



INVESTING IN COMMUNITIES

NOTICE OF REGULAR MEETING MEETING
Sacramento Housing and Redevelopment
Commission

Wednesday, June 3, 2015 – 6:00 pm
801 12th Street
2nd Floor Commission Room
Sacramento CA

ROLL CALL

APPROVAL OF AGENDA

1. APPROVAL OF MINUTES – May 20, 2015 meeting

CITIZENS COMMENTS

2. While the Commission welcomes and encourages participation in the Commission meetings, it would be appreciated if you would limit your comments to three minutes so that everyone may be heard. Please fill out a speaker card and present it to the Agency Clerk if you wish to speak under Citizen Comments or on a posted agenda item. Matters under the jurisdiction of the Commission, and not on the posted agenda, may be addressed by the general public at this time. Commission attendees are requested to silence any electronic devices that they have in their possession.

STAFF REPORTS

3. Approval of Loan Commitment for the Sutter Place Apartments Project Sutter
4. Approval of Agency Loan for Land Park Woods Apartments
5. Approval of the County of Sacramento Affordable Housing Program Guidelines for Implementation of Chapter 22.35 of the County Code

PRESENTATION

6. City Mixed Income Housing Ordinance Presentation

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 to 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.



MINUTES

Sacramento Housing and Redevelopment Commission (SHRC)

Regular Meeting

May 20, 2015

Meeting noticed on May 15, 2015

ROLL CALL

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

MEMBERS PRESENT: Alcalay, Macedo, Creswell, Morgan, Painter, Raab

MEMBERS ABSENT: Griffin, Johnson (three vacancies)

STAFF PRESENT: La Shelle Dozier, David Levin, Tashica McIntyre, Lira Goff, MaryLiz Paulson, Jim Shields, Lynette Jordan, Celia Yniguez, Kyle Flood, Karen Wallace, Tyrone R. Williams, Karen Simmons, Gregory Potts, Angela Hall, James Shields.

APPROVAL OF AGENDA – The Agenda was approved as submitted.

1. APPROVAL OF MINUTES – May 6th, 2015 meetings were approved as submitted.

CITIZENS COMMENTS

2. Presentation of FSS graduate - MaryLiz Paulson and staff introduced FSS Graduate Amber Ireland to the Commission.

CONSENT

3. 2015 and Subsequent Years Authorization for Solicitation, Award and Approval of Annual Expenditure Cap and Per Contract Cap for Fleet Vehicle Leasing and Maintenance Services

This item was approved without objection.

PRESENTATIONS

4. Upper Land Park – Broadway Choice Neighborhoods Initiative (CNI) Draft Neighborhood Transformation Plan

Celia Yniguez presented the item.

Public Comment was given by Brian Brown and Luree Stetson regarding concerns with the current CNI plan.

5. Downtown Housing Initiative Update

La Shelle Dozier presented the item.

6. Annual Public Housing Assessment System (PHAS) Presentation

MaryLiz Paulson presented the item. Regional Managers Angela Hall, Greg Potts, and Karen Wallace introduced Site Managers and Assistant Managers to the Commission.

EXECUTIVE DIRECTOR REPORT

LaShelle Dozier reviewed the following:

- Next meeting is scheduled for June 3rd
- The Arbor Creek Apartments Grand Opening will be held at 11:30 am on June 4th
- An additional 44 Veteran's Administration Supportive Housing (VASH) vouchers to the Housing Authority of the County

COMMISSION CHAIR REPORT

No report.

ITEMS AND QUESTIONS OF COMMISSION MEMBERS

Commissioner Alcalay requested that the slides showing population density from the CNI Presentation be sent to the Commission.

Commissioner Creswell asked if the planning document that will be submitted to HUD would be available on the SHRA website. Celia Yniguez stated that it would.

ADJOURNMENT

As there was no further business to be conducted, Vice-Chair Creswell adjourned the meeting at 7:40 p.m.

AGENCY CLERK



May 29, 2015

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Approval Of Loan Commitment For The Sutter Place Apartments Project

SUMMARY

The attached report is submitted to you for review prior to consideration by the County of Sacramento.

RECOMMENDATION

Staff recommends approval of the recommendations outlined in this report.

