



**RED HOUSING FUND
ANNUAL REPORT**

FY 2024

FOR THE PERIOD FROM JANUARY 1 – DECEMBER 31, 2024



TABLE OF CONTENTS

REPORT SUMMARY AND KEY FUND UPDATES	3
PIPELINE AND PORTFOLIO UPDATE	4
FINANCIAL SUMMARY AND COVENANT COMPLIANCE	8
APPENDIX 1: SUMMARY OF PORTFOLIO	14
APPENDIX 2: FUND FINANCIAL DETAILS	21



REPORT SUMMARY AND KEY FUND UPDATES

April 30, 2025

To the Stakeholders of the RED Housing Fund:

This Report (the “Report”) on the operations of the RED Housing Fund (the “Fund”) has been prepared to satisfy the reporting requirements set forth in the Fund’s various agreements with its stakeholders. The Reporting Period for this Report is the Fund’s fourth fiscal year (January 1, 2024, through December 31, 2024).

The creation of the RED Housing Fund was driven by the Renewal Enterprise District (“RED”), a joint powers authority with the County of Sonoma and City of Santa Rosa as Founding Members, to give developers in Sonoma County a new tool and source of financing to help advance urban, infill projects. The need for additional housing across the income spectrum in Sonoma County is acute and has only been exacerbated by the nearly annual fires that have devastated the region’s housing stock. Historically, developers have been unable to obtain sufficient financing from traditional sources to move dense, multifamily projects forward. The RED Housing Fund was created to further the goals of the RED and provide an additional source of funding for housing projects that align with the RED’s priorities – broadly, projects of higher density in transit rich, infill areas outside of wildfire hazard zones to support equity, climate resilience, and economic development in appropriately planned areas within Sonoma County.

Over the course of the fiscal year, the Fund was actively involved in underwriting a \$4.2 million affordable loan to Casa Roseland, its sixth loan in the portfolio, which subsequently closed in January 2025. In addition, the Fund continued to identify new programmatic and fundraising opportunities in the hopes of providing additional loans to support meritorious housing projects in Sonoma County.

The Fund looks forward to expanding its impact further to support additional projects in the years to come.

RED Housing Fund: Board of Directors Membership as of December 31, 2024

Board of Directors:

- 1) Veronica Ferguson – President
- 2) Todd Sheffield – Vice President
- 3) Amanda Ruch – Treasurer; Representative of the County of Sonoma
- 4) Michelle Whitman – Secretary; Representative of the Renewal Enterprise District
- 5) David Gouin – Representative of the City of Santa Rosa
- 6) Betzy Chavez
- 7) Jen Klose

Advisors to the Board of Directors:

- 1) Chris Coursey – Third District Supervisor, County of Sonoma
- 2) Victoria Fleming – Councilperson, City of Santa Rosa



PIPELINE AND PORTFOLIO UPDATE

The RED Housing Fund will support projects that are located within the RED's jurisdiction and adhere to the RED Project Criteria. These criteria outline four threshold criteria that all projects applying for funding from the Fund must meet. Additionally, projects must meet a minimum of one of the Evaluation Criteria as well, designed to help differentiate projects and outline additional RED priorities.

The four Threshold Criteria are:

- The project must be located on an infill site;
- The project must provide mid- to high-density housing development;
- The project must be located entirely within a Transit Priority Area, Priority Development Area, Rural Community Investment Area, Specific Plan Area, High-Quality Transit Corridor or Qualified Opportunity Zone; and
- The project must be residential or mixed-use residential.

The Evaluation Criteria include the project's incorporation of:

- On-site affordable units;
- On-site workforce housing;
- On-site "Affordable by Design" units (units that are typically smaller than market-rate units, more efficient, or have fewer amenities);
- Proximity to transit;
- Energy-efficient features;
- Water-efficient features;
- Excellent and innovative design;
- On-site childcare;
- Prevailing wage;
- Public outdoor space;
- Bicycle or pedestrian connectivity and/or pedestrian access;
- Location within a disadvantaged community;
- Off-site construction of affordable housing, workforce housing, or units that are "affordable by design"; and
- Mixed-door housing.

When funding is available, projects that meet the four Threshold Criteria and at least one of the Evaluation Criteria may qualify for two types of financing, depending on whether the project is classified as "affordable" (for projects with units primarily restricted to up to 80% of area median income) or "middle income/market" (for projects with units restricted to 80-120% of area median income, market rate units, or projects with a mix of income levels).

For **affordable projects**, the Fund offers long term financing that may be used as a subordinate or senior loan, from construction through permanent phase. For **middle income/market projects**, the Fund offers



financing that may be used for construction financing that is subordinate to a conventional construction loan. When necessary, this loan may also convert to permanent financing, sized to a project's available cash flow after payment of required, first-position debt.

PORTFOLIO UPDATE

Risk Rating Overview: Quarterly, the Fund evaluates the loans in its portfolio to reassess the loans' risk rating. At closing, a risk rating is assigned to the loan that determines its loan loss reserve amount – this amount may be adjusted depending on various factors, such as whether the project is progressing according to its milestones, improvements in operating performance, interest coverage or debt paydown, and, likewise, any deterioration in the credit, non-compliance with covenants, or any material adverse change.

