



August 29, 2023

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Nicole Del Fiorentino
Interim Housing and Community Services Manager
Housing Trust Division
90 Santa Rosa Avenue
Santa Rosa, CA 95404

RE: PEP Housing Commitment Letter Request for Vigil Light, 1945 Long Drive (the "Project")

Dear Ms. Del Fiorentino,

As we discussed in our meeting on August 24, 2023, PEP Housing is requesting the City of Santa Rosa Housing Authority to amend the current SR2 Loan Commitment Letter in the amount of \$1,073,583.00 with the following conditions:

1. The loan award shall be conditioned upon the Project receiving a tax credit award from the September 2023 application to the Tax Credit Allocation Committee (TCAC).

Since our last TCAC application in May of 2023, PEP Housing has taken several steps to increase the competitiveness of the CDLAC application. The Round 3 application will reflect a tiebreaker score increase of 12%, from approximately 82% in Round 2 to the current score of 94%. In order to achieve the increase, PEP Housing took the following actions:

1. Reduced the overall project costs by \$2,316,500, through a reduction of hard costs and deferred developer fee; and
2. Committed to converting the PEP Acquisition loan (originally repayable in 5 years) to a permanent loan payable through residual receipts over 55 years.

At the request of the City, PEP has differentiated how much of the tiebreaker score increase was from each of the aforementioned changes. Per our Financial Consultant:

1. SR2 Loan Funds - the increase of the Tie Breaker score from 82% to 94% is entirely attributable to the additional funds from the City of Santa Rosa in the form of the SR2 Loan for \$1,073,583 in the form of a construction to permanent loan. The addition of these the SR2 Loan to the financial assumptions of the Round 2 application increases the score in Round 3 from 82% to 94%.

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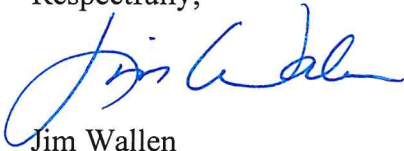
625 Acacia Lane, Santa Rosa, CA 95409
Phone: (707) 762-2336 • Fax: (707) 981-7515
Email: pep@pephousing.org • www.pephousing.org

2. Deferred Developer Fee - the reduction in deferred developer fee and hard costs was required to bring the project into compliance with the CDLAC 50% test regulations and benefit from the increased tiebreaker score. The reduction in total development costs has no impact on the tie breaker score directly.
3. While both adjustments are required to achieve the increased Tie Breaker available cost reductions alone would not make the project more competitive and did not increase the tiebreaker percentage.

Additionally, PEP Housing will expend the entire Authority award adopted in Resolution No. 1718, which approved funding from Community Development Block Grant (CDBG) and local funds in the amount \$2,220,000 for acquisition-related costs to preserve the affordability of the Project. PEP is working with its' attorneys and the City to close and disburse the 2022 CDBG and City Fund Loans totaling \$2,220,000 no later than October 31, 2023.

Please notify me if you have any questions and we look forward to receipt of the Commitment Letter for the \$1,073,583.00 at your earliest convenience.

Respectfully,



Jim Wallen
Director of Housing Development