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September 19, 2018

Mr. James Fletcher  
Century Communities  
99 Almaden Boulevard, Suite 400  
San Jose, CA 95113

RE: East Garrison Phase III Affordable Housing Status

Dear Mr. Fletcher:

Artspace is pleased to provide this letter summarizing the status of work related to the Phase III affordable housing component of the East Garrison Development Plan.

As you know, Artspace has a long history of involvement in the East Garrison project. Our involvement dates to work with East Garrison Partners (EGP) culminating in the execution of Memorandum of Agreement between EGP and Artspace executed in February 2007 and approved by Monterey County. The execution of the MOA in 2007 was the culmination of over five years of work by Artspace, EGP, and Monterey County. In total, Artspace has been a partner in the East Garrison project for over 15 years.

Artspace remains committed to the East Garrison project and to acting as the non-profit affordable housing development partner for Phase III of the East Garrison project. The financial feasibility of the Phase III Affordable Housing

project, however, is dependent on the availability of state and local funding gap resources. The financing structure for Phase III Affordable Housing included federal low-income housing tax credits (either 4% or 9%), first mortgage financing (either traditional taxable or tax-exempt bond), tax increment funds provided by Monterey County, and State of California funding. While LIHTC and mortgage financing tools remain viable options for the Phase III project, challenges exist related to the availability of local TIF funding and California State funding.

Artspace is aware that the Phase II Affordable Housing project has been stalled due to the unavailability of funding. Because Artspace's Phase III development will utilize very similar funding resources to the Phase II development, Artspace cannot proceed until Phase II has secured its funding commitments. If we do not wait for Phase II, Artspace will be directly competing with Phase II for funding resources.

Artspace has not undertaken predevelopment work on the Phase III project since execution of the MOA in 2007. Artspace remains committed to the project and stands ready to re-engage in predevelopment work when a defined timeline exists for project funding. The most likely timeline for commencement of Phase III predevelopment work will coincide with secured funding awards for the Phase II project.

Artspace is willing to participate with the County and Century Communities in any conversations or efforts to advance this project.

Sincerely,  
Greg Handberg  
Senior Vice President  
Artspace Projects, Inc.