



NOTICE OF REGULAR MEETING
Sacramento Housing and Redevelopment
Commission
Wednesday, February 1, 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 - January 18, 2017

DISCUSSION ITEMS/STAFF REPORTS

2. Approval of Agency Loan and Disposition of Land for the Shasta Hotel

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 January 18, 2017

Meeting noticed on January 13, 2017

ROLL CALL

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

MEMBERS PRESENT: Alcalay, Creswell, Griffin, Johnson, Macedo, Morgan, Raab, Simas, Staajabu

MEMBERS ABSENT: Painter, Rios

STAFF PRESENT: La Shelle Dozier, Tyrone Williams, David Levin, Vickie Smith, Christine Weichert, Susan Veazey, Terren Wing, MaryLiz Paulson, Angela Jones, Sarah Thomas, Karen Wallace, Joanna Davis, Mark Hamilton, Jim Shields

APPROVAL OF AGENDA – The Chair announced that item # 8 would be heard immediately after the consent items and that items 5 and 6 would be presented and approved together.

CITIZENS COMMENTS

Jeffery Tardaguila provided comment.

Commissioner Griffin presented a certificate of appreciation to Dan Maloney of the SHRA Real Estate and Construction Division for his work on the Rio Linda Community Center.

Commissioner Alcalay presented Commissioner Griffin with a gift to honor him on his birthday.

1. **APPROVAL OF MINUTES** – December 7th, 2016 special meeting – The minutes for the meeting were approved unanimously as submitted.

CONSENT

2. Adoption of Updated CalHome Program Guidelines - City report
3. Adoption of Updated CalHome Program Guidelines - County report

On a motion by Commissioner Griffin, seconded by Commissioner Morgan, the Commission recommended approval of the staff recommendation for the items listed above. The votes were as follows:

AYES: Alcalay, Creswell, Griffin, Johnson, Macedo, Morgan, Raab, Simas, Staajabu

NOES: None

ABSENT: Painter, Rios

ABSTAIN: None

DISCUSSION ITEMS/STAFF REPORTS

4. Crossroad Gardens Project: Declaration Of Intention To Reimburse Expenditures From The Proceeds Of Tax-Exempt Obligations And Directing Certain Actions

Terren Wing presented the item.

Chair Creswell requested that the remaining balance in various housing fund accounts be included in future reports.

On a motion by Commissioner Griffin, seconded by Commissioner Morgan, the Commission recommended approval of the staff recommendation for the items listed above. The votes were as follows:

AYES: Alcalay, Creswell, Griffin, Johnson, Macedo, Morgan, Simas, Staajabu

NOES: None

ABSENT: Painter, Rios

ABSTAIN: Raab

5. Authorization to Competitively Procure and Contract for Property Management Services for Phoenix Park III
6. Authorization To Competitively Procure And Contract For Property Management Services For Norcade Circle Properties

MaryLiz Paulson presented the items.

On a motion by Commissioner Griffin, seconded by Commissioner Morgan, the Commission recommended approval of the staff recommendation for the items listed above. The votes were as follows:

AYES: Alcalay, Creswell, Griffin, Johnson, Macedo, Morgan, Raab, Simas, Staajabu

NOES: None

ABSENT: Painter, Rios

ABSTAIN: None

7. Authorization to Competitively Procure and Contract for Routine Services

MaryLiz Paulson presented the item.

On a motion by Commissioner Johnson, seconded by Commissioner Griffin Commission recommended approval of the staff recommendation for the item listed above. The votes were as follows:

AYES: Alcalay, Creswell, Griffin, Johnson, Macedo, Morgan, Raab, Simas, Staajabu

NOES: None

ABSENT: Painter, Rios

ABSTAIN: None

PRESENTATIONS

8. Policy on use of Housing Trust Funds

Susan Veazey presented the item.

Commissioner Alcalay requested a written overview of the information provided.

9. Update on City/County Homeless Initiative meeting scheduled for January 31st

La Shelle Dozier presented the item and distributed a handout related to homeless activities in the county assisted by SHRA.

Jeffery Tardaguila provided comments.

10. Housing Authority Vacant unit turn around report

MaryLiz Paulson presented the item.

Commissioner Alcalay requested a written report on this item.

BUSINESS ITEMS

11. Election of SHRA Commission Chair for 2017

Commissioner Alcalay nominated Cathy Creswell to serve as Chair for 2017.
Commissioner Staajabu nominated Gale Morgan to serve as Chair for 2017.

Commissioner Creswell was elected by the following vote:
Votes for Commissioner Creswell – Alcalay, Creswell, Raab, Simas, Macedo, Johnson
Votes for Commissioner Morgan – Griffin, Morgan, Staajabu,

12. Election of SHRA Commission Vice-Chair for 2017

Commissioner Johnson nominated Commissioner Morgan to serve as Vice-Chair for 2017.
Commissioner Alcalay nominated Commissioner Raab to serve as Vice-Chair for 2017.

Commissioner Raab was elected by the following vote:
Votes for Commissioner Raab – Alcalay, Creswell, Griffin, Macedo, Raab, Simas
Votes for Commissioner Morgan – Morgan, Johnson, Staajabu

ITEMS AND QUESTIONS OF COMMISSION MEMBERS

Commissioner Griffin thanked Dan Maloney for his service to the Rio Linda community.

Commissioner Alcalay reminded members about the MLK event and thanked Commissioner Morgan for the RAB newsletter.

