

**DESIRED TERMS FOR THE RENEWAL
ENTERPRISE DISTRICT'S HOUSING FUND**

The following information contained in this Term Sheet is intended as a summary of certain key terms and conditions for the proposed investment by the County of Sonoma (the "County") in the Renewal Enterprise District's (the "RED") Housing Fund (the "Fund"). This summary of terms is non-binding; no party will have any obligation with respect to the terms and arrangements described herein unless and until the parties enter into a definitive agreement with respect to such terms or arrangements.

Borrower:	TBD; funds awarded to the County from PG&E settlement funding will be loaned to the Fund, but the legal structure of the Fund and the specific entity receiving funds is to be determined. The Fund may be established as a standalone entity, or as a subsidiary to a community development financial institution ("CDFI"). The evaluation of alternative legal and operating structures is currently underway, including considerations such as, among others, compatibility of the Fund's legal structure with the Fund's investment objectives, available operating capabilities for underwriting and investment servicing, and financial sustainability of the Fund. Borrower entity will be formed prior to execution of Fund's loan documents.
Lender:	The County of Sonoma, the "County". Investment from the County is made from funds awarded to the County from PG&E settlement funding.
Loan:	Lender will provide a \$10 million loan ("Loan") to Borrower (see <i>Terms Specifically Applicable to the Loan</i>). [Also under consideration is whether the County's funds would be provided in the form of a grant rather than a loan. In this scenario, the County will be the "Grantor", with the Fund the "Grantee", and the <i>Terms Specifically Applicable to the Loan</i> as follows will no longer apply. Also under consideration is whether the loan would be forgivable, and/or convertible to a grant.]
Terms Specifically Applicable to the Loan:	The following terms apply to the County's Loan to the Fund: <ul style="list-style-type: none"> • <u>Term</u>: The term of the County's Loan to the Fund is twenty (20) years, extendable from time to time upon request by the Fund at the County's option. • <u>Interest</u>: 0% • <u>Amortization</u>: The outstanding principal will be due on the maturity date. There will be no principal amortization required during the term of the Loan. • <u>Security</u>: None • <u>Recourse</u>: The Loan will be recourse to the Borrower subject to the terms of subordination (see <i>Subordination</i>). • <u>Prepayment</u>: The Loan may be prepaid in whole or in part at any time without penalty.

Commitment Schedule:	A preliminary commitment from the County has been received. The Fund has also received a preliminary commitment of \$10 million from the City of Santa Rosa, (the “City”), to be provided to the Fund in the form of a loan with terms similar to those outlined in this document.
Disbursement Schedule:	<p>Proceeds disbursed immediately at closing of Fund, to the Fund. Target closing date [July 2021]. In order for the Fund to receive funding, the Fund must be established and ready to receive funds.</p> <p>Proceeds will be deposited in an escrow account at a trust company or bank satisfactory to the County, the City, and the Fund, and invested in accordance with the Investment Policy (see Exhibit A).</p>
Geographic Considerations:	Proceeds from the Loan may only be used to support projects that are either 1) in unincorporated areas of the County within the RED’s jurisdiction, or 2) are in an incorporated area of the County within the RED’s jurisdiction.
Affordability Requirements:	Consistent with the mission of the RED and its Project Criteria (Exhibit B), the Fund intends to finance residential and mixed-use projects at a range of income levels, given the vast need for affordable, middle income and market housing. Primarily, the Fund aims to create more dense, vibrant, equitable and inclusive communities within the County, and will seek to achieve this by supporting affordable, middle income and market projects. Over the life of the Fund, the Fund intends to support a balanced mix of market-rate and below-market-rate projects.
Subordination:	<p>The Public Sector Capital contributed to the Fund (the Loan and the City’s \$10 million loan, together and with other capital raised from any other municipality within the County, the “Public Sector Capital”) will be subordinate to all other debt that the Fund raises from private and philanthropic sources. In the event of any losses incurred by the Fund attributable to its lending and/or investing activities, these losses will be allocated first to the Public Sector Capital.</p> <p>[Open item: Any language suggested by the County/City to clarify this point, and formula for sharing in losses?]</p>
Use of Proceeds:	<p>The Fund will use the Loan proceeds to offer certain types of financing products or to provide guarantees or credit enhancement in support of the development of infill housing adhering to the RED’s Board-adopted Project Criteria, including any Board-approved amendments (see Exhibit B).</p> <p>These products include:</p> <ul style="list-style-type: none"> • <i>Subordinate loan for affordable projects:</i> Flexible financing provided by the Fund to fill gaps in a project’s capital stack at all phases of the development process. • <i>Subordinate loan for middle income and market projects:</i> Construction-phase financing representing approximately 10% of a project’s total development costs, subordinate to a conventional construction loan and with the ability to convert to permanent debt or equity. As an alternative, the Fund may provide guarantees or credit enhancement to conventional

construction lenders, allowing these lenders to offer larger loans to cover a greater proportion of the developer's total construction costs.

- *Mezzanine permanent loan for middle income and market projects:* Gap-filling, permanent financing sized to a project's available cash flow after payment of required, first-position debt service. Convertible to equity in limited circumstances when project is unable meet debt service requirements.

It is anticipated that the financing products targeted to middle income and market housing may only need to be made available to an initial set of projects, which, when completed, will help to jumpstart a market for infill multifamily housing in downtown Santa Rosa and activate existing lenders to fully finance subsequent, similar projects, thereby eliminating the need for further financing from the Fund for this purpose. Once these products are no longer needed, the Fund can recycle its funding and use its capital to develop additional products that meet the current market needs.

In addition, the Fund may use Loan proceeds to:

- Satisfy liquidity covenants and establish necessary reserves; and
- Invest reserves in investments permitted by the Fund's Investment Policy (see Exhibit A); any income generated from the Fund's investment reserves may be available for application to the Fund's operating expenses.

**Financial
Reporting/ Records:**

No later than 90 days from the close of each fiscal quarter of each fiscal year of the Fund, the Fund will provide a Quarterly Report to its investors and lenders, providing detail on the Fund's loan and investment portfolio and financial performance, including quarterly unaudited financials. No later than [180] days from the close of the Fund's first fiscal year (for the year ending [date]), the Fund will provide an Annual Report, including detail on the Fund's loan and investment portfolio and financial performance supported with audited financial statements. Proceeding after the Fund's first fiscal year, the Fund will provide an Annual Report, including detail on the Fund's loan and investment portfolio and financial performance supported with audited financial statements, no later than 120 days from the close of the Fund's fiscal year.

**County
Representation:**

It is anticipated that the Fund will have a governing body comprised of a mix of independent representatives and public sector representatives, with independent representatives constituting a majority. The County may appoint (1) individual to the Fund's governing body.

**Relationship to
RED:**

The Fund will support the mission and policy objectives of the RED. The Fund will support and finance the types of projects prioritized by the RED which adhere to its Board-adopted Project Criteria, including any Board-approved amendments. Depending on the legal structure of the Fund, the RED may also have a role in the Fund's governing body, and will help to oversee and advise on investment decisions.

Exhibit A

RED Housing Fund – Investment Policy

[TBD – Fund’s permitted investment instruments will align with California State Law for a public entity].

Exhibit B

RED Project Criteria

[TBU; Insert RED Project Criteria here]