The risk rating categories and their corresponding loan loss reserve amount are:

- 1 – High Pass (loss provision of 3%): The borrower and loan are performing above projections and project milestones with no sign of deterioration in performance;
- 2 – Pass (loss provision of 5%): The borrower and loan are performing fully to projections and project milestones;
- 3 – Loss Pass (loss provision of at least 7%): There may be some sign of variance or degradation in one or more major performance criteria, but the overall quality of the investment is still acceptable;
- 4 – Watch/Attention (loss provision of 10-15%): Borrower and/or loan performance is below expectations; and
- 5 – Doubtful/Substandard (loss provision of up to 50%): The borrower or loan show significant deterioration and requires restructuring or Fund intervention.

Portfolio Status and Review: At the close of the fiscal year, the Fund had five outstanding loans in its portfolio:

For its three affordable housing projects:

- \$2,400,000 has been committed to Aviara;
- \$800,000 has been committed to Acme; and
- \$4,000,000 has been committed to South Park Commons.

For its two market rate projects:

- \$1,300,000 has been committed to Pullman Lofts; and
- \$7,000,000 has been committed to 420 Mendocino.

Collectively, these five projects represent over 550 new units of housing added to Santa Rosa's housing stock, 275 of which are at affordable rent levels to households earning at or below 60% of area median income. Additional portfolio updates are further described in Appendix 1.



LENDING AND PORTFOLIO OVERVIEW:

Affordable Loans: Loans for projects in which units are restricted to incomes up to 80% AMI. Fund proceeds may be used to fund all phases of a project's development process, from construction through permanent phase.

Loan	Address	Borrower	Total Units	Affordability Level(s)	Total Committed	Total Outstanding ¹	Loan Agreement Date	Anticipated Maturity	Risk Rating
1	Aviara 1385 West College Ave. Santa Rosa, CA 95401	MM Aviara, LP	136	30-60% AMI	\$2,400,000	\$2,400,000 ²	6/1/22	6/1/40 18-year term	2 – Pass
2	Acme 1885 Sebastopol Road Santa Rosa, CA 95407	Acme Family Apartments, LP	77	30-60% AMI	\$800,000	\$800,000	10/1/22	10/1/40 18-year term	2 – Pass
3	South Park Commons 702 Bennett Valley Road, Santa Rosa, CA 95404	Bennett Valley Housing Partners, L.P.	62	15-50% AMI	\$4,000,000	\$4,000,000	4/18/23	4/18/41 18-year term	2 – Pass
Total:			275		\$7,200,000	\$7,200,000			

¹ Amounts outstanding include \$2,104; and \$7,101 as remaining interest reserves for, Acme and South Park Commons respectively.

² As of August 2024, the interest allowance held by RHF for Aviara was fully depleted; the Borrower has since been obligated to pay for monthly interest expenses out of pocket.



Middle Income/Market Loans: Loans for projects in which units are restricted to incomes up to 80-120% AMI or are market rate (or a mix of income levels). Fund proceeds may be used for construction financing that is subordinate to a conventional construction loan, and if necessary, may convert to permanent financing.

Loan	Address	Borrower	Total Units	Affordability Level(s)	Total Committed	Total Outstanding	Loan Agreement Date	Anticipated Maturity	Risk Rating
1	Pullman Lofts 701 Wilson Street Santa Rosa, CA 95401	Pullman Lofts First Phase LLC	114	Market / Workforce	\$1,300,000	\$1,300,000 ³	11/1/22	6/1/2025 ⁴ 25-month term	4 – Watch/Attention
2	420 Mendocino 420 Mendocino Avenue Santa Rosa, CA, 95401	5 th and Mendocino Partners Owner, LLC	168	Market/ Workforce	\$7,000,000	\$7,000,000 ⁵	3/1/23	3/20/27 48-month term	2 - Pass
Total:			282		\$8,300,000	\$8,300,000			

For additional details related to the Fund's Project Loan portfolio, please see Appendix 1.

³ As the interest allowance held by RHF was fully depleted as of April 2024, the Borrower has since been obligated to pay for monthly interest payments out of pocket. As of 12/31, \$28,438 in loan interest payments and late fees totaling \$948 were outstanding.

⁴ RHF's loan to Pullman Lofts was extended 6 months to June 1, 2025 to allow the Borrower time to refinance RHF's loan. Subsequent to the close of the fiscal year, the Fund's loan to Pullman Lofts was repaid in full in March 2025.

⁵ Amount outstanding includes \$584,567 as remaining interest reserves for 420 Mendocino.



FINANCIAL SUMMARY AND COVENANT COMPLIANCE

FINANCIAL SUMMARY

The Fund's Statement of Activities reflects earnings from its project loans (through interest income and origination fees), investment income from reserves held in interim investment accounts, and any grant income received to support the Fund's operations. Grant revenue for the Reporting Period was from two of the Fund's mission-motivated supporters – Kaiser Permanente, a local healthcare provider, and Summit State Bank. In addition, the value of discounted debt (see below, referring to the Fund's loans from the City of Santa Rosa and Sonoma County) is represented as contribution income on the Fund's Statement of Activities, in accordance with the required accounting treatment. Related to the discounting treatment for the Fund's capital, per the required accounting treatment, the Fund is also required to discount the affordable loans that it offers to borrowers that are provided at low interest rates. As a result, the Fund incurs a one-time (upon closure), non-cash, "Contribution expense on below market rate program-related loans" (part of its "Program Expenses") to reflect this treatment.