EXECUTIVE DIRECTOR REPORT

La Shelle Dozier reviewed the following:

1. Thanked commission members or donations to Fund Inc at holiday party totaling \$225.
2. The next meeting will be held February 1st.

COMMISSION CHAIR REPORT

Chair Creswell thanked the group for their support during 2017.

Chair Creswell requested a workshop on the structure of SHRA after the January 31st homeless meeting.

ADJOURNMENT

As there was no further business to be conducted, Chair Creswell adjourned at 8:00 pm.

Clerk



January 27, 2017

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Approval of Agency Loan and Disposition of Land for the Shasta Hotel

SUMMARY

The attached report and resolution are submitted to you for review prior to review by the City of Sacramento.

RECOMMENDATION

Approve staff recommendation as outlined in the report.

Respectfully submitted,


LASHELLE DOZIER
Executive Director

Attachment



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

Public Hearing
February 21, 2017

Chair and Members of the Housing Authority Board

Title: Approval of Agency Loan and Disposition of Land for the Shasta Hotel

Location/Council District: 1017 10th Street, District 4

Recommendation: Adopt: 1) a **Housing Authority Resolution** a) approving a \$4,200,000 Loan Commitment of Housing Successor Funds for the financing of the Shasta Hotel and authorizing the Sacramento Housing and Redevelopment Agency (Agency) to execute and transmit the Loan Commitment to Shasta Hotel Housing Associates, LP, b) authorizing the Agency 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, c) authorizing the Agency to amend its budget, and d) making related findings; and 2) a **Housing Authority Resolution** a) authorizing the release of the existing ground lease and forgiveness of outstanding lease payments, b) approving a \$550,000 Loan Commitment for seller carryback land acquisition financing, c) authorizing the transfer of Housing Authority land to Shasta Hotel Corporation, a California nonprofit corporation, and d) authorizing the Executive Director to enter into and execute other documents, as approved to form by agency counsel, and perform other actions necessary to transfer the land beneath the Shasta Hotel.

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

Presenters: Terren Wing

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue Detail: The Shasta Hotel (Project) is an affordable Single-Room Occupancy (SRO) development located on approximately 0.11 acres at 1017 10th Street in downtown Sacramento. The building was originally constructed in the early 1900s, and extensively rehabilitated in 1994. The Project currently contains 80 SRO units and, following the rehabilitation, will contain 78 SRO units and a one-bedroom manager's unit, as well as common lounge areas, kitchens, bath and showers, laundry facilities,

and access to supportive services. The loss of one unit is due to the addition of a tenant kitchen, public restroom, and a larger, one-bedroom manager's unit on the first floor.

The John Stewart Company (JSC) and the Shasta Hotel Corporation (collectively, "Developer") intend to form a new limited partnership to acquire and rehabilitate the Project. The Developer has requested a new loan of \$4,200,000 for acquisition, rehabilitation, and permanent financing of the Project. Additional project financing will include federal tax credit equity, an Affordable Housing Program (AHP) loan, and an existing California Department of Housing and Community Development (HCD) loan. Units will be regulated at 30, 35 and 40 percent of Area Median Income (AMI).

The proposed rehabilitation of the Project will be an extensive renovation of the development. Interior improvements will include new flooring, lighting, paint, furnishings, and common area mechanical equipment. Ceilings will be replaced in hallways and new office areas. Common kitchens will receive new cabinets and appliances, and common bathrooms and shower rooms will receive new fixtures, accessories, and wall/floor finishes. Existing boilers and plumbing fixtures will be replaced. Hallways and stairs will be upgraded with code-compliant guardrails and handrails. The unfinished basement will be converted into a 1,400 square foot recreation room, including a lounge and bike storage room. Two new office/exam rooms will be added in the basement to accommodate an on-site resident services coordinator. The passenger elevator will be modernized and a new elevator will be installed, making the basement fully accessible. A new interior CCTV camera system will be installed.

Exterior improvements will include a new entryway, photovoltaic power generation system, energy efficient windows, and new thermoplastic polyolefin (TPO) cool roofing. An existing lightwell will be converted into an interior courtyard featuring a garden area, community seating, and simulated daylight to augment natural light.

The property will continue to be occupied during the planned rehabilitation period. Tenants will be temporarily relocated to an off-site location on a rotating basis until work is complete. Temporary off-site relocation is expected to last seven to 63 days.

Land Sale

In addition to the financing and rehabilitation of the Shasta Hotel, the Housing Authority requests approval to transfer the land under the Project to the Shasta Hotel Corporation, a California non-profit corporation. The Redevelopment Agency of the City of Sacramento originally owned the land and, in 1994, entered into a ground lease with the current owners, Shasta Hotel Investors Partnership (SHIP) for \$6,000 annually. The land was transferred to the Housing Authority after the dissolution of Redevelopment. Lease payments were due annually based on the availability of cash flow. Based on a review of audited annual financial statements, the Project has not generated sufficient income to make payments on the ground lease. Staff is proposing that the existing ground lease be released and all outstanding lease payments due be forgiven. Upon Board approval, the land beneath the Shasta Hotel will be transferred at the fair market value of \$550,000 to the SHC. The terms of the land transfer agreement include seller carryback financing at zero percent interest, deferred payments, and a 55-year term.

Developer: The limited partnership, Shasta Hotel Housing Associates, LP, will rehabilitate the Shasta Hotel. John Stewart Company (JSC), as the administrative general partner of the limited partnership, is an experienced owner and manager of affordable rental housing projects and has partnered with the Agency on a number of other projects. JSC has developed over 5,000 units of housing throughout California, the majority of which are affordable. The company has extensive experience in financing projects with tax credits, tax exempt bonds, and other public and private funding sources.