Respectfully submitted,



LA SHELLE DOZIER
Executive Director

Attachment

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
June 9, 2015
10:45 am

To: Board of Supervisors

From: Sacramento Housing and Redevelopment Agency

Subject: Approval Of Loan Commitment For The Sutter Place Apartments Project

Supervisory
District: Peters

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

Overview

This report recommends approval of a \$1,570,000 loan commitment for the acquisition, rehabilitation and permanent financing of Sutter Place Apartments (Project).

Recommendations

Staff recommends adoption of the attached Board of Supervisors resolution for the Sutter Place Apartments Project which authorizes the Sacramento Housing and Redevelopment Agency (Agency) to:

1. Approve a \$1,570,000 loan commitment for the financing of the Project,
2. Execute a Loan Commitment and related documents and transmit to Domus Development, LLC or related entity,
3. Amend the Sacramento Housing and Redevelopment Agency budget to transfer \$775,000 in Home Investment Partnership Program (HOME) Funds and \$795,000 Community Development Block Grant (CDBG) to the Project, and
4. Make related findings.

The clerk is requested to certify six (6) copies of the resolutions and forward them to staff.

Measures/Evaluation

The proposed project will preserve and extend the affordability of 47 rehabilitated units, thereby contributing to the County of Sacramento's 2013-2021 Housing Element goals. Affordability restrictions placed on the Sutter Place Apartments Project will be monitored by the Sacramento Housing and Redevelopment Agency.

Fiscal Impact

The Agency will receive an annual payment for monitoring the regulatory restrictions and administration of the loan in an amount equal to fifteen one-hundredths of one percent (0.15%) of the loan amount for the term of the set-aside requirements.

BACKGROUND

Domus Development, LLC (Developer) has applied to the Sacramento Housing and Redevelopment Agency (Agency) for a gap financing loan of \$1,570,000 for the rehabilitation of Sutter Place Apartments. The Project is located on approximately 1.17 acres at 5801 Sutter Avenue in the Carmichael area and was built in 1980. The Project was acquired by the Developer using interim financing in September 2014. This interim step allowed the Developer to preserve the affordability of the Project while securing adequate financing for substantial rehabilitation and ensuring the major systems would last 15 years upon completion of the renovation. The Project is primarily occupied by Extremely Low-Income (ELI) senior residents. Although a California Housing Finance Agency (CalHFA) loan was paid-off by the previous owner, the Project has almost five (5) years remaining on the CalHFA Regulatory Agreement. All units are deed-restricted affordable housing with an existing Housing Assistance Payment (HAP) contract with the U.S. Department of Housing and Urban Development (HUD). Though the current HAP contract has expired, the Developer and HUD have entered a one-year term renewal HAP contract. The Developer negotiated with HUD to enter into a new 20-year HAP contract upon completion of the full renovation of the Project. Following a commitment of funds by the Agency, the Developer will submit a nine percent Low Income Housing Tax Credit (LIHTC) application to the California Tax Credit Allocation Committee (CTCAC) in July 2015. A vicinity map is provided as Attachment 1. A site map is provided as Attachment 2.

DISCUSSION

Description of Development: Sutter Place Apartments was built in 1980, consists of forty-four (44) one-bedroom and three (3) studio units housed in one two-story, wood-framed building and one single story maintenance building. In 2013, approximately 25 single-pane windows were replaced with dual-pane windows and the exterior siding was renovated beneath the window replacements.

Common areas at the Project include a management office, recreation room with kitchen, laundry room, community seating areas and tenant storage rooms. Additional amenities include balconies/patios, elevator and fully gated site. There are fourteen open parking spaces and thirty-two steel-framed carport parking spaces.

Interior improvements will include replacement of the flooring, cabinets, counters, appliances, heating, ventilation, and air conditioning (HVAC) and water heater systems, windows and sliding glass doors, window coverings, electrical units, lighting, sinks, faucets, plumbing, toilets and tub surrounds. Given the limited kitchen space, dishwashers will not be added. The accessible Americans with Disabilities Act (ADA) compliant units will have new under-sink insulation and ADA-compliant lever hardware and grab bars. All interior common areas, units and doors will be repainted. The elevator will be refurbished. New security cameras and digital video recording systems will be installed.

Exterior improvements will address damaged trim, siding, gutters and downspouts, patio slabs and surrounds, balcony railings, perimeter fencing, trash enclosure, concrete walkways and parking lot. The exterior of the buildings will be repainted and the roof will be replaced. There will be an improved ADA path of travel to the front entrance and throughout the site, including

the installation of truncated domes. Encroaching trees and roots will be trimmed. To increase water efficiency, the irrigation system will be updated and drought-tolerant landscaping will be installed. In addition, site entrance signage and new monument signage will be installed.

