



November 9, 2017

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Approval of Amended Loan Commitment for the St. Francis Terrace Project

SUMMARY

The attached report is submitted to you for review prior to submission to the City of Sacramento.

RECOMMENDATION

Staff recommends approval of the actions outlined in the attached resolutions.

Respectfully submitted,


LA SHELLE DOZIER
Executive Director

Attachment



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2671

www.CityofSacramento.org

Business Item

November 28, 2017

Honorable Mayor and Members of the City Council

Title: Approval of Amended Loan Commitment for the St. Francis Terrace Project

Location/Council District: 2525 L Street, Council District 4

Recommendation: Pass a **City Council Resolution** authorizing the Sacramento Housing and Redevelopment Agency (Agency) to: a) approve an additional \$1.3 million in HOME Investment Partnership Program (HOME) funds to St. Francis Terrace, and execute the amended Conditional Loan Commitment Letter with Mercy Housing California, L.P. or related entity, b) execute all necessary documents associated with this transaction, c) amend the Agency budget, and d) make related findings.

Contact: Christine Weichert, 440-1353; Tyrone Roderick Williams, 440-1316, Sacramento Housing and Redevelopment Agency

Presenters: Anne Nicholls, Housing Finance Analyst

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue Detail: On May 9, 2017, the City Council and the Housing Authority authorized the Agency to execute a \$1,247,000 loan commitment with Mercy Housing California for the financing of the St. Francis Terrace project which would be comprised of \$947,000 in HOME funds and \$300,000 in Housing Successor Funds and for financing of the Village Park project with \$1,022,000 in HOME funds.

After approval by Council in May of 2017, Mercy Housing California (MHC or the Developer) began working on one application for a Low Income Housing Tax Credit (LIHTC) allocation from the California Tax Credit Allocation Committee (CTCAC) and planned to utilize the tax credits along with the approved Agency financing for the St. Francis Terrace and Village Park Apartment Projects (Projects). The tax credit allocation, Agency financing, and proposed refinancing was intended to provide funds for critical renovation needs and result in adequate cash flow to support the management and operating expenses of both projects.

On June 28, 2017, the Developer submitted for competitive Federal and State Low Income Housing Tax Credit applications (Application) from the California Tax Credit Allocation Committee. The Developer's Application competed for approximately \$4.3 million in Federal tax credit equity and \$1.3 million in State tax credit equity for St. Francis Terrace, and \$7.9 million in Federal tax credit equity for Village Park.

CTCAC did not initially include St. Francis Terrace and Village Park on the list of recommended applications for funding, but they did establish a waiting list. The Projects were pulled from the waiting list as they were the highest scoring unfunded projects. However, by the time the Projects were pulled from the waiting list, there were no longer State LIHTCs available for the St. Francis Terrace Project, which resulted in a \$1.3 million gap in funding. The Agency is requesting an additional \$1.3 million of HOME funds to fill this gap and allow the project to proceed.

The remaining project financing for St. Francis Terrace includes the previously committed Agency loan, tax credit equity, general partnership equity, and restructuring existing loans from the State Department of Housing and Community Development (HCD) and the Housing Authority. Units will be regulated at 30, 35, 50 and 60 percent of Area Median Income (AMI).

St. Francis Terrace is an affordable apartment complex owned by Mercy Housing California, located at 2525 L Street, in Sacramento's Midtown neighborhood. St. Francis Terrace was built in 1994 and includes 48 one-, two- and three-bedroom units in a three- and four-story single podium building located on a 1.34 acre site with a community room, kitchen, leasing office, elevator, parking garage and stucco exterior siding. A vicinity map is included as Attachment 2. A photo of the building is included as Attachment 3.

An extensive renovation of the 23-year old St. Francis Terrace housing development is proposed. Interior unit improvements will include new cabinets, counters, flooring, sliding closet doors, windows and coverings, sliding glass and screen doors, hardware on doors, sinks, bathtubs, exhaust fans, toilets, lighting, paint, electrical subpanels, smoke detectors, and energy efficient appliances. Dishwashers will be installed in each unit. Damaged interior doors and drywall will be repaired or replaced. Elevated decks will be re-waterproofed. All existing ramps in the units will be replaced to comply with current code. Seven of the units will also be compliant with the requirements of the Americans with Disabilities Act (ADA).

A community room with a fully equipped kitchen will be included, which will have new ceilings, cabinets, counters, flooring, window coverings, storage and shelves, energy efficient appliances and lighting. The upgraded laundry facility will have new flooring, appliances, and an ADA compliant counter for folding laundry. The elevator will be replaced. Common interior areas will be painted and new ceiling, flooring, lighting, fixtures, and humidistats will be installed. A new interior keypad entry system will be installed to access the third- and fourth-floor corridors and apartments. Handrails will be replaced in the hallways. The community restroom will have new ceiling, humidistat,

plumbing and light fixtures, sink, toilet, and flooring installed. Community areas will include new playground equipment for school-aged youth, along with seating areas. The community garden will have new raised garden beds and new bicycle parking fixtures will be installed.

Exterior improvements will include significant renovation to the underground parking garage (which currently has water intrusion issues), wood trim, built-up roof covering, gutters, downspouts, heat pump systems, central water heater, water booster pump, landscape irrigation and drainage systems, security cameras, and an access control system to the lobby. Site upgrades will conform to ADA standards. Concrete walkways will be improved and brought to code. Ventilation improvements will be made in the mechanical rooms and subterranean parking garage. Waterproofing systems in the ceiling and walls and two additional disabled parking spaces will be added in the garage. The stucco building will be repainted.

Developer: Mercy Housing California (MHC) is a nonprofit public benefit corporation dedicated to providing quality affordable housing with supportive programs to low-income persons in California. Mercy Housing California has developed over 10,900 affordable homes, including over 7,900 rental properties and 3,000 owner occupied homes. MHC's portfolio includes 19 properties with more than 1,300 units in the City and County of Sacramento.

Property Management: St. Francis Terrace will continue to be managed by Mercy Housing Management Group (MHMG), an affiliate of Mercy Housing. MHMG manages 220 properties nationally, comprised of more than 11,000 affordable housing units and 100 developments in California. Agency staff has reviewed MHMG's qualifications and its management plan, and has found that the proposed management company meets Agency requirements.

Resident Services: Resident services will be provided by Mercy Housing California. A minimum of 16 hours per week of on-site resident services will be provided at St. Francis Terrace. Resident services will include after-school programs and education and enrichment programs. An on-site coordinator will be assigned to the properties.

Low-Income Set-Aside Requirements: As a condition of receiving tax credits, federal law requires that apartments be set-aside for targeted income groups. Income restrictions from Low Income Housing Tax Credit (LIHTC) financing require that no households have income above 60 percent AMI.

The Agency further requires that 20 percent of the units be restricted to households with incomes no greater than 50 percent AMI. The affordability restrictions will be specified in regulatory agreements between the Agency and the Developer. Anticipated funding sources and their affordability requirements are summarized in the following table:

St. Francis Terrace			
Funding Source	% of Units	Affordability Regulated for 55 years	Units
LIHTC and Agency Loan	11%	30% AMI - Extremely Low Income	5
LIHTC and Agency Loan	25%	35% AMI - Very Low Income	12
LIHTC and Agency Loan	31%	50% AMI - Very Low Income	15
LIHTC and Agency Loan	31%	60% AMI - Low Income	15
Not applicable	2%	Management Unit	1
Total	100%		48

Policy Considerations: The recommended action of approving the amended loan commitment for St. Francis Terrace is consistent with: a) the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority level two, Recapitalization (Resolution No. 2009-148); b) the 2013-2021 Housing Element, which encourages the preservation and rehabilitation of existing housing to ensure neighborhood livability and promote housing affordability (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, which aims to bring 10,000 places to live to Downtown Sacramento by 2025 (Resolution No. 2015-282).

