



July 17, 2020

Steven Carrigan
City Manager
City of Merced
678 West 18th Street
Merced, CA 95340

Re: Childs & B Update
Request additional Section 108 funds

Dear Mr. Carrigan,

On behalf of the partnership between The Richman Group and Central Valley Coalition for Affordable Housing (CVCAH), let me reaffirm our excitement regarding the Child's & B TOD Affordable Housing Project and our commitment to designing, permitting and closing of the financing – we are nearly there!

After nearly 3 years of predevelopment work and applications for housing and infrastructure subsidies our partnership with the City of Merced has yielded project subsidies of nearly \$17.5M to match the City of Merced's commitment of \$5.5M. This is in addition to \$22M in tax credit equity and \$3M of permanent debt. In total, the project costs and community benefits now total nearly \$50M!

Now that we are inside of 2 months to close on the construction financing project activity is ramping up. Of note, we have been working with a local contractor throughout our design process for estimating and input on constructability. After many months, we have now received feedback from the subcontracting marketplace from our bid documents. The initial estimates are higher than expected.

While this feedback is fairly typical at this stage and we expect to engage with our contractor and find ways to reduce costs, we must also acknowledge it has been tough to hold our estimates during the 3 years of predevelopment. For this reason, when we published the Section 108 loan we had included some contingency (approximately \$300,000). We are requesting that this contingency now be applied to the project. Together with projected additional tax credit equity proceeds, more permanent loan, and a request of CA Housing & Community Development to decrease a key capital reserve we can ensure feasibility.

We deeply value our partnership with the City of Merced and appreciate your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Westberg", is written over the word "Sincerely,".

Rick Westberg
The Richman Group of California