Shasta Hotel Corporation (SHC), the general partner of the limited partnership, is a nonprofit corporation formed in 1993 by the Agency to facilitate the initial acquisition and rehabilitation of the Project. Two of the five SHC Board members are Agency management staff. The remaining Board members include a non-profit representative and two affordable housing developers.

Property Management: The Project will continue to be managed by the current property manager, JSC, an experienced firm with over 35 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: Resident services will be provided by LifeSTEPS, Inc. (LifeSTEPS), which currently provides resident services to 250 affordable housing communities and more than 80,000 residents in California. LifeSTEPS will be required to provide at least 15 hours of services per week. Programs will be tailored to resident needs. Agency staff has reviewed and approved LifeSTEPS' resident services plan detailing the scope and schedule of services to be provided. Services will be provided by an on-site services coordinator and will include social services and enrichment programs.

Project Financing: The Project's anticipated financing will include a combination of nine percent Low Income Housing Tax Credits (LIHTC), an existing California Department of Housing and Community Development (HCD) loan, an Affordable Housing Program (AHP) loan, a seller carryback land acquisition loan, and an Agency loan of \$4,200,000 consisting of Housing Successor funds. The Housing Successor funds are primarily comprised of low-moderate housing funds generated by the former Downtown Redevelopment Area.

Low-Income Set-Aside Requirements: As a condition of receiving tax credits, federal law requires that units be set aside for targeted income groups. Income restrictions from LIHTC financing require household incomes at or below 60 percent of Area Median Income (AMI). The Agency further requires that 20 percent of the units be restricted to households with income no greater than 50 percent of AMI. Project affordability restrictions will be specified in regulatory agreements with 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, HCD, and Agency loan	23%	Extremely Low (30% AMI)	18	55 years
Low Income Housing Tax Credits, HCD, and Agency loan	18%	Extremely Low (35% AMI)	15	55 years
Low Income Housing Tax Credits, HCD, and Agency loan	58%	Low (40% AMI)	45	55 years
Manager's Unit	1%	Unrestricted	1	
Total	100%		79	

A vicinity map is included as Attachment 2. A project summary, including a proposed sources and uses of funds, is included in Attachment 3. A project cash flow proforma is included in Attachment 4, and a schedule of maximum rents is included in Attachment 5.

Policy Considerations: The recommended actions are consistent with a) the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 2. Recapitalization (Resolution No. 2009-148); there is one exception regarding the underwriting vacancy rate. The Shasta Hotel was underwritten with a vacancy rate of 10%, as is appropriate for a SRO project of this type; b) 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); c) 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 d) 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 83.34 total jobs (47.49 direct jobs and 36.55 jobs through indirect and induced activities) and create \$7,028,483 in total economic output (\$4,284,258 of direct output and another \$2,744,185 of output through indirect and induced activities). *The indicated economic impacts are estimates calculated using a 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 may 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: The project has been determined to be categorically exempt under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines at 14 California Code of Regulations (CCR) Section §15301(a), "Existing Facilities". The proposed actions related to the land transfer are not considered a project under the CEQA according to 14 CCR Section 15378(b) because the land transfer does not have the potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. The proposed actions do not involve the expenditure of federal funds and therefore do not require review under the National Environmental Policy Act (NEPA).

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 2035 General Plan: Housing Element – Strategies and Policies for Conserving Energy Resources – Climate Action Plan, subsection 7.2: The Sacramento Climate Action Plan (CAP) outlines measures to improve energy efficiency in existing buildings.

Commission Action: At its meeting of February 1, 2017, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. 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: Staff recommends funding of an Agency loan comprised of \$4,200,000 of Housing Successor funds and a seller carryback land acquisition loan of \$550,000. The Agency will be collecting the annual monitoring fee as a capitalized reserve equal to 0.15 percent of the new Housing Successor funds loan amount, consistent with the Agency's multifamily lending guidelines. A loan commitment letter for the Housing Successor funds loan is included as Exhibit A to the attached Loan Commitment resolution. A seller carryback land acquisition loan commitment letter is included as Exhibit A to the attached Land Transfer resolution.

LBE/M/WBE/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 does not apply to this report.

Respectfully Submitted by:

