



INVESTING IN COMMUNITIES

NOTICE OF REGULAR MEETING
**Sacramento Housing and Redevelopment
Commission**

Wednesday, May 3, 2017 – 6:00 pm
801 12th Street, 2nd Floor Commission Room, Sacramento CA

ROLL CALL

APPROVAL OF AGENDA

CITIZENS COMMENTS

While the Commission welcomes and encourages participation in the Commission meetings, please limit your comments to three minutes, so that everyone may be heard. If you wish to speak under Citizens Comments or on a posted agenda item, please fill out a speaker card and present it to the Agency Clerk. SHRA provides opportunities for the public to address the Commission at this time in order to listen to opinions regarding non-agendized matters within the subject matter jurisdiction of SHRA. Consistent with the Brown Act, the public comment periods on the agenda are not intended to be “question and answer” periods or conversations with Commission members. Members of the public with questions are encouraged to contact staff before or after the meeting. Commission attendees are requested to silence any electronic devices that they have in their possession during the meeting.

1. **APPROVAL OF MINUTES** - April 19, 2017

DISCUSSION/BUSINESS ITEMS

2. 800 Block of K Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing, and Approval of Loan Commitment and Tax Exempt Bonds
3. Housing Trust Fund And Affordable Housing Ordinance Annual Report
4. Housing Trust Fund Ordinance and Mixed Income Housing Ordinance Annual Report
5. Annual Report on Residential Hotels

EXECUTIVE DIRECTOR REPORT

COMMISSION CHAIR REPORT

ITEMS AND QUESTIONS OF COMMISSION MEMBERS

ADJOURNMENT

REPORTS: Copies of documents relating to agenda items are available for review in the Agency Clerk's office located at 801 12th Street, Sacramento CA 95814. Agendas and reports are also posted online at www.shra.org. Materials related to an item on this agenda submitted after distribution of the agenda packet are available for public inspection in the Agency Clerk's office during normal business hours and will also be available at the meeting.

AMERICANS WITH DISABILITIES ACT: Meeting facilities are accessible to persons with disabilities. If you require special assistance to participate in the meeting, notify the Agency Clerk at (916) 440-1363 at least 48 hours prior to the meeting.



INVESTING IN COMMUNITIES

MINUTES

Sacramento Housing and Redevelopment Commission (SHRC) Meeting of April 19, 2017 Meeting noticed on April 14, 2017

ROLL CALL

The Sacramento Housing and Redevelopment Commission meeting was called to order at 6:00 p.m. by Chair Creswell. A quorum of members was present.

MEMBERS PRESENT: Alcalay, Creswell, Griffin, Macedo, Morgan, Painter, Raab, Rios, Simas, Stajabu

MEMBERS ABSENT: Johnson

STAFF PRESENT: La Shelle Dozier, Tyrone Williams, David Levin, Vickie Smith, Christine Weichert, MaryLiz Paulson, Angela Jones, Sarah Thomas, Joanna Davis, Mark Hamilton, Jim Shields, LaTanna Jones.

APPROVAL OF AGENDA – agenda approved as submitted.

CITIZENS COMMENTS

Jefferey Tardaguilla and Alicia Jefferson provided comment.

Karen Wallace of the Resident Services Division introduced resident trainee Peter Otide and Vincent Ayala who was the winner of the youth art competition at Marina Vista.

1. APPROVAL OF MINUTES - The minutes of March 15, 2017 meeting was approved as submitted.

DISCUSSION/BUSINESS ITEMS

2. Tax Equity And Fiscal Responsibility Act (TEFRA) Hearing For Kensington Apartments

Anne Nicholls presented the item.

Robert Klein from Klein Financial (Developer) provided comments.

Commissioner Alcalay motioned to approve the staff recommendation with the caveat that the Developer must provide a relocation plan. Commissioner Griffin seconded the motion. After further discussion the motion was withdrawn.

On a motion by Commissioner Morgan, seconded by Commissioner Painter, the Commission considered the staff recommendation for the item listed above. The votes were as follows:

AYES: Alcalay, Morgan, Raab, Simas, Staajabu

NOES: Creswell, Raab

ABSENT: Johnson

ABSTAIN: Griffin, Macedo, Rios

Members voting no reflected Commissioners concerns about the Applicant not providing information and data to demonstrate consistency with approved Agency polices and standards as well as standard industry practices. Issues of concern included: construction scope, standards and budget, the lack of an adequate Relocation Plan, and Resident Services Plan. There was concern that without advance compliance with these standard practices, it was not possible to be assured that residents will be protected and that the property will be improved and maintained in a manner consistent with policies adopted by the Board of Supervisors. This is of particular concern because the Agency will not be responsible for monitoring compliance.

3. Approval Of Loan Commitment For St. Francis Terrace and Village Park

On a motion by Commissioner Morgan, seconded by Commissioner Alcalay, the Commission considered the staff recommendation for the items listed above. The votes were as follows:

AYES: Alcalay, Creswell, Griffin, Macedo, Morgan Painter, Rios, Simas, Staajabu

NOES: None

ABSENT: Johnson

ABSTAIN: None

RECUSE: Raab

4. Approval of Resolution to Support The City And County Allocating Their Biannual Residual Distributions From Redevelopment Property Tax Trust Fund "Boomerang Funds" To Affordable Housing

Chair Creswell reviewed the item.

Jefferey Tardaguila provided comments.

On a motion by Commissioner Griffin, seconded by Commissioner Painter, the Commission considered the staff recommendation for the items listed above. The votes were as follows:

AYES: Alcalay, Creswell, Griffin, Macedo, Morgan, Painter, Raab, Rios, Simas, Staajabu

NOES: None

ABSENT: Johnson

ABSTAIN: None

ITEMS AND QUESTIONS OF COMMISSION MEMBERS

None

EXECUTIVE DIRECTOR REPORT

La Shelle Dozier reviewed the following:

1. The next meeting will be held May 3rd
2. Upcoming event:
Mutual Housing at Foothill Farms Grand reopening – April 27th at 10:30am
3. Introduced La Tanna Jones who is the new Conventional Housing director.
4. Provided a recap of two events during the week at Prime Time Nutrition and the Colonial Heights Library.

COMMISSION CHAIR REPORT

Chair Creswell reviewed the following:

- Requested that staff look for opportunities for the Commission to speak at events or other occasions.
- Reported that April is Fair Housing Month and recommended that SHRA have a resolution presented to the Commission next year.
- Requested an update on the status of the Affirmatively Furthering Fair Housing project.

ADJOURNMENT

As there was no further business to be conducted, Chair Creswell adjourned at 7:50 pm.

Clerk



April 28, 2017

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

**800 Block of K Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing, and
Approval of Loan Commitment and Tax Exempt Bonds**

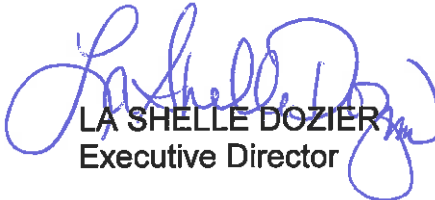
SUMMARY

The attached informational report is presented for your review prior to review by the City of Sacramento.

RECOMMENDATION

Staff recommends approval of the recommendation outlined in the attached report.

Respectfully submitted,


LA SHELLE DOZIER
Executive Director

Attachment



**REPORT TO COUNCIL AND
HOUSING AUTHORITY
City of Sacramento
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org**

**Public Hearing
May 16, 2017**

**Chair and Members of the Housing Authority Board
Honorable Mayor and Members of the City Council**

**Title: 800 Block of K Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing,
and Approval of Loan Commitment and Tax Exempt Bonds**

Location/Council District: 800 K Street and 801 L Street, District 4

Recommendation: Conduct a public hearing and upon conclusion adopt: 1) a **City Council Resolution** indicating the City Council has conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing related to the proposed construction and financing of 800 Block of K (Project); 2) a **City Council Resolution** which authorizes the Sacramento Housing and Redevelopment Agency (Agency) to a) approve a loan commitment of \$2,500,000 in City Housing Trust Funds (HTF) to the Project, b) execute a Conditional Loan Commitment Letter with 800 Block Partners, LLC (CFY Development, Inc. and SBH Real Estate Group, LLC) or related entity, c) execute all necessary documents associated with this transaction, d) amend the Agency budget, and e) make related findings; 3) a **Housing Authority Resolution** a) approving a loan commitment of \$2,000,000 in City Housing Successor Funds to the Project, b) authorizing the execution of a Conditional Loan Commitment Letter with 800 Block Partners, LLC (CFY Development, Inc. and SBH Real Estate Group, LLC) or related entity, c) authorizing the execution of all necessary documents associated with this transaction, d) amending the Agency budget, and e) making related findings; and 4) a **Housing Authority Resolution** a) indicating the intention of the Housing Authority of the City of Sacramento to issue up to \$60,000,000 in tax-exempt mortgage revenue bonds to provide acquisition, construction and permanent financing for the Project, b) authorizing an application to the California Debt Limit Allocation Committee (CDLAC) for allocation authority to issue bonds, and c) authorizing the Executive Director, or designee, to execute necessary documents associated with the transaction.

Contact: Christine Weichert, Assistant Director, 440-1353
Tyrone Roderick Williams, Director of Development, 440-1316

Presenters: Susan Salley Veazey, Sacramento Housing and Redevelopment Agency

Department: Sacramento Housing and Redevelopment Agency (Agency)

Description/Analysis

Issue Detail: The proposed 800 Block of K (Project) is a new construction, mixed-used, mixed-income housing development. The development will be constructed on approximately 1.01 acres located on two sites at 800 K Street and 801 L Street in the heart of Downtown Sacramento. The proposed development will have 148 units, consisting of 118 market rate units and 30 affordable units in two six-story buildings, and will also include 131 parking spaces, rooftop terraces, community center, and landscaped courtyard. The Project will consist of studios, 1- bedroom, 2-bedroom, and 3-bedroom units. All resident units will be equipped with washer/dryer, new windows and flooring. A number of the units will have private balconies. Unit kitchens will have designer cabinetry, quartz countertops, and high end appliances. There will be space for on-site management, a community room with a shared kitchen facility, and resident storage units. There will be approximately 18,500 square feet of commercial retail space on the ground floor. A vicinity map and project rendering are included as Attachments 2 and 3.

SBH Real Estate Group, LLC acquired the properties from the City of Sacramento in October 2016. 800 Block Partners, LLC (CFY Development, Inc. and SBH Real Estate Group, LLC) has applied to the Agency for the issuance of up to \$60,000,000 in tax exempt mortgage revenue bonds, and a gap financing Agency loan of \$4,500,000 consisting of \$2,500,000 in City Housing Trust Funds (HTF) and \$2,000,000 in City Housing Successor Funds, for the acquisition, construction, and permanent financing of the Project.

Developer: CFY Development, Inc. (CFY), as co-general partner of 800 Block Partners, LLC, is an experienced owner and manager of affordable rental housing projects. CFY has more than 30 years of experience in affordable housing and has partnered with the Agency on a number of previous projects. CFY owns and operates 38 communities in 22 cities across California, consisting of approximately 3,300 units. It has extensive experience in financing projects with tax credits, tax exempt bonds, and other public and private funding sources.

Property Management: The Project will be managed by CFY Development, Inc., an experienced property management firm with over 30 years of experience operating affordable apartment communities. Agency staff has reviewed and approved the management plan, including daily operations, leasing procedures, maintenance, and eviction procedures to ensure the company meets Agency requirements for property management.

Resident Services: The Agency's Multifamily Lending and Mortgage Revenue Bond Guidelines do not require resident services for projects with fewer than 50 affordable units. Given that there are 30 affordable units, the Agency will not require a specific number of resident services hours at 800 Block of K. CFY is, however, committed to providing a range of services to all residents of 800 Block and the program(s) will be tailored to suit the needs of the resident community.

Project Financing: In addition to the Agency loan, the Project is anticipated to be financed with four percent Low Income Housing Tax Credits (LIHTCs), tax-exempt bond financing, a bank loan, developer equity, and a deferred developer fee. The affordability schedule for the 30 affordable units consists of 3 units affordable to households earning 30 percent or less of Area Median Income (AMI) and 27 units affordable to households earning 50 percent or less of AMI.

The law firm of Orrick, Herrington and Sutcliffe LLP, will serve as Bond Counsel to the Housing Authority.

Low-Income Set-Aside Requirements: As a condition of receiving tax credits and the benefits of tax-exempt bond financing, federal law requires that units be set aside for targeted income groups. Income restrictions from LIHTC financing require that 20% of the units have rents that are affordable to households with income up to 50% of Area Median Income (AMI). Project affordability restrictions will be specified in regulatory agreements with the Developer. These anticipated sources and their affordability requirements are summarized in the following table:

Unit Type	% of Units	Affordability Restrictions	Units	Regulatory Requirements
Low Income Housing Tax Credits, Tax-exempt Bonds and Agency loan	2%	Extremely Low (30% AMI)	3	55 years
Low Income Housing Tax Credits, Tax-exempt Bonds and Agency loan	18%	Very Low (50% AMI)	27	55 years
Market Rate	80%	None	118	None
Total	100%		148	

A project summary, including proposed sources and uses of funds, is included as Attachment 4. A project cash flow proforma and a schedule of maximum income and rents are included as Attachments 5 and 6.

Policy Considerations: The recommended actions are consistent with a) the Housing Trust Fund Ordinance and its adopted rules and regulations for its administration (Ordinance No. 89-013); b) the Agency’s previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 4. Rehabilitation and New Production (Resolution No. 2009-148). There is one exception to the Agency’s policy on annual payment for monitoring the regulatory restrictions: The Agency will collect the monitoring fee based on 20 percent of the bond amount rather than the full bond amount, given that 20 percent of the units are affordable; c) the 2013-2021 Housing Element, which encourages the provision of a variety of quality housing types to encourage neighborhood stability, including options for extremely low-income households (Resolution No. 2013-415); d) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit

growth to promote livability and connectivity within the Promise Zone (Resolution No. 2015-263); and e) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to bring 10,000 places to live to Downtown Sacramento by 2025 (Resolution No. 2015-282).

Economic Impacts: This multifamily residential project is expected to create an estimated 571.4 total jobs (290.47 direct jobs and 226.93 jobs through indirect and induced activities) and create an estimated \$45,385,810 in total economic output (\$27,892,214 of direct output and another \$17,493,596 of output through indirect and induced activities). *The indicated economic impacts are estimates calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). CSER utilized the IMPLAN input-output model (2009 coefficients) to quantify the economic impacts of a hypothetical \$1 million of spending in various construction categories within the City of Sacramento in an average one-year period. Actual impacts could differ significantly from the estimates and neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.*

Environmental Considerations:

California Environmental Quality Act (CEQA): The project is in the process of being reviewed for compliance with CEQA and is anticipated to be exempt per CEQA Guidelines §15332, "infill development projects". Environmental review will be completed prior to project commitment and/or funding.

National Environmental Policy Act (NEPA): The project does not involve any federal actions or expenditure of federal funds. Therefore, NEPA review is not required.

