

June 19, 2020

Marlene Murphey, Executive Director
City of Fresno Successor Agency to the
Redevelopment Agency of the City of Fresno
848 M Street, 3rd floor
Fresno, California 93721

Re: Hotel Fresno Project Update and Request for Extension

Marlene,

This letter is to provide an update regarding the status of the development of the Hotel Fresno Project and to request an extension of the construction completion date. As you are aware, an Amended and Restated Owner Participation Agreement dated January 29, 2015 (the “OPA”), which was amended that certain First Amendment to Amended and Restated Owner Participation Agreement, dated September 27, 2018 (“First Amendment”). Section 5(b) of the First Amendment states July 31, 2020 is the outside date for the occupancy permit to be issued for the Project. Please be advised that Owner request the occupancy issuance date be extended to July 31, 2021.

Status Update

Closing of Construction Financing:

As you are aware, the main purpose of the First Amendment was to facilitate the ability of the developer to convert the Project from a 9% tax credit deal to a 4% tax credit/tax exempt bond deal. As you are further aware, the developer and the tax credit investor were able to secure the use of the Opportunity Zone Investment funds. However, facilitation of this investment required significant changes to the ownership structure, which also required revisions to the State AHSC Loan and Grant Agreements. The First Amendment was executed in September 2018 and the times included in that agreement were based the developer’s assumption that the closing would occur in late 2018/early 2019. Although the Opportunity Zone Investment Funds financing (via the tax credit investment) was critically important and beneficial to the Project, the transactional requirements did significantly delay the initial closing, several months, until June 2019.

Construction Delays

With the financing closed, construction on the Hotel Fresno Project actually began in July 2019 and the scheduled construction completion date was December 2020. The initial phase consisted of the environmental remediation work (which had to be completed first). The scope included remediation of lead-based paint and a minor amount of asbestos. This phase was originally scheduled for 6 weeks. However, the remediation actually took 11 weeks. The delay was mainly due to the impact from shifting the start date to overlap with the busiest time for abatement work, which is the summer months when many schools plan abatement work projects while the schools

are out for the summer. Our abatement contractors work was lengthened due to manpower issues related to his prior commitments.

As you know, the rehabilitation of the Hotel Fresno Project must meet the Secretary of Interior Standards to qualify for the historic tax credits. As with any major rehabilitation project, certain adjustments may be required once the rehab work is underway. This is especially true in this case given the historical nature of the Project. This simply means that certain unexpected changes that would otherwise be made in the field may require consultation with the Project's historical consultant and structural engineer. While these issues are normal on historical projects they can cause some delays. In addition, the contractor has experienced some delays the past few months due to effects the COVID-19 workplace restrictions have had on the Project.

Current Construction Status

As of this update, construction trade work that has been completed includes abatement, demolition, structural repairs, and temporary fire sprinklers stand pipe. Construction underway includes the following trades working concurrently:

- Plumbing waste and water systems rough-in work.
- Electrical, HVAC and Fire Sprinkler rough-in work.
- Metal Stud Framing of walls and ceilings from the 1st through 7th floors.
- Window Installation on floors 3 through 6
- Concrete floor infill work, miscellaneous steel supports work.

Per your request, we have attached the schedule for you review. The schedule reflects an estimated construction completion based on the contractors projections. Which may be adjusted as construction progresses.

Extension Request

Based on the current development status and delays experienced to date, the developer request that the occupancy issuance date in Section 5(b) of the First Amendment be extended to July, 31, 2021. The requested extension date is eleven months later than the July 31, 2020 date currently in the First Amendment. However, based on the actual construction start and related estimated completion date of December 30, 2020, the extension request is equivalent to a 5-6 month extension of the completion date.

The developer greatly appreciates the City's continued support of this important project. Please let us know if you have any questions.

Thank You.

Eugene Kim
Manager APEC International, LLC