Regulatory restrictions on the property will be specified in regulatory agreements between the Agency and Developer for the Agency-assisted units. Compliance with the regulatory agreements will be monitored by the Agency on an annual basis. All units will be regulated for a period of 55 years by the CTCAC as a LIHTC funding requirement.

Economic Impacts: The St. Francis Terrace multifamily residential project is expected to create 40.63 total jobs (23.02 direct jobs and 17.61 jobs through indirect and induced activities) and create \$3,385,990 in total economic output (\$2,063,972 of direct output and another \$1,322,018 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 has previously been evaluated in accordance with CEQA and was found to be exempt pursuant to CEQA Guidelines at 14 California Code of Regulations (CCR) §15301. This action provides supplemental assistance to the project and does not constitute a new project or a change in the project under CEQA; therefore, no further environmental review is required per 14 CCR §§ 15378 and 15162.

National Environmental Policy Act (NEPA): The project has previously been evaluated in accordance with NEPA and was found to be Categorically Excluded from environmental review under NEPA regulations at 24 Code of Federal Regulations (CFR) §58.35(a) (2)(ii) and converts to Exempt per 24 CFR §58.34 (a) (12). This action provides supplemental assistance to the project and is Categorically Excluded Not Subject To 24 CFR §58.5 per 24 CFR 58.35(b)(7).

Sustainability Considerations: These projects have been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, this projects will advance the following goal, policy and target of goal number one – Energy Independence, specifically by reducing the use of fossil fuels, improving energy efficiency, and providing long-term affordable and reliable energy.

Commission Action: At its meeting of November 15, 2017, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES:

NOES:

ABSENT:

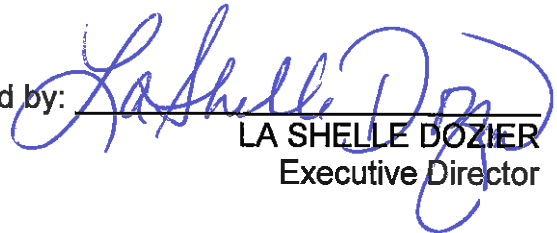
Rationale for Recommendation: The actions recommended in this report enable the Agency to continue to fulfill its mission of providing a range of affordable housing opportunities in the City and are consistent with the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies,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

Financial Considerations: The additional \$1.3 million to the previously approved \$947,000 proposes a total allocation of \$2,247,000 in HOME funds. The HOME funds and the \$300,000 in Housing Successor Funds provide St. Francis Terrace a new Agency loan of \$2,547,000 with an interest rate of three percent. The existing Low/Moderate Housing Tax Increment (TI) loans on the project are proposed to be restructured and/or extended 57 years from the date of closing using a current interest rate of three percent. The Project Summary and Cash Flow Proforma are included as Attachments 4 and 5.

LBE - M/WBE and Section 3 requirements: Minority and Women's Business

Enterprise requirements will be applied to all activities to the extent required by federal funding to maintain that federal funding. Section 3 requirements will be applied to the extent applicable. Local Business Enterprise requirements do not apply to this report.

Respectfully Submitted by:



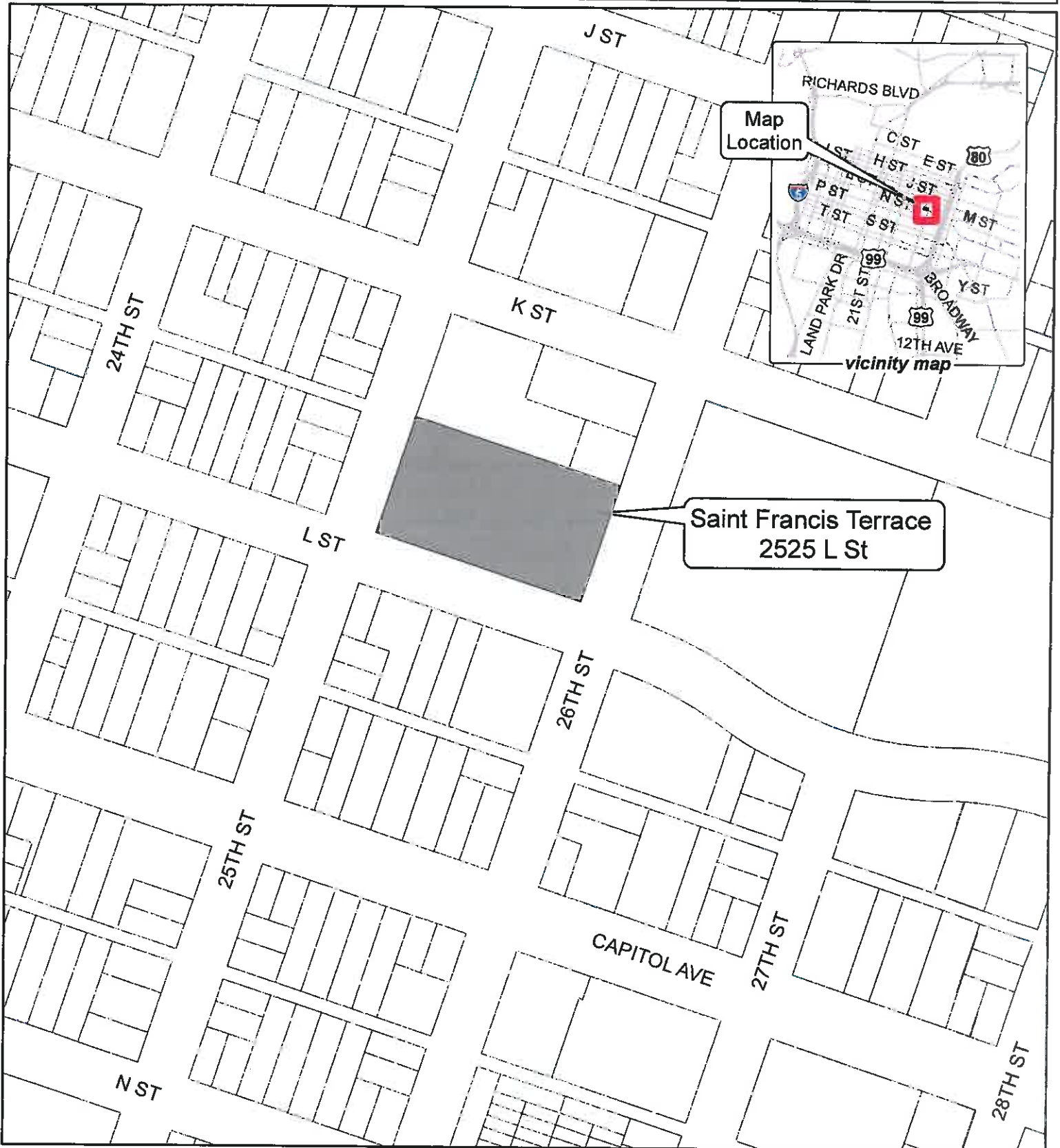
LA SHELLE DOZIER
Executive Director

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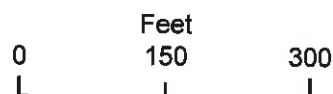
01	Description/Analysis and Background
02	Vicinity Map
03	Photo
04	Project Summary
05	Cash Flow Proforma
06	Maximum Income and Rent Limits
07	City Council Amended Loan Commitment Resolution - St. Francis Terrace
08	Exhibit A to Resolution - First Amendment to the Conditional Loan Commitment