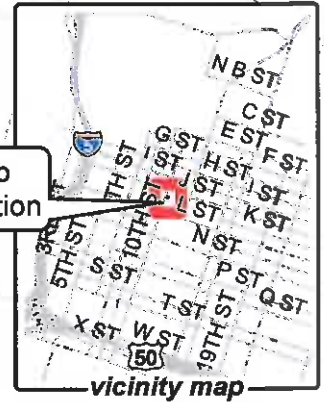
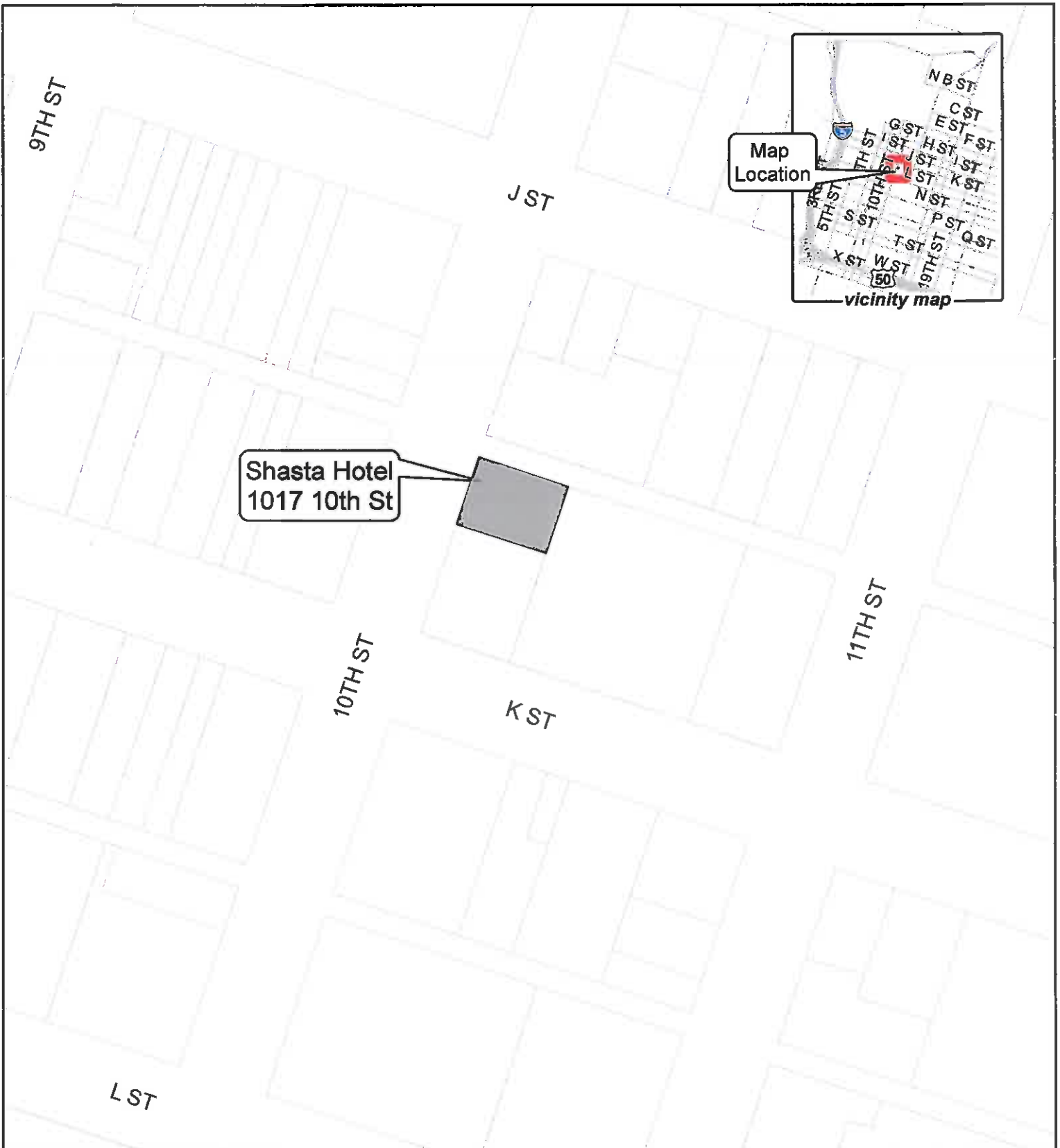

LA SHELLE DOZIER
Executive Director

Attachments

- 01 Description/Analysis
- 02 Vicinity Map
- 03 Project Summary
- 04 Cash Flow Proforma
- 05 Maximum Income and Rent Levels
- 06 Housing Authority Resolution – Loan Commitment
- 07 Exhibit A to Resolution – Loan Commitment Letter
- 08 Housing Authority Resolution – Land Transfer
- 09 Exhibit A to Resolution – Seller Carryback Land Acquisition Commitment Letter



