



May 13, 2021

Via Electronic Mail only (MBasinger@srcity.org)

Housing Authority of the City of Santa Rosa
Attention: Megan Basinger
90 Santa Rosa Avenue
Santa Rosa, CA 95401

RE: Request for Modification to June 29, 2015 Loan Package by and between Catholic Charities of the Diocese of Santa Rosa ("**CCDSR**") and Housing Authority of the City of Santa Rosa ("**SRHA**")

Dear Ms. Basinger:

SRHA, as lender/authority, and CCDSR, as borrower/owner, are parties to a series of documents (collectively, the "**Loan Documents**") with respect to a CDBG loan in the original principal amount of \$750,000 (the "**Loan**"). All capitalized terms herein that are not otherwise defined shall have those meanings set forth in the Loan Documents.

Since the initial funding of the Loan, CCDSR has diligently pursued a development plan to modify the existing uses and composition of the Project located on the Property, culminating with the City of Santa Rosa adopting Resolutions 2020-037, -038, -039, -040, -041, and -042 (the "**Approvals**") approving the construction of a full city-block of development that includes a comprehensive family and homeless support services facility ("Caritas Center") to be owned and operated by CCDSR and an affordable housing development ("Caritas Homes") to be owned by CCDSR and jointly developed and operated with Burbank Housing Development Corporation (Burbank Housing). In light of the Approvals, CCDSR now seeks to amend the Loan Documents generally as follows to conform to the project that will be developed at a portion of the Property and pursuant to the Approvals, while remaining committed to long term compliance with funding source requirements for the Loan.

1. Promissory Note, dated June 29, 2015 made by CCDSR in favor of SRHA (the "**Note**").

CCDSR seeks to amend the "Purpose" of the Promissory Note set forth in Section 1 to be consistent with the following project description and purpose: "The project involves the acquisition, development and construction of a partial city-block of development that includes a comprehensive family and homeless support services facility ("Caritas Center") to be operated by CCDSR. The Caritas Center would consolidate the existing Family Support Center and Homeless Services Center into a single building that would provide an emergency shelter, a navigation center, transitional housing, coordinated entry, wrap-around services, health services, and administrative

CCDSR seeks to modify the definition of “Property” to include solely the Caritas Center Parcel, or LLA Parcel One.

CCDSR seeks to delete Section 4, “Surplus Cash Payments” in its entirety.

CCDSR seeks to add a provision that the Promissory Note shall be forgivable at the end of its term provided CCDSR has complied with the Regulatory Agreement.

2. Loan Agreement, dated June 29, 2015 by and between CCDSR and SRHA.

CCDSR seeks to modify the definition of “Property” to include solely the Caritas Center Parcel, or LLA Parcel One.

CCDSR seeks to update Section 2 of the Loan Agreement, “Background”, to incorporate the recent Approvals and identify the new funding sources, delete reference to “Targeted Units” and “six (6) affordable housing units” and identify that funding is allocated to the acquisition and development of the Caritas Center.

CCDSR seeks to delete Section 4, “Definition of Income Levels”.

CCDSR seeks to amend Section 7, “Targeted Units; Regulatory Agreement” to expressly identify that the Regulatory Agreement shall be subordinated to the new funding sources from Exchange Bank and New Market Tax Credits.

CCDSR seeks to amend Section 8, “Purpose of Loan” to be consistent with the “Purpose” identified above for the Promissory Note.

CCDSR seeks to amend Section 10, “Loan Disbursement” to identify that all proceeds have been distributed consistent with the prior budget.

CCDSR seeks to amend Section 11, “Security” to identify that the Regulatory Agreement shall be subordinated to the new funding sources from Exchange Bank and New Market Tax Credits and to shorten the time period for subordination requests from 60 to 30 days.

CCDSR seeks to delete Section 12, “Project Post Closing Conditions” or amend to identify that the referenced notices of violation have been released.

CCDSR seeks to delete Section 43.