Saint Francis Terrace

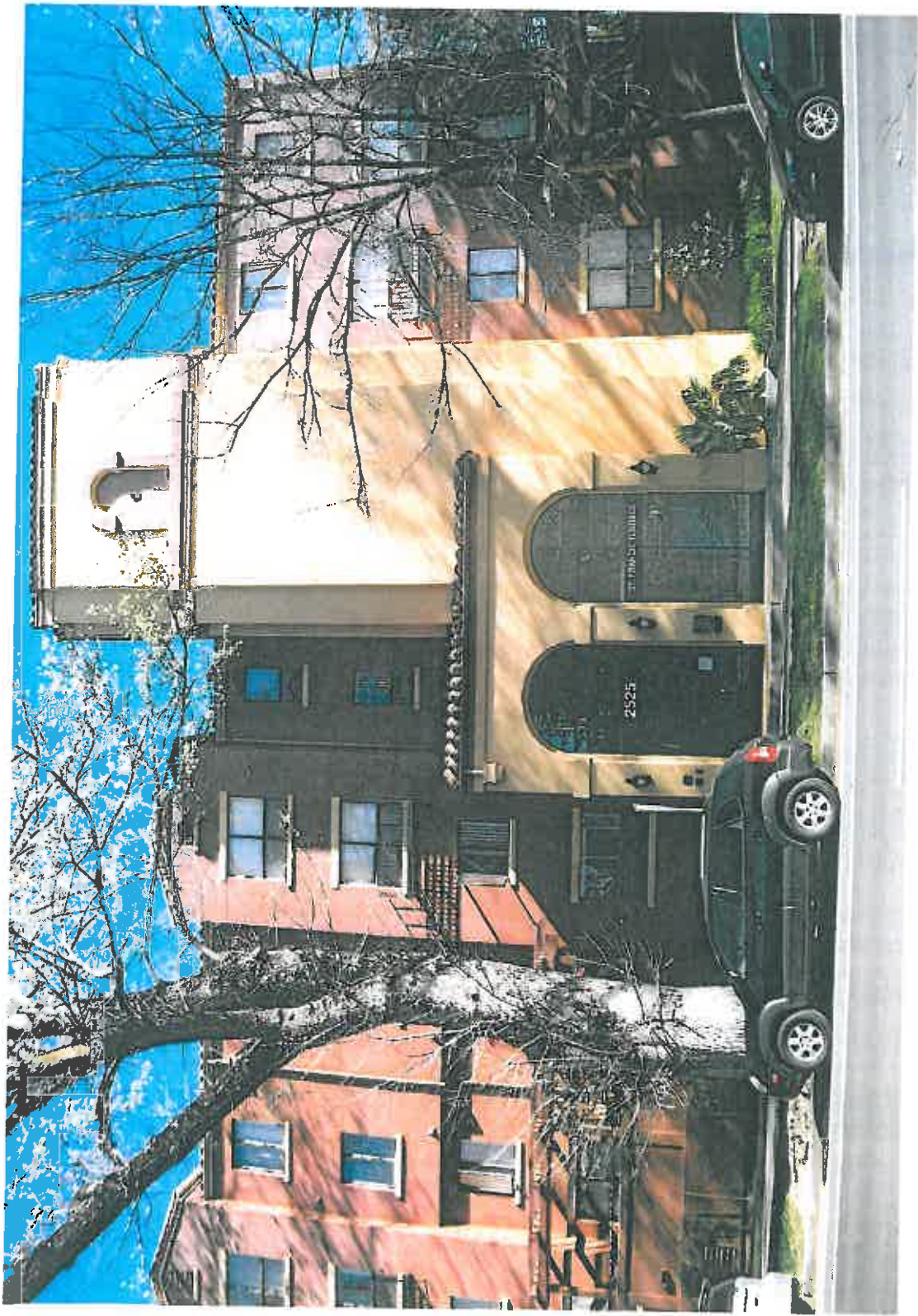


Saint Francis Terrace



SHRA GIS
October 17, 2017

St. Francis Terrace



St. Francis Terrace
Residential Project Summary

Address	2525 L Street, Sacramento 95816				
Number of Units	48				
Year Built	1994				
Acreage	1.34 (58,370 square feet)				
Affordability	5 units at or below 30% of AMI 12 units at or below 35% of AMI 15 units at or below 50% of AMI 15 units at or below 60% of AMI and 1 exempt management (MGT) unit				
Unit Mix and Rents	<u>30% AMI</u>	<u>35% AMI</u>	<u>50% AMI</u>	<u>60% AMI</u>	<u>MGT (exempt)</u>
1 Bedroom / 1 Bath (20)	2	5	7	6	
2 Bedroom / 1.5 Bath (10)	1	2	3	3	1
3 Bedroom / 1.5 Bath (18)	2	5	5	6	
TOTAL (48)	5	12	15	15	1
Square Footage	<u>Per Unit SF</u>		<u>Total SF</u>		
1 Bedroom / 1 Bath	521		10,420		
2 Bedroom / 1.5 Bath	1,094		10,940		
3 Bedroom / 1.5 Bath	1,130		20,340		
Common Areas			650		
TOTAL	42,350				
Resident Facilities	Community area includes management and resident services office, community room facility, community garden, playground, elevator, bicycle parking, garage parking (44 spaces) and security cameras.				
Permanent Sources	<u>Current Total</u>	<u>Per Unit</u>	<u>Per Sq Ft</u>		
Tax Credit Equity	\$ 4,397,363	\$ 91,612	\$ 103.83		
Existing HCD Loan	\$ 3,730,505	\$ 77,719	\$ 88.09		
Existing Agency Loan	\$ 595,678	\$ 12,410	\$ 14.07		
Previously Approved New Agency Loan	\$ 1,247,000	\$ 25,979	\$ 29.45		
New Agency Loan	\$ 1,300,000	\$ 27,083	\$ 30.70		
NOI During Construction	\$ 71,141	\$ 1,482	\$ 1.68		
GP Equity	\$ 207,141	\$ 4,315	\$ 4.89		
TOTAL SOURCES	11,548,828	\$ 240,601	\$ 272.70		
Permanent Uses					
Acquisition	\$ 4,837,148	\$ 100,774	\$ 114.22		
Construction	\$ 3,385,990	\$ 70,541	\$ 79.95		
Permits and Fees	\$ 96,000	\$ 2,000	\$ 2.27		
Architecture and Engineering	\$ 248,061	\$ 5,168	\$ 5.86		
Hard Cost Contingency	\$ 338,599	\$ 7,054	\$ 8.00		
Soft Cost Contingency	\$ 116,150	\$ 2,420	\$ 2.74		
Financing Costs	\$ 336,208	\$ 7,004	\$ 7.94		
Capitalized Operating Subsidy Reserves	\$ 712,020	\$ 14,834	\$ 16.81		
Replacement Reserves	\$ 45,531	\$ 949	\$ 1.08		
Legal Fees	\$ 57,500	\$ 1,198	\$ 1.36		
Relocation - Temporary	\$ 514,681	\$ 10,723	\$ 12.15		
Developer Fee	\$ 650,440	\$ 13,551	\$ 15.36		
Insurance, Third Party, Marketing, Other	\$ 210,500	\$ 4,385	\$ 4.97		
TOTAL USES	\$ 11,548,828	\$ 240,601	\$ 272.70		
St. Francis Terrace & Village Park Operations					
Proposed Developer	Mercy Housing California				
Property Management Company	Mercy Housing Management Company				
Operations Budget	\$ 254,265	\$ 5,297			
Assessments	\$ 13,907	\$ 290			
Property Management	\$ 25,298	\$ 527			
Resident Services	\$ 12,855	\$ 268			
Replacement Reserves	\$ 28,800	\$ 600			