Shasta Hotel



Shasta Hotel



SHRA GIS
January 3, 2017

Shasta Hotel

Residential Project Financial Summary

Address	1017 10th Street, Sacramento CA 95814			
Number of Units	79			
Year Built	1909			
Construction Type	Rehabilitation			
Acreage	0.11			
Affordability	18 units at or below 30% of AMI 15 units at or below 35% of AMI 45 units at or below 40% of AMI			
Unit Mix and Rents	(30% AMI)	(35% AMI)	(40% AMI)	Manager
Studio	18	15	45	
1 Bedroom / 1 Bath				1
TOTAL	18	15	45	1
Square Footage	<i>Per Unit</i>	<i>Total</i>		
Studio	140	10,920	square feet	
1 Bedroom / 1 Bath	350	350	square feet	
Common Areas		1,400	square feet	
TOTAL		12,670	square feet	
Resident Facilities	The project includes a common area lounge, common kitchen, common bath and shower, laundry facilities, and access to supportive services.			
<u>Permanent Sources</u>	<i>Current Total</i>	<i>Per Unit</i>	<i>Per Sq Ft</i>	
Federal Tax Credit Equity	\$ 11,805,308	\$ 149,434	\$ 931.75	
AHP	\$ 1,000,000	\$ 12,658	\$ 78.93	
Existing HCD Loan	\$ 3,000,000	\$ 37,975	\$ 236.78	
New SHRA Loan	\$ 4,200,000	\$ 53,165	\$ 331.49	
Seller Carryback Loan	\$ 550,000	\$ 6,962	\$ 43.41	
GP Equity	\$ 100	\$ 1	\$ 0.01	
TOTAL SOURCES	\$ 20,555,408	\$ 260,195	\$ 1,622.37	
<u>Permanent Uses</u>				
Land Acquisition	\$ 550,000	\$ 6,962	\$ 43.41	
Construction	\$ 7,028,483	\$ 88,968	\$ 554.73	
Permits and Fees	\$ 122,998	\$ 1,557	\$ 9.71	
Architecture and Engineering	\$ 463,500	\$ 5,867	\$ 36.58	
Hard Cost Contingency	\$ 702,848	\$ 8,897	\$ 55.47	
Soft Cost Contingency	\$ 100,000	\$ 1,266	\$ 7.89	
Existing Debt	\$ 3,318,416	\$ 42,005	\$ 261.91	
Financing Costs	\$ 608,845	\$ 7,707	\$ 48.05	
Capitalized Monitoring Fee	\$ 106,550	\$ 1,349	\$ 8.41	
Capitalized Rent Reserves	\$ 4,650,000	\$ 58,861	\$ 367.01	
Capitalized Replacement Reserves	\$ 158,000	\$ 2,000	\$ 12.47	
Operating Reserve	\$ 281,406	\$ 3,562	\$ 22.21	
Relocation	\$ 406,116	\$ 5,141	\$ 32.05	
Legal Fees	\$ 152,500	\$ 1,930	\$ 12.04	
Developer Fee	\$ 1,200,000	\$ 15,190	\$ 94.71	
Insurance, Third Party, Marketing, Other	\$ 705,746	\$ 8,933	\$ 55.70	
TOTAL USES	\$ 20,555,408	\$ 260,195	\$ 1,622.37	
<u>Operating Expenses (at Occupancy)</u>				
Proposed Developer:	Shasta Hotel Housing Associates, LP			
Property Management Company:	The John Stewart Company			
Operations Budget:	\$ 441,556	\$ 5,589		
Assessments:	\$ 2,877	\$ 36		
Property Management	\$ 46,277	\$ 586		
Resident Services:	\$ 91,054	\$ 1,153		
Replacement Reserves:	\$ 28,000	\$ 354		

Attachment 4

[illegible]

MAXIMUM RENT AND INCOME LEVELS 2016
Rents at 30%, 35%, and 40% of Area Median Income

Maximum Income Limits:

Low Income Housing Tax Credits (LIHTCs)

Family Size	30% AMI	35% AMI	40% AMI
1 person	\$ 14,580	\$ 17,010	\$ 19,440
2 person	\$ 16,680	\$ 22,880	\$ 22,240

Maximum Rent Limits:

Low Income Housing Tax Credits (LIHTCs)

Unit Size	Gross Rent		
	30% AMI	35% AMI	40% AMI
Studio	\$ 364	\$ 425	\$ 486

RESOLUTION NO. 2017 -

Adopted by the Housing Authority of the City of Sacramento

on date of

SHASTA HOTEL: APPROVAL OF \$4,200,000 IN HOUSING SUCCESSOR FUNDS; EXECUTION OF COMMITMENT AND RELATED DOCUMENTS WITH SHASTA HOTEL HOUSING ASSOCIATES, LP (JOHN STEWART COMPANY AND SHASTA HOTEL CORPORATION) OR RELATED ENTITY; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS

BACKGROUND

- A. Shasta Hotel Housing Associates, LP (John Stewart Company and Shasta Hotel Corporation) (Developer) has applied for an allocation of \$4,200,000 in Housing Successor Funds from the Sacramento Housing and Redevelopment Agency (Agency) to assist in funding the acquisition, rehabilitation and permanent financing of the Shasta Hotel, an existing development located in Downtown Sacramento.
- B. Shasta Hotel Corporation, as nonprofit general partner, has applied for seller carryback land acquisition financing in the amount of \$550,000 to assist in the acquisition of the land beneath the Shasta Hotel.
- C. In 2011 the California Legislature enacted AB 1X26, which, coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012.
- D. The City of Sacramento, by Resolution Number 2012-018 (adopted on January 31, 2012), designated the Housing Authority of the City of Sacramento as the local authority to retain the housing assets and functions previously performed by the Redevelopment Agency of the City of Sacramento.
- E. The Housing Authority of the City of Sacramento, by Resolution Number 2012-001 (adopted on January 31, 2012), accepted the housing assets and housing functions previously performed by the Redevelopment Agency of the City of Sacramento.
- F. The Redevelopment Agency of the City of Sacramento, by resolution Number 2012-001 (adopted on January 31, 2012) transferred its housing assets and housing functions to the Housing Authority of the City of Sacramento.
- G. On April 1, 2013, the California Department of Finance issued its final determination related to the Housing Asset Transfer assets. This final determination included these Housing Successor funds.
- H. The Shasta Hotel is consistent with a) the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 2. Recapitalization (Resolution No. 2009-148); b) 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); c) 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 d) the Downtown Housing Initiative and Initiation of the Downtown Specific plan, to bring 10,000 places to live to Downtown Sacramento by year 2025 (Resolution No. 2015-282).

- I. The project has been determined to be categorically exempt under California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines at 14 California Code of Regulations Section §15301(a), "Existing Facilities".
- J. The proposed actions do not involve 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, attached as (Exhibit A), for financing the Project with \$4,200,000 in Housing Successor Funds is approved, and the Agency is authorized to execute and transmit the Loan Commitment to Shasta Hotel Housing Associates, LP (John Stewart Company and Shasta Hotel Corporation) 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 \$4,200,000 in Housing Successor Funds for the Shasta Hotel Project.

