature is fluid and cursive.

Stephen Melikian