Sustainability Considerations: The Project has been reviewed for consistency with the goals, policies, and targets of the 2035 General Plan. If approved, the project will advance the following goals, policies, and targets that will directly or indirectly conserve energy resources and reduce greenhouse gas emissions, in part, from the 2035 General Plan: a) Housing Element – Strategies and Policies for Conserving Energy Resources – Climate Action Plan, subsection 7.2: Title 24 of the California Code of Regulations contains California's building standards for energy efficiency; and b) Environmental Resources - Air Quality and Climate Change sub-section 6.1.7: reduce greenhouse gas emissions from new development, promoting water conservation and recycling, promoting development that is compact, mixed use, pedestrian friendly, and transit oriented; and promoting energy-efficient building design and site planning.

Commission Action: At its meeting of May 3, 2017, the Sacramento Housing and Redevelopment Commission (Commission) considered the staff recommendation for this item. The votes were as follows:

AYES:


NOES:

ABSENT:

Rationale for Recommendation: The actions recommended in this report enable the Agency to continue to fulfill its mission to provide a range of affordable housing opportunities in the City and are consistent with the Agency’s previously approved Multifamily Lending and Mortgage Revenue Bond Policies, the City of Sacramento’s 2013-2021 Housing Element, Promise Zone plans and goals, and the Downtown Housing Initiative and Initiation of the Downtown Specific Plan.

Financial Considerations: The Agency will receive a one-time issuance fee of 0.25 percent of the bond amount, which is payable at bond closing, and annual payment for monitoring the regulatory restrictions and administration of the bonds, in the amount of 0.15 percent of 20 percent of the bond amount for the term of 55 years. The Developer will be responsible for payment of all costs, fees, and deposits relating to the bond application. Mortgage revenue bonds do not represent a financial obligation of the Agency, Housing Authority, or City of Sacramento. The Agency loan of \$4,500,000 is comprised of \$2,500,000 in City HTF funds and \$2,000,000 in Housing Successor funds.

LBE - M/WBE and Section 3 requirements: The activities recommended in this staff report do not involve federal funding; therefore, there are no M/WBE or Section 3 requirements. Local Business Enterprise considerations do not apply to this report.

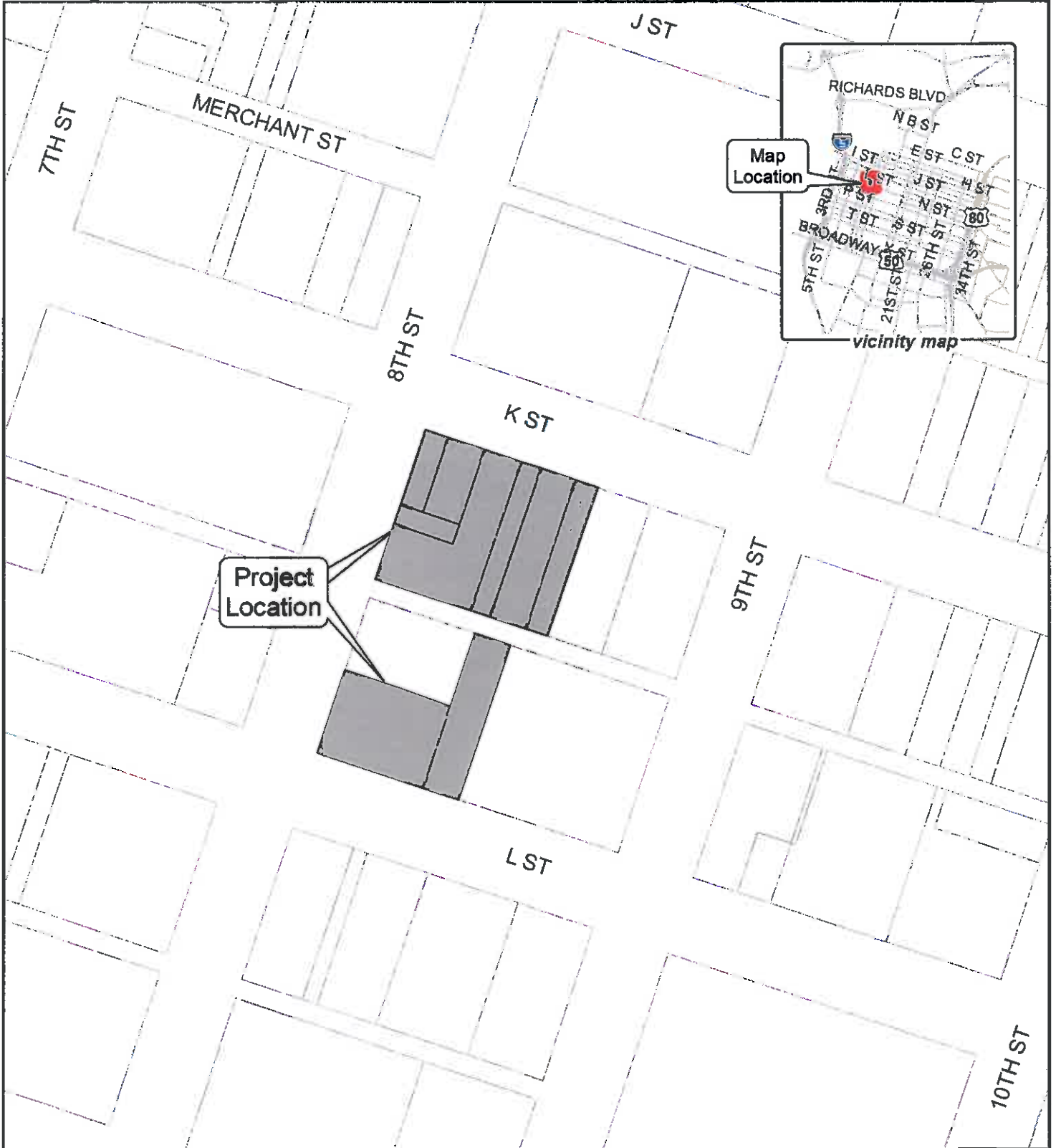
Respectfully Submitted by: 
LA SHELLE DOZIER
Executive Director

Attachments

- 01 Description/Analysis and Background
- 02 Vicinity Map
- 03 Project Rendering
- 04 Project Summary
- 05 Cash Flow
- 06 Maximum Income and Rent Levels
- 07 City Resolution-TEFRA Hearing
- 08 City Resolution-Loan Commitment (Housing Trust Funds)
- 09 Exhibit A: Conditional Loan Commitment Letter
- 10 Housing Authority Resolution-Loan Commitment (Housing Successor Funds)
- 11 Exhibit A: Conditional Loan Commitment Letter
- 12 Housing Authority Resolution-Tax Exempt Bonds



800 Block of K Street



 Project Parcel

0 100 200 Feet



SHRA GIS
March 7, 2017

800 Block of K
Project Rendering



800 K
Residential Project Financial Summary

Address	800 K and 801 L Streets, Sacramento CA 95814			
Number of Units	148			
Construction Type	New Construction			
Acreage	1.01			
Affordability	3 units at or below 30% of AMI 27 units at or below 50% of AMI 118 units at market rate			
Unit Mix and Rents	(30% AMI)	(50% AMI)	Market	Manager's Unit
Studio	2	15	15	
1 Bedroom / 1 Bath	1	12	73	1
2 Bedroom / 2 Bath			24	
3 Bedroom / 2 Bath			3	
TOTAL	3	27	115	1
Square Footage	<i>Per Unit</i>	<i>Total</i>		
Studio	573	18,336	square feet	
1 Bedroom / 1 Bath	761	65,446	square feet	
2 Bedroom / 2 Bath	1,190	28,560	square feet	
3 Bedroom / 2 Bath	1,493	4,479	square feet	
Common Areas		21,432	square feet	
Commercial		18,500	square feet	
Parking		61,832	square feet	
TOTAL		218,585	square feet	
Resident Facilities	The project will include a community center, courtyard, rooftop terraces, on-site management, parking, and ground floor retail space.			
Permanent Sources	<i>Current Total</i>	<i>Per Unit</i>	<i>Per Sq Ft</i>	
Senior Loans	\$ 50,649,307	\$ 342,225	\$ 231.71	
Tax Credit Equity	\$ 3,459,369	\$ 23,374	\$ 15.83	
SHRA Loan	\$ 4,500,000	\$ 30,405	\$ 20.59	
Developer Equity	\$ 6,500,000	\$ 43,919	\$ 29.74	
Deferred Developer Fee	\$ 3,427,274	\$ 23,157	\$ 15.68	
TOTAL SOURCES	\$ 68,535,950	\$ 120,856	\$ 81.83	
Permanent Uses				
Acquisition	\$ 5,483,760	\$ 37,052	\$ 25.09	
Construction	\$ 45,385,810	\$ 306,661	\$ 207.63	
Permits and Fees	\$ 2,900,000	\$ 19,595	\$ 13.27	
Architecture and Engineering	\$ 1,750,000	\$ 11,824	\$ 8.01	
Hard Cost Contingency	\$ 2,245,000	\$ 15,169	\$ 10.27	
Soft Cost Contingency	\$ 300,000	\$ 2,027	\$ 1.37	
Financing Costs	\$ 4,012,599	\$ 27,112	\$ 18.36	
Operating Reserves	\$ 500,000	\$ 3,378	\$ 2.29	
Legal Fees	\$ 350,000	\$ 2,365	\$ 1.60	
Developer Fee	\$ 5,000,000	\$ 33,784	\$ 22.87	
Insurance, Third Party, Marketing, Other	\$ 608,781	\$ 4,113	\$ 2.79	
TOTAL USES	\$ 68,535,950	\$ 463,081	\$ 313.54	
Operating Expenses (at Occupancy)				
Proposed Developer:	CFY Development, Egis Group and SBH REG			
Property Management Company:	CFY Development, Inc.			
Operations Budget:	\$ 535,000	\$ 3,615		
Assessments:	\$ 345,000	\$ 2,331		
Property Management	\$ 88,800	\$ 600		
Resident Services:	\$ 5,000	\$ 34		
Replacement Reserves:	\$ 37,000	\$ 250		

MAXIMUM LIHTC INCOME AND RENT LEVELS 2016*Rents at 30% and 50% of Area Median Income (AMI)***Maximum Income Limits:**

Family Size	30% AMI	50% AMI
1 person	\$ 14,580	\$ 24,300
2 person	\$ 16,680	\$ 27,800
3 person	\$ 18,750	\$ 31,250
4 person	\$ 20,820	\$ 34,700
5 person	\$ 22,500	\$ 37,500

Maximum Rent Limits:

Low Income Housing Tax Credits (LIHTCs)

Unit Size	Gross Rent	
	30% AMI	50% AMI
Studio	\$ 364	\$ 607
1 Bedroom	\$ 390	\$ 651

RESOLUTION NO. 2017-

Adopted by the Sacramento City Council

on date of

800 BLOCK OF K: APPROVAL OF THE ISSUANCE OF OBLIGATIONS BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO ON BEHALF OF 800 BLOCK PARTNERS, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY

BACKGROUND

- A. The Housing Authority of the City of Sacramento (the Authority), a housing authority organized and existing under the laws of the State of California, proposes a plan of financing for the issuance of multifamily housing revenue obligations (Obligations) in an amount not to exceed \$60,000,000 and to lend the proceeds thereof to 800 Block Partners, LLC, (Borrower) or a partnership created by CFY Development, Inc. (Developer), consisting at least of the Developer or a related person to the Developer and one or more limited partners, to be used to provide funds for the acquisition, construction and development of a 148-unit multifamily housing residential development to be located at 800 K Street and 801 L Street, Sacramento, California, to be owned by the Borrower and operated by CFY Development, Inc..
- B. Section 147(f) of the Internal Revenue Code of 1986 requires the execution and delivery of the Obligations to be approved by the City Council of the City of Sacramento (City Council), as the elected representative body of the City of Sacramento and the host jurisdiction of the subject multifamily housing residential development, after a public hearing has been held following proper notice.
- C. A public hearing was held by the City Council on May 16, 2017, following duly published notice thereof, and all persons desiring to be heard have been heard.
- D. It is in the public interest and for the public benefit that the City Council, as the elected representative of the City of Sacramento and the host jurisdiction of the subject multifamily housing residential development, approve the execution and delivery by the Authority of the Obligations.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The City Council of the City of Sacramento hereby finds, determines and declares that issuance by the Authority of the Obligations in the maximum principal amount of \$60,000,000 for the purposes described above is hereby approved.
- Section 2. This resolution shall take effect immediately upon its adoption.

RESOLUTION NO. 2017 -

Adopted by the Sacramento City Council

on date of

800 BLOCK OF K: APPROVAL OF \$2,500,000 IN CITY HOUSING TRUST FUNDS (HTF); EXECUTION OF COMMITMENT AND RELATED DOCUMENTS WITH 800 BLOCK PARTNERS, LLC (CFY DEVELOPMENT, INC. AND SBH REAL ESTATE GROUP, LLC) OR RELATED ENTITY; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS

BACKGROUND

- A. 800 Block Partners, LLC (CFY Development, Inc. and SBH Real Estate Group, LLC) (Developer) has applied for an allocation of \$4,500,000, consisting of \$2,500,000 in City Housing Trust Funds (HTF) and \$2,000,000 in City Housing Successor Funds from the Sacramento Housing and Redevelopment Agency (Agency) to assist in funding the acquisition, rehabilitation and permanent financing of the 800 Block of K, which will be new construction of a mixed-use, mixed-income development located in Downtown Sacramento.
- B. The recommended actions are consistent with a) the Housing Trust Fund Ordinance and its adopted rules and regulations for its administration (Ordinance No. 89-013); b) the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 4. Rehabilitation and New Production (Resolution No. 2009-148). There is one exception to the Agency's policy on annual payment for monitoring the regulatory restrictions: the Agency will collect this fee based on 20 percent of the bond amount rather than the full bond amount given that 20 percent of the units are affordable; c) the 2013-2021 Housing Element, which encourages the provision of a variety of quality housing types to encourage neighborhood stability, including options for extremely low-income households (Resolution No. 2013-415); d) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone (Resolution No. 2015-263); and e) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to bring 10,000 places to live to Downtown Sacramento by 2025 (Resolution No. 2015-282).
- C. The project is in the process of being reviewed for compliance with the California Environmental Quality Act (CEQA) and is anticipated to be exempt per CEQA Guidelines at 14 California Code of Regulations §15332, "infill development projects". Environmental review will be completed prior to project commitment and/or funding.

- D. The proposed actions do not involve any federal actions or the expenditure of federal funds and therefore do not require review under the National Environmental Policy Act (NEPA).

