



July 21, 2017

Board Members
Rio Nuevo District
400 West Congress
Ste. 152
Tucson, AZ 85701

RE: Marist on Cathedral Square

Impact on Sales Taxes-

Sales Taxes paid on Construction Work	\$ 850,000
Annual Total of Resident Incomes	\$ 1,800,000
Annual Sales Taxes on Resident Consumer Purchases	\$ 90,556
Sales Taxes collected over 20 years	\$ 2,661,132

The Marist on Cathedral Square is the most important project FSL has ever undertaken. To date we have raised \$22,258,653 in tax credit equity, permanent debt, grants and other incentives. In early March of this year, we submitted a grant request in the amount of \$2,000,000 to the Federal Home Loan Bank of San Francisco and learned last Friday, that we were not awarded the grant. We can reapply in March of 2017 and again in 2018 if needed. We feel confident that the project will receive an award in the future.

As of this writing, the project gap is \$2,000,000. FSL is willing to commit \$1,000,000 to the shortfall and we request that the Rio Nuevo Board commit \$1,000,000 towards the shortfall as well. A lot to ask. FSL will resubmit for AHP in 2017 when awarded and the first \$1,000,000 will go to reduce our request to Rio Nuevo. In the event FSL fails to secure AHP funding and we are forced to draw on Rio Nuevo funds, it will not be drawn until the end of construction and after June of 2018.

FSL has received \$4.7 million in Federal Home Loan Bank grants for nine projects over the past few years and we are confident that the Marist on Cathedral Square will be successful in 2017. It is without a doubt the most worthy project application that we have had the pleasure to work on. FSL will meet with the Federal Home Loan Bank staff in September to review and improve the Marist application and to shore up any weakness in the presentation.

The reason for FSL asking for a commitment now instead of coming back in the future is that we must demonstrate that all necessary funds have been secured without contingency. Our next demonstration date is in November of this year. If awarded, the \$1,000,000 commitment from Rio Nuevo will be included in our November underwriting to the State and must be long-term (20 years) in nature with

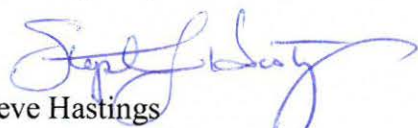
minimal debt service over the life of the investment or loan. The full amount will be repaid on or before the end of the term.

Progress on the Marist Project to date includes the award of Low Income Housing Tax Credits, incentives from the City, gap finance from the county and kind assistance from the Rio Nuevo District. In addition, FSL has closed the purchase of the building at 111 S. Church and paid substantial reservation fees to the State for the tax credits.

The project needs the kind of innovative, nimble and flexible funding that only Rio Nuevo can provide.

I will be happy to visit more with you or any of the members as soon as feasible. Thank you again for your help with the project thus far and we look forward to our next conversation.

Kind Regards,



Steve Hastings
Director of Real Estate Services
Foundation for Senior Living