TABLE OF CONTENTS:

Exhibit A – Loan Commitment Letter

Date: February 21, 2017

Shasta Hotel Housing Associates, LP
C/O Margaret Miller
1388 Sutter Street, 11th Floor
San Francisco, CA 94109

RE: Conditional Funding Commitment for the Shasta Hotel

Dear Ms. Miller:

On behalf of the Sacramento Housing and Redevelopment Agency (Agency), we are pleased to advise you of its commitment of permanent loan funds (Loan) comprised of \$4,200,000 in City Housing Successor funds for the purpose of financing the acquisition, rehabilitation and development of that certain real property known as the Shasta Hotel located at 1017 10th Street, 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. No loan terms not in this funding commitment and the attached loan document forms shall 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 June 15, 2018.

1. **PROJECT DESCRIPTION:** The Shasta Hotel is an existing 80-unit Single-Room Occupancy (SRO) development located in downtown Sacramento. The building was originally constructed in the early 1900s, and extensively rehabilitated in 1994. The Project will contain 78 SRO units and a one-bedroom manager's unit, as well as common lounge areas, kitchens, bath and showers, laundry facilities, and access to supportive services.
2. **BORROWER:** The name of the Borrower for the Loan is Shasta Hotel Housing Associates, LP (The John Stewart Company and Shasta Hotel Corporation, or related entity).
3. **PURPOSE OF LOAN:** The Loan is to be used by Borrower solely to pay the costs of acquisition, rehabilitation, development 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 Two Hundred Thousand Dollars (\$4,200,000), 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 one percent (1%) 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 684 months.
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 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 the California Department of Housing and Community Development (HCD), the Affordable Housing Program (AHP), 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 rehabilitation of the Property.
11. **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.
12. **PROOF OF EQUITY**: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$11,805,308 in Low Income Housing Tax Credit Equity.
13. **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.

(d) Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency for the project or be subject to conditions which require amendment of the DDA, OPA or other agreements.

14. 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.
15. SOILS AND TOXIC REPORTS: Borrower/Grantee 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/Grant closing. Borrower/Grantee must, as a condition of disbursement of Loan/Grant 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.
16. 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 judgment 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. The Final Plans shall incorporate all related mitigation measures 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.
17. PLANS AND SPECIFICATION: Final plans and specifications, if any, for the project must be in accord with the proposal approved as part of the Loan application. 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.
18. 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.

19. **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.
20. **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.
21. **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. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency, Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

All contracts, subcontracts, contractors, and subcontractors shall be subject to Agency's approval prior to close of the Loan. Agency also reserves the right to require performance and material payment bonds on any or all contractors, or in lieu of bond a letter of credit acceptable to Agency.

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.

22. **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.

23. 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.
24. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing.
25. 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.
26. 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.
27. 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).
28. 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.

29. 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.
30. 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.
31. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
32. 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.
33. 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.
34. RESIDENT SERVICES AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the resident services by a third party which agreement is subject to Agency Approval. The agreement must include a minimum of fifteen (15) hours of on-site resident services.
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 buildings but no less than 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: February 21, 2017

BORROWER:

Shasta Hotel Housing Associates, LP

By: _____
Margaret Miller, Vice President

RESOLUTION NO. 2017 -

Adopted by the Housing Authority of the City of Sacramento

on date of

SHASTA HOTEL: APPROVAL OF LAND TRANSFER TO SHASTA HOTEL CORPORATION (SHC), A CALIFORNIA NONPROFIT CORPORATION, OR RELATED ENTITY; APPROVAL OF \$550,000 IN SELLER CARRYBACK LAND ACQUISITION FINANCING; AND ENVIRONMENTAL FINDINGS

BACKGROUND

- A. Shasta Hotel Housing Associates, LP (John Stewart Company and Shasta Hotel Corporation) or related entity (Developer) has applied for an allocation of \$4,200,000 in Housing Successor Funds to assist in funding the acquisition, rehabilitation and permanent financing of the existing development, the Shasta Hotel (Project). The Project will consist of 78 Single Room Occupancy units and 1 one-bedroom manager's unit.
- B. The Redevelopment Agency of the City of Sacramento originally owned the land beneath the Project and entered into a ground lease with the current owners, Shasta Hotel Investors Partnership (SHIP) for \$6,000 annually, beginning in 1994. The land was transferred to the Housing Authority after the dissolution of Redevelopment in California. Lease payments were due annually based on the availability of cash flow. Based on annual review of audited financials, the Project has not been capable of making payments on the ground lease.
- C. The Shasta Hotel Corporation (SHC), as nonprofit general partner, has applied for seller carryback land acquisition financing in the amount of \$550,000 to assist in the acquisition of the land beneath the Shasta Hotel.
- D. The existing ground lease will be released and all outstanding lease payments due, currently estimated at \$140,835 in principal and accrued interest, will be forgiven. The land beneath the Shasta Hotel will be transferred at fair market value for \$550,000 to the SHC. The terms of the land transfer agreement will provide for seller carryback financing at zero percent interest, deferred payments, and a 55 year term.
- E. The Housing Authority now desires approval to transfer the land under the Project to the SHC, which will allow for refinancing in the future. The land is not required for the foreseeable needs of the Housing Authority and the Project will continue to house persons of low and moderate income as defined in California Health and Safety Code §50093.
- F. The SHC will enter into a ground with Shasta Hotel Housing Associates, LP for a term of at least 55 years, at a leasehold cost of \$1 per year. SHIP will sell its fee interest in the Project to Shasta Hotel Housing Associates, LP for fair market value.