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. All of the evidence having been duly considered, the facts as presented and stated above, including the environmental facts and findings, as stated above, are found to be true and correct.
- Section 2. The Loan Commitment, as attached (Exhibit A), for financing the Project with \$2,500,000 in City Housing Trust Funds is approved, and the Agency is authorized to execute and transmit the Loan Commitment to 800 Block Partners, LLC (CFY Development, Inc. and SBH Real Estate Group, LLC) or related entity.
- Section 3. The Agency is authorized to enter into and execute other documents, as approved to form by agency counsel, and perform other actions necessary to fulfill the intent of the Loan Commitment that accompanies this resolution, in accordance with its terms, and to ensure proper repayment of the Agency funds including without limitation, subordination, extensions consistent with Agency adopted policy and with this resolution.
- Section 4. The Agency is authorized to amend its budget to receive up to \$2,500,000 in HTF funds for the 800 Block of K Project.

TABLE OF CONTENTS:

Exhibit A – Loan Commitment Letter

Date: May 16, 2017

800 Block Partners, LLC
C/O
Ali Youssefi
1006 4th Street, Suite 701
Sacramento, CA 95814

RE: Conditional Funding Commitment for 800 Block of K & L

Dear Mr. Youssefi:

On behalf of the Sacramento Housing and Redevelopment Agency (Agency), we are pleased to advise you of its \$4,500,000 commitment of permanent loan funds (Loan) comprised of \$2,500,000 in City Housing Trust Funds (HTF) and \$2,000,000 in City Housing Successor Funds for the purpose of financing the acquisition, rehabilitation and development of that certain real property known as 800 Block of K located at 800 K and 801 L Streets, Sacramento, California (Property). **The Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of the Agency, this commitment is void.** Agency's obligation to make the Loan is subject to the satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

The Loan shall be made on standard Agency loan documents. Loan terms not in this funding commitment and the attached loan document forms shall not be included in the final loan documents without additional environmental review and governing board approval. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan commitment letter shall be deemed to be terms of this commitment.

Unless otherwise agreed in writing by the Agency in exercise of its absolute discretion, the following shall be considered conditions to Agency approval of a financing commitment. The Agency may, in exercise of its absolute discretion, modify its requirements upon written notice to Borrower given at least sixty (60) days prior to close of escrow for the Property.

This commitment will expire May 16, 2018.

1. **PROJECT DESCRIPTION:** The proposed 800 Block of K (Project), as submitted to the City of Sacramento for entitlements, is a new construction, mixed-used, mixed-income housing development. The development will be located on approximately 1.01 acres on two sites at 800 K Street and 801 L Street in the heart of Downtown Sacramento. The proposed development will have 148 units, consisting of 118 market rate apartments and 30 affordable apartments in a six-story building, and will include 131 parking spaces, rooftop terraces, community center, and landscaped courtyard. There will be approximately 18,500 square feet of commercial retail space on the ground floor. Changes to the Project's design may be required to obtain approvals from the multiple agencies with jurisdiction over the Project, and any material changes to the Project shall be subject to review and approval by the Agency.
2. **BORROWER:** The name of the Borrower for the Loan is 800 Block Partners, LLC, a California limited liability company (CFY Development, Inc. and SBH Real Estate Group, LLC, or related entity), or related entity or assigned to an entity with the Agency's prior reasonable consent.
3. **PURPOSE OF LOAN:** The Loan is to be used by Borrower solely to pay the costs of acquisition, rehabilitation, development, construction and for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.
4. **PRINCIPAL AMOUNT:** The combined principal amount of the Loan will be the lesser of (a) Four Million Five Hundred Thousand Dollars (\$4,500,000), or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency.
5. **TERM OF LOAN:** The Loan shall mature 57 years or 684 months from the date of closing, at which point any and all unpaid principal and interest on the loan will be due and payable.
6. **INTEREST RATE:** The Loan will bear simple interest at four percent (4%) per annum. Interest shall be calculated on the basis of a 365-day year and actual number of days elapsed.
7. **ANNUAL REPAYMENT:** Annual principal and interest payments shall be deferred from the Loan's Effective Date through the first 210 months. Beginning in month 211, annual payments shall be made in an amount not to exceed the payment schedule

contained in the Loan Agreement, calculated to achieve an annual 1.2 debt coverage ratio including all loans senior to the Loan and SHRA fee, the Limited Partner Management fee, and the Managing General Partner fee. Annual payments shall be applied first to outstanding interest accrued and unpaid and then to principal.

8. **SOURCE OF LOAN FUNDS**: Agency is making the Loan from the following sources of funds, and the Loan is subject to all requirements related to the use of such, whether Agency requirements or otherwise: City Housing Trust Funds and City Housing Successor Funds. This Loan is conditioned upon Borrower's acceptance of Agency's requirements and conditions related to such lending programs and funding sources, including among others, the required forms of agreements for the Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements.

Borrower acknowledges that, as a condition of the Agency's making of the Loan, the Property will be subject to restrictions on future sales and rentals which may result in less income to Borrower than could otherwise be realized, and that such restrictions run with the land, and during their operational term, will bind all successors in interest.

_____ **(Borrower Initial)**

9. **ACCELERATION**: Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.
10. **SECURITY**: The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a lien upon the Property and Improvements subject only to liens senior to the Agency's lien securing loans from a lender and syndicator selected by Borrower and such other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of construction of the Property.
11. **NONRECOURSE**: Notwithstanding any provision of the commitment or any document evidencing or securing this Loan, Borrower's principals, partners, members, agents, officers and successors in interest shall not be liable for the payment of the Loan or any obligation of the Loan.
12. **LEASE AND RENTAL SCHEDULE**: All leases of the Property and Improvements shall be subject to Agency's review and approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval; provided, however, that such approval shall not be required for annual adjustments to rental rates as permitted by the California Tax Credit Allocation Committee.

13. **PROOF OF EQUITY:** Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$3,459,369 in Low Income Housing Tax Credit Equity and no less than \$3,400,000 in deferred developer fee, assuming a total developer fee of \$5,000,000. If LIHTC equity goes below \$3,459,369 it must be offset by an increase in deferred developer fee or developer/General Partner equity. Agency agrees to cooperate with requests from the tax credit investor, which requests may include the separation of the affordable housing units into a separate legal entity.

14. **OTHER FINANCING:** Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:
 - (a) As a condition precedent to disbursement of the remainder of the Agency loan, construction financing from a private lender(s) in an amount(s) sufficient to complete construction of the Property according to a scope of work as approved by Agency and made for a term not less than that specified in the Schedule of Performances for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.

 - (b) Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien.

 - (c) Such commitments for financing shall not require modification of Agency loan documents, or any term of this commitment letter.

15. **EVIDENCE OF FUNDS:** Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its absolute discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.

16. **SOILS AND TOXIC REPORTS:** Borrower has submitted to the Agency a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-13) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property will be remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.

17. **LOAN IN BALANCE:** Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders or the equity investor are sufficient, in the sole judgement of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
18. **PLANS AND SPECIFICATION:** Final plans and specifications, if any, for the project must be in accordance with the proposal approved as part of the Loan application, unless otherwise approved by the Agency. Final plans and specifications will be subject to Agency's final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project. The final plans shall incorporate all related mitigation measures, environmental conditions required, if any, for compliance with approvals under CEQA, and/or NEPA, or the U.S. Department of Housing and Urban Development as conditions of approval of the project.
19. **ARCHITECTURAL AGREEMENT:** The architectural agreement (Agreement), if any, for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
20. **CONSTRUCTION CONTRACT:** The construction contract (Contract), if any, and any change orders issued thereunder, and the contractor (Contractor) to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan. Agency may require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.
21. **RETENTION AMOUNT:** The Agency shall retain ten percent (10.0%) as retention from each disbursement, not to exceed a total of ten percent (10.0%) of the total amount of the Loan.
22. **COST BREAKDOWN:** Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment.

Agency shall make disbursements of the Loan based on a cost breakdown that lists line items in cost categories. Agency shall require that Borrower provide documentation supporting all requests for disbursement of Loan funds, including proof of work done and actual expenditure. Agency shall conduct inspections of the Property to assure that the work was done before making a disbursement.

23. **COST SAVINGS:** At completion of construction, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the final sources of funding. If there is an aggregate savings, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Agency, after adjusting for any decrease in any funding source including any loss of any equity investment due to an adjustment in the allowable tax credits, the Agency shall withhold for itself as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the Loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification and the original approved budget for the project.
24. **START OF CONSTRUCTION:** Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than sixty (60) days following the close of construction financing.
25. **COMPLETION OF CONSTRUCTION:** Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing, unless an extension is granted to the Borrower by Construction Lender.
26. **SECURITY CAMERAS AND OUTSIDE LIGHTING:** Project shall include installation of a security camera system at vehicular driveways and additional exterior lighting, all as approved by the Agency.
27. **INSURANCE PROVIDER:** Each policy of insurance required under the Loan shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A+ VII, which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel.
28. **HAZARD INSURANCE:** Borrower shall procure and maintain fire and extended coverage insurance and during construction Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).
29. **PUBLIC LIABILITY AND OTHER INSURANCE:** Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: (1) Commercial General

Liability insurance in Insurance Services Office (ISO) policy form CG 00 01 Commercial General Liability (Occurrence) or better with limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project; (2) Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; (3) Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and (4) Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.

30. TITLE INSURANCE: Borrower must procure and deliver to Agency an ALTA Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deed of Trust constitutes a third lien or charge upon the Property and Improvements subject only to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.
31. ORGANIZATIONAL AGREEMENTS: Borrower must submit to Agency certified copies of all of Borrower's organizational documents, including all amendments, modifications or terminations: if a corporation, Borrower's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Borrower must submit a corporate borrowing resolution referencing this Loan. If Borrower is other than a corporation, Borrower must submit such proof of authority to enter this Loan as may be required under the organizational documents.
32. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
33. FINANCIAL INFORMATION: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency a monthly rent-roll including household composition information

and operating statements with respect to the Property and Improvements, as Agency may request.

34. MANAGEMENT AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval.
35. LOW INCOME HOUSING TAX CREDITS (LIHTC): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTC's and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.
36. SMOKE-FREE ENVIRONMENT: At least 50% of the units must be smoke free. All indoor common areas must be smoke-free.
37. DOCUMENTATION: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.
38. CONSISTENCY OF DOCUMENTS: As a material obligation under this commitment letter, Borrower shall assure that the loan documents for the Project are consistent with lender's commitment approved by the Agency and comply, in all respects, with this commitment letter.
39. CHANGES OR AMENDMENTS: No documents or contracts which are to be delivered to Agency or are subject to Agency's review or approval shall be modified or terminated without the prior written approval of Agency.
40. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.

Sincerely,

La Shelle Dozier
Executive Director

The undersigned acknowledges and accepts the foregoing Commitment and its terms and conditions.

Dated: May 16, 2017

BORROWER:

800 Block Partners, LLC, a California limited liability company

By: _____
Ali Youssefi

RESOLUTION NO. 2017 -

Adopted by the Housing Authority of the City of Sacramento

on date of

800 BLOCK OF K: APPROVAL OF \$2,000,000 IN HOUSING SUCCESSOR FUNDS; EXECUTION OF COMMITMENT AND RELATED DOCUMENTS WITH 800 BLOCK PARTNERS, LLC (CFY DEVELOPMENT, INC. AND SBH REAL ESTATE GROUP, LLC) OR RELATED ENTITY; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS

BACKGROUND

- A. 800 Block Partners, LLC (CFY Development, Inc. and SBH Real Estate Group, LLC) (Developer) has applied for an allocation of \$4,500,000, consisting of \$2,500,000 in City Housing Trust Funds (HTF) and \$2,000,000 in City Housing Successor Funds from the Sacramento Housing and Redevelopment Agency (Agency) to assist in funding the acquisition, rehabilitation and permanent financing of the 800 Block of K, which will be new construction of a mixed-use, mixed-income development located in Downtown Sacramento.
- B. The recommended actions are consistent with a) the Housing Trust Fund Ordinance and its adopted rules and regulations for its administration (Ordinance No. 89-013); b) the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 4., Rehabilitation and New Production (Resolution No. 2009-148). There is one exception to the Agency's policy on annual payment for monitoring the regulatory restrictions: the Agency will collect this fee based on 20 percent of the bond amount rather than the full bond amount given that 20 percent of the units are affordable; c) the 2013-2021 Housing Element, which encourages the provision of a variety of quality housing types to encourage neighborhood stability, including options for extremely low-income households (Resolution No. 2013-415); d) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone (Resolution No. 2015-263); and e) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan to bring 10,000 places to live to Downtown Sacramento by 2025 (Resolution No. 2015-282).
- C. The project is in the process of being reviewed for compliance with California Environmental Quality Act (CEQA) and is anticipated to be exempt per CEQA Guidelines at 14 California Code of Regulations §15332, "infill development projects." Environmental review will be completed prior to project commitment and/or funding.
- D. The proposed actions do not involve any federal actions or the expenditure of federal funds and therefore do not require review under the National Environmental Policy Act.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. All of the evidence having been duly considered, the facts as presented and stated above, including the environmental facts and findings, as stated above, are found to be true and correct.
- Section 2. The Loan Commitment for financing the Project with \$2,000,000 in Housing Successor Funds is approved, and the Agency is authorized to execute and transmit the Loan Commitment to 800 Block Partners, LLC (CFY Development, Inc. and SBH Real Estate Group, LLC) or related entity.
- Section 3. The Agency is authorized to enter into and execute other documents, as approved to form by agency counsel, and perform other actions necessary to fulfill the intent of the Loan Commitment that accompanies this resolution, in accordance with its terms, and to ensure proper repayment of the Agency funds including without limitation, subordination, extensions consistent with Agency adopted policy and this resolution.
- Section 4. The Agency is authorized to amend its budget to receive up to \$2,000,000 in Housing Successor Funds for the 800 Block of K Project.

TABLE OF CONTENTS:

Exhibit A – Loan Commitment Letter

Date: May 16, 2017

800 Block Partners, LLC
C/O
Ali Youssefi
1006 4th Street, Suite 701
Sacramento, CA 95814

RE: Conditional Funding Commitment for 800 Block of K & L

Dear Mr. Youssefi:

On behalf of the Sacramento Housing and Redevelopment Agency (Agency), we are pleased to advise you of its \$4,500,000 commitment of permanent loan funds (Loan) comprised of \$2,500,000 in City Housing Trust Funds (HTF) and \$2,000,000 in City Housing Successor Funds for the purpose of financing the acquisition, rehabilitation and development of that certain real property known as 800 Block of K located at 800 K and 801 L Streets, Sacramento, California (Property). **The Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of the Agency, this commitment is void.** Agency's obligation to make the Loan is subject to the satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

The Loan shall be made on standard Agency loan documents. Loan terms not in this funding commitment and the attached loan document forms shall not be included in the final loan documents without additional environmental review and governing board approval. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan commitment letter shall be deemed to be terms of this commitment.

Unless otherwise agreed in writing by the Agency in exercise of its absolute discretion, the following shall be considered conditions to Agency approval of a financing commitment. The Agency may, in exercise of its absolute discretion, modify its requirements upon written notice to Borrower given at least sixty (60) days prior to close of escrow for the Property.

This commitment will expire May 16, 2018.