Sutter Place Apartments will continue to be occupied during the one-year construction period although tenants will be temporarily relocated to on-site units or off-site locations on a rotating basis until work is complete.

Developer: Domus Development, LLC (Domus) has extensive experience in the development, renovation, and operation of multifamily housing in California. Domus was formed in 2003 and has 16 completed projects totaling over 750 units, including Garden Village Apartments which provides 195 affordable units.

Property Management: Sutter Place Apartments is managed by Domus Management Company, an affiliate of the Developer. Domus Management has broad experience managing tax credit projects and currently has 21 affordable projects under management including 1,450 units. Agency staff has reviewed the management plan, including daily operations, leasing procedures, maintenance, and eviction procedures, and have found that the proposed management company meets all Agency requirements for property management.

Resident Services: Resident services are to be provided by Community Resident Services (CRS), a 501 (c)(3) California non-profit organization. The mission of CRS is to improve the lives of its residents through comprehensive services while participating in the development and preservation of affordable rental housing for low and moderate income households. CRS is an experienced resident service provider with nearly 30 projects, of which eight are affordable. in Sacramento. CRS has submitted a complete resident services plan for Agency approval detailing the scope and schedule of services to be provided. A minimum of 12 hours per week of on-site resident services will be provided.

Project Financing: Sutter Place Apartments is proposed to be financed with nine percent LIHTC. Construction and permanent financing will be provided by a bank loan and the remainder of the financing will be provided by an Agency Home Investment Partnership Program (HOME) loan of \$775,000, Community Development Block Grant (CDBG) loan of \$795,000, net operating income during construction, and a deferred developer fee. The Project has a Housing Assistance Payments (HAP) contract from the US Department of Housing and Urban Development (HUD). Upon completion of the full renovation of the Project, HUD will extend a new 20-year HAP contract, which will provide a source of income to supplement rents paid by tenants. Residents will pay no more than 30 percent of their income for rent each month, and the HUD project-based voucher will pay the difference between the resident's payment and a market rent calculated by HUD. Funding sources and uses are provided in the Project Summary as Attachment 3. A Cash Flow Proforma is provided as Attachment 4.

Low-Income Set-Aside Requirements: The HAP contract ensures all tenants will continue to be extremely low-income (30% of area median income or less). The project will also be layered with affordability restrictions required by the various public funding sources. These sources and their affordability requirements are summarized in the following table.

Approval of Loan Commitment For The Sutter Place Apartments Project

Page 4

Funding	Percentage of Units	Affordability Restriction	Units	Regulatory Term
Low Income Housing Tax Credit	21%	Extremely Low-Income (30% AMI)	10	55 years
Low Income Housing Tax Credit and Agency Loan	66%	Very Low-Income (50% AMI)	31	55 years
Low Income Housing Tax Credit and Agency Loan	11%	Low-Income (60% AMI)	5	55 years
Manager's Unit	2%	Unrestricted	1	
Total	100%		47	

Maximum income and rent limits for the LIHTC, HOME and CDBG funding programs can be found in Attachment 5. The Project's affordability restrictions will be specified in the regulatory agreements with the Developer.

COMMISSION ACTION

It is anticipated that, at its meeting of June 3, 2015, the Sacramento Housing and Redevelopment Commission will approve the staff recommendation for this item. Staff will notify the Board in the event this does not occur.

MEASURES/EVALUATIONS

This Project contributes to the County's 2013-2021 Housing Element goals. This Project preserves and renovates existing regulated affordable housing units and deepens the affordability on 41 units.

FINANCIAL ANALYSIS

The Loan Commitment of \$1,570,000, consisting of \$775,000 HOME funds and \$795,000 in CDBG funds, for the financing of the Project will bear interest at four percent simple interest and carry a term of 55 years after completion of renovation. The Conditional Funding Commitment is included as Attachment 6.

POLICY CONSIDERATIONS

The actions are consistent with approved Agency's Multifamily Lending and Mortgage Revenue Bond Policies. The Developer has requested the loan term to be 55 years following the completion of renovation. Regulatory restrictions on the property will be specified in the loan regulatory agreement. Compliance with the additional regulatory agreements will be monitored by the Agency on a regular basis in accordance with the HOME and CDBG funding requirements.