St. Francis Terrace Cash Flow Proforma

Attachment 5

Unit Type	Number	Square Feet	Total Sq Feet	Gross Rent	Utility Allowance	Maximum Net Rent	Rent per Sq Foot	Total Mo. Rent	Current Annual Rent
St. Francis Terrace Units									
1 BD / 1 BA @ 30% AMI	2	521	1,042	\$ 417	\$ 47	\$ 370	\$ 0.36	\$ 740	\$ 8,880
1 BD / 1 BA @ 35% AMI	5	521	2,605	\$ 487	\$ 47	\$ 440	\$ 0.17	\$ 2,200	\$ 26,400
1 BD / 1 BA @ 50% AMI	7	521	3,647	\$ 697	\$ 47	\$ 649	\$ 0.18	\$ 4,543	\$ 54,516
1 BD / 1 BA @ 60% AMI	6	521	3,126	\$ 835	\$ 47	\$ 788	\$ 0.25	\$ 4,728	\$ 56,736
2 BD / 1.5 BA @ 30% AMI	1	1,094	1,094	\$ 501	\$ 58	\$ 443	\$ 0.40	\$ 443	\$ 5,316
2 BD / 1.5 BA @ 35% AMI	2	1,094	2,188	\$ 584	\$ 58	\$ 528	\$ 0.24	\$ 1,062	\$ 12,624
2 BD / 1.5 BA @ 50% AMI	3	1,094	3,282	\$ 835	\$ 58	\$ 777	\$ 0.24	\$ 2,331	\$ 27,972
2 BD / 1.5 BA @ 60% AMI	3	1,094	3,282	\$ 1,002	\$ 58	\$ 944	\$ 0.29	\$ 2,832	\$ 33,984
2 BD / 1.5 BA - MGT	1	1,094	1,094	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3 BD / 1.5 BA @ 30% AMI	2	1,130	2,260	\$ 579	\$ 69	\$ 510	\$ 0.23	\$ 1,020	\$ 12,240
3 BD / 1.5 BA @ 35% AMI	5	1,130	5,650	\$ 675	\$ 69	\$ 606	\$ 0.11	\$ 3,030	\$ 36,360
3 BD / 1.5 BA @ 50% AMI	5	1,130	5,650	\$ 965	\$ 69	\$ 896	\$ 0.16	\$ 4,480	\$ 53,760
3 BD / 1.5 BA @ 60% AMI	6	1,130	6,780	\$ 1,158	\$ 69	\$ 1,089	\$ 0.16	\$ 6,534	\$ 78,408
Totals	48		41,700	\$ 8,734	\$ 686	\$ 8,038	\$ 2.78	\$ 33,933	\$ 407,196

Income	annual increase	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033
Potential Gross Income	2.50%	427,810	438,506	449,468	460,705	472,223	484,028	496,129	508,532	521,245	534,276	604,485
Other Income	5.00%	21,391	21,925	22,473	23,035	23,611	24,201	24,806	25,427	26,062	26,714	30,224
Less Vacancy		408,781	419,000	429,475	440,212	451,217	462,488	474,060	485,912	498,059	510,511	577,596
Effective Gross Income												
Operating Expenses												
Operating Expenses	3.50%	254,265	263,164	272,375	281,908	291,775	301,987	312,556	323,496	334,818	346,537	411,577
Assessments	3.50%	13,907	14,393	14,897	15,419	15,958	16,517	17,095	17,693	18,312	18,953	22,511
Property Management	3.50%	25,298	26,183	27,100	28,048	29,030	30,046	31,098	32,186	33,313	34,479	40,980
Resident Services	3.50%	12,855	13,305	13,770	14,252	14,751	15,267	15,802	16,355	16,927	17,520	20,808
Replacement Reserves		28,800	29,800	30,800	31,800	32,800	33,800	34,800	35,800	36,800	37,800	44,800
Total Expense		335,124	345,846	356,942	368,427	380,314	392,617	405,351	418,530	432,171	446,289	524,645
Net Operating Income		73,686	73,154	72,533	71,795	70,903	69,880	68,709	67,392	65,889	64,222	62,951

Debt Service/	amount	rate
HCD Monitoring Fee	\$ 5,000	3.00%
SHRA Monitoring Fee	\$ 2,547,000	0.15%
Debt Service Subtotal		
Priority Distributions		
Asset Management Fee (Investor)	2,500	3.00%
Managing General Partner Fee	10,000	3.00%
Priority Distributions Subtotal	12,500	
Net Cash after Priority Distributions	52,336	
Existing HCD Loan	2,206,000	3.00%
Interest for Period	66,180	
Accumulated Interest	66,180	
Payment	132,360	
Balance	2,272,180	
SHRA New HOME & Housing Successor Funds loan		
Principal Balance	\$ 2,547,000	3.00%
Interest for Period	76,410	
Accumulated Interest	76,410	
Payment	152,820	
Balance	2,623,410	
SHRA Existing TI Loans		
Principal Balance	\$ 595,678	3.00%
Interest for Period	17,870	
Accumulated Interest	17,870	
Payment	35,741	
Balance	613,548	
Net Cash After Loan Repayment	52,336	

Net Cash After Loan Repayment	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033
Net Cash After Loan Repayment	52,336	51,309	50,147	48,841	47,386	45,773	43,993	42,038	39,900	37,568	22,660
Distribution of Reserves (Tax Credit Equity)											
Capitalized Operating Subsidy Reserve	712,020	722,700	733,541	744,544	755,712	767,048	778,553	790,232	802,085	814,117	877,035
Interest Earned	10,680	10,841	11,003	11,168	11,336	11,506	11,678	11,853	12,031	12,212	13,156
Operations & Priority Distributions Paid	0	0	0	0	0	0	0	0	0	0	0
Net Capitalized Operating Subsidy Reserve	722,700	733,541	744,544	755,712	767,048	778,553	790,232	802,085	814,117	826,328	890,190

MAXIMUM GROSS INCOME AND RENT LIMITS 2017
Rents at 30%, 35%, 50% and 60% of Area Median Income (AMI)

St. Francis Terrace Income Limits:
 Low Income Housing Tax Credits (LIHTC), HOME and TI

<u>Family Size</u>	<u>30% AMI</u>	<u>35% AMI</u>	<u>50% AMI</u>	<u>60% AMI</u>
1 person	\$ 15,600	\$ 18,200	\$ 26,000	\$ 31,200
2 person	\$ 17,820	\$ 20,790	\$ 29,700	\$ 35,640
3 person	\$ 20,040	\$ 23,380	\$ 33,400	\$ 40,080
4 person	\$ 22,260	\$ 25,970	\$ 37,100	\$ 44,520
5 person	\$ 24,060	\$ 28,070	\$ 40,100	\$ 48,120
6 person	\$ 25,830	\$ 30,135	\$ 43,050	\$ 51,660
7 person	\$ 27,630	\$ 32,235	\$ 46,050	\$ 55,260

St. Francis Terrace Rent Limits:
 LIHTC and HOME and TI

<u>Unit Size</u>	<u>30% AMI</u>	<u>35% AMI</u>	<u>50% AMI</u>	<u>60% AMI</u>
1 Bedroom	\$ 417	\$ 487	\$ 696	\$ 835
2 Bedroom	\$ 501	\$ 584	\$ 835	\$ 1,002
3 Bedroom	\$ 579	\$ 675	\$ 965	\$ 1,158

RESOLUTION NO. 2017 -

Adopted by the Sacramento City Council

on date of

ST. FRANCIS TERRACE: APPROVAL OF AN ADDITIONAL \$1,300,000 IN CITY HOME INVESTMENT PARTNERSHIPS PROGRAM FUNDS; EXECUTION OF AMENDED LOAN COMMITMENT AND RELATED DOCUMENTS WITH MERCY HOUSING CALIFONIRA, L.P.; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS

BACKGROUND

- A. On May 9, 2017, the Sacramento City Council adopted Resolution No. 2017-0169, and the Housing Authority of the City of Sacramento adopted Resolution No. 2017-0010, approving the Sacramento Housing and Redevelopment Agency (Agency) to execute a \$1,247,000 Loan Commitment for the financing of St. Francis Terrace, which is comprised of \$947,000 in HOME Investment Partnerships Program (HOME) funds and \$300,000 in Housing Successor Funds and transmit to Mercy Housing California, L.P. or related entity (Mercy Housing).
- B. On June 28, 2017, Mercy Housing submitted an application to the California Tax Credit Allocation Committee (Committee). The Committee offered the Federal, but not State, tax credits, which resulted in St. Francis Terrace having a \$1,300,000 financial gap. Mercy Housing requested the Agency to increase the current Loan Commitment from \$1,247,000 to \$2,547,000 for the financing St. Francis Terrace.
- C. St. Francis Terrace is consistent with a) the Sacramento Housing and Redevelopment 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 preservation and rehabilitation of existing housing to ensure neighborhood livability and promote housing affordability (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).
- D. The project has previously been evaluated in accordance with the California Environmental Quality Act (CEQA) and was found to be exempt pursuant to CEQA Guidelines Section 15301. This action provides supplemental assistance to the project and does not constitute a new project or a change in the project under CEQA. No further environmental review is required for this action per CEQA Guidelines Sections 15378 and 15162.
- E. The project has previously been evaluated in accordance with the National Environmental Policy Act (NEPA) and was found to be Categorically Excluded

from environmental review under NEPA regulations at 24 CFR Section 58.35(a) subsection (2)(ii) and converts to Exempt per 24 CFR Section 58.34 (a) subsection (12). This action provides supplemental assistance to the project and is Categorically Excluded Not Subject To §58.5 per 24 CFR 58.35(b)(7).

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 and are hereby adopted.
- Section 2. The First Amendment to the Conditional Loan Commitment, attached as Exhibit A, for financing the St. Francis Terrace project with an additional \$1,300,000 in HOME funds, including Community Housing Development Opportunities (CHDO) set-aside funds from HOME entitlement is approved and the Agency is the delegated authority to execute and transmit the amended loan commitment to Mercy Housing California, L.P. or related entity (Amended Loan Commitment).
- 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 Amended Loan Commitment that accompanies this resolution, in accordance with their 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 the Agency budget and allocate an additional \$1,300,000 to St. Francis Terrace in HOME funds, including Community Housing Development Opportunities (CHDO) set-aside funds from HOME entitlement.

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Exhibit A - First Amendment to the Conditional Loan Commitment for
St. Francis Terrace Apartments Dated May 9, 2017



Exhibit A

November 28, 2017

Stephan Daues, Vice President
Mercy Housing California
2512 River Plaza Drive, Suite 200
Sacramento, CA 95833

RE: First Amendment to the Conditional Loan Commitment for
St. Francis Terrace Apartments Dated May 9, 2017

Dear Mr. Daues,

In consideration of their mutual obligations, the Sacramento Housing and Redevelopment Agency (Agency) and Mercy Housing California or related entity (Borrower) enter into this Amendment to the Conditional Loan Commitment for St. Francis Terrace Apartments by and between the Agency and Borrower for the purpose of financing the acquisition, rehabilitation and development of certain real property known as St. Francis Terrace Apartments, located at 2525 L Street, Sacramento, California (Property) dated May 9, 2017 (Loan Commitment), between the parties (Exhibit 1).

1. The Loan Commitment is amended as follows:

A. The Agency will provide an additional \$1,300,000 in City Home Investment Partnerships Program (HOME) funds to the previously approved \$947,000 in HOME funds and \$300,000 in Housing Successor Funds, for the purpose of financing the acquisition, rehabilitation and development of certain real property known as St. Francis Terrace Apartments, located at 2525 L Street, Sacramento, California (Property).

B. Section 4. Principal Amount is amended to read as follows:

PRINCIPAL AMOUNT: The combined principal amount of the Loan will be the lesser of (a) \$2,547,000 in HOME and Housing Successor Funds or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency.



C. Section 12. Proof of Equity is amended to read as follows:

PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$4,300,000 in Low Income Housing Tax Credit Equity. If LIHTC equity goes below \$4,300,000 million, the equity must be offset by an increase in deferred developer fee.

2. No rights, obligations or defaults of the parties under the Loan Commitment are waived by this Amendment, except as expressly stated in this Amendment.
3. All other terms of the Loan Commitment shall remain the same and in full force and effect.

Sincerely,

La Shelle Dozier
Executive Director

The undersigned acknowledges and accepts the foregoing First Amendment to the Conditional Loan Commitment for St. Francis Terrace Apartments and its terms and conditions.

Dated: November 28, 2017

BORROWER:

Mercy Housing California, or related entity

By: _____
Stephan Daues, Vice President



Exhibit 1:
Conditional Loan Commitment for St. Francis Terrace Apartments Dated May 9, 2017



A Joint Powers Agency

MISSION

City of Sacramento

County of Sacramento

Housing Authority of the
City of Sacramento

Building Partners of the
County of Sacramento

Date: May 9, 2017

Mercy Housing California
c/o Stephan Daugs, Vice President
2512 River Plaza Drive, Suite 200
Sacramento, CA 95833

RE: Conditional Loan Commitment for St. Francis Terrace Apartments

Dear Mr. Daugs:

On behalf of the Sacramento Housing and Redevelopment Agency (Agency), we are pleased to advise you of its \$1,247,000 commitment of permanent loan funds (Loan), comprised of \$947,000 in City Home Investment Partnerships Program (HOME) and \$300,000 in Housing Successor Funds, for the purpose of financing the acquisition, rehabilitation and development of certain real property known as St. Francis Terrace Apartments, located at 2525 L 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 on July 1, 2018 with option to extend upon mutual agreement.

Sacramento Housing & Redevelopment Agency 801 12th Street, Sacramento CA 95814 (916) 444-9210 | TTY 711 or 1 (800) 855-7100 | www.shra.org



1. **PROJECT DESCRIPTION:** St. Francis Terrace Apartments is an existing affordable development located in Sacramento's Central City and its compliance period ended in 2009. Built in 1994, the project will involve the rehabilitation of 48 units consisting of 20 one-bedroom, 10 two-bedroom and 18 three-bedroom units, a manager's office, community room with kitchen, restroom, laundry facility, bicycle and subterranean parking for 44 vehicles, perimeter fence and gates, an elevator and security cameras. The development is comprised of a three and four story single-podium, 42,350 square foot building.
2. **BORROWER:** The name of the Borrower for the Loan is Mercy Housing California, a California limited partnership (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) \$1,247,000 in HOME and Housing Successor Funds (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 three percent (3%) per annum. Interest shall be calculated on the basis of a 365-day year and actual number of days elapsed.
7. **ANNUAL REPAYMENT:** Payments shall be deferred from the Loan's Effective Date through the first 683 months. Beginning in month 684, full payment shall be applied to unpaid principal. Early payments are not penalized.
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 HOME and 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 bank construction loan/bond 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 \$5.6 million in Low Income Housing Tax Credit Equity. If LIHTC equity goes below \$5.6 million it must be offset by an increase in deferred developer fee.
13. **EXTENSION PERIOD:** The Project currently has two existing Low/Moderate Housing Tax Increment Housing Authority loans at three percent (3%) interest, with a projected December 1, 2017 total outstanding balance with accrued interest of approximately \$595,678, which will mature in 2028. The existing debt will be restructured and/or extended and assigned to the Borrower. Any restructuring of the loans and associated documents includes extending their maturity to a date 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.
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) is 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/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.
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 SPECIFICATIONS:** Final plans and specifications, if any, for the Project must be in accordance 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. 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.
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 close of the Loan, a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements. The breakdown shall conform to the Project plans and specifications 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.