1. **PROJECT DESCRIPTION:** The proposed 800 Block of K (Project), as submitted to the City of Sacramento for entitlements, is a new construction, mixed-used, mixed-income housing development. The development will be located on approximately 1.01 acres on two sites at 800 K Street and 801 L Street in the heart of Downtown Sacramento. The proposed development will have 148 units, consisting of 118 market rate apartments and 30 affordable apartments in a six-story building, and will include 131 parking spaces, rooftop terraces, community center, and landscaped courtyard. There will be approximately 18,500 square feet of commercial retail space on the ground floor. Changes to the Project's design may be required to obtain approvals from the multiple agencies with jurisdiction over the Project, and any material changes to the Project shall be subject to review and approval by the Agency.
2. **BORROWER:** The name of the Borrower for the Loan is 800 Block Partners, LLC, a California limited liability company (CFY Development, Inc. and SBH Real Estate Group, LLC, or related entity), or related entity or assigned to an entity with the Agency's prior reasonable consent.
3. **PURPOSE OF LOAN:** The Loan is to be used by Borrower solely to pay the costs of acquisition, rehabilitation, development, construction and for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.
4. **PRINCIPAL AMOUNT:** The combined principal amount of the Loan will be the lesser of (a) Four Million Five Hundred Thousand Dollars (\$4,500,000), or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency.
5. **TERM OF LOAN:** The Loan shall mature 57 years or 684 months from the date of closing, at which point any and all unpaid principal and interest on the loan will be due and payable.
6. **INTEREST RATE:** The Loan will bear simple interest at four percent (4%) per annum. Interest shall be calculated on the basis of a 365-day year and actual number of days elapsed.
7. **ANNUAL REPAYMENT:** Annual principal and interest payments shall be deferred from the Loan's Effective Date through the first 210 months. Beginning in month 211, annual payments shall be made in an amount not to exceed the payment schedule

contained in the Loan Agreement, calculated to achieve an annual 1.2 debt coverage ratio including all loans senior to the Loan and SHRA fee, the Limited Partner Management fee, and the Managing General Partner fee. Annual payments shall be applied first to outstanding interest accrued and unpaid and then to principal.

8. **SOURCE OF LOAN FUNDS:** Agency is making the Loan from the following sources of funds, and the Loan is subject to all requirements related to the use of such, whether Agency requirements or otherwise: City Housing Trust Funds and City Housing Successor Funds. This Loan is conditioned upon Borrower's acceptance of Agency's requirements and conditions related to such lending programs and funding sources, including among others, the required forms of agreements for the Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements.

Borrower acknowledges that, as a condition of the Agency's making of the Loan, the Property will be subject to restrictions on future sales and rentals which may result in less income to Borrower than could otherwise be realized, and that such restrictions run with the land, and during their operational term, will bind all successors in interest.

_____ **(Borrower Initial)**

9. **ACCELERATION:** Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.
10. **SECURITY:** The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a lien upon the Property and Improvements subject only to liens senior to the Agency's lien securing loans from a lender and syndicator selected by Borrower and such other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of construction of the Property.
11. **NONRECOURSE:** Notwithstanding any provision of the commitment or any document evidencing or securing this Loan, Borrower's principals, partners, members, agents, officers and successors in interest shall not be liable for the payment of the Loan or any obligation of the Loan.
12. **LEASE AND RENTAL SCHEDULE:** All leases of the Property and Improvements shall be subject to Agency's review and approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval; provided, however, that such approval shall not be required for annual adjustments to rental rates as permitted by the California Tax Credit Allocation Committee.

13. **PROOF OF EQUITY:** Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$3,400,000 in Low Income Housing Tax Credit Equity and no less than \$3,400,000 in deferred developer fee, assuming a total developer fee of \$5,000,000. If LIHTC equity goes below \$3,400,000 it must be offset by an increase in deferred developer fee or developer/General Partner equity. If the deferred developer fee decreases it must be offset by an increase in developer/General Partner equity. Agency agrees to cooperate with requests from the tax credit investor, which requests may include the separation of the affordable housing units into a separate legal entity.

14. **OTHER FINANCING:** Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:
 - (a) As a condition precedent to disbursement of the remainder of the Agency loan, construction financing from a private lender(s) in an amount(s) sufficient to complete construction of the Property according to a scope of work as approved by Agency and made for a term not less than that specified in the Schedule of Performances for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.

 - (b) Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien.

 - (c) Such commitments for financing shall not require modification of Agency loan documents, or any term of this commitment letter.

15. **EVIDENCE OF FUNDS:** Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its absolute discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.

16. **SOILS AND TOXIC REPORTS:** Borrower has submitted to the Agency a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-13) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials

on the Property will be remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.

17. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders or the equity investor are sufficient, in the sole judgement of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
18. PLANS AND SPECIFICATION: Final plans and specifications, if any, for the project must be in accordance with the proposal approved as part of the Loan application, unless otherwise approved by the Agency. Final plans and specifications will be subject to Agency's final approval prior to the disbursement of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project. The final plans shall incorporate all related mitigation measures, environmental conditions required, if any, for compliance with approvals under CEQA, and/or NEPA, or the U.S. Department of Housing and Urban Development as conditions of approval of the project.
19. ARCHITECTURAL AGREEMENT: The architectural agreement (Agreement), if any, for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
20. CONSTRUCTION CONTRACT: The construction contract (Contract), if any, and any change orders issued thereunder, and the contractor (Contractor) to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan. Agency may require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.
21. RETENTION AMOUNT: The Agency shall retain ten percent (10.0%) as retention from each disbursement, not to exceed a total of ten percent (10.0%) of the total amount of the Loan.
22. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment.

Agency shall make disbursements of the Loan based on a cost breakdown that lists line items in cost categories. Agency shall require that Borrower provide documentation supporting all requests for disbursement of Loan funds, including proof of work done and

actual expenditure. Agency shall conduct inspections of the Property to assure that the work was done before making a disbursement.

23. **COST SAVINGS:** At completion of construction, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the final sources of funding. If there is an aggregate savings, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Agency, after adjusting for any decrease in any funding source including any loss of any equity investment due to an adjustment in the allowable tax credits, the Agency shall withhold for itself as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the Loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification and the original approved budget for the project.
24. **START OF CONSTRUCTION:** Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than sixty (60) days following the close of construction financing.
25. **COMPLETION OF CONSTRUCTION:** Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing, unless an extension is granted to the Borrower by Construction Lender.
26. **SECURITY CAMERAS AND OUTSIDE LIGHTING:** Project shall include installation of a security camera system at vehicular driveways and additional exterior lighting, all as approved by the Agency.
27. **INSURANCE PROVIDER:** Each policy of insurance required under the Loan shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A+ VII, which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel.
28. **HAZARD INSURANCE:** Borrower shall procure and maintain fire and extended coverage insurance and during construction Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).

29. **PUBLIC LIABILITY AND OTHER INSURANCE:** Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: (1) Commercial General Liability insurance in Insurance Services Office (ISO) policy form CG 00 01 Commercial General Liability (Occurrence) or better with limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project; (2) Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; (3) Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and (4) Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.
30. **TITLE INSURANCE:** Borrower must procure and deliver to Agency an ALTA Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deed of Trust constitutes a third lien or charge upon the Property and Improvements subject only to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.
31. **ORGANIZATIONAL AGREEMENTS:** Borrower must submit to Agency certified copies of all of Borrower's organizational documents, including all amendments, modifications or terminations: if a corporation, Borrower's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Borrower must submit a corporate borrowing resolution referencing this Loan. If Borrower is other than a corporation, Borrower must submit such proof of authority to enter this Loan as may be required under the organizational documents.
32. **PURCHASE OF PROPERTY:** Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
33. **FINANCIAL INFORMATION:** During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower

must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency a monthly rent-roll including household composition information and operating statements with respect to the Property and Improvements, as Agency may request.

34. MANAGEMENT AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval.
35. LOW INCOME HOUSING TAX CREDITS (LIHTC): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTC's and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.
36. SMOKE-FREE ENVIRONMENT: At least 50% of the units must be smoke free. All indoor common areas must be smoke-free.
37. DOCUMENTATION: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.
38. CONSISTENCY OF DOCUMENTS: As a material obligation under this commitment letter, Borrower shall assure that the loan documents for the Project are consistent with lender's commitment approved by the Agency and comply, in all respects, with this commitment letter.
39. CHANGES OR AMENDMENTS: No documents or contracts which are to be delivered to Agency or are subject to Agency's review or approval shall be modified or terminated without the prior written approval of Agency.
40. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.

Sincerely,

La Shelle Dozier
Executive Director

The undersigned acknowledges and accepts the foregoing Commitment and its terms and conditions.

Dated: May 16, 2017

BORROWER:

800 Block Partners, LLC, a California limited liability company

By: _____
Ali Youssefi

RESOLUTION NO. 2017-

Adopted by the Housing Authority of the City of Sacramento

on date of

800 BLOCK OF K: A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO DECLARING INTENTION TO REIMBURSE EXPENDITURES FROM THE PROCEEDS OF TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS

BACKGROUND

- A. The Housing Authority of the City of Sacramento (the Authority) intends to issue tax-exempt obligations (Obligations) for the purpose, among other things, of making a loan to 800 Block Partners, LLC, a California limited liability company, or a limited partnership or a limited liability company related to or formed by CFY Development, Inc. (Developer), the proceeds of which shall be used by the Developer to finance the acquisition, construction and development of a 148-unit multifamily housing residential facility to be located at 800 K Street and 801 L Street, Sacramento, California (Project).
- B. Federal Income Tax Regulations at 26 Code of Federal Regulations §1.150-2 provide generally that proceeds of tax-exempt debt are not deemed to be expended when such proceeds are used for reimbursement of expenditures made prior to the date of issuance of such debt unless certain procedures are followed, one of which is a requirement that (with certain exceptions), prior to the payment of any such expenditure, the issuer must declare an intention to reimburse such expenditure.
- C. It is in the public interest and for the public benefit that the Authority declare its official intent to reimburse the expenditures referenced herein.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

- Section 1. The Authority intends to issue the Obligations for the purpose of paying the costs of financing the acquisition, construction and development of the Project.
- Section 2. The Authority hereby declares that it reasonably expects that a portion of the proceeds of the Obligations will be used for reimbursement of expenditures for the acquisition, construction and development of the Project that are paid before the date of initial execution and delivery of the Obligations.
- Section 3. The maximum amount of proceeds of the Obligations to be used for reimbursement of expenditures for the acquisition, construction and development of the Project that are paid before the date of initial execution and delivery of the Obligations is not to exceed \$60,000,000.
- Section 4. The foregoing declaration is consistent with the budgetary and financial circumstances of the Authority in that there are no funds (other than proceeds of the Obligations) that are reasonably expected to be (i) reserved, (ii) allocated or (iii) otherwise set aside, on a long-term basis, by or on behalf of the Authority, or any public entity controlled by the Authority, for the expenditures for the acquisition, construction and development of the Project that are expected to be reimbursed from the proceeds of the Obligations.

- Section 5. The Developer shall be responsible for the payment of all present and future costs in connection with the issuance of the Obligations, including, but not limited to, any fees and expenses incurred by the Authority in anticipation of the issuance of the Obligations, the cost of printing any official statement, rating agency costs, bond counsel fees and expenses, underwriting discount and costs, trustee fees and expense, and the costs of printing the Obligations. The payment of the principal, redemption premium, if any, and purchase price of and interest on the Obligations shall be solely the responsibility of the Developer. The Obligations shall not constitute a debt or obligation of the Authority.
- Section 6. The appropriate officers or Authority staff members are hereby authorized, for and in the name of and on behalf of the Authority, to make an application to the California Debt Limit Allocation Committee for an allocation of private activity bonds for the financing of the Project.
- Section 7. The adoption of this Resolution shall not obligate (i) the Authority to provide financing to the Developer for the acquisition, construction and development of the Project or to issue the Obligations for purposes of such financing; or (ii) the Authority, or any department of the Authority or the City of Sacramento to approve any application or request for, or take any other action in connection with, any environmental, General Plan, zoning or any other permit or other action necessary for the acquisition, construction, development or operation of the Project.
- Section 8. This resolution shall take effect immediately upon its adoption.

RESOLUTION NO. SHRC-_____

ADOPTED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION UNDER THE AUTHORITY DELEGATED TO THE COMMISSION PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 33202 BY RESOLUTION NO. RA 81-083 ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO ON OCTOBER 20, 1981, AND BY RESOLUTION NO. RA-83 ADOPTED BY THE REDEVELOPMENT AGENCY OF THE COUNTY OF SACRAMENTO ON OCTOBER 27, 1981, AND PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34292 BY RESOLUTION NO. HA 81-098 ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO ON OCTOBER 20, 1981, AND BY RESOLUTION NO. HA-1497 ADOPTED BY THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO ON OCTOBER 27, 1981.

ON DATE OF

May 16, 2017

800 BLOCK OF K: AUTHORIZING A LOAN COMMITMENT CONSISTING OF \$2,500,000 IN CITY HOUSING TRUST FUNDS (HTF) AND \$2,000,000 IN CITY HOUSING SUCCESSOR FUNDS; EXECUTION OF LOAN COMMITMENT AND RELATED DOCUMENTS WITH 800 BLOCK PARTNERS, LLC (CFY DEVELOPMENT, INC. AND SBH REAL ESTATE GROUP, LLC) OR RELATED ENTITY; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS

NOW, THEREFORE, BE IT RESOLVED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION:

Section 1: The project is in the process of being reviewed for compliance with the California Environmental Quality Act (CEQA) and is anticipated to be exempt per CEQA Guidelines at 14 California Code of Regulations §15332, "infill development projects." Environmental review will be completed prior to project commitment and/or funding.

Section 2: The proposed actions do not involve any federal actions or the expenditure of federal funds and therefore do not require review under the National Environmental Policy Act (NEPA).

Section 3: Subject to approval by the City Council and Housing Authority of the City of Sacramento, the Loan Commitment attached to and incorporated in this resolution by this reference for the financing of 800 Block of K project (Loan Commitment) is approved and the Executive Director, or designee, is authorized to execute the Loan Commitment and related documents and transmit to 800 Block Partners, LLC (CFY Development, Inc. and SBH Real Estate Group, LLC) or related entity.

Section 4: The Executive Director, or designee, is authorized to amend the Sacramento Housing and Redevelopment Agency (Agency) budget to transfer \$2,500,000 in City Housing Trust Funds and \$2,000,000 in City Housing Successor Funds to 800 Block Partners, LLC.

Section 5: Subject to approval by the City Council and Housing Authority of the City of Sacramento, the Executive Director, or designee, is authorized to execute the Loan Commitment and related documents with 800 Block Partners, LLC, and perform other actions necessary to fulfill the intent of repayment of funds, including without limitation, subordination, extensions and restricting of payments, all as approved by agency counsel.

800 BLOCK OF K: AUTHORIZING A LOAN COMMITMENT CONSISTING OF \$2,500,000 IN CITY HOUSING TRUST FUNDS (HTF) AND \$2,000,000 IN CITY HOUSING SUCCESSOR FUNDS; EXECUTION OF LOAN COMMITMENT AND RELATED DOCUMENTS WITH 800 BLOCK PARTNERS, LLC (CFY DEVELOPMENT, INC. AND SBH REAL ESTATE GROUP, LLC) OR RELATED ENTITY; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS

Page 2 of 2

CHAIR

ATTEST:

CLERK



April 28, 2017

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Housing Trust Fund and Affordable Housing Ordinance Annual Report

SUMMARY

The attached informational report is presented for your review prior to review by the County of Sacramento.