- G. In 2011 the California Legislature enacted AB 1X26, which, coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012.
- H. The City of Sacramento, by Resolution Number 2012-018 (adopted on January 31, 2012), designated the Housing Authority of the City of Sacramento as the local authority to retain the housing assets and functions previously performed by the Redevelopment Agency of the City of Sacramento.
- I. The Housing Authority of the City of Sacramento, by Resolution Number 2012-001 (adopted on January 31, 2012), accepted the housing assets and housing functions previously performed by the Redevelopment Agency of the City of Sacramento.
- J. The Redevelopment Agency of the City of Sacramento, by resolution Number 2012-001 (adopted on January 31, 2012) transferred its housing assets and housing functions to the Housing Authority of the City of Sacramento.
- K. On April 1, 2013, the California Department of Finance issued its final determination related to the Housing Asset Transfer assets. This final determination included this land beneath the Shasta Hotel.
- L. The proposed actions related to the land transfer are not considered a project under the California Environmental Quality Act according to 14 California Code of Regulations Section 15378(b) because the land transfer does not have the potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.
- M. The proposed actions related to the land transfer do not involve 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 HOUSING AUTHORITY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

- Section 1. All of the evidence having been duly considered, the facts as presented and set forth above, including the environmental facts and findings, are found to be true and correct and are hereby adopted.
- Section 2. The Executive Director, or designee, is authorized to terminate the existing ground lease and forgive all outstanding lease payments, currently estimated at \$140,835 in principal and accrued interest.
- Section 3. The Loan Commitment, attached as (Exhibit A), for seller carryback land acquisition financing in the amount of \$550,000 is approved, and the Housing Authority is authorized to execute and transmit the Loan Commitment to the Shasta Hotel Corporation or related entity.
- Section 4. The Executive Director, or designee, is authorized to transfer the land beneath the Shasta Hotel to the Shasta Hotel Corporation, a California

nonprofit corporation, at the its appraised fair market value and with certain reversion or similar provisions ensuring affordable residential use of the Property.

Section 5. The Executive Director, or designee, is authorized to enter into and execute other documents, as approved to form by agency counsel, and perform other actions necessary to transfer the land beneath the Shasta Hotel.

TABLE OF CONTENTS:

Exhibit A – Seller Carryback Land Acquisition Commitment Letter

February 21, 2017

Brad Wiblin, President
Shasta Hotel Corporation
801 12th Street
Sacramento, CA 95814

Re: Conditional Seller Carryback Funding Commitment
Shasta Hotel, 1017 10th Street, Sacramento, CA

Dear Mr. Wiblin:

On behalf of the Housing Authority of the City of Sacramento ("Agency"), we are pleased to advise you of its commitment in the amount of \$550,000 in the form of a seller carry-back loan ("Loan") for the purpose of financing the acquisition of the land located underneath the improvements located at 1017 10th Street in Sacramento, California ("Property") commonly known as Shasta Hotel. The Agency's decision is based on your application and all representations and information supplied by you in relation to it. If these representations and information change in a material manner without written approval of 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 in a form and substance satisfactory to the Agency.

The Loan shall be made on standard Agency loan documents. No loan terms not in this funding commitment and the attached loan document forms shall 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 its 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 on June 15, 2018.

1. **PROJECT DESCRIPTION:** The Shasta Hotel is an existing 80-unit Single-Room Occupancy (SRO) development located in downtown Sacramento. The building was originally constructed in the early 1900s, and extensively rehabilitated in 1994. The Project will contain 78 SRO units and a one-bedroom manager's unit, as well as common lounge areas, kitchens, bath and showers, laundry facilities, and access to supportive services.
2. **BORROWER:** The name of the Borrower for the Loan is Shasta Hotel Corporation, or related entity.
3. **PURPOSE OF LOAN:** The Loan is to be used by Borrower solely for financing the acquisition of the Property located underneath the improvements.

The Agency commits to transfer the land underneath the improvements to the Borrower at fair market value.

4. **PRINCIPAL AMOUNT:** The total principal amount of the Loan will be Five Hundred Fifty Thousand Dollars (\$550,000), the appraised fair market value of the land.
5. **TERM OF LOAN:** The Loan shall mature 55 years from the close of escrow date.
6. **INTEREST RATE:** The Loan shall bear interest at zero (0%) annually.
7. **LOAN REPAYMENT:** The Loan shall mature 55 years or 660 months from the date of closing, at which point any and all unpaid principal and interest on the loan will be due and payable.
8. **SOURCE OF LOAN FUNDS:** The Acquisition Loan will be financed through seller carry-back financing from the Housing Authority of the City of Sacramento. This Acquisition Loan is conditioned upon Borrower's acceptance of Agency's requirements and conditions related to its lending programs, including among others, the required forms of agreements for the Acquisition Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements, all as mutually agreed to by Agency and Borrower.

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 a promissory note secured by a deed of trust with assignment of rents against the leasehold interest in the Improvements, which shall be a subordinate lien upon the Improvements subject only to other items as the Agency may approve in writing. The Agency will subordinate said deeds of trust in order to accommodate completion of construction of the Property.
11. 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.
12. PROOF OF EQUITY: Borrower, as nonprofit general partner of Shasta Hotel Housing Associates, LP, shall provide proof of equity for the Property and Improvements in the amount of no less than \$11,805,308 from sources including Low Income Housing Tax Credits, net operating income during rehabilitation and existing reserves.
13. 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.
 - (d) Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency for the project or be subject to conditions which require amendment of the DDA, OPA or other agreements.
14. 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 reasonable 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.