23. **COST SAVINGS:** By no later than the date Borrower submits a final draw for release of the Retention, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency. The 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.
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 mortgage 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 and close of the Loan, 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. **RESIDENT SERVICES AGREEMENT:** Prior to execution and close of the Loan, 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 sixteen (16) hours per week of on-site resident services.
36. **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.
37. **NON-SMOKING ENVIRONMENT:** At least 50% of the units must be non-smoking. All indoor common areas must be non-smoking.
38. **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.
39. **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.
40. **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.
41. **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 for St. Francis Terrace and its terms and conditions.

Dated: May 9, 2017

BORROWER:

Mercy Housing California (or related entity)

By: 
Stephan Baues, Vice President

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
November 15, 2017

ST. FRANCIS TERRACE: AUTHORIZING AMENDED LOAN COMMITMENT CONSISTING OF AN ADDITIONAL \$1,300,000 IN CITY HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME); EXECUTION OF AMENDED LOAN COMMITMENT AND RELATED DOCUMENTS WITH MERCY HOUSING CALIFORNIA, L.P.; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS

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

Section 1: The project has previously been evaluated in accordance with the California Environmental Quality Act (CEQA) and was found to be exempt pursuant to CEQA Guidelines Section 15301. This action provides supplemental assistance to the project and does not constitute a new project or a change in the project under CEQA. No further environmental review is required for this action per CEQA Guidelines Sections 15378 and 15162.

Section 2: The project has previously been evaluated in accordance with the National Environmental Policy Act (NEPA) and was found to be Categorically Excluded from environmental review under NEPA regulations at 24 CFR Section 58.35(a) subsection (2)(ii) and converts to Exempt per 24 CFR Section 58.34 (a) subsection (12). This action provides supplemental assistance to the project and is Categorically Excluded Not Subject To §58.5 per 24 CFR 58.35(b)(7).

Section 3: Subject to approval by the City Council of Sacramento (City Council), the Amended Loan Commitment attached to and incorporated in this resolution by this reference for the financing of St. Francis Terrace (Amended Loan Commitment), the Executive Director, or her designee, is authorized to execute the Amended Loan Commitment and related documents and transmit to Mercy Housing California L.P. or related entity.

Section 4: The Executive Director, or her designee, is authorized to amend the Sacramento Housing and Redevelopment Agency (Agency) budget to transfer an additional \$1,300,000 from City Home Investment Partnerships Program funds, including Community Housing Development Organization set-aside funds from the HOME entitlement to the St. Francis Terrace project.

Section 5: Subject to approval by the City Council, the Executive Director, or her designee, is authorized to execute the Loan Agreements and related documents, 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.

St. Francis Terrace: Authorizing Amended Loan Commitment Consisting Of An Additional \$1,300,000 In City Home Investment Partnerships Program; Execution Of Amended Loan Commitment And Related Documents With Mercy Housing California, L.P.; Related Budget Amendment; And Environmental Findings
Page 2 of 2

CHAIR

ATTEST:

CLERK



November 9, 2017

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Mid Year Action Plan Amendment for the Housing Opportunities for Persons with AIDS
(HOPWA) Program

SUMMARY

The attached 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

Public Hearing
December 5, 2017

Honorable Mayor and Members of the City Council

Title: Mid-Year Action Plan Amendment for the Housing Opportunities for Persons with AIDS (HOPWA) Program

Location/Council District: 605 16th Street, 1612 F Street and 1616 F Street, District 4 and 3425 Orange Grove Avenue, County Board of Supervisors District 3

Recommendation: Pass a **City Council Resolution** authorizing the Sacramento Housing and Redevelopment Agency (SHRA) to (a) amend the 2018 Action Plan and Previous Years' Action Plans; (b) submit the amendment to the United States Department of Housing and Urban Development (HUD); (c) amend its budget as set forth in Exhibit A; and (d) make related findings.

Contact: Geoffrey Ross, Assistant Director, (916) 440-1357, Sacramento Housing and Redevelopment Agency, Tyrone Roderick Williams, Director of Development, 440-1316

Presenters: Celia Yniguez, Program Manager, (916) 440-1350, Sacramento Housing and Redevelopment Agency

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue Detail: On March 8, 2016, the Sacramento Housing and Redevelopment Agency (SHRA) provided a loan commitment, rental subsidy, and approval of a Mortgage Revenue Bond issuance for the Lavender Courtyard Project (Project). The Project, a new 53-unit affordable, senior housing development friendly to the Lesbian, Gay, Bisexual, and Transgender (LGBT) community, was proposed by Sacramento Mutual Housing. The loan commitment included \$873,942 in Housing Opportunities for Persons with AIDS (HOPWA) funds. Since that time, the project has received Affordable Housing Program (AHP) funds and 20 project-based vouchers, but was not awarded funding through the Affordable Housing and Sustainable Communities (AHSC) grant in 2016, resulting in a \$6,000,000 financing gap. Additionally, the loan commitment expired in March 2017. Despite the goal of closing the Project this year the gap remains and is currently financially infeasible. The Federal HOPWA program has time constraints on the commitment of funding and failure to meet required deadlines can result in recapture of those funds by the United States Department of Housing and

Urban Development (HUD). This report recommends defunding the HOPWA funds allocated to the Lavender Courtyard project and allocating these and other unallocated HOPWA funds to the Courtyard Inn Transit Oriented Development (Courtyard Inn). SHRA remains supportive of the Lavender Courtyard Project and will continue to work with Mutual Housing on this project.

HOPWA

HOPWA provides housing assistance and related supportive services to low-income persons living with HIV/AIDS and their families. These include, but are not limited to, the acquisition, rehabilitation, or new construction of housing units, costs for facility operations, rental assistance, supportive services, and short-term payments to prevent homelessness. Additionally, SHRA works with developers in order to create affordable HOPWA housing units as opportunities arise.

HOPWA funds are allocated to the City of Sacramento (City) for use in four counties, including Sacramento, Yolo, Placer, and El Dorado. SHRA administers HOPWA on behalf of the City and works with sub-recipients in the four counties to provide services to HOPWA-eligible clients. HUD allocates HOPWA funds by formula on an annual basis and requires the funds be expended within 36 months from the time of allocation. The \$873,942 of HOPWA allocated to Lavender Courtyard includes allocations from 2014 and 2015. These allocations were made in July 2014 and June 2015; the 2014 allocation has passed the expenditure deadline.

Additional funds proposed for reprogramming are from the sale of 521 T Street which, in 2015, was declared by the City Council to be surplus and non-essential to the HOPWA program by Resolution 2015-0337. TLCS determined that it was cost prohibitive to rehabilitate 521 T Street and sold the property in August 2016. The 2017 Action Plan (Resolution 2016-0370) designated the sale proceeds to be used for the acquisition of replacement housing of new HOPWA units per federal regulation.

Proposed Courtyard Inn Transit Oriented Development

Since 2015, SHRA, the County of Sacramento and Mercy Housing California have been working to redevelop a problem property, the Courtyard Inn Motel, into affordable housing. The proposed Courtyard Inn Transit Oriented Development (TOD) is on a four-acre parcel and is located in the unincorporated County of Sacramento at 3425 Orange Grove Avenue. The proposed development is an adaptive re-use of an existing 148-unit motel and new construction project. The proposed Courtyard Inn TOD Project includes 92 transit oriented units comprised of 20 studio, 60 one-bedroom and 12 two-bedroom apartments, including workforce housing units for extremely low-income (30% of Area Median Income) households.

Due to the recent award by the Housing Authority of the County of Sacramento (Housing Authority) of 92 project-based vouchers and County Community Development Block Grant (CDBG) funds, the financial gap was reduced to \$1,600,000. This amount can be funded utilizing HOPWA funds, including the \$873,942 from Lavender Courtyard and \$726,058 from existing HOPWA funds. The addition of the HOPWA funds will result in 11 units restricted to HOPWA eligible persons and their families. The units will be regulated for 20-years by a regulatory agreement and the proposed interest-free loan.