3. Short Form Deed of Trust and Assignment of Rents made as of June 30, 2015, and recorded in the Official Records of the County of Sonoma, State of California, on June 30, 2015 as Document Number 2015057780, as amended by First Amendment to Short Form Deed of Trust and Assignment of Rent made as of January 26, 2021, and recorded in the Official Records of the County of Sonoma, State of California on February 5, 2021 as Instrument No. 2021014396 (as amended, the “**Deed of**

Trust”).

CCDSR seeks to modify the DOT to reflect it would be subordinate to the Exchange Bank and New Market Tax Credit financing and would be secured by CCDSR’s leasehold interest in the Caritas Center Parcel, or LLA Parcel One.

CCDSR seeks to delete subparagraph (a) of the Rider to Deed of Trust or modify this subparagraph to reflect only the “limited clientele activities” and that there are no income level thresholds.

4. Regulatory Agreement made as of June 29, 2015 and recorded in the Official Records of the County of Sonoma, State of California, on June 30, 2015 as Document Number 2015057779, as amended by First Amendment to Regulatory Agreement made as of August 11, 2020 and recorded in the Official Records of the County of Sonoma, State of California on September 22, 2020 as Instrument No. 2020084958 (as amended, the “**Regulatory Agreement**”).

Transfer SRHA’s security interest from the fee interest of the Caritas Village land to the ground leasehold interest in the Caritas Center. This would temporarily accommodate CCDSR’s New Market Tax Credit financing used for construction of the project and the compliance period for these tax credits will expire after seven years. At the conclusion of the seven year compliance period, CCDSR intends to exercise a right to reacquire title in the fee interest and SRHA’s security interest would revert back to the fee interest. Since the funding is for construction, the Loan Agreement permits the Regulatory Agreement (and the DOT) be subordinated to this type of financing (see Section 11 of the Loan Agreement).

Redefine “Project” to reflect a focus on “Limited Clientele Activities” that will be served at the Caritas Center, only. This would be reflected in Section 4, “Use of the Property”, as well as in Section 1, “Definitions”. CCDSR seeks to remove all reference to the six (6) housing units identified in the Regulatory Agreement (including references to “Targeted Units” or “Units”), and would exclude the 128 units of housing that were also included in the Approvals.

CCDSR seeks to delete Section 5, “Income Levels for Occupancy of Targeted Units” and Section 6, “Rent Limits”.

CCDSR seeks to delete the compliance requirements in Section 7 related to tenant income certification/recertification.

CCDSR seeks to amend Section 13, “No Transfer or Encumbrance; Request for Approval of Transfer” to allow the free transfer from and between CCDSR and its New Market Tax Credit affiliated entity, QALICB, without SRHA consent.

5. Mitigation Declaration – The Block made as of June 30, 2015 and recorded in the Official Records of the County of Sonoma, State of California, on June 30, 2015 as Document Number 2015057777 (the “**Mitigation Declaration**”).

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CCDSR seeks to terminate the Mitigation Declaration in its entirety. The structures that were the subject of the mitigation requirements are vacant and are scheduled to be demolished pursuant to City demolition permit No. B20-4446. Further, the EIR that is the subject of the Approvals imposes air quality mitigation that achieves or surpasses those set forth in the Mitigation Declaration.

6. Hazardous Substance Indemnity Agreement dated June 29, 2015 by and between SRHA and CCDSR (the "HSIA").

CCDSR seeks to modify the definition of "Property" to include solely the Caritas Center Parcel, or LLA Parcel One.

The above list of requested modifications is not complete, but is intended to serve as an outline for modification of the Loan Documents. All modifications should be consistent with the purpose of restricting the security for the obligations set forth in Loan Documents to the Caritas Center Parcel, or LLA Parcel One, limiting the restrictions therein to "limited clientele activities" and eliminating any restrictions related to permanent housing and affordability requirements. CCDSR welcomes the opportunity to prepare a set of amended and restated Loan Documents to reflect the above and to continue working with SRHA to successfully complete construction of Caritas Center.

Very truly yours,



Paul W. Pitingaro

Enclosure: Loan Documents