15. 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 judgment 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. The Final Plans shall incorporate all related mitigation measures 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.
16. PLANS AND SPECIFICATIONS: Final plans and specifications for the project must be in accord with the proposal approved as part of the Loan application. 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.
17. ARCHITECTURAL AGREEMENT: The architectural agreement (Agreement) 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.
18. 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.
19. 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. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency, Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

All contracts, subcontracts, contractors, and subcontractors shall be subject to Agency's approval prior to close of the Loan. Agency also reserves the right to require performance and material payment bonds on any or all contractors, or in lieu of bond a letter of credit acceptable to Agency.

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.

20. 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 60 days following the close of construction financing.
21. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing.
22. 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.
23. 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.
24. 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).
25. 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.

26. 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.
27. 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.
28. 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.
29. 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.
30. RESIDENT SERVICES AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the resident services by a third party which agreement is subject to Agency Approval. The agreement must include a minimum of fifteen (15) hours of on-site resident services.
31. 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.

32. SMOKE-FREE ENVIRONMENT: At least 50% of the buildings but no less than 50% of the units must be smoke free. All indoor common areas must be smoke-free.
33. 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.
34. 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.
35. 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.
36. 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,
Housing Authority of the City of Sacramento

La Shelle Dozier
Executive Director

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

Dated: February 21, 2017

BORROWER:

Shasta Hotel Corporation

By: _____
Brad Wiblin, President

Dated: _____

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 _____

SHASTA HOTEL: AUTHORIZING A LOAN COMMITMENT CONSISTING OF \$4,200,000 IN HOUSING SUCCESSOR FUNDS; AUTHORIZING A SELLER CARRYBACK LAND ACQUISITION LOAN COMMITMENT OF \$550,000; EXECUTION OF LOAN COMMITMENT AND RELATED DOCUMENTS WITH SHASTA HOTEL HOUSING ASSOCIATES, LP (JOHN STEWART COMPANY AND SHASTA HOTEL CORPORATION) OR RELATED ENTITY; EXECUTION OF LOAN COMMITMENT AND RELATED DOCUMENTS WITH SHASTA HOTEL CORPORATION OR RELATED ENTITY; APPROVAL OF RELEASE OF EXISTING GROUND LEASE AND FORGIVENESS OF OUTSTANDING LEASE PAYMENTS; APPROVAL OF LAND TRANSFER; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS

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

Section 1. The project has been determined to be categorically exempt under California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines at 14 California Code of Regulations (CCR) Section §15301(a), "Existing Facilities".

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

Section 3: Subject to approval by the Housing Authority of the City of Sacramento, the Loan Commitment attached to and incorporated in this resolution by this reference for the financing of the Shasta Hotel (Loan Commitment) the Executive Director, or designee, is authorized to execute the Loan Commitment and related documents and transmit to Shasta Hotel Housing Associates, LP (John Stewart Company and Shasta Hotel Corporation) or related entity.

Section 4: Subject to approval by the Housing Authority of the City of Sacramento, the Loan Commitment attached to and incorporated in this resolution by this reference for the seller carryback land acquisition financing of the Shasta Hotel (Seller Carryback Land Acquisition Loan Commitment) the Executive Director, or designee, is authorized to execute the Loan Commitment and related documents and transmit to Shasta Hotel Corporation or related entity.

Section 5: The Executive Director, or designee, is authorized to amend the Sacramento Housing and Redevelopment Agency (Agency) budget to transfer \$4,200,000 in Housing Successor Funds to Shasta Hotel Housing Associates, LP.

SHASTA HOTEL: AUTHORIZING A LOAN COMMITMENT CONSISTING OF \$4,200,000 IN HOUSING SUCCESSOR FUNDS; AUTHORIZING A SELLER CARRYBACK LAND ACQUISITION LOAN COMMITMENT OF \$550,000; EXECUTION OF LOAN COMMITMENT AND RELATED DOCUMENTS WITH SHASTA HOTEL HOUSING ASSOCIATES, LP OR RELATED ENTITY; EXECUTION OF LOAN COMMITMENT AND RELATED DOCUMENTS WITH SHASTA HOTEL CORPORATION OR RELATED ENTITY; APPROVAL OF RELEASE OF EXISTING GROUND LEASE AND FORGIVENESS OF OUTSTANDING LEASE PAYMENTS; APPROVAL OF LAND TRANSFER; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS

Page 2 of 2

Section 6: The Executive Director, or designee, is authorized to execute a commitment of a seller carryback land acquisition loan of \$550,000 with the nonprofit general partner, Shasta Hotel Corporation.

Section 7: The Executive Director, or designee, is authorized to release the existing ground lease with the current owners, the Shasta Hotel Investors Partnership, and forgive all outstanding lease payments on said lease, currently estimated at \$140,835 in principal and accrued interest.

Section 8: The Executive Director, or designee, is authorized to transfer the land beneath the Shasta Hotel to the Shasta Hotel Corporation and enter into and execute other documents, as approved to form by agency counsel

Section 9: Subject to approval by the Housing Authority of the City of Sacramento, the Executive Director, or designee, is authorized to execute the Loan Commitment and related documents with Shasta Hotel Housing Associates, LP, 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.

Section 10: Subject to approval by the Housing Authority of the City of Sacramento, the Executive Director, or designee, is authorized to execute the Loan Commitment and related documents with the Shasta Hotel Corporation, 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.

CHAIR

ATTEST:

CLERK