This report recommends defunding the Lavender Courtyard HOPWA allocation and re-allocating those funds plus additional existing HOPWA funds to the Courtyard Inn project for a total HOPWA allocation of \$1,600,000. As the new project is located in the unincorporated County, a subsequent staff report to the County Board of Supervisors will be considered on December 12, 2017, for the Loan Commitment.

Policy Considerations: The proposed appropriation of funds for new and existing activities is consistent with the goals and objectives outlined in the adopted Consolidated Plan. The Consolidated Plan goals include assisting low- and moderate-income persons in the area of housing.

Economic Impacts: Not applicable.

Environmental Considerations:

California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA): A combined Initial Study/ Environmental Assessment (IS/EA) has been prepared by SHRA for the Courtyard Inn Transit Oriented Development Project pursuant to CEQA requirements under Title 14, Section 15070 of the California Code of Regulations (CCR), and NEPA requirements under Title 24, Code of Federal Regulations (CFR) Part 58.36. SHRA determined that with mitigation measures incorporated, the project will have no significant impact on the environment and preparation of an Environmental Impact Report (EIR) or Environmental Impact Statement (EIS) is not required. A draft Mitigated Negative Declaration (MND) and Mitigation Monitoring Plan (MMP) was prepared pursuant to CEQA Guidelines Sections 15070 to 15075, and a Finding of No Significant Impact was prepared pursuant to NEPA requirements at 24 CFR 58.43. A Notice of Finding of No Significant Impact, Notice of Intent To Request Release Of Funds, and Notice Of Availability/Intent To Adopt a MND was published and disseminated pursuant CEQA Guidelines Section 15072 and NEPA requirements at 24 CFR 58.43, and no comments were received. SHRC approved the final environmental document, made findings pursuant to CEQA and adopted the Mitigated Negative Declaration (MND) and associated mitigation measures on behalf of SHRA at its meeting on November 15, 2017. A Notice of Determination (NOD) was filed pursuant to CEQA and a Finding of No Significant Impact (FONSI) pursuant to NEPA was prepared. Pursuant to CEQA guidelines at 14 CCR §15051 and NEPA at 24 CFR §58.2(a)(7), SHRA is the Lead Agency and Certifying Officer for the Project, and the City of Sacramento is a Responsible Agency under CEQA for the Project. Pursuant to 14 CCR §15096, a Responsible Agency must consider the environmental document prepared by the Lead Agency and make findings required by 14 CCR§15091. The IS/EA and MND, including the MMP are included as Exhibit B.

Sustainability Considerations: N/A

Commission Action: On November 15, 2017, the Sacramento Housing and Redevelopment Commission considered the staff recommendations for this item. The votes were as follows:

AYES

NOES

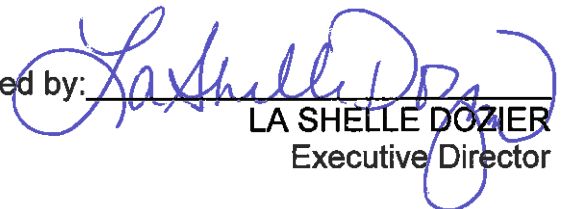
ABSENT

Rationale for Recommendation: The Lavender Courtyard project commitment expired in March 2017. The project is currently financially infeasible due to a \$6,000,000 financing gap. As the 36-month expenditure deadline for the 2014 HOPWA funds allocated to Lavender Courtyard has passed, they must be reallocated and expended as soon as possible. The proposed Courtyard Inn TOD can utilize the HOPWA funds in the near term for property acquisition in the spring of 2018. Allocating a total of \$1,600,000 in HOPWA funds will result in 11 new units for eligible persons living with HIV/AIDS and their families.

Financial Considerations: This report recommends amending the 2018 Action Plan, previous years' Action Plans, and SHRA budget and to allocate funds as outlined in Exhibit A. This includes defunding the Lavender Courtyard project with \$873,942 in HOPWA funds, and allocating \$1,600,000 in HOPWA funds to the proposed Courtyard Inn TOD project. The \$1,600,000 HOPWA allocation includes \$873,942 from Lavender Court, \$490,000 in sale proceeds from the sale of 521 T Street, and \$236,058 in previous years' allocations.

LBE - M/WBE and Section 3 requirements: Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding to maintain that federal funding. Section 3 requirements will be applied to the extent as may be applicable. City Local Business Enterprise will be applied to applicable activities to the extent required by City policies.

Respectfully Submitted by:


LA SHELLE DOZIER
Executive Director

Attachments

- 01 Description/Analysis and Background
- 02 Resolution
- 03 Exhibit A to Resolution
- 04 Map

BACKGROUND**COURTYARD INN TRANSIT ORIENTED DEVELOPMENT**

Description of Proposed Development: The Courtyard Inn Transit Oriented Development (Project) is on a four-acre parcel and is located in the unincorporated County of Sacramento at 3425 Orange Grove Avenue. The Project is an adaptive re-use of an existing 148-unit motel and new construction addition development. The Project includes 92 transit oriented units comprised of 20 studio, 60 one-bedroom and 12 two-bedroom apartments, including workforce housing units. The development will include ten (10) units with mobility features and four (4) units with visual and audio communication features to comply with the Americans with Disabilities Act (ADA). The converted units will include new entry and interior doors and frames. Each unit will include a new refrigerator, electric range with cooking stove, range hood, sink and faucets, garbage disposal, solid surface countertops, microwave shelving, cabinetry, fiberglass bathtubs, toilets, vanities, vinyl plank and carpet flooring and vinyl dual pane windows. Due to limited space, there will be packaged terminal air conditioning and heating systems in the converted units, while the new construction units will be able to accommodate mini-split air conditioning and heating systems. Repair to drywall, including remediation of asbestos, will be performed as needed.

Developer: Mercy Housing California, L.P. (Mercy Housing) was formed through the merger of Rural California Housing Corporation and Mercy Charities Housing California in July 2000. Mercy Housing is a nonprofit public benefit corporation dedicated to providing quality affordable housing with supportive programs to low-income individuals in California. Mercy Housing has developed more than 10,900 affordable homes, including over 7,900 rental and 3,000 homeownership units. Their portfolio includes 19 properties with over 1,300 units in Sacramento County. Mercy Housing is qualified to repurpose the Courtyard Inn given its experience in the rehabilitation of the Budget Inn on Stockton Boulevard into the 74-unit Boulevard Court Apartments, a permanent supportive housing development.

RESOLUTION NO. 2017 -

Adopted by the Sacramento City Council

on date of

AUTHORIZATION TO AMEND THE 2018 ONE-YEAR ACTION PLAN AND PREVIOUS YEARS' ACTION PLANS; AUTHORIZATION TO TRANSFER AND ALLOCATE HOPWA; AMENDMENT TO THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY BUDGET; ENVIRONMENTAL AND OTHER RELATED ACTIONS

BACKGROUND

- A. The U.S. Department of Housing and Urban Development (HUD) requires the adoption of a Five-Year Consolidated Plan and an annual Action Plan, consistent with the Consolidated Plan, to identify the programs and projects for expenditure of federal Community Development Block Grant (CDBG), Home Investment Partnerships Program (HOME), Housing Opportunities for Persons With AIDS (HOPWA), and Emergency Solutions Grant (ESG) funds.
- B. Since 1982 the Sacramento Housing and Redevelopment Agency (SHRA), on behalf of City of Sacramento (City), has served as the public entity designated to efficiently administer the CDBG program and was subsequently designated as the public entity to administer HOME, ESG, and HOPWA funding originating from HUD.
- C. The 2013-17 Consolidated Plan was approved in 2013 by City Council Resolution No. 2013-0010.
- D. The Funding Commitment for the Lavender Courtyard Project was approved by City Council Resolution No. 2016-0075 and includes \$1,905,525 in City HOME funds and \$873,942 (\$642,460 loan and \$231,482 rental subsidy grant) in HOPWA funds.
- E. The Consolidated Plan and Analysis of Impediments was extended to 2019 in order to complete the Assessment of Fair Housing by City Council Resolution No. 2016-0370.
- F. A noticed public hearing soliciting comments on the 2018 One-Year Action Plan was held by the Sacramento City Council on December 5, 2017.
- G. Allocating HOPWA funds for the development of the Courtyard Inn Transit-Oriented Development Project (Project) is subject to review under the California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA).
- H. As the recipient of HUD funding and designated agent for the City, SHRA is authorized to submit environmental determinations under the NEPA on the City's behalf and on behalf of non-profit sub-recipients.