The Fund's lending capital is comprised of a \$10 million loan from the City of Santa Rosa, a \$10 million forgivable loan from the County of Sonoma, and a \$1 million loan from Enterprise Community Loan Fund to further support additional projects in the pipeline. Lastly, the Fund was awarded a \$1 million grant under the California State Department of Housing and Community Development's Local Housing Trust Fund ("LHTF") Program to be used for additional lending capital. While these funds have been committed, this will only be reflected on the Fund's balance sheet once the project loan for which this capital has been allocated is ready to close and is therefore not reflected in the Fund's audited financial statements⁶. In accordance with the required accounting treatment, the capital from the County of Sonoma is represented as a loan payable on the Fund's balance sheet, as the Fund is required to adhere to specific financial covenants as a condition for forgiveness. This loan will be forgiven in equal, annual installments over the loan's twenty-year term if the Fund abides by the covenants set forth in its loan agreement. During the Reporting Period, the third annual installment of \$500,000 from the County's loan was forgiven, resulting in a new balance of \$8.5 million. In addition, due to the features of both the City and County loans, the required accounting treatment dictates that they be treated as "below market interest rate loans" and therefore be discounted from face value based on the Fund's imputed interest rate, as shown on the Fund's balance sheet. This results in the Fund incurring an interest expense as the debt discount amortizes over time.

⁶Subsequent to the reporting period, in February 2025, the Fund received the LHTF grant, which will be used as part of the lending capital for Casa Roseland.



FY 2024 Financial Highlights:

Financial Statements Summary (YTD)	Revenue	\$1,725,052	Assets	\$18,294,648
	Expenses	\$609,600	Liabilities	\$14,464,256
	Net Income	\$1,115,452	Net Assets	\$3,830,392

Gross Capital Commitments from Investors	
Total Capital Committed ⁷	\$22,000,000
Undrawn	\$0
Total Capital Drawn	\$21,000,000

Audited financial statements are included as Appendix 2 of this Report.

⁷ This includes the \$1 million LHTF grant which has been committed, but not yet received by the Fund as of 12/31/24.



COVENANT COMPLIANCE

The Fund is required to adhere to certain covenants as detailed in its respective loan agreements. These covenants, as well as the Fund's compliance with each, are further detailed below based on the specific lender agreement.

County of Sonoma – Loan Agreement Covenants:

- Geographic Location: Projects financed or otherwise assisted with Loan Proceeds must be consistent with RED Project Criteria.
- Affordability Criteria: On an aggregate basis over the term of the Loan, at least 25% of residential units in projects financed or otherwise assisted with Loan Proceeds must be affordable to households of low- or moderate-income.
- Limitation on Short-Term Rental: In the documentation for loans, credit enhancements, loan guarantees, and other financial assistance the Fund provides to projects supported with Loan Proceeds, the Fund shall include a requirement that for a period of 5 years following initial occupancy, the project may not provide short-term rentals. For the purpose of this requirement "short-term rental" means a stay of 30 days or less that is not subject to transient occupancy tax, or a substantially similar definition as set forth in the County's regulations.
- Limitation on Soft Cost Financing: On an aggregate basis over the term of the Loan, no more than 15% of Loan Proceeds may be used to pay for soft costs for any project that does not include Affordable Units.

Covenant details shown on following page.



Loan	Address	Geographic Location	Affordability Criteria ⁸		Limitation on Short-Term Rental	Limitation on Soft Cost Financing	
		Does address fall within RED Project Criteria boundaries?	Total Units as of the close of the Reporting Period:	557	Does the Loan Agreement include a short- term rental requirement limiting the provision of short-term rentals within the Project for a period of 5 years following initial occupancy?	Loan Proceeds:	\$10,000,000
1	Aviara 1385 West College Ave. Santa Rosa, CA 95401	Yes	Number of Affordable Units:	135	Yes	Eligible Soft Costs Financed by Loan Proceeds:	N/A
2	Acme 1885 Sebastopol Road Santa Rosa, CA 95407	Yes	Number of Affordable Units:	76	Yes	Eligible Soft Costs Financed by Loan Proceeds:	N/A
3	Pullman Lofts 701 Wilson Street Santa Rosa, CA 95401	Yes	Number of Affordable Units:	0	Yes	Eligible Soft Costs Financed by Loan Proceeds:	\$194,549
4	420 Mendocino 420 Mendocino Ave Santa Rosa, CA, 95401	Yes	Number of Affordable Units:	0	Yes	Eligible Soft Costs Financed by Loan Proceeds:	\$465,433
5	South Park Commons 702 Bennett Valley Road, Santa Rosa, CA 95404	Yes	Number of Affordable Units:	61	Yes	Eligible Soft Costs Financed by Loan Proceeds:	N/A
				Total Affordable Units:	272	Total Soft Costs Financed by Loan Proceeds:	\$659,982
				Percentage of Affordable Units:	49%	Percentage Supporting Soft Costs:	7%

⁸ Affordable Units are restricted units and do not include manager's units.



City of Santa Rosa – Loan Agreement Covenants:

- Geographic Location: Projects financed or otherwise assisted with Loan Proceeds must be consistent with RED Project Criteria. Loan Proceeds are initially only eligible to fund projects located within the City's geographic borders. Once a project has repaid its loan and capital is returned to the Fund, the Fund will be able to recycle the proceeds and support projects throughout Sonoma County, provided that the Fund must continue to provide financing to projects in Santa Rosa in proportion to the share of the Fund's total available investable capital that is attributable to the City of Santa Rosa's loan to the Fund.
- Limitation on Soft Cost Financing: For projects containing no Affordable Units (units affordable to households of low- or moderate-income as defined in the California Health & Safety Code or applicable law or federal regulation), no more than 15% of the Loan Proceeds used to fund that project may be used to fund soft costs for that project. For projects restricting at least 10% of the project as Affordable Units, no more than 25% of Loan Proceeds used to fund that project may be used to fund soft costs for that project.
- Limitation on Short-term Rentals: Any project funded by the Lender's Loan Proceeds must include clear and express language in the project loan documents prohibiting short term rentals for the term of the project loan. Short Term Rentals shall mean a rental stay of 30 days or less.

