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March 20, 2020

James Saunders, Esq.
City of Pompano Beach
City Attorney's Office
100 West Atlantic Boulevard
Pompano Beach, Florida 33060

RE: Marquis – Documents for City of Pompano Beach Grant and Loan

Dear James:

As you requested, this letter sets forth some further details regarding the request by Marquis Partners, Ltd. (the "Buyer") to convert the City's $407,750 grant (the "Grant") to a forgivable loan.

The existing Grant of $407,750 is currently evidenced by a recorded Development Agreement and a recorded Declaration of Restrictions ("Existing Documents"). However, we need to convert the Grant to a loan, by providing a note and mortgage in favor of the City, and amending the Existing Documents to change all references to the funds being granted, to be references to the same funds having been loaned. No new funds are going out; the City's contribution has already been invested in the land, and it is purely a matter of how it's treated for tax purposes.

Since the Grant is, by its nature, not recoverable by the City unless there is a default under the Existing Documents, we want to preserve that essence, when this is re-cast as a loan. Having said that, we cannot make the City's note forgiveable at inception, due to the reasons explained in the following paragraph. The note includes a maturity date, but has language providing that, notwithstanding the fact that the note has a due date, the City may, in its sole discretion, elect to forgive the principal amount at maturity (assuming no default).

Investors in low income housing tax credit projects review all sources of funds being used for the construction of an affordable housing project such as Marquis Apartments. If any of the sources of funds are treated as (a) debt that is not "true debt" because there is no reasonable source that is projected to repay same (at the time the loan is made) or (b) a grant, such characterization has an adverse tax impact on the investor which translates into less equity being contributed by the investor to the project. And consequently, less return on that equity. An equity investor will not commit to participation in the project under these facts.

Obviously, this adversely impacts the project. In order to avoid the effect of diminution of the City's contribution by characterizing it as a grant, the solution is simply to convert the Grant into a loan as contemplated by the documentation that has been provided to the City. In fact the City's position will be enhanced; whereas, there is currently only a covenant pursuant to which the Grant would be recouped upon a default, the loan characterization means the City will receive a mortgage, thereby <u>securing</u> its ability to recoup the funds if a default exists.

Let me know if you have any questions. Thank you for your assistance with this matter.

Sincerely,

Patricia K. Green

cc: Mr. Vince Wooten
Mr. Lenny Wolfe
Brian McDonough, Esq.

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11944 0073 Ltr to J Saunders re grant