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Executive Director



October 15, 2010

Community Development Commission

Gerald Dietz

18 North County Street

Waukegan, Illinois 60085-4356

Dear Mr. Dietz,

Thank you for agreeing to review A Safe Place II's request for a change to the Schedule A on the project's HOME loan as well as a change in the name of the recipient. In 2009, A Safe Place's HOME application was for a HOME loan with 0% interest, \$0 in annual payments and a term of 20 years to be made directly to A Safe Place. We respectfully request the \$0 annual payments to be reflected on the contract and Schedule A attached to the draft Promissory Note.

We understand that this modification requires Community Development Commission (CDC) approval. We would like to be placed on the October 27<sup>th</sup> Board agenda to present this request. Please let us know when that has been scheduled.

Our Board Agenda Items include:

- Request to amend A Safe Place Loan Terms to 0% Interest Loan with \$0 annual payments for 20 years.
- Request to receive approvals for document execution in time for October 29<sup>th</sup> closing deadline.

A Safe Place cannot afford annual debt service on this HOME loan. Projections for annual revenue and expenses (attached) are attached. In the last two weeks, A Safe Place has agreed to place this property on the tax rolls to help alleviate its impact on the school system. A third party attorney estimated the project's tax burden will be approximately \$25,000 per year. With this additional cost, A Safe Place expects only \$14k in net cash available during its first year of operations.

The project has a sizable deferred developer fee – that is, fee that can only be paid from cash flow. The current deferred fee is in excess of \$120,000. The only source for repayment of this fee is cash flow. Currently, all of this limited cash flow is used to repay this deferred fee.



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The tax credit investor requires the operating projections to assume inflation of 2% for income and 3% for all expenses, which creates a negative trend in cash flow. Therefore, by Year 10 in the projections, it is estimated that the project will not have sufficient income to pay for all operating costs. To remedy this, the investor required us to create a reserve account for the project to pay property taxes / operating deficits. We have passed the investor's final underwriting and are proceeding to closing. Any additional costs, such as required debt service, would void our investor approvals and put this deal in danger from not closing.

The IHDA financing for A Safe Place II has a hard and fast expiration date of October 29<sup>th</sup> by which we must close the transaction. This means that if the project is successful in getting approvals on the 27<sup>th</sup> from the CDC for these revised loan terms, revised final HOME loan documents would need to be distributed the morning of the 28th. The lenders (IHDA, Chase, and our investor ) are currently reviewing the draft HOME loan documents. It would help us greatly if your counsel could make modifications to the documents in the coming week with only CDC approval required for the final to be signed by Lake County.

We request your cooperation in helping us to meet this tight deadline. Please let us know if there is any additional information you need to process this request. We look forward to the opportunity to present this to the Board on the 27<sup>th</sup>. If you have any questions please contact our finance consultant, Erica Sims at Lighten-Gale Group, at 312-920-1500 x108 or me at 847- 287-7233.

Sincerely,

A handwritten signature in black ink, appearing to read "Phyllis A. DeMott". The signature is fluid and cursive, written in a professional style.

Phyllis A. DeMott  
Executive Director

Cc: Judy Gathman, Lake County  
Joel Williams, Lake County  
Erica Sims, Lighten-Gale Group