Covenant details shown on following page.



Loan	Address	Geographic Location			Limitation on Short-Term Rental	Limitation on Soft Cost Financing		
		Does address fall within RED Project Criteria boundaries?	Share of Loan Proceeds/Total Investable Capital	45%		Does the Loan Agreement include clear and express language in the project loan documents prohibiting short term rentals for the term of the project loan?	Loan Proceeds:	\$10,000,000
1	Aviara 1385 West College Ave. Santa Rosa, CA 95401	Yes	Share of Loan Proceeds Used to Fund Projects in Santa Rosa:	100%	Yes	Percentage of Affordable Units:	99%	Eligible Soft Costs Financed by Loan Proceeds:
2	Acme 1885 Sebastopol Road Santa Rosa, CA 95407	Yes	Share of Loan Proceeds Used to Fund Projects in Santa Rosa:	100%	Yes	Percentage of Affordable Units:	99%	Eligible Soft Costs Financed by Loan Proceeds:
3	Pullman Lofts 701 Wilson Street Santa Rosa, CA 95401	Yes	Share of Loan Proceeds Used to Fund Projects in Santa Rosa:	100%	Yes	Percentage of Affordable Units:	0%	Eligible Soft Costs Financed by Loan Proceeds:
4	420 Mendocino 420 Mendocino Ave Santa Rosa, CA, 95401	Yes	Share of Loan Proceeds Used to Fund Projects in Santa Rosa:	100%	Yes	Percentage of Affordable Units:	0%	Eligible Soft Costs Financed by Loan Proceeds:
5	South Park Commons 702 Bennett Valley Road, Santa Rosa, CA 95404	Yes	Share of Loan Proceeds Used to Fund Projects in Santa Rosa:	100%	Yes	Percentage of Affordable Units:	98%	Eligible Soft Costs Financed by Loan Proceeds:
		Projects Currently in Santa Rosa:		100%				



APPENDIX 1: SUMMARY OF PORTFOLIO

LOAN 1: Aviara



Project Description:	Aviara is an affordable housing project located in Santa Rosa. The Project will consist of a mix of two and three-bedroom units and will also incorporate approximately 1,900 square feet of interior community space for a computer lab, laundry facilities, and space for other residential programming (including after school support for children, and adult education and skill building classes).
Project Type:	Affordable
Location	1385 West College Avenue, Santa Rosa, CA 95401
Sponsor / Borrower	Borrower: MM Aviara, LP Borrower is a partnership entity between Pacific Southwest Development Corporation, the project's nonprofit partner, and McKellar McGowan Holdings, LLC, the project's developer.
Total RHF Loan Amount	\$2,400,000
Outstanding Balance / Status	\$2,400,000 ⁹ / current
Closing Date	June 1, 2022
Maturity Date	June 1, 2040 (RHF's loan has an 18-year term)
Units	136 total units, incorporating 84 two-bedroom units, 52 three-bedroom units, and 1 manager's unit
Households Serving	Project will provide affordable housing for families in Santa Rosa. The Project will include 14 units affordable to households at 30% AMI, 14 units affordable to households at 50% AMI, 57 units affordable to households at 60% AMI and 50 units affordable to households at 70% AMI. At closing, the 70% AMI units were contemplated as 60% AMI units given lack of IRS guidance on tax credit income averaging, which has since been updated by the IRS. Upon lease-up, the Borrower reinstated the 50

⁹ As of August 2024, the interest allowance held by RHF was fully depleted; the Borrower has since been obligated to pay for monthly interest expenses out of pocket.



	units at 70% AMI.
Other Financing	Primarily includes construction and permanent financing provided by the developer's local bank and tax credit equity
Risk Rating	2 – PASS (loss provision of 5%)
Interest Rate	1.0%
Project Update	As of December 2024, all 6 buildings had received final Certificates of Occupancy and were fully leased up. Borrower is in process of converting to the permanent loan term.

LOAN 2: Acme



Project Description:	Acme Family Apartments is an affordable housing project located in Santa Rosa. The Project will consist of 77 one to three-bedroom units, maximizing options for families and larger unit sizes. The Project will also incorporate amenities such as a community space used for after-school programming and adult education classes, outdoor community spaces and a sports court.
Project Type:	Affordable
Location	1885 Sebastopol Road, Santa Rosa, CA 95407
Sponsor / Borrower	Borrower: Acme Family Apartments, LP Borrower is a partnership entity between an affiliate of Pacific Housing, Inc, the project's nonprofit partner, the Project's LIHTC investor, and an affiliate of the Project's developer, Milestone Housing Group, LLC.
Total RHF Loan Amount	\$800,000
Outstanding Balance / Status	\$800,000 (includes \$2,104 as interest reserve) / current
Closing Date	October 1, 2022



Maturity Date	October 1, 2040 (RHF's loan has an 18-year term)
Units	77 total units, incorporating 24 one-bedroom units, 25 two-bedroom units, 27 three-bedroom units, and 1 manager's unit
Households Serving	Project will provide affordable housing for families in Santa Rosa. 12% of units will be rented to households at 30% AMI, 17% will be rented to households at 40% AMI, 41% will be rented to households at 50%, and 30% of units will be rented to households at 60% AMI.
Other Financing	Primarily includes construction and permanent financing provided by two banks and tax credit equity
Risk Rating	2 – PASS (loss provision of 5%)
Interest Rate	1.0%
Project Update	As of December 2024, all 5 buildings had received final certificates of occupancy and were fully leased up. Borrower is in process of converting to the permanent loan term.