RECOMMENDATION

Staff recommends approval of the recommendation outlined in the attached report.

Respectfully submitted,


LA SHELLE DOZIER
Executive Director

Attachment

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
May 23, 2017

To: Board of Supervisors of the County of Sacramento

From: Sacramento Housing and Redevelopment Agency

Subject: Housing Trust Fund And Affordable Housing Ordinance Annual Report

Supervisorial
District: All

Contact: Christine Weichert, Assistant Director, 440-1353
Tyrone Roderick Williams, Director of Development, 440-1316

Overview

This report provides information on the status of the Housing Trust Fund Ordinance for calendar year 2016 and the Affordable Housing Ordinance for the calendar year 2016. No action is required.

Recommendations

This item is for information only and no action is required.

Measures/Evaluation

The Sacramento Housing and Redevelopment Agency (SHRA) develops and finances a continuum of affordable housing projects on behalf of the County of Sacramento. This report provides the status of the County's Housing Trust Fund for 2016 and the expenditures made toward this goal. Also included is a report on the County's Affordable Housing Ordinance for 2016.

Fiscal Impact

None

BACKGROUND

Housing Trust Fund - The County Housing Trust Fund (HTF) ordinance authorizes the collection of fees on non-residential construction to fund very low-income housing. The ordinance requires an annual report to the Board of Supervisors. The HTF ordinance was adopted in 1990 to raise local financing for affordable housing near employment centers. Fees on non-residential developments generate revenue based on an economic nexus analysis. The analysis determined that the construction of commercial projects such as offices, business parks, hotels, warehouses, and shopping centers played a major role in attracting additional very low- and low-income workers to Sacramento. The fee-generated revenue is used to develop affordable housing units with the goal of increasing the supply available for lower-income workers. The Sacramento Housing and Redevelopment Agency (SHRA) administers these funds on behalf of the County of Sacramento. See Attachment 1 for the Housing Trust Fund Annual and Income Reports.

Affordable Housing Ordinance - The County Affordable Housing Ordinance created a standard affordable housing fee on residential construction and provides a variety of other options for developers to satisfy affordable housing obligations. On February 25, 2014, the Sacramento County Board of Supervisors (Board) repealed Chapter 22.35 of the County Code known as the County's Affordable Housing Ordinance (Repealed Ordinance) and adopted a revised Ordinance (Ordinance) on March 26, 2014. Though the Ordinance requires a biennial report, SHRA is electing to report on the Ordinance annually to align with the HTF report.

The revised Ordinance created a standard affordable housing fee applicable to all developers (with limited exceptions) and provided a variety of other options that applicants/developers may utilize to satisfy a project's affordable housing obligation. As part of the revision to the Ordinance, the County contracted with a consultant to perform a nexus analysis which demonstrated the relationship between the development of market-rate residential units and the need for additional affordable housing. In order to implement the Ordinance, the County and SHRA prepared the Affordable Housing Program Guidelines (Guidelines) and the Board approved the Guidelines on June 9, 2015. This report quantifies affordable housing production under the revised ordinance during the reporting period encompassing the calendar year 2016. See Attachment 3 for the Affordable Housing Ordinance Annual Report.

SHRA follows its Multifamily Lending and Mortgage Revenue Bond Policies approved by the Board of Supervisors on March 10, 2009, for the allocation of both the HTF and Affordable Housing Ordinance funds.

DISCUSSION

This item is for information only and no action is required.

COMMISSION ACTION

At its meeting of May 3, 2017, the Sacramento Housing and Redevelopment Commission received the information presented in these reports.

MEASURES/EVALUATIONS

This report gives the status of the County's Housing Trust Fund for 2016 and the expenditures made. The report also serves as the required report on the County's Affordable Housing Ordinance for 2016 and the expenditures made.

FINANCIAL ANALYSIS

The County Housing Trust Fund has collected a total of \$44,082,104 in fees, interest, and loan repayments since the inception of the fund in 1990. A total of \$36,220,315 has been expended on projects, and \$3,971,725 on administration, which is approximately nine percent of total fee revenue. The 2016 ending balance was \$3,890,064. After subtracting for projects with budgeted expenditures, the balance available for new projects was \$592,254 as of December 31, 2016.

The County Affordable Housing Ordinance has collected a total of \$4,009,367 in fees, interest, and loan repayments since the inception of the revised Ordinance in 2014. A total of \$1,115,000 has been expended on projects and \$124,558 on administration which is approximately three percent of the total fee revenue. The 2016 ending balance was \$3,878,362. After subtracting for projects with budgeted expenditures, the balance available for new projects was \$1,978,362 as of December 31, 2016.

POLICY CONSIDERATIONS

No action is required and no policy changes are being recommended.

ENVIRONMENTAL REVIEW

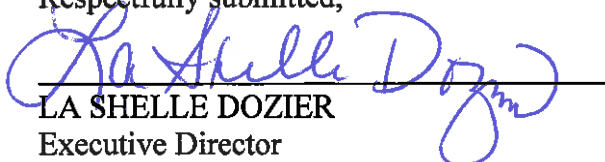
California Environmental Quality Act (CEQA): The proposed activity does not constitute a project subject to environmental review under CEQA per Guidelines at 14 California Code of Regulations (CCR) §15378(b).

National Environmental Policy Act (NEPA): The proposed activity is Exempt from environmental review under NEPA regulations per 24 Code of Federal Regulations (CFR) §58.34(a)(3).

M/WBE/SECTION 3 AND FIRST SOURCE CONSIDERATIONS

The items discussed in this staff report do not involve federal funding; therefore, there are no M/WBE or Section 3 requirements.

Respectfully submitted,


LA SHELLE DOZIER
Executive Director
Sacramento Housing and Redevelopment Agency

APPROVED

NAVDEEP S. GILL
County Executive

Attachments:

ATT 1 – Housing Trust Fund Annual Report for 2016

ATT 2 – Affordable Housing Ordinance Annual Report for 2016

Sacramento County Housing Trust Fund
Annual Report
for
January 1, 2016 to December 31, 2016

Sacramento Housing and Redevelopment Agency
May 2017

HOUSING TRUST FUND ANNUAL REPORT FOR 2016

The County Housing Trust Fund (HTF) ordinance was adopted in 1990 to raise local financing for affordable housing near employment centers. Fees on non-residential developments generate revenue based on an economic nexus analysis. The analysis determined that the construction of commercial projects such as offices, business parks, hotels, warehouses, and shopping centers played a major role in attracting new very low- and low-income workers to Sacramento. The fee-generated revenue is used to develop affordable housing units with the goal of increasing the supply available for lower-income workers. SHRA administers these funds on behalf of the County of Sacramento (County).

The County's Housing Trust Fund benefits very low-income households who earn up to 50 percent of the County median income. The jobs-housing linkage requires that housing projects funded with HTF be occupied by persons in the labor force. Additionally, projects must be located within a seven-mile radius of the employment-generating uses that pay Housing Trust Fund fees.

Pursuant to the Mitigation Fee Act (Government Code §66000 et. seq.), this report provides the public with information on revenue and production generated by the County Housing Trust Fund for calendar year 2016.

Current Fee Schedule

Building Use	Fee Per Square Foot
Office	\$0.97
Hotel	\$0.92
Research & Development	\$0.82
Commercial	\$0.77
Manufacturing	\$0.61
Warehouse	\$0.26

The following 2016 County Housing Trust Fund Financial Information tables provide financial information for the fund in 2016, including:

- beginning and ending balance
- revenue, including the amount of fees collected, interest earned, and income from loan repayments
- amount of expenditures for projects and operations
- amount budgeted, but not expended, for projects
- balance available for new projects

2016 County Housing Trust Fund Financial Information

Beginning Balance	
\$3,433,641	

Income	
Fees Collected	\$393,295
Interest	\$46,291
Loan Repayment	\$1,399,838
Total Income	\$1,839,424

Expense	
Projects	\$1,124,631
Compound Interest ¹	\$69,389
Operations	\$188,981
Total Expense	\$1,383,001

Ending Balance	
Remaining Project Balances	\$3,297,810
Balance Available for Projects	\$592,254
Ending Balance	\$3,890,064

¹Compounding interest expense offsetting loan repayment income.

The interest earnings include both interest earned from the investment pool and interest earned from the interest portion of Housing Trust Fund loan repayments.

The 2016 County Housing Trust Fund Expenditures table, below, identifies current HTF projects, expenditures, and available balance. For each project the chart also identifies the HTF-restricted units, the total number of housing units, and the loan maturity date.

2016 County Housing Trust Fund Expenditures

Project	Address	HTF Units	Total Units	Total HTF Budgeted	2016 HTF Expenditure	Remaining Balance	Loan Maturity Date
Anton Arcade	2134 Butano Drive	18	148	\$3,210,000	\$0	\$310,000	5/1/2072
Colonia San Martin*	7271 Florin Mall Drive	40	60	\$2,100,000	\$141,937	\$567,810*	11/19/2062
Courtyard Inn	3425 Orange Grove Ave	14	120	\$2,200,000	\$0	\$2,200,000	N/A
Ethan Terrace	1820-1824 Ethan Terrace	14	92	\$2,200,000	\$982,694	\$220,000	12/1/2072
TOTAL		86	420	\$9,710,000	\$1,124,631	\$3,297,810	

*Colonia San Martin has a remaining balance available for operating reserves. Construction of this project is complete.

County of Sacramento
Housing Trust Fund Income Report
Through 12/31/2016

Year	Fees	Interest	Loan Income	Total Income
1991-1993	\$ 4,337,485	\$ 587,152	\$ -	\$ 4,924,637
1994	\$ 774,285	\$ 159,238	\$ -	\$ 933,523
1995	\$ 1,508,924	\$ 130,937	\$ 9,840	\$ 1,649,701
1996	\$ 1,051,242	\$ 167,955	\$ 14,500	\$ 1,233,697
1997	\$ 1,894,423	\$ 204,847	\$ 25,043	\$ 2,124,313
1998	\$ 2,636,297	\$ 154,380	\$ 534,170	\$ 3,324,847
1999	\$ 1,065,536	\$ 323,039	\$ 108,612	\$ 1,497,187
2000	\$ 2,164,212	\$ 420,805	\$ 118,073	\$ 2,703,090
2001	\$ 2,334,409	\$ 519,351	\$ 429,323	\$ 3,283,083
2002	\$ 1,177,864	\$ 327,057	\$ 70,023	\$ 1,574,943
2003	\$ 1,238,436	\$ 286,061	\$ 79,224	\$ 1,603,721
2004	\$ 1,076,037	\$ 283,381	\$ 830,788	\$ 2,190,206
2005	\$ 1,394,429	\$ 108,026	\$ 49,510	\$ 1,551,965
2006	\$ 731,093	\$ 409,360	\$ 66,279	\$ 1,206,732
2007	\$ 744,941	\$ 492,043	\$ 81,824	\$ 1,318,808
2008	\$ 797,206	\$ 388,626	\$ 121,439	\$ 1,307,272
2009	\$ 218,366	\$ 248,569	\$ 140,425	\$ 607,360
2010	\$ 67,427	\$ 235,588	\$ 193,611	\$ 496,626
2011	\$ 118,195	\$ 287,400	\$ 206,869	\$ 612,464
2012	\$ 243,621	\$ 278,580	\$ 210,414	\$ 732,616
2013	\$ 350,148	\$ 483,884	\$ 718,437	\$ 1,552,468
2014	\$ 354,655	\$ 904,552	\$ 1,609,790	\$ 2,868,997
2015	\$ 451,431	\$ 36,608	\$ 2,456,386	\$ 2,944,424
2016	\$ 393,295	\$ 46,291	\$ 1,399,838	\$ 1,839,424
TOTAL	\$ 27,123,957	\$ 7,483,732	\$ 9,474,416	\$ 44,082,104

The County Housing Trust Fund Developments table identifies all properties that received Housing Trust Funds and the total number of units produced. The map included below shows the location of each of the Housing Trust Fund Expenditures detailed in the below table.

