



Building Communities. Changing Lives.

January 10, 2019

Jim Fletcher
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Dear Jim:

I've had a chance to review CHISPA's summary of affordable housing financing options for East Garrison Phase 2 and 3 that was attached to your letter dated October 5, 2018. I have to say CHISPA has identified the same sources MidPen would be looking at to fill the financing gap. And the problem they are confronted with is the same that we would have:

1. The site doesn't meet the amenity criteria to compete for 9% credits;
2. If 4% credits is the only option, you need a significant local/state source to fill the gap. As 4% credits provide only about 35% of the overall capital stack required for a typical project. Monterey County has not had such a source.

The couple of additions I would make to their analysis are as follows:

- SB2- the Permanent Source - This is the \$75 document transfer tax that was approved by the legislature in 2016. The first year of funds was reserved for planning and homeless housing programs. In 2019, funds will be available to local jurisdictions to invest in local affordable housing projects. Based on the Monterey County Assessor, Steve Vagnini, Monterey County can expect to receive \$2M in 2019 at a minimum. This is not enough to fill the entire gap CHISPA has identified, but is one important piece.
- Prop 1 passed, so \$4B is available and funds are expected to flow in early 2019. The \$1.5B for the MHP program is the perfect source for East Garrison to pair with the 4% credit. It is expected that State HCD will issue a NOFA for these funds in the late Spring 2019.

So, although it has taken much longer than anyone wanted to get the affordable housing underway, the project is now perfectly positioned to compete for these State funds given that the site is fully entitled and architectural drawings are underway.

I hope this is helpful. Feel free to give me a call if there is any further information I can provide.

Sincerely,



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