

February 18, 2020

Frank Kasimov
Housing Program Specialist
Housing and Community Services
90 Santa Rosa Avenue
Santa Rosa, CA 95404

Re: Property Name: College Avenue Permanent Supportive Housing
80 College Avenue
Santa Rosa, CA 95401

Dear Frank:

We are pleased to hear that project based vouchers may be available to provide much needed rental subsidy for 8 of the 53 units of permanent supportive housing at Danco's College Avenue project in Santa Rosa, in which Raymond James Tax Credit Funds, Inc. ("RJTCF") is providing tax credit equity in the amount of \$18,389,467. RJTCF is a leading syndicator and very active as an investor in permanent supportive housing ("PSH") properties in California and throughout the country. The large majority of the PSH projects we have invested in have rental subsidy (HAP contracts or other subsidy sources) to enable these properties to generate sufficient rental income over and above tenant paid rents to meet their expense obligations (which are higher than non-special needs properties due to staffing and supportive service needs).

In lieu of rental subsidy, College Avenue PSH has a capitalized operating subsidy reserve ("COSR") provided through the State of California's No Place Like Home Program ("NPLH"), a relatively new program that we are familiar with. This operating subsidy is sized to cover operating deficits for a period of 20 years but can only cover the subsidy for 49% of the units on projects the size of College Avenue per NPLH guidelines. As we have discussed, a major underwriting challenge we face on PSH projects without rental subsidy is the ability of the targeted special needs to pay the full LIHTC rent.

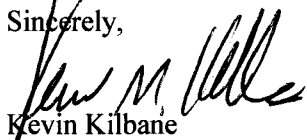
College Avenue PSH has 26 COSR units that target homeless individuals at 30% AMI with a mental illness and 27 units that target homeless individuals at 40% AMI. Our underwriting assumptions for the 26 units targeting individuals that are homeless with a mental illness assume that these individuals' income is derived only through Supplemental Social Security Income ("SSI") which is \$945/month in 2020 in California. NPLH guidelines provide that tenants supported by COSR can't pay more than 30% of their income towards rent (which equates to \$284/month) With regard to the 27 units that target general homeless population, we are seeking approval to underwrite monthly income equal to 30% AMI on these units (which is \$562/month on Sonoma County net of utility allowance) and cannot underwrite these units at the 40% AMI rent of \$751.

I have attached 2 underwriting scenarios based on our underwriting assumptions that provide a 15-year cash flow analysis assuming 1) no project based vouchers, and 2) with 8 project based vouchers. Per the analysis, you will see that the project's 15 year operations with no rent subsidy for 8 of the 30% AMI units results in an aggregate projected cash flow shortfall over the 15-year compliance period of approximately \$1.2MM. With the 8 project based vouchers, there is a projected operating surplus of approximately \$300,000 over the 5-year compliance period. As such, the addition of 8 project based vouchers at College Avenue PSH (with Fair Market Rents of \$1,302) provides necessary additional rental income to enable the project to meet its expense obligations over the next 15 years without having to seek

approval to eliminate or cut supportive services from the budget that are vital to adequately support the needs of the property's 53 PSH tenants.

We are excited to work with the City of Santa Rosa and Danco on College Avenue PSH as this project will provide a vital 53 units of permanent supportive housing and help curb the homeless housing problem in Santa Rosa. Please call me at 216-509-1342 if you have additional questions related to the need for project based vouchers at the property.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin M. Kilbane". The signature is written in a cursive style with a large, stylized initial "K".

Kevin Kilbane
VP - Director of Acquisitions
Raymond James Tax Credit Funds, Inc.