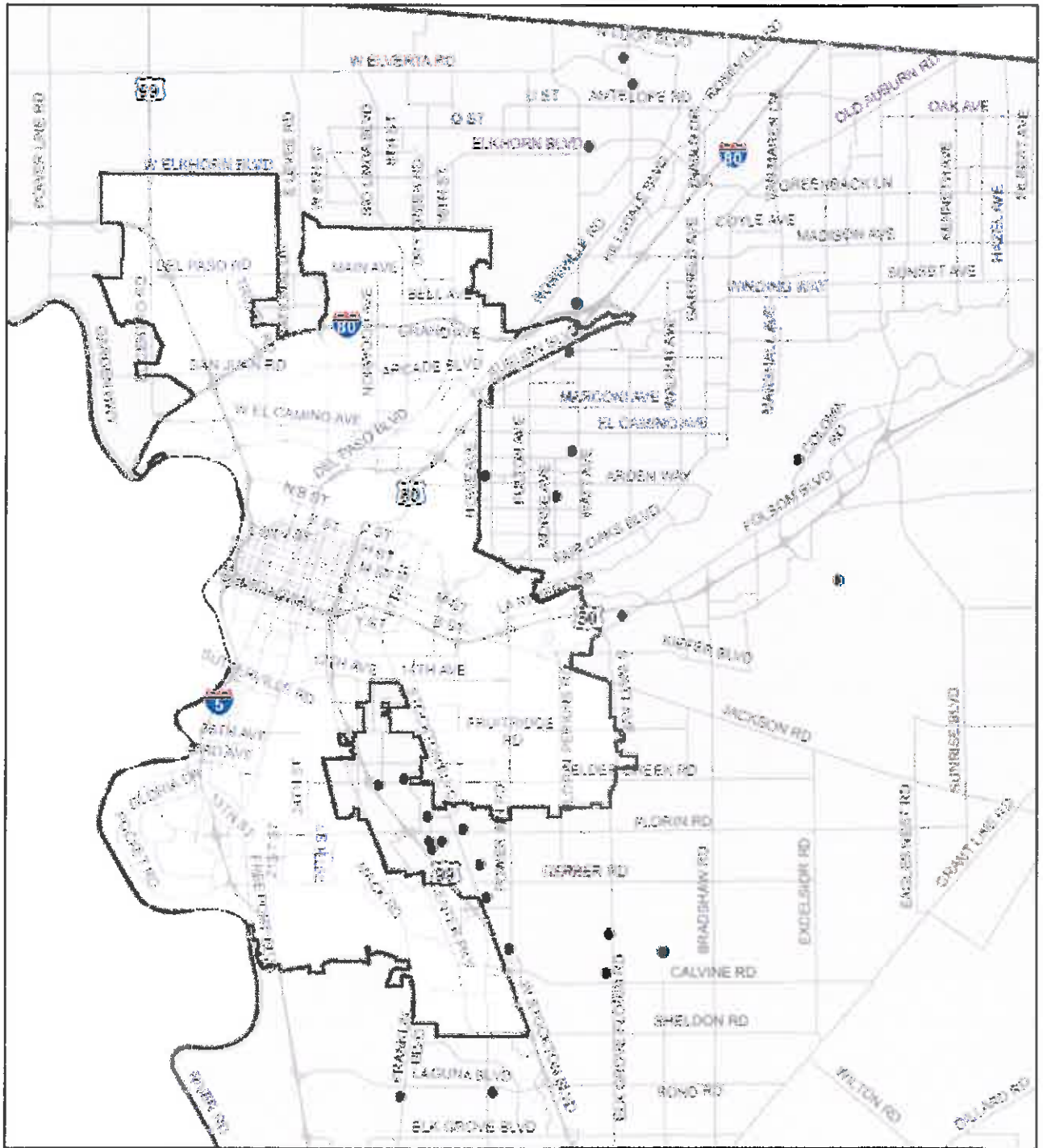
County Housing Trust Fund Developments

Project Status	Project Name	Total Units
Completed	Acacia Meadows Apartments	140
Completed	Anton Arcade	148
Completed	Arbor Creek Family Apartments	102
Completed	Arlington Creek Apartments	148
Completed	Asbury Place	104
Completed	Auberry Park	112
Completed	Churchill Downs Apartments	204
Completed	Colonia San Martin	60
Completed	Cordova Meadows Apartments/Park Meadows	183
Financing Pending	Courtyard Inn	120
Completed	Danbury Park	140
Completed	Ethan Terrace	92
Completed	Fleming Phase II	15
Completed	Fleming Place	30
Financing Pending	Florin Woods/Crossroads Gardens	70
Completed	Greenway Village	54
Completed	Los Robles (Sky Parkway)	80
Completed	Mather Transitional Housing (Phase II)	273
Completed	Morse Glen Estates (Lerwick)	50
Completed	Norden Terrace Apartments	204
Completed	Olivewood Apartments	68
Completed	Pacific Rim/Sunnyslope	31
Completed	Sac Veterans Resource Center	32
Completed	Saybrook	61
Completed	Terracina Laguna	136
Completed	Terracina Vineyard	64
Completed	Village Crossings Apartments	196
TOTAL UNITS		2,917

Parties interested in receiving notices of meetings at which this report is heard may request to be placed on a notification list. Notice of the time and place of the meeting will be mailed 15 days prior to the meeting. Written requests should be made to SHRA and are valid one year from the date on which they are filed. Renewal requests for mailed notices should be made on or before April 1st of each year.



Housing Trust Fund Expenditures



 Sacramento County

 Housing Trust Fund Funded Project



SHRA GIS
April 4, 2017

Sacramento County Affordable Housing Ordinance

Annual Report

for

January 1, 2016 to December 31, 2016

Sacramento Housing and Redevelopment Agency

May 2017

AFFORDABLE HOUSING ORDINANCE ANNUAL REPORT FOR 2016

On February 25, 2014, the Sacramento County Board of Supervisors (Board) repealed Chapter 22.35 of the County Code, known as the County's Affordable Housing Ordinance (Repealed Ordinance), and adopted a revised Ordinance (Ordinance) on March 26, 2014. The revised Ordinance creates a standard affordable housing fee applicable to all developers (with limited exceptions) and provides a variety of other options an applicant/developer may choose to satisfy a project's affordable housing obligations. For a variety of factors and economic circumstances, including increasing housing-development costs, new residential development does not always provide housing to low, very low, and extremely low-income households. As part of this revision, the County contracted with a consultant to perform a residential nexus analysis that demonstrates the relationship between the development of market-rate residential units and the need for additional affordable housing. In order to implement the Ordinance, the County and SHRA prepared the Affordable Housing Program Guidelines (Guidelines) and the County approved the Guidelines on June 9, 2015.

Ordinance section 22.35.060(D) calls for biennial reports to monitor the performance of the affordable housing program, including the number of units produced, the amount of land dedicated and purchased, the amount of funds collected and expended, and the level of affordability of units constructed. Though the Ordinance requires a biennial report, SHRA is electing to report on the Ordinance annually to align with the Housing Trust Fund report. This annual report quantifies affordable housing production since the adoption of the revised ordinance during the reporting period encompassing calendar year 2016.

Under the new Ordinance, new residential development projects have the following options to comply with the affordable housing requirement:

- Pay an affordability fee on all newly constructed market-rate units;
- Comply with the development project's approved affordable housing plan (AHP) if one exists under the repealed ordinance; or
- Enter into a development agreement or other form of agreement with the County that provides for a fee credit for land dedication, construction of affordable housing units, or other mechanism that leads to the production of affordable housing in an amount at least equivalent to the affordability fee.
- Purchase Unit credits for affordable housing units banked with SHRA prior to the effective date of the Ordinance.

Current Fee Schedule

As of March 31, 2017, the current affordability fee is equal to \$2.69 per habitable square foot of each market rate residential unit and is paid concurrently with payments for building permit fees for the development project. The fee is adjusted annually based on the Building Cost Index 20-City Average published by Engineer News-Record/McGraw Hill.

**2016 COUNTY AFFORDABLE HOUSING
PROGRAM FINANCIAL INFORMATION**

Beginning Balance	
\$2,101,279	

Income	
Fees Collected	\$1,813,392
Interest	\$30,383
Program Income	\$16,532
Total Income	\$1,860,307

Expense	
Operations	\$83,224
Total Expense	\$83,224

Ending Balance	
Remaining Project Balances	\$1,900,000
Balance Available for Projects	\$1,978,362
Ending Balance	\$3,878,362

At least 10 percent of the affordability fees collected are to be utilized to generate extremely low-income units by buying down affordability in very low-income units constructed as a result of the ordinance or constructed on dedicated sites.

At least 50% of the fees collected shall be used to produce affordable housing in large development projects consisting of at least 750 residential units.

2016 County Affordable Housing Ordinance Expenditures

Project	Address	AHO Units	Total Units	Total AHO Budgeted	2016 AHO Expenditure	Remaining Balance
Courtyard Inn	3425 Orange Grove Ave	10	120	\$1,900,000	\$0	\$1,900,000
TOTAL		10	120	\$1,900,000	\$0	\$1,900,000

Other Development Options

Compliance with the revised Ordinance requires coordination among the project sponsor/developer, SHRA staff, and County staff. If a developer enters into a development agreement, a project's application for entitlements includes preparation of an Affordable Housing Strategy detailing how the affordable obligation will be met. The strategy is approved by the County Board of Supervisors concurrently with the project's first legislative entitlements. An Affordable Housing Regulatory Agreement is then

executed between the Developer and SHRA concurrently with the final map for the project.

Production Accomplished

The Unit Production table identifies all affordable units constructed under the Repealed Ordinance and the Revised Ordinance.

The Regulatory Agreement is recorded on the property's Title and remains in effect for either 30 years (for-sale units) or 55 years (rental units), during which rents remain affordable. Completed projects are monitored by SHRA's Portfolio Management Department for the duration of the Regulatory Agreement.

2016 AFFORDABLE HOUSING PROGRAM UNIT PRODUCTION

REVISED ORDINANCE

2014-2016	Units Constructed		
	ELI	VLI	LI
None	0	0	0

REPEALED ORDINANCE

2011-2013	Units Constructed		
	ELI	VLI	LI
Glenwood #5 Subdivision (Single Family)	0	0	4
2009-2010			
Arbor Creek Family (Multi-family)	41	41	19
Arbor Creek Senior (Multi-family)	7	32	20
Corsair Park Senior Apartments (Multi-family)	0	11	6
Norden Terrace Apartments (Multi-family)	0	20	10
Varena Senior (Multi-family)	0	13	6
2007-2008			
Vineyard Creek/Vineyard Pointe (Multi-family)	35	71	70
Sierra Sunrise II (Multi-family)	0	2	1
Colonia San Martin (Multi-family)	0	6	3
Robbin's Nest (Single Family)	0	0	1
Foothill Farms Senior (Multi-family)	0	17	8
Mutual Housing at the Highlands (Multi-family)	0	8	4
2005-2006			
Walerga Road Apartments (Multi-family)	0	0	26
Total Units Constructed by Affordability	83	221	178
Total Units Constructed	482		

Land Dedication

No transfer of dedicated land or land purchase has occurred.

Unit Purchase Program

No unit credits were purchased from SHRA during 2016.



April 28, 2017

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Housing Trust Fund Ordinance and Mixed Income Housing Ordinance Annual Report

SUMMARY

The attached informational report is presented for your review prior to review by the City of Sacramento.

RECOMMENDATION

Staff recommends approval of the recommendation outlined in the attached report.

Respectfully submitted,


LA SHELLE DOZIER
Executive Director

Attachment



REPORT TO COUNCIL
City of Sacramento
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

Consent
May 23, 2017

Honorable Mayor and Members of the City Council

Title: Housing Trust Fund Ordinance and Mixed Income Housing Ordinance Annual Report

Location/Council District: Citywide

Recommendation: Receive and file

Contact: Christine Weichert, Assistant Director, Development Finance, (916) 440-1353
Tyrone Roderick Williams, Director of Development, (916) 440-1316

Presenter: Not Applicable.

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue Detail: This report provides information on the status of the City Housing Trust Fund Ordinance and the City Mixed Income Housing Ordinance for calendar year 2016

Housing Trust Fund - On February 14, 2017, the City Council (Council) removed Chapter 17.708 of the Sacramento City Code (Code) and added Article IV to Chapter 18.56 Development Impact Fees of the Code, relating to the Housing Trust Fund Ordinance (No. 2017-013) effective April 15, 2017. The Housing Trust Fund Ordinance includes a method to calculate local financing fees for affordable housing near employment centers. The Sacramento Housing and Redevelopment Agency (SHRA) administers these funds on behalf of the City. See Attachment 2 for the Housing Trust Fund Annual Report for 2016.

Mixed Income Housing Ordinance - On September 1, 2015, the Council repealed Chapter 17.712 of the City Code and adopted a revised citywide Mixed Income Housing Ordinance (No. 2015-0029) effective November 1, 2015. The revised Mixed Income Housing Ordinance requires an affordable housing impact fee for all new housing units and large subdivisions to assist with the provision of housing for a variety of incomes and family types. See Attachment 3 for the Mixed Income Housing Ordinance Annual Report for 2016. The fee-generated revenue is placed in the citywide Housing Trust

Fund and is used to develop affordable housing units with the goal of increasing the supply available for lower-income workers.

SHRA follows its Multifamily Lending and Mortgage Revenue Bond Policies approved by Council on March 17, 2009, for the allocation of both the Housing Trust Fund Ordinance and Mixed Income Housing Ordinance funds.

Policy Considerations: There are no policy implications as a result of this informational report.

Environmental Considerations:

California Environmental Quality Act (CEQA): The proposed action does not constitute a project subject to environmental review under CEQA per Guidelines at 14 California Code of Regulations (CCR) §15378(b).

Sustainability Considerations: Not applicable.

Other: National Environmental Policy Act (NEPA): The proposed action is Exempt from environmental review under NEPA regulations at 24 Code of Federal Regulations (CFR) §58.34(a)(3).

Commission Action: This report was reviewed by the Sacramento Housing and Redevelopment Commission as an information-only item on May 3, 2017.

Rationale for Recommendation: Pursuant to the Mitigation Fee Act (Government Code §66000 et. seq.), SHRA is required to provide an annual report to the Council on revenue and production generated by the City Housing Trust Fund. Pursuant to the revised Mixed Income Housing Ordinance (No. 2015-0029), SHRA is required to provide an annual report to the City Council, the Planning and Design Commission and the Sacramento Housing and Redevelopment Commission on the status of activities generated by the housing impact fee.

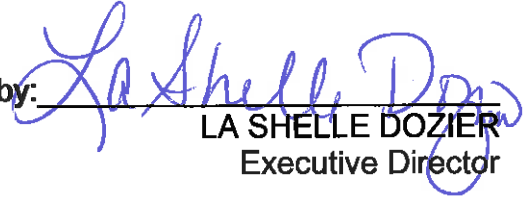
Financial Considerations: The City Housing Trust Fund has collected a total of \$40,536,206 in fees, interest, and loan repayments since the inception of the fund in 1989. A total of \$30,993,996 has been expended on projects, and \$2,772,835 on administration, which is approximately seven percent of total fee revenue. The 2016 ending balance was \$6,769,374. After subtracting for projects with budgeted expenditures, the balance available for new projects was \$2,977,615 as of December 31, 2016.

The City Mixed Income Housing Ordinance has collected a total of \$565,192 in fees since the inception of the revised Ordinance in 2015. A total of \$73,259 has been expended on administration, which is approximately thirteen percent (three percent to the City and ten percent to SHRA) of the total fee revenue. SHRA administrative fees covered the development of various housing strategies including Aspen 1, Railyards and Greenbriar master developments, and implementation of existing inclusionary housing regulatory agreements. The 2016 ending balance was \$565,192. After

subtracting for expenditures, the balance available for new projects was \$491,933 as of December 31, 2016.

LBE - M/WBE and Section 3 requirements: Not applicable.

Respectfully Submitted by:


LA SHELLE DOZIER
Executive Director

Attachments

- 01 Description/Analysis
- 02 Housing Trust Fund Annual Report
- 03 Mixed Income Housing Ordinance Annual Report

City of Sacramento Housing Trust Fund
Annual Report
for
January 1, 2016 to December 31, 2016

Sacramento Housing and Redevelopment Agency

May 2017

HOUSING TRUST FUND ANNUAL REPORT FOR 2016

The Housing Trust Fund (HTF) ordinance was adopted in 1989 to provide local financing for affordable housing near employment centers (Chapter 17.708 of the Sacramento City Code). Fees on non-residential development generate the revenue based on an economic nexus analysis which determined that the construction of commercial developments such as offices, business parks, hotels, warehouses, and shopping centers played a major role in attracting new very low and low-income workers to Sacramento.

Due to the jobs/housing linkage, trust funds assist housing that is to be occupied by persons in the labor force. Overall, developments must be located within a seven-mile radius of the employment-generating uses that pay housing trust fund fees. The City's Housing Trust Fund benefits both very low and low-income households earning up to 80 percent of the area median income.

In 2001, the City Council (Council) amended the City Housing Trust Fund Ordinance to allow the use of commercial development impact fees paid into the North Natomas housing trust fund to be used for the same purposes as the citywide fund. Although the amendment integrated the purposes of the funds, it did not change their different fee schedules. The North Natomas fees are based on land use, while the City fees are based on building types.

On October 12, 2004, the Council approved Ordinance 2004-057 instituting an automatic annual increase for the Housing Trust Fund fee based on changes in the construction cost index. The automatic increase ensures that the fund keeps pace with housing construction costs.