LOAN 3: Pullman Lofts



Project Description:	Pullman Lofts consists of three buildings being built in two phases located at 701 Wilson Street in the historic Railroad Square neighborhood of Santa Rosa. The first two buildings consist of 70 units and were initially expected to complete construction in September 2022. The third building will consist of 44 units and was initially expected to complete construction in December 2023. The project will also incorporate amenities such as a dog park, pool area with fire pits and grills, a gym, and is located along the SMART rail line.
Project Type:	Market
Location	701 Wilson Street, Santa Rosa, CA 95401
Sponsor / Borrower	Borrower: Pullman Lofts First Phase LLC The Borrower is owned by various investors. Phoenix Development Company of Minneapolis, LLC is the Project's developer.



Total RHF Loan Amount	\$1,300,000
Outstanding Balance / Status	\$1,300,000 / late As of 12/31/24, \$25,438 in loan interest payments and late fees totaling \$948 were outstanding.
Closing Date	November 1, 2022
Maturity Date	June 01, 2025 (Extended 6 months from December 2024 during the quarter)
Units	114 total units, incorporating 77 one-bedroom units and 37 two-bedroom units
Households Serving	Market rate income levels, although a majority of the project's one-bedroom units will be "affordable by design," meaning they are smaller units at lower rent levels, ranging between 470-620 square feet. Two of these units will be deed restricted to households at or below 80% AMI.
Other Financing	Primarily includes construction and permanent financing from a bank and equity investments from a variety of investors, including the Project Sponsor
Risk Rating	4 – WATCH/ATTENTION (loss provision of 10%) Note: Subsequent to the close of the Reporting Period, the Fund's loan to Pullman Lofts (includes outstanding balances of principal and interest-related payments) was repaid in full in March 2025.
Interest Rate	8.75%
Project Update	Phase 1 (Building A & B): Buildings A and B were completed in 2023. As of December 2024, the buildings were 95% leased up. Phase 2 (Building C): As of December 2024, the building had received its Certificate of Occupancy and was in the process of lease up. As construction was further delayed to the timeline for energizing units, RHF worked with the Borrower to extend the construction loan six months from December 1, 2024 to June 1, 2025 to allow additional time for the Borrower to refinance RHF's loan. In April 2024, the interest allowance held by RHF was fully depleted and the Borrower has since been obligated to pay for monthly interest expenses out of pocket. As of the close of the fiscal year, the Borrower had not paid its interest payments for October and November, resulting in added late fees for the two months. As a result of late payments, as well as slower than projected lease up and construction completion, the project was assigned and has maintained a Risk Rating of "4 – Watch Attention" since Q2 2024 with a loan loss provision of 10% for 2024. The Fund has been in close communication with the Borrower to monitor and mitigate these issues, and the project has seen significant improvement in lease up since the hiring of new management. Subsequent to the close of the Reporting Period, the Fund's loan to Pullman Lofts was repaid in full in March 2025.



LOAN 4: 420 Mendocino



Project Description:	The 420 Mendocino Avenue Project is located in downtown Santa Rosa on three parcels totaling approximately 0.64 acres with frontage along Mendocino Avenue, 5th Street, and Riley Street. The Project will be eight stories and contains 168 residential units and 2,285 net square feet of retail space, along with accessory amenities for the Project's residents including a ground floor coworking space and outdoor paseo, a fitness center, and an 8th floor sky lounge with both indoor and outdoor access, and 100 parking spaces.
Project Type:	Market
Location	420 Mendocino Ave, Santa Rosa, CA 95401
Sponsor / Borrower	Borrower: 5th and Mendocino Partners, LLC, a Delaware limited liability company with various members and managers as parties to the Sole Member. Related California is the Project's developer.
Total RHF Loan Amount	\$7,000,000
Outstanding Balance / Status	\$7,000,000 (includes \$584,567 as interest reserve) / current
Closing Date	March 1, 2023
Maturity Date	March 20, 2027 (RHF's loan has a 48-month term)
Units	168 total units, incorporating 25 studios, 88 1-bedrooms, 55 2-bedrooms
Households Serving	The Project's 168 residential units will be 100% market rate; 17 of the Project's 88 1-bedrooms are projected to be furnished rentals.
Other Financing	Primarily funded by issuance of Multifamily Housing Revenue Bonds with the potential for extension to permanent loan financing. Additionally, the project will receive significant equity from the Developer.
Risk Rating	2 – PASS (loss provision of 5%)



Interest Rate	Variable; and will be determined monthly. Interest rate will be the greater of 4.0%, or 3.25% above the floating rate of the bonds. For the month ended, December 31, 2024, the loan interest rate was 7.91%.
Project Update	As of December 2024, the project was approximately 83% complete and progressing on schedule. Contingent upon no construction delays, the project has an overall expected construction completion by Q3 2025.

