



El Dorado County Board of Supervisors  
Honorable John Knight, Chair  
Honorable Jack Sweeney  
330 Fair Lane  
Placerville, CA 95667  
By email to: ren.scammon@edcgov.us

March 1, 2012

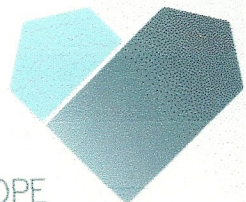
Dear Supervisors Knight and Sweeney:

Since 2009, El Dorado County and Mercy Housing California have been pursuing, in partnership, the development of the Sunset Lane family apartment homes in Shingle Springs. This new community, the design and amenities of which will rival any market rate housing development, will bring together compelling architecture, sustainable living, supportive services, and affordable rents and will be a long term asset for the community and the County. In addition, development of these homes will bring over 100 construction and related jobs to the local economy.

Assembling the critical financing to build, manage and operate affordable housing is always challenging, and particularly so in this economy. Ironically, at the time when affordable housing is most needed, our vital housing funds are most at risk. The loss of stable housing puts an undue burden on our teachers, health systems and emergency support services.

Affordable housing cannot, on its own, generate the net operating income to support conventional debt and equity, bringing about the need for state and local funding sources to fill the "gap." The Federal HOME program has long been a critical gap source in the capital structure of our housing communities, where the debt on a property consistently exceeds the regulated value of the property. It is this HOME funding which has created significant County concerns about potential future repayment obligations in the event of a Mercy Housing regulatory agreement default.

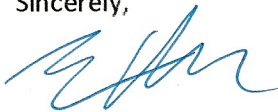
In order to ensure that this project moves forward, Mercy Housing is prepared to provide the County an unconditional (except for default by the County with respect to its own non-compliance with HOME or HUD requirements) 55 year guarantee of the HOME loan, including accrued interest. Mercy Housing has a nearly 30 year track record of working successfully with federal funding sources and related regulatory agreements and is prepared to assume this risk on behalf of the County. The guarantee would be through Mercy Housing Inc., the national parent organization to Mercy Housing California. To the



extent that that there are repayment obligations by the County under its CDBG Standard Agreement that are triggered in the event of a Mercy Housing regulatory default, we would be willing to extend the guarantee to cover the County's exposure under the CDBG agreement as well. Under separate cover, we will provide County staff with a form of the proposed guarantee prior to the March 6 Board meeting. The HELP loan would remain recourse to the partnership through construction and be repaid at completion of project construction.

We recognize that these exceedingly difficult economic times are creating unique challenges for our city and county partners. At the same time, Mercy Housing is increasingly committed to its mission of delivering well designed, safe, service enriched housing. It is our sincere hope that the County will recognize the significance and value of our proposed guarantee and will move forward, in partnership, on the project we have collectively worked so hard to create. Please feel free to contact me if you have further questions about this proposal.

Sincerely,



Ed Holder

Vice President, Real Estate Development

(562) 743-5733

Cc: Ren Scammon, Administrative Services Officer, El Dorado County Health and Human Services Agency  
Doug Shoemaker, President, Mercy Housing California  
Stephan Daues, Regional Director, Mercy Housing California  
Jeff Riley, Senior Project Developer  
Natalie Gubb, Gubb and Barshay