ENVIRONMENTAL REVIEW

The proposed action has been analyzed in accordance with the California Environmental Quality Act (CEQA) and is categorically exempt under CEQA Guidelines Section 15301 which exempts actions on existing facilities, including rehabilitation and financing, where the use remains unchanged.

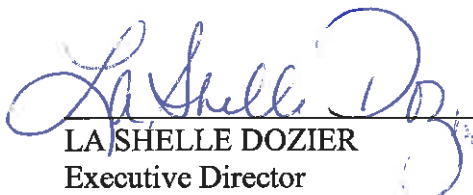
The proposed action has been analyzed in accordance with the National Environmental Policy Act (NEPA) and is categorically excluded pursuant to 24 CFR Section 58.35(a)(3)(ii) as it consists of the rehabilitation of a multifamily residential complex in which the unit density will not be changed by more than 20 percent and the estimated cost of rehabilitation is less than 75 percent of the cost of replacement after rehabilitation.

M/WBE/SECTION 3 AND FIRST SOURCE CONSIDERATIONS

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. Developer will be encouraged to use the First Source Program for employment opportunities.

Respectfully submitted,

APPROVED



LA SHELLE DOZIER
Executive Director
Sacramento Housing and Redevelopment Agency

BRADLEY J. HUDSON
County Executive

Attachments:

RES – County BOS Resolution
ATT I – Vicinity Map
ATT II – Site Map
ATT III – Project Summary
ATT IV – Project Cash Flow Proforma
ATT V – Maximum Income and Rent Limits
ATT VI – Conditional Funding Commitment

RESOLUTION NO. _____

SUTTER PLACE APARTMENTS: APPROVAL OF UP TO \$1,570,000 HOME INVESTMENT PARTNERSHIP PROGRAM AND COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM LOAN COMMITMENT; EXECUTION OF LOAN COMMITMENT AND RELATED DOCUMENTS WITH DOMUS DEVELOPMENT, LLC OR RELATED ENTITY; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS

WHEREAS, Domus Development, LLC (Developer) has applied for an allocation of up to \$1,570,000 in Home Investment Partnership Program Funds (HOME) and Community Development Block Grant Program Funds (CDBG) to assist in funding the acquisition, construction and permanent financing of the Sutter Place Apartments (Project);

WHEREAS, the Sutter Place Apartments project qualifies for HOME and CDBG funding under the Sacramento Housing and Redevelopment Agency guidelines;

WHEREAS, the proposed action has been analyzed in accordance with the California Environmental Quality Act (CEQA) and is categorically exempt under CEQA Guidelines Section 15301 which exempts actions on existing facilities, including rehabilitation and financing, where the use remains unchanged and there is no expansion of an existing use;

WHEREAS, the proposed action has been analyzed in accordance with the National Environmental Policy Act (NEPA) and is categorically excluded pursuant to 24 CFR Section 58.35(a)(3)(ii) as it consists of the rehabilitation of a multifamily residential complex, without a change in land use, in which the unit density will not be changed by more than 20 percent, and the estimated cost of rehabilitation is less than 75 percent of the cost of replacement after rehabilitation.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF SACRAMENTO:

Section 1: The above recitals, including the environmental recitals, are determined to be to be true and correct.

Section 2: The Loan Commitment letter for \$1,570,000 in CDBG and HOME funds for the financing of the Sutter Place Apartments project, which is attached to and incorporated in this resolution by this reference, is approved.

Section 3: The Sacramento Housing and Redevelopment Agency (SHRA) is authorized to execute the Loan Commitment and related documents and transmit them to Domus

Development, LLC or related entity. SHRA will return to the Board for approval of loan documents.

Section 4: SHRA is authorized to amend the SHRA budget and to transfer \$775,000 from Home Investment Partnership Program funds and \$795,000 from Community Development Block Grant Program funds to the Sutter Place Apartments project.

On a motion by Supervisor _____, seconded by Supervisor _____, the foregoing Resolution was passed and adopted by the Board of Supervisors of the County of Sacramento, State of California this 9th day of June, 2015, by the following vote, to wit:

AYES: Supervisors,

NOES: Supervisors,

RECUSAL: Supervisors,
(PER POLITICAL REFORM ACT (§ 18702.5.))

ABSENT: Supervisors,

ABSTAIN: Supervisors,