LOAN 5: South Park Commons



Project Description:	The South Park Commons Project is located on an approximately 1.93-acre parcel at the corner of Bennett Valley Road and Rutledge Avenue in a neighborhood of mixed industrial, commercial, and residential properties. The Project will be a 64,000 square-foot building containing 62 residential units, including a mix of studios, one-bedroom, two-bedroom, and three-bedroom units. 31 units will be reserved for permanent supportive housing for households experiencing chronic homelessness, with the remaining units restricted for households up to 50% AMI. The project will also include on-site amenities such as a community room, laundry room, property management office, social services office and approximately 24,000 feet of open space. There will also be two parking lots with 52 parking spaces. Abode Services will provide case management for formerly homeless residents as well as supportive services.
Project Type:	Affordable
Location	702 Bennett Valley Road, Santa Rosa, CA 95404
Sponsor / Borrower	Borrower: Bennett Valley Housing Partners, L.P., a California Limited Partnership. Freebird Development Company, LLC is the Project's developer.
Total RHF Loan Amount	\$4,000,000
Outstanding Balance / Status	\$4,000,000 (includes \$7,101 as interest reserve) / current
Closing Date	April 18, 2023
Maturity Date	April 18, 2041 (RHF's loan has an 18-year term)
Units	62 total units, incorporating 19 studios, 19 1-bedroom, 12 2-bedroom, and 12 three-bedroom units



Households Serving	The Project's 62 residential units will be restricted for households between 15-50% AMI; 31 units will be reserved for permanent supportive housing for households experiencing chronic homelessness
Other Financing	30 of the PSH units are supported by Project-Based Section 8 rental assistance vouchers, provided by the City of Santa Rosa Housing Authority. During construction, the project will be funded primarily with a Chase Bank construction loan, alongside tax credit equity and a construction-to-permanent loan from the City of Santa Rosa Housing Authority. At conversion, the project will also receive several state-awarded funds.
Risk Rating	2 – PASS (loss provision of 5%)
Interest Rate	1%
Project Update	As of December 2024, the project received Certificate of Occupancy and leasing was in progress.



APPENDIX 2: FUND FINANCIAL DETAILS

Fund financial details shown on following page.



Financial Statements

Year Ended December 31, 2024

Table of Contents

	Page
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

Independent Auditor's Report

To the Board of Directors
RED Housing Fund

Opinion

We have audited the financial statements of RED Housing Fund (the "Organization"), which comprise the statement of financial position as of December 31, 2024, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



Pisenti & Brinker LLP has joined practices with Kosmatka, Donnelly & Co., LLP (dba, KDP Certified Public Accountants, LLP). The former Pisenti & Brinker LLP Partners are now Partners of KDP Certified Public Accountants, LLP (KDP). KDP Certified Public Accountants, LLP is a licensed CPA firm that provides attest services to its clients. Pisenti & Brinker Management LLC provides professional tax and business consulting services to its clients. Pisenti & Brinker Management, LLC and KDP Certified Public Accountants, LLP practice as an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable laws, regulations, and professional standards.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Kosmatka, Donnelly & Co., LLP

Santa Rosa, California
April 15, 2025

RED Housing Fund
Statement of Financial Position

December 31, 2024

Assets

Current assets

Cash and cash equivalents	\$ 8,192,744
Current maturities of program-related loan receivable	1,300,000
Accounts receivable	31,385
Prepaid expenses	27,685
Total current assets	9,551,814
Program-related loan receivable, net	8,742,834
Total assets	\$ 18,294,648

Liabilities and net assets

Current liabilities

Accounts payable	\$ 19,412
Long-term loans payable, net	14,444,844

Total liabilities 14,464,256

Net assets (deficit)

Without donor restrictions	(1,203,123)
With donor restrictions	5,033,515
Total net assets	3,830,392

Total liabilities and net assets \$ 18,294,648

RED Housing Fund
Statement of Activities

Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Program-related loan interest income	\$ 880,400	\$ -	\$ 880,400
Interest income	390,651	-	390,651
Contribution income	-	363,419	363,419
Grant income	80,751	-	80,751
Other income	9,831	-	9,831
 Total revenues and other support	 1,361,633	 363,419	 1,725,052
 Net assets released from time restrictions	 756,832	 (756,832)	 -
 Expenses			
Program	549,007	-	549,007
Management and general	60,593	-	60,593
 Total expenses	 609,600	 -	 609,600
 Change in net assets	 1,508,865	 (393,413)	 1,115,452
 Net assets (deficit) at beginning of year	 (2,711,988)	 5,426,928	 2,714,940
 Net assets (deficit) at end of year	 \$ (1,203,123)	 \$ 5,033,515	 \$ 3,830,392

See accompanying notes.

RED Housing Fund
Statement of Functional Expenses

Year Ended December 31, 2024

	Management and Program	General	Total
Interest	\$ 291,388	\$ -	\$ 291,388
Outside services	99,650	1,000	100,650
Management fees	75,000	-	75,000
Loan loss reserve	65,000	-	65,000
Accounting fees	-	52,877	52,877
Legal	13,094	2,711	15,805
Insurance	1,252	2,629	3,881
Event sponsorship	2,500	-	2,500
Program expenses	1,040	-	1,040
Office supplies	83	846	929
Bank fees and service charges	-	330	330
Licenses and permits	-	200	200
	<hr/>	<hr/>	<hr/>
	\$ 549,007	\$ 60,593	\$ 609,600

See accompanying notes.