On February 14, 2017, the Council approved Ordinance 2017-0010 to add Chapter 18.56 to Title 18 of the Sacramento City Code, relating to the Development Impact Fee (DIF) programs. The DIF program was developed to prioritize and restructure impact fees as part of a master ordinance established under City Code Chapter 18.56 and includes the Housing Trust Fund fee among other impact fees. Council also approved Ordinance 2017-0013 to add Article IV to Chapter 18.56 and deleting Chapter 17.708 of the Sacramento City Code, relating to the Housing Trust Fund fee. These ordinances were effective April 15, 2017.

Pursuant to the Mitigation Fee Act (Government Code §66000 et. seq.) and consistent with the Housing Trust Fund Nexus Analysis adopted by Council Resolution 2017-0072, this report provides the public with information on revenue and production generated by the City Housing Trust Fund for calendar year 2016.

Citywide Developments
As of July 1, 2017

Building Type/HTF Fee Level (Fee/SqFt)	
Office	\$2.51
Hotel	\$2.39
Commercial	\$2.01
Manufacturing	\$1.57
Warehouse	\$0.69

The following 2016 City Housing Trust Fund Financial Information tables provide the following figures for the fund in 2016, including:

- beginning and ending balance
- revenue, including the amount of fees collected, interest earned, and income from loan repayments
- amount of expenditures for developments and operations
- amount budgeted, but not expended, for developments
- balance available for new developments

2016 City Housing Trust Fund Financial Information

Beginning Balance	
	\$ 3,615,870
Income	
Fees Collected	\$ 1,969,735
Interest	\$ 51,082
Loan Repayment	\$ 2,170,588
Total Income	\$ 4,191,405
Total Income	
	\$ 7,807,275
Expense	
Operations	\$ 138,863
Projects	\$ 899,038
Total Expense	\$ 1,037,901
Ending Balance	
Remaining Project Balances	\$ 3,791,759
Balance Available for Projects	\$ 2,977,615
Ending Balance	\$ 6,769,374

The interest earnings include both interest earnings from the investment pool and interest earned from the interest portion of loan repayments on loans made with the Housing Trust Fund. The substantial increase in loan repayment income can be largely attributed to the payoff of the Del Paso Nuevo Phase IV home construction loan of \$1,683,814 principal and interest.

The 2016 City Housing Trust Fund Expenditures table below identifies current Housing Trust Fund developments, expenditures, and balance available. For each development, the chart also identifies the Housing Trust Fund restricted units, the total number of housing units, and the loan maturity date.

It is anticipated Council will approve \$2.5 million in Housing Trust Funds to the 800 Block of K development on May 16, 2017.

2016 City Housing Trust Fund Development Expenditures

Development	Address	HTF Units	Total Units	Total HTF Budgeted	HTF 2016 Expenditure	Remaining Balance	Loan Maturity Date
Del Paso Nuevo Phase IV	Hayes Avenue Vicinity	20	37	\$ 1,042,797	\$ 899,038	\$ 143,759	5/1/2017
700 Block of K	700 K St	5	137	\$ 790,000	\$ 0	\$ 790,000	10/1/2071
Bel-Vue	1123 8 th St	14	22	\$ 2,100,000	\$ 0	\$ 2,100,000	TBA
Pensione K	1100 17 th St	6	129	\$ 758,000	\$ 0	\$ 758,000	3/1/2074
TOTAL		45	325	\$ 4,690,797	\$ 899,038	\$ 3,791,759	

1989-2016 City Housing Trust Fund Income Report

Year	Fees	Interest	Income	Total Income
1989	0	0	0	0
1990	\$ 121,578	0	0	\$ 121,578
1991	\$ 1,646,184	0	0	\$ 1,646,184
1992	\$ 521,759	0	0	\$ 521,759
1993	\$ 873,478	0	0	\$ 873,478
1994	\$ 1,082,332	\$ 95,501	0	\$ 1,177,833
1995	\$ 416,276	\$ 88,020	0	\$ 504,296
1996	\$ 656,201	\$ 103,340	0	\$ 759,541
1997	\$ 667,167	\$ 105,717	\$ 821	\$ 773,705
1998	\$ 1,637,034	\$ 184,924	\$ 49,188	\$ 1,871,146
1999	\$ 1,209,832	\$ 230,422	\$ 5,000	\$ 1,445,254
2000	\$ 710,079	\$ 272,790	\$ 15,000	\$ 997,869
2001	\$ 484,138	\$ 184,757	\$ 31,313	\$ 700,208
2002	\$ 2,336,496	\$ 10,105	\$ 23,642	\$ 2,370,243
2003	\$ 1,313,586	\$ 138,628	\$ 123,081	\$ 1,575,295
2004	\$ 1,166,373	\$ 3,642	\$ 979,864	\$ 2,149,879
2005	\$ 1,566,784	\$ 156,350	\$ 58,905	\$ 1,782,039

2006	\$ 2,913,727	\$ 226,675	\$ 204,225	\$ 3,344,627
2007	\$ 2,700,187	\$ 351,634	\$ 198,592	\$ 3,250,413
2008	\$ 2,270,234	\$ 273,355	\$ 222,170	\$ 2,765,759
2009	\$ 454,668	\$ 123,427	\$ 185,748	\$ 763,843
2010	\$ 257,702	\$ 158,357	\$ 192,127	\$ 608,186
2011	\$ 255,282	\$ 118,144	\$ 242,628	\$ 616,054
2012	\$ 130,389	\$ 235,339	\$ 199,417	\$ 565,145
2013	\$ 382,413	\$ 188,291	\$ 1,466,191	\$ 2,036,895
2014	\$ 387,879	\$ 191,146	\$ 362,430	\$ 941,455
2015	\$ 916,249	\$ 33,472	\$ 1,232,396	\$ 2,182,116
2016	\$ 1,969,735	\$ 51,082	\$ 2,170,588	\$ 4,191,405
TOTAL	\$ 29,047,762	\$ 3,525,118	\$ 7,963,326	\$ 40,536,206

The City Housing Trust Fund Developments table and map identifies all properties which received Housing Trust Funds and the total number of units produced.

City Housing Trust Fund Developments

Project Status	Project Name	Total Units
Completed	1048 Jean Avenue	1
Completed	10th and T	13
Completed	1100 Harris Avenue	1
Completed	1221 Rivera Drive	1
Completed	1440 Rene Avenue	1
Completed	1500 Q Street	6
Completed	18th & L Mixed-Use Development	176
Completed	2151 68th Avenue	1
Completed	2221 63rd Avenue	1
Completed	2761 Utah Street	1
Completed	3836 Dayton St.	1
Completed	63 Butterworth Ave.	1
Under Construction	700 Block of K	137
Completed	729 Morrison Avenue	1
Completed	7445 Carella Drive	1
Completed	7588 Red Willow Street	1
Completed	7672 Manorside Drive	1
Completed	7860 Deerhaven Way	1
Completed	7th & H	150
Completed	Atrium Court Apartments	224
Construction pending	Bel-Vue Apartments	22
Completed	Copperstone Village	103
Completed	Coral Gables Apartments	4
Completed	Danbury Park	140

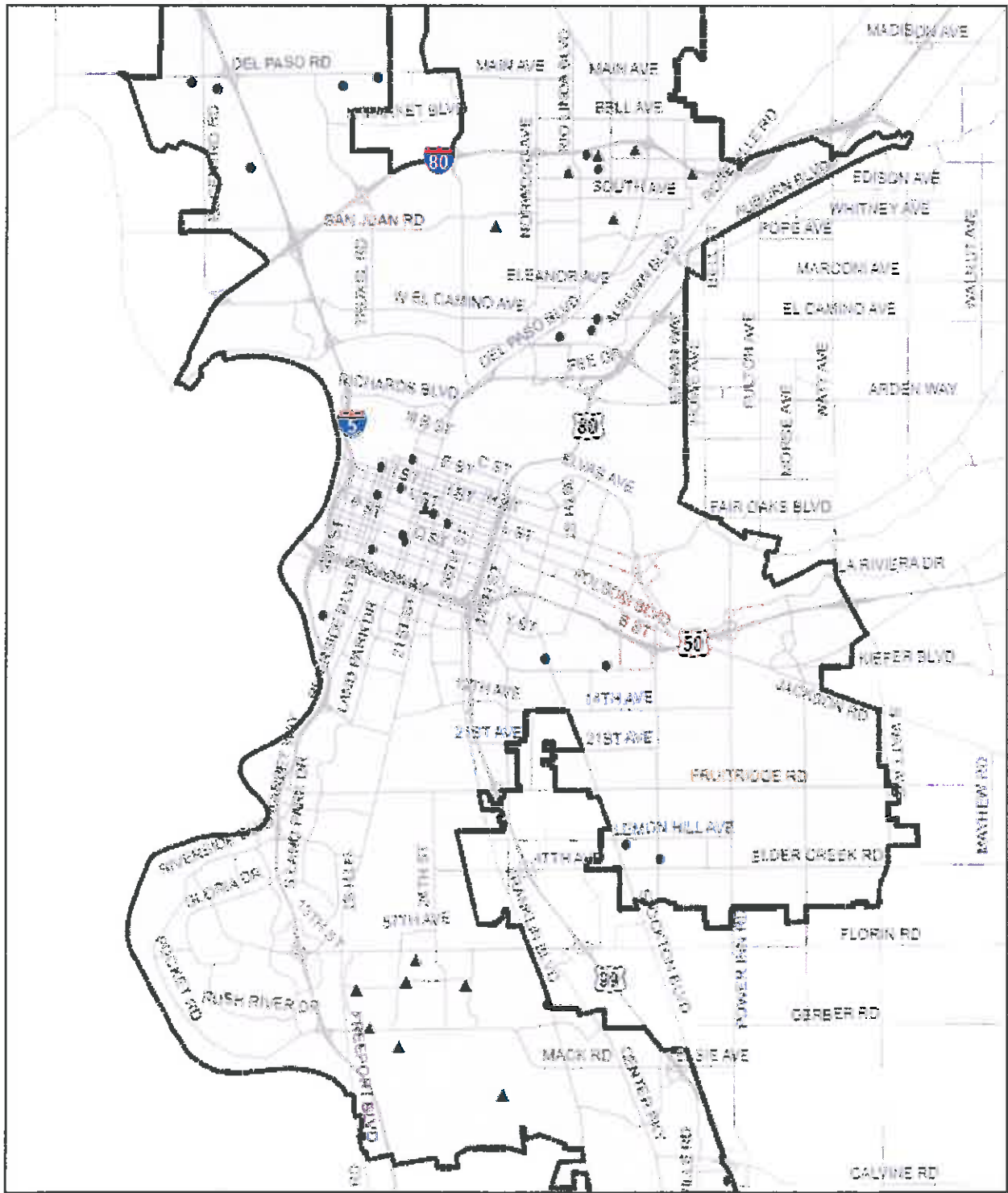
Attachment 2

Completed	Del Paso Nuevo Phases I-III	77
Completed	Del Paso Nuevo Phase IV	37
Completed	Fremont Mews	119
Completed	Kelsey Village	20
Completed	Kennedy Estates Apartments	98
Completed	La Valentina	81
Completed	Land Park Woods	75
Completed	Lemon Hill Townhomes	74
Completed	Morrison Point Subdivision	22
Completed	North Avenue Apartments	80
Construction pending	Pensione K Apartments	137
Completed	Phoenix Park	360
Completed	Phoenix Park II	182
Completed	Ridgeway Studios	22
Completed	Silverado Creek Apartments	168
Completed	St Anton Building	64
Completed	Surreal Estates, Ink	11
Completed	Terracina Gold, Village 1 And 3	160
Completed	Terracina Gold, Village 2	120
Completed	Terracina Meadows Apartments	156
Completed	Valencia Point	168
Completed	Victory Townhomes/Evergreen Estates	76
Completed	Willow Glen	135
TOTAL UNITS		3,431

Parties interested in receiving notices of meetings at which this report is heard may request to be placed on a notification list. Notice of the time and place of the meeting will be mailed 15 days prior to the meeting. Written requests should be made to SHRA and are valid one year from the date on which they are filed. Renewal requests for mailed notices should be made on or before April 1st of each year.



Housing Trust Fund Expenditures



- City of Sacramento
- Single Family Housing Trust Fund Project
- MultiFamily Housing Trust Fund Project



SHRA GIS
April 12, 2017

City of Sacramento Mixed Income Housing Ordinance
Annual Report
for
November 1, 2016 to December 31, 2016

Sacramento Housing and Redevelopment Agency

May 2017

MIXED INCOME HOUSING ORDINANCE REPORT FOR 2016

On September 1, 2015, the City Council (Council) repealed Chapter 17.712 of the City Code known as the Mixed Income Housing Ordinance (No. 2000-039) and adopted a revised citywide Mixed Income Housing Ordinance (No. 2015-0029) effective November 1, 2015 (Ordinance). As part of this revision, the City contracted with a consultant to perform a residential nexus analysis which demonstrates the relationship between the development of market rate residential units and the need for additional workforce housing. The revised Ordinance requires an affordable housing impact fee for all new housing units and large subdivisions to provide housing for a variety of incomes and family types. The fee-generated revenue is placed in a citywide Housing Trust Fund and used to develop affordable housing units with the goal of increasing the supply available for lower-income workers.

Pursuant to subsection 17.712.070 of the revised Ordinance, this annual report provides the public with information on revenue and production generated by the City Mixed Income Housing Ordinance's housing impact fees.

Housing Impact Fee As of July 1, 2017

Housing Type	July 1, 2017 (per Square Foot)
Single-unit and duplex dwellings (less than 20 dwelling units per net acre)	\$2.68
High density single-unit and duplex dwellings (20 dwelling units per net acre or more*)	\$0.00
Multi-unit dwellings (less than 40 dwelling units per net acre)	\$2.68
High density multi-unit dwellings (40 dwelling units per net acre or more*)	\$0.00
Conversion of a nonresidential building to a residential use	\$0.00
Dwelling units in the Housing Incentive Zone (See Figure 1)	\$1.16

* "Net acre" for the purposes of this fee, means the total area of a site excluding portions that cannot be developed, such as public and private streets, and open space.

The following City Mixed Income Housing Financial Information tables provide the following figures for the fees generated in 2016, including:

- beginning and ending balance
- revenue, including the amount of fees collected, interest earned, and income from loan repayments
- amount of expenditures for developments and operations
- amount budgeted, but not expended, for developments
- balance available for new developments

2016 City Mixed Income Housing Financial Information

Beginning Balance	
	\$ 0
Income	
Fees Collected	\$ 565,192
Expense	
Operations	\$ 73,259
Ending Balance	
Balance Available for Projects	\$ 491,933
Ending Balance	\$ 491,933

2016 Fee Revenue Source

Housing Type	Project Name	Fee Revenue
Single-unit and duplex dwellings (less than 20 dwelling units per net acre)	Scattered	\$ 130,260
Multi-unit dwellings (less than 40 dwelling units per net acre)	Sheldon Apartments	\$ 434,932
Total Fee Revenue		\$ 565,192

Production Accomplished

There were no developments constructed or assisted under the revised Ordinance during 2016.

Future Funding

SHRA follows its Multifamily Lending and Mortgage Revenue Bond Policies approved by Council on March 17, 2009, for the allocation of the Mixed Income Housing Ordinance funds.