- I. Pursuant to CEQA guidelines at 14 California Code of Regulations (CCR) §15051 and NEPA at 24 Code of Federal Regulations (CFR) §58.2(a)(7), SHRA is the Lead Agency and Certifying Officer for the Project.

The City is a Responsible Agency under CEQA for the Project, and, pursuant to 14 CCR §15096, a Responsible Agency must consider the environmental document prepared by the Lead Agency and make findings required by 14 CCR §15091.

- J. In accordance with CEQA and NEPA and their implementing regulations, a combined Initial Study/Environmental Assessment (IS/EA) was prepared for the proposed project, and said IS/EA has disclosed no negative impacts of the proposed project upon the environment which cannot be mitigated to less than significant.
- K. A Mitigated Negative Declaration (MND) was prepared and disseminated pursuant to 14 CCR §§15070-15073 for the proposed project.
- L. A Finding of No Significant Impact (FONSI) was prepared and disseminated pursuant to 24 CFR §§58.40-58.45 for the proposed project.
- M. The Sacramento Housing and Redevelopment Commission made findings pursuant to CEQA and adopted the MND and associated mitigation measures on November 15, 2017.
- N. A Notice of Determination has been filed by SHRA pursuant to 14 CCR §15075.
- O. Pursuant to 14 CCR §15096, The City, as a Responsible Agency, must consider the environmental document prepared by the Lead Agency and make findings required by 14 CCR §15091.
- P. The City has considered the environmental document and reached its own independent decision to accept the environmental documentation prepared for the project.
- Q. The City makes the following findings: (1) mitigation measures have been identified which avoid the significant environmental effects as identified in the MND and are now incorporated as part of the project, and (2) such mitigation measures as identified in the MND are within the responsibility and jurisdiction of SHRA.

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

- Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action are found to be true and correct and are hereby adopted.
- Section 2. After preparation and review of the IS/EA for the Project, prepared in accordance with 14 CCR §15063, a draft MND has been prepared for the Project in accordance with 14 CCR §15070 and circulated for public

review pursuant to 14 CCR §15073. The MND and all resulting public comments having been considered in accordance with 14 CCR §15074, the MND, including all mitigation measures, a copy of which is attached as Exhibit A, is adequate and complete and reflects the independent judgment of the City and is hereby adopted.

Section 2. SHRA is authorized to amend the 2018 Annual Action Plan and previous years' Action Plans, make any budget adjustments, and executed related documents and agreements as necessary to carry out the proposed projects as described in this resolution and accompanying staff report in compliance with applicable federal laws and regulations.

Section 3. SHRA is authorized to submit the amended Action Plan to HUD.

Section 4. SHRA is authorized to amend its budget to allocate funds as outlined in Exhibit A.

Table of Contents:

Exhibit A: 2018 One-Year Action Plan and Reprogramming Previous Years' Action Plans

Exhibit B: Environmental Determination

City of Sacramento
Amendment to 2018 Action Plan and Previous Years' Action Plans

This report formally amends the 2018 Action Plan and previous years' action plans by defunding the Lavender Courtyard Project, which currently has HOPWA funds. The project is financially infeasible, therefore is being defunded. The newly funded project is scheduled to be implemented within 24 months to comply with federal regulations governing the timely expenditure of HOPWA funds.

Defunded Activity from Previous Years' Action Plans Lavender Courtyard by Mutual Housing	
Fund	Amount
2014 HOPWA EN	\$852,751.91
2015 HOPWA EN	\$21,190.09
Total Defunded Amount:	\$873,942

HOPWA Funds Available for Reprogramming	
Fund	Amount
HOPWA PI	\$490,000^
2014 HOPWA EN	\$852,751.91
2015 HOPWA EN	\$21,190.09
2017 HOPWA EN	\$236,058
Total HOPWA Funds	\$1,600,000

^ Sale of T Street

Fund Activity from Previous Years' Action Plans	
HOPWA Project	Allocation Amount
Courtyard Inn:	\$1,600,000

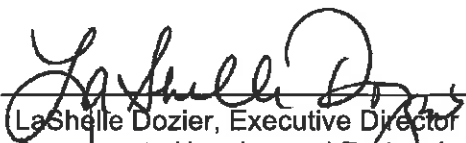
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY MITIGATED NEGATIVE DECLARATION

Pursuant to Division 6, Title 14, Chapter 3, Article 6, Sections 15070 and 15071 of the California Administrative Code and pursuant to the Procedures for Preparation and Processing of Environmental Documents adopted by the Sacramento Housing and Redevelopment Agency pursuant to Resolution Number 2007-042, the Environmental Coordinator of the Sacramento Housing and Redevelopment Agency of Sacramento County, State of California, does prepare, make, declare, publish, and cause to be filed with the County Clerk of Sacramento County, State of California, this Negative Declaration. The Project is described as follows:

1. **PROJECT TITLE AND SHORT DESCRIPTION:** **Courtyard Inn TOD Project.** The proposed project would involve the rehabilitation of the existing, fully operational 148-room Courtyard Inn motel with a separate 8,500 square foot restaurant building, into 92 units of studio, one- and two-bedroom affordable apartments with community and office space. The existing 2-story motel building will be converted into 20 studio and 60 one-bedroom apartments and ancillary uses. The existing restaurant will be converted to offices and community space. An additional 12 two-bedroom units will be provided in the new construction of two 2-story buildings along the curved southeast portion of the site.
2. **PROJECT LOCATION AND ASSESSOR'S PARCEL NUMBER:** The project site is located at 3425 Orange Grove Avenue, North Highlands, CA 95660 (APN: 240-0540-028-0000).
3. **PROJECT PROPONENT:** Sacramento Housing and Redevelopment Agency
4. **SAID PROJECT WILL NOT HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT FOR THE FOLLOWING REASONS:**
 - a. It does not have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal or eliminate important examples of the major periods of California history or prehistory.
 - b. It does not have the potential to achieve short-term, to the disadvantage of long-term, environmental goals.
 - c. It will not have impacts that are individually limited, but cumulatively considerable.
 - d. It will not have environmental effects that will cause substantial adverse effects on human beings, either directly or indirectly.
5. As a result thereof, the preparation of an Environmental Impact Report pursuant to the Environmental Quality Act (Division 13 of the Public Resources Code of the State of California) is not required.
6. Mitigation measures have been included and agreed to by SHRA and Mercy Housing California to avoid potentially significant effects, and a Mitigation Monitoring Plan has been prepared.

This Initial Study has been performed by SHRA in support of this Mitigated Negative Declaration. For additional information, contact SHRA, 801 12th Street, Sacramento, California 95814, attention Anne Nicholls, Housing Finance Analyst II, (916) 449-6239; anicholls@shra.org.

Sacramento Housing and Redevelopment Agency
Sacramento County, State of California


Lashelle Dozier, Executive Director
Sacramento Housing and Redevelopment Agency

October 24, 2017

Date