**RED Housing Fund
Statement of Cash Flows**

Year Ended December 31, 2024

Increase (decrease) in cash and cash equivalents

Cash flows from operating activities

Change in net assets	\$ 1,115,452
Adjustments to reconcile change in net assets to net cash provided	
provided by operating activities:	
Increase to loan loss reserve	65,000
Amortization of debt issuance costs	2,750
Amortization of debt discount on below market rate loans	256,832
Amortization of discount on program-related loan receivable	(169,072)
Amortization of origination fees on program-related loan receivable	(614,846)
Partial debt forgiveness of long-term loan	(363,419)
Increase in operating assets:	
Accounts receivable	(26,535)
Prepaid expenses	(27,685)
Decrease in operating liabilities:	
Accounts payable	(1,990)
Net cash provided by operating activities	<u>236,487</u>

Cash flows from investing activities

Redemption of certificates of deposit	7,875,818
Disbursements on program-related loan receivable	(3,041,591)
Net cash provided by investing activities	<u>4,834,227</u>

Net increase in cash and cash equivalents

Cash and cash equivalents at beginning of year	<u>3,122,030</u>
Cash and cash equivalents at end of year	<u>\$ 8,192,744</u>

Supplemental disclosure of cash flow information:

Cash paid during the year for interest	<u>\$ 25,417</u>
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Year Ended December 31, 2024

Note A. Nature of the Organization

RED Housing Fund (the “Organization”) is a not-for-profit organization that proposes building not just homes, but communities to support sustainable living in a rapidly changing world. The Organization offers flexible financing to support the development of housing across income levels by offering construction and permanent loans to developers in Sonoma County, California that have projects meeting the Organization’s criteria: located on an infill site, mid- to high-density development, residential or mixed-use residential, and situated within a transit-rich or planned area. The Organization has a shared vision with the City of Santa Rosa, California and the County of Sonoma to harness regional action to meet the community’s diverse housing needs and to protect the environment, support economic vitality, and improve the quality of life for all the region’s residents.

Note B. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Recently Adopted Accounting Pronouncements

Effective July 1, 2023, the Organization adopted Accounting Standards Update (ASU) 2016-03, *Financial Instruments - Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments. The guidance in ASU 2016-03 requires entities to apply the current expected credit loss model. This model requires entities to measure credit losses for certain financial instruments and financial assets, including trade receivables. Under this update, the Organization is required to recognize an allowance that reflects the Organization's current estimate of credit losses expected to be incurred over the life of the financial instrument. The adoption of this standard did not have a significant impact on the Organization's financial statements.

Net Assets

Net assets, revenues and other support and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization to meet the stipulations or that become unrestricted at the date specified by the donor or net assets subject to donor-imposed stipulations that are maintained permanently by the Organization.

Net Assets Released from Restriction – Net assets with donor restrictions are released to net assets without donor restrictions when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

Year Ended December 31, 2024

Note B. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash with financial institutions and highly liquid investments. The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Program-Related Loan Receivable and Allowance for Credit Losses

The Organization has construction and term loan financing receivable agreements with borrowers for the purpose of funding the development of affordable and market-rate housing, secured by deeds of trust on land. Loans are carried at an amount equal to the assets transferred if the loans are issued at the market interest rate applicable to the borrower, net of the allowance for credit loss. If the contractual interest rate is lower than the market rate, the difference between the cash transferred to the borrower and the present value of the contractual payments for the loan at the effective interest rate is recognized as contribution expense. Repayment terms differ for each loan.

At origination of each loan, the Organization recognizes an expected allowance for credit loss. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the program-related loan receivable was initially recorded. The allowance for credit losses is estimated using a loan-risk profile approach. The Organization considers a combination of factors, including current economic conditions, loan-specific risk factors reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization.

Grants and Contributions

Grants and contributions received and unconditional promises to give are measured at fair values and are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. The Organization reports gifts and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Donor restricted contributions whose restrictions are fulfilled or expire within the same reporting period are reported as contributions without donor restrictions.

Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current year or is received with permanent donor restrictions. Conditional promises are not recognized until all conditions on which they depend are substantially met.

Program-Related Loan Interest Income

Interest income on program-related loan receivable is recognized as earned in accordance with the loan terms. Net loan origination fees are deferred and amortized to program-related loan interest income using the effective interest method over the contractual life of the loans.

Year Ended December 31, 2024

Note B. Summary of Significant Accounting Policies (continued)

Imputed Interest Expense

The Organization uses the long-term Applicable Federal Rates to determine the imputed interest on below market interest rate loans.

Functional Allocation of Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefitted. These expenses are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is a not-for-profit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and California Revenue and Taxation Code Section 23701(d). However, the Organization is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption, commonly referred to as unrelated business income. No income tax provision has been recorded for the year ended December 31, 2024, as management determined that the Organization had no unrelated business income.

The Organization is subject to "Accounting for Uncertainty in Income Taxes" under Accounting Standards Codification (ASC") 740, Income Taxes. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the Organization's tax returns and does not allow recognition of tax positions that do not meet a "more-likely-than-not" threshold of being sustained by the applicable tax authority. The Organization does not believe it has taken any tax positions that would not meet this threshold. The Organization's policy is to reflect interest and penalties related to uncertain tax positions as part of income tax expense, when and if they become applicable. The Organization's federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, federal income tax returns have a three-year statute of limitations, and state income tax returns have a four-year statute of limitations.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions based on management's knowledge and experience. Those estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue, support, and expenses. Actual results could differ from those estimates.