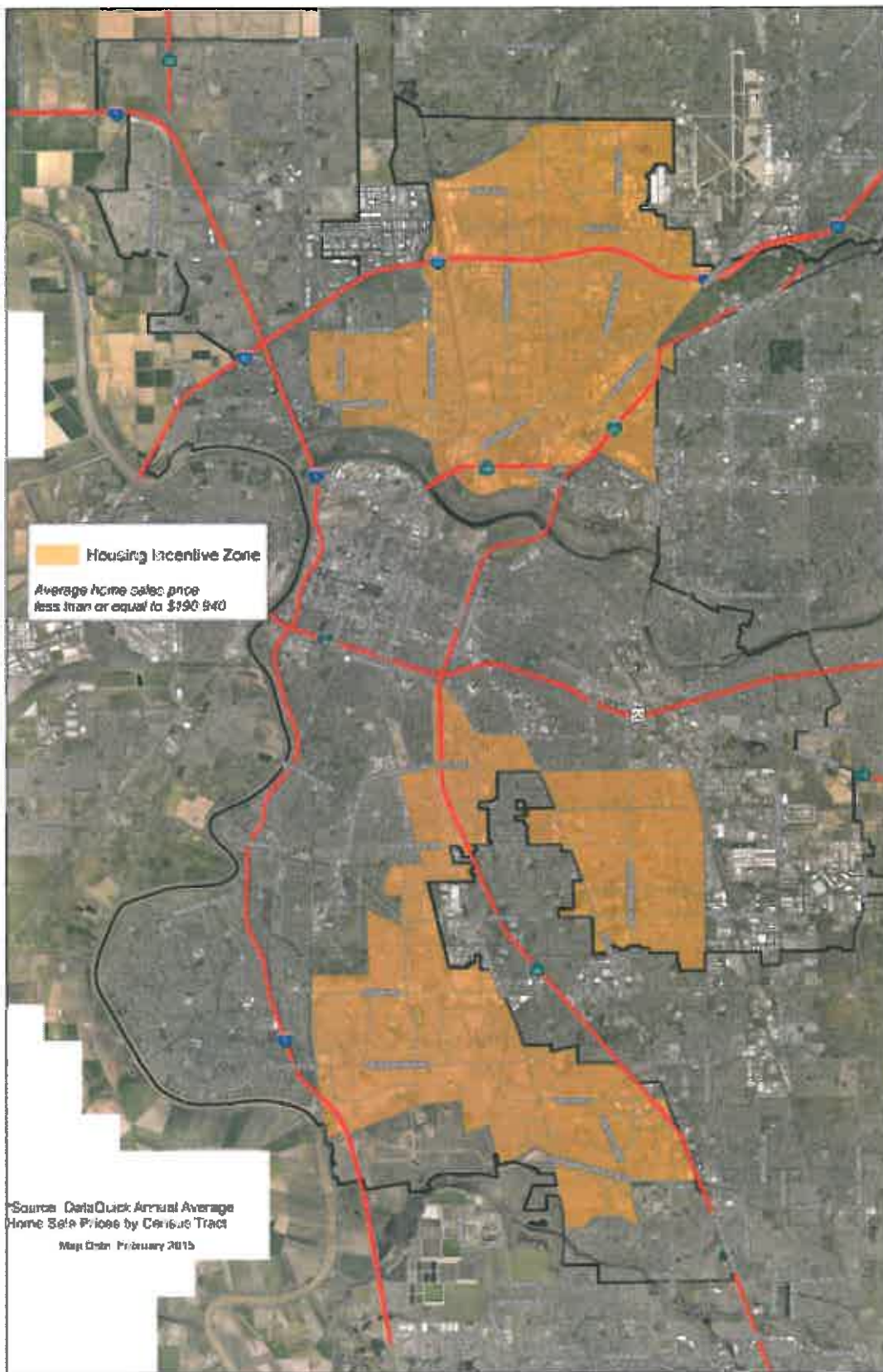
Recommended Changes to Chapter 17.712

There are no recommended changes at this time.

Adjustments to the Fee

The fees established pursuant to this section shall be adjusted automatically to take into consideration inflation on July 1 of each year by a factor equal to the percentage increase, if any, in the construction cost index for San Francisco (based on 1913 U.S. average = 100) during the 12 months ending on the preceding March 1 as published by Engineer News Record/McGraw-Hill Construction Weekly, or any substitute index that the city council adopts by resolution.

Figure 1 – Map of Housing Incentive Zones





April 28, 2017

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Annual Report on Residential Hotels

SUMMARY

The attached informational report is presented for your review prior to review by the City of Sacramento.

RECOMMENDATION

Staff recommends approval of the recommendation outlined in the attached report.

Respectfully submitted,


LA SHELLE DOZIER
Executive Director

Attachment



REPORT TO CITY COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2671

www.CityofSacramento.org

Consent

May 23, 2017

Honorable Mayor and Members of the City Council

Title: Annual Report on Residential Hotels

Location/Council District: Central City/Districts 3 and 4

Recommendation: Receive and file

Contact: Christine Weichert, (916) 440-1353; Tyrone Roderick Williams, (916) 440-1319, Sacramento Housing and Redevelopment Agency

Presenter: Not Applicable

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue Detail: Beginning in the 1920s, residential hotels were a major source of affordable housing in the Sacramento downtown area. By 1986, sixteen residential hotels remained. To mitigate the effect of displacement on the very low income households who were the hotels' primary residents, the Sacramento City Council (Council) adopted an ordinance requiring that relocation benefits be paid to residents of Single Room Occupancy (SRO) residential hotels upon withdrawal or conversion to other uses.

Adoption of the 1986 relocation ordinance followed a moratorium on residential hotel conversion passed in 1983 in response to the loss of six hotels from the 1970s to 1983. In 2006, Council adopted an amendment to the relocation ordinance that identified ten SRO hotels and required that relocation benefits be paid to residents in the event of a conversion or demolition at one of these properties. The relocation ordinance also imposed an obligation on the City to maintain an inventory of not less than 712 SRO units.

On November 1, 2016, Council adopted an amendment to the Residential Hotel Unit Withdrawal, Conversion, and Demolition Ordinance, No. 2016-0043 (Ordinance), City Code Chapter 18.20. Council approved the amendments to the Ordinance and other technical changes.

Pursuant to the Ordinance, the Sacramento Housing and Redevelopment Agency (SHRA) is required to provide an annual report to the Sacramento Housing and Redevelopment Commission (Commission) and Council on the number of residential hotel units withdrawn, the number of new units expected based on approved replacement housing plans, and the number of units constructed in anticipation of conversions or withdrawals. In order to comply with Ordinance reporting requirements, SHRA sent correspondence in January 2017 to the owners of residential hotels subject to the Ordinance, including an annual certification on the status of the residential hotel (Residential Hotel Certification Summary - Attachment 3).

SRO Residential Hotels Subject to the Ordinance

The Ordinance currently pertains to the following four unregulated residential hotels:

Subject to the Ordinance

- Capitol Park
- Congress
- Golden
- Sequoia

With the exception of Capitol Park and Golden, vacancy rates are less than ten percent. According to the property management at Capitol Park and Golden, the vacancy rate is high due to selective screening. The owner of the Golden reported several evictions that resulted from non-payment of rent in the last year, and there will be electrical and aesthetic upgrades by summer 2017.

Replacement/Withdrawn Units

A list of replacement and withdrawn units covered by the Ordinance is included in Attachment 3.

Replacement units must be comparable units with rents that do not exceed 40% of the Sacramento area median income (AMI), located in close proximity to transportation and services, and have recorded affordability covenants.

Boulevard Court

Information on the 75-unit Boulevard Court development, completed in 2011, is also included in the Certification Summary pursuant to the development's special permit and Council Resolution 2008-526 (Certification Summary - Attachment 4).

Policy Considerations: This report complies with City Code Section 18.20.160, which requires an annual report on the number of residential hotel units withdrawn, the number of units expected based on approved replacement housing plans, and units constructed in anticipation of conversions or withdrawals.

Economic Impacts: Not Applicable.

Environmental Considerations: California Environmental Quality Act (CEQA): The proposed action does not constitute a project subject to environmental review under CEQA per Guidelines at 14 California Code of Regulations (CCR) §15378(b).

Sustainability Considerations: Not applicable.

Other: National Environmental Policy Act (NEPA): The proposed action is Exempt from environmental review under NEPA regulations at 24 Code of Federal Regulations (CFR) §58.34(a) (3).

Commission Action: This report was reviewed by the Sacramento Housing and Redevelopment Commission as an information-only item on May 3, 2017.

Rationale for Recommendation: Not applicable; receive and file.

Financial Considerations: None.

LBE - M/WBE and Section 3 requirements: Not applicable.

Respectfully Submitted by:

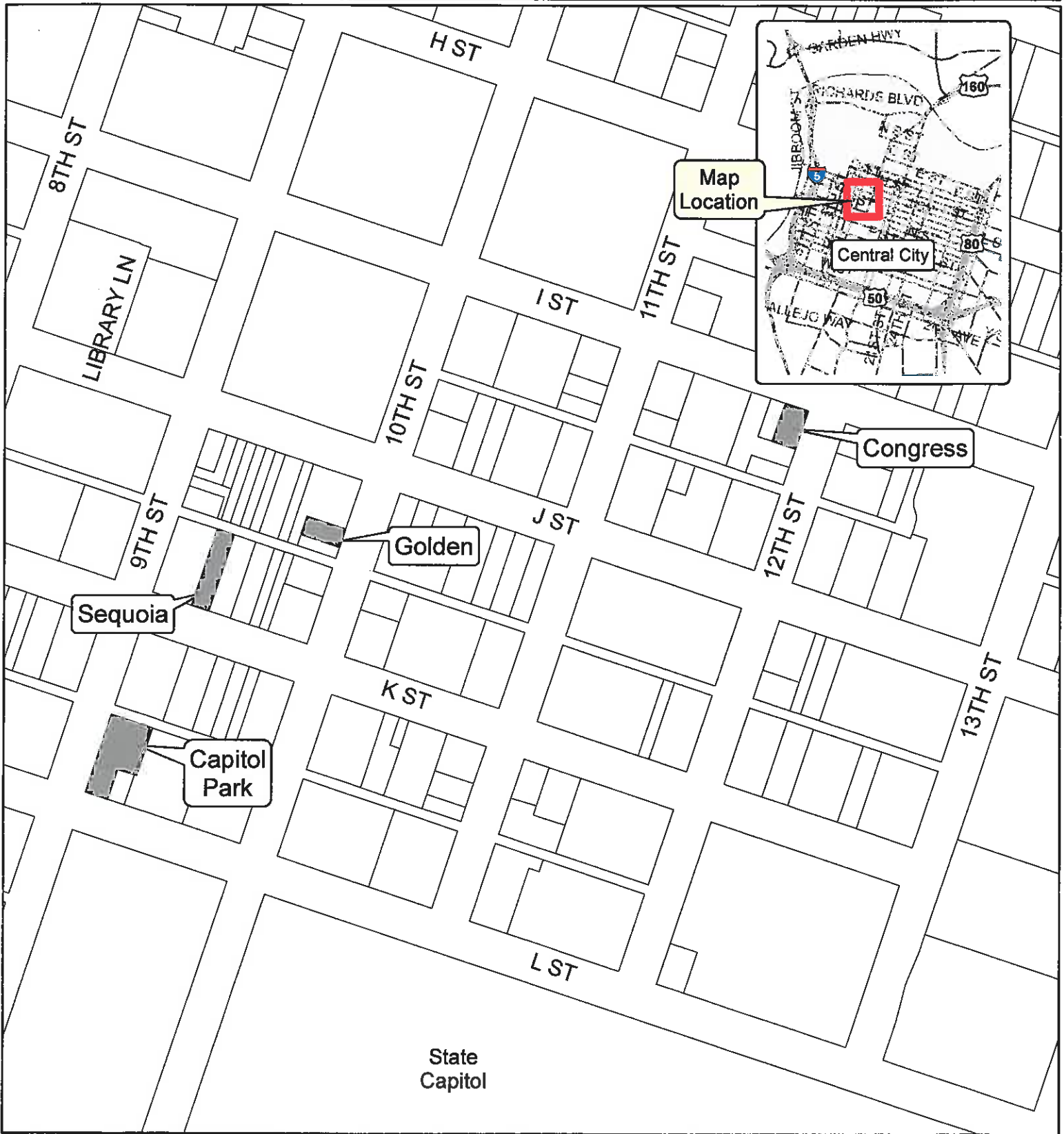

LA SHELLE DOZIER
Executive Director

Attachments

- 01 Description/Analysis and Background
- 02 2017 Map of Residential Hotels
- 03 2017 Residential Hotel Certification Summary
- 04 2017 Boulevard Court Certification Summary



Residential Hotels Identified In City Code 18.20 Subject To Withdrawn And/Or Replacement Units



 Residential Hotel Included In Ordinance

0 125 250 Feet



SHRA GIS
March 13, 2017

Residential Hotel Certification Summary

May 2017

Non-Regulated Units Subject to the Ordinance						
Property	Address	Total Number Vacant Units	Original & Current Number Units	Monthly Rent w/ Bath	Monthly Rent w/o Bath	Comments
Capitol Park	1125 9th St.	62	180	\$550	\$525	Four (4) vacant units used for storage, laundry, or maintenance supplies.
Congress	906 12th St.	0	27	\$560	\$525	
Golden	1010 10th St.	15	26	N/A	\$475	Electrical and aesthetic upgrades to be completed by summer 2017.
Sequoia	911 K St.	2	90	\$430	\$405	
Subtotal			323			

Regulated/Replacement Units		
Property	Address	Current Number Units
7th & H Project	625 H St.	150
800 K (Pending)	800K-801L	3
Bel-Vue (Pending)	1123 8th St.	5
Cannery Place	601 Cannery Ave.	2
Globe Mills	1131 C St.	12
La Valentina	429 12th St.	11
Ridgeway	914 12th St.	22
Shasta	1017 10th St.	80
Studios at Hotel Berry	729 L St.	105
The WAL	1108 R St.	21
YWCA	1122 17th St.	32
Subtotal		443

Total Units	
Total Subject to the Ordinance and Regulated/Replacement Units	766
Total Required per the Ordinance	712
Total Surplus/Banked Units	54

Withdrawn Units				
Property	Address	Original Number Units	Approved Withdrawn Units	Comments
Marshall Hotel	1122 7th St.	95	95	7th & H provided 150 Replacement units for the withdrawn Wendell (19), Ridgeway (36) and Marshall (95).
Ridgeway	914 12th St.	58	36	
Wendell	1208 J St.	19	19	
Total			150	

SHRA Regulated Boulevard Court Certification Summary
May 2017

Address	Current Number Units w/ Bath	Total Number Vacant Units	Mthly Rent w/ Bath	Resident Services	Comments
5321 Stockton Blvd	75	4	\$804	Yes	Management staff is preparing the vacant units for new applicants moving in by June 2017.