Year Ended December 31, 2024

Note C. Program-Related Loan Receivable

The program-related loan receivable consists of the following as of December 31, 2024:

Program-related loan receivable from a borrower to build affordable housing, with no prepaid interest as of December 31, 2024, bearing interest at 1.00% per annum, with outstanding principal and interest due June 1, 2025. Subsequent to year end the note converted from a construction loan to a term loan with the due date June 1, 2040, at the same interest rate.	\$ 2,400,000
Program-related loan receivable from a borrower to build affordable by design market rate housing, with no prepaid interest as of December 31, 2024, bearing interest at 8.75% per annum, with outstanding principal and interest due June 1, 2025.	1,300,000
Program-related loan receivable from a borrower to build affordable housing, with prepaid interest included in the loan origination fees of \$1,440 as of December 31, 2024, bearing interest at 1.00% per annum, with outstanding principal and interest due February 15, 2025. Subsequent to year end the note was converted from a construction loan to a term loan with an October 1, 2040 due date, at the same interest rate.	800,000
Program-related loan receivable from a borrower to build affordable housing, with prepaid interest included in the loan origination fees of \$3,774 as of December 31, 2024, bearing interest at 1.00% per annum, with outstanding principal and interest due October 18, 2025. The note may be converted from a construction loan to a term loan with an April 18, 2041 due date, at the same interest rate, based on meeting the conversion conditions as described in the borrower's loan agreement.	4,000,000
Program-related loan from a borrower to build market rate housing, with prepaid interest included in the loan origination fees of \$542,279 as of December 31, 2024, variable monthly interest rate at the greater of 4.00%, or 3.25% above the senior lender's construction loan interest rate per annum (7.91% as of December 31, 2024), all outstanding principal and interest due March 20, 2027.	<u>7,000,000</u>
	15,500,000
Less current maturities	(1,300,000)
Less discount on below-market rate program-related loans receivable	(3,965,030)
Less loan loss reserve	(840,000)
Less loan origination fees, net	<u>(652,136)</u>
	\$ 8,742,834

Year Ended December 31, 2024

Note C. Program-Related Loan Receivable (continued)

During the year ended December 31, 2024, \$614,846 and \$169,072 of the loan origination fees and discount on below-market rate program-related loans receivable were amortized to interest income, respectively.

Note D. Long-Term Loans Payable

Long-term loans payable consists of the following as of December 31, 2024:

Loan payable to a municipal corporation to provide financing to support development housing projects that are consistent with project criteria adopted by the Organization. The loan is noninterest-bearing and is payable in one lump-sum on October 29, 2041.	\$ 10,000,000
Loan payable to a municipal corporation to provide financing to support development housing projects that are consistent with project criteria adopted by the Organization. The loan is noninterest-bearing and is payable in one lump-sum on November 4, 2041. All or a portion of the loan may be forgiven in accordance with the loan requirements. The portion of the loan forgiven for the year ended December 31, 2024 amounted to \$500,000. Cumulatively \$1,500,000 has been forgiven over the life of the loan.	8,500,000
Loan payable to a financial institution to originate construction and term loans for projects, with an interest rate of 2.50% per annum, accrued interest payable quarterly beginning January 1, 2023, until November 17, 2026, with principal and interest payable quarterly, and all outstanding principal and interest due on November 30, 2032.	1,000,000
	19,500,000
Debt discount on below market rate loans payable	(5,033,515)
Debt issuance costs	(21,641)
	<u>\$ 14,444,844</u>

During the year ended December 31, 2024, \$256,832 and \$2,750 of the debt discount on below market rate loans payable and debt issuance costs were amortized to interest expense, respectively.

Note E. Liquidity

Financial assets are considered unavailable due to donor-imposed restrictions or the governing board has set aside funds for internal designations. Amounts available include donor-restricted amounts that will meet purpose restrictions within the next twelve months from the statement of financial position date.

Year Ended December 31, 2024

Note E. Liquidity (continued)

The Organization operates with a balanced budget and anticipates covering its general expenditures with existing working capital and by maintaining and expanding existing program and relationships with funders who have provided donations without restrictions and are willing to provide multi-year grants. The Organization does not have any donor-imposed restrictions that affect liquidity as of December 31, 2024.

Note F. Net Assets

Net assets with donor restrictions represent amounts received or committed with donor restrictions, which have not yet been expended for their designated purpose (purpose-restricted) or amounts for general use in future periods (time-restricted). Net assets consist of the following as of December 31, 2024:

With donor restrictions:

Implicit time restrictions	<u>\$ 5,033,515</u>
Total net assets with donor restrictions	5,033,515
Without donor restrictions:	<u>(1,203,123)</u>
Net assets	<u>\$ 3,830,392</u>

During the year ended December 31, 2024, net assets were released from restrictions as the passage of time restrictions were met.

Note G. Concentration of Credit Risk

At various times during the year ended December 31, 2024, the Organization had deposit amounts at U.S. financial institutions in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance limit. The Organization has a sweep account that automatically transfers amounts that exceed a certain level into a higher interest-earning investment option at the close of each business day, which aids in maintaining balances below the FDIC limit. The Organization has not experienced any losses related to these balances and believes any related risk to be minimal.

Note H. Subsequent Events

The Organization has evaluated subsequent events through April 15, 2025, the date on which the financial statements were available to be issued.

In January 2025, the Organization loaned a borrower \$4,200,000 to build affordable housing, bearing interest at 1.35% per annum, with outstanding principal interest and interest due May 1, 2027. The note may be converted from a construction loan to a term loan with a February 1, 2043 due date, at the same interest rate, based on meeting the conversion conditions as described in the borrower’s loan agreement.

In March 2025, a program-related loan receivable with outstanding principal and interest of \$1,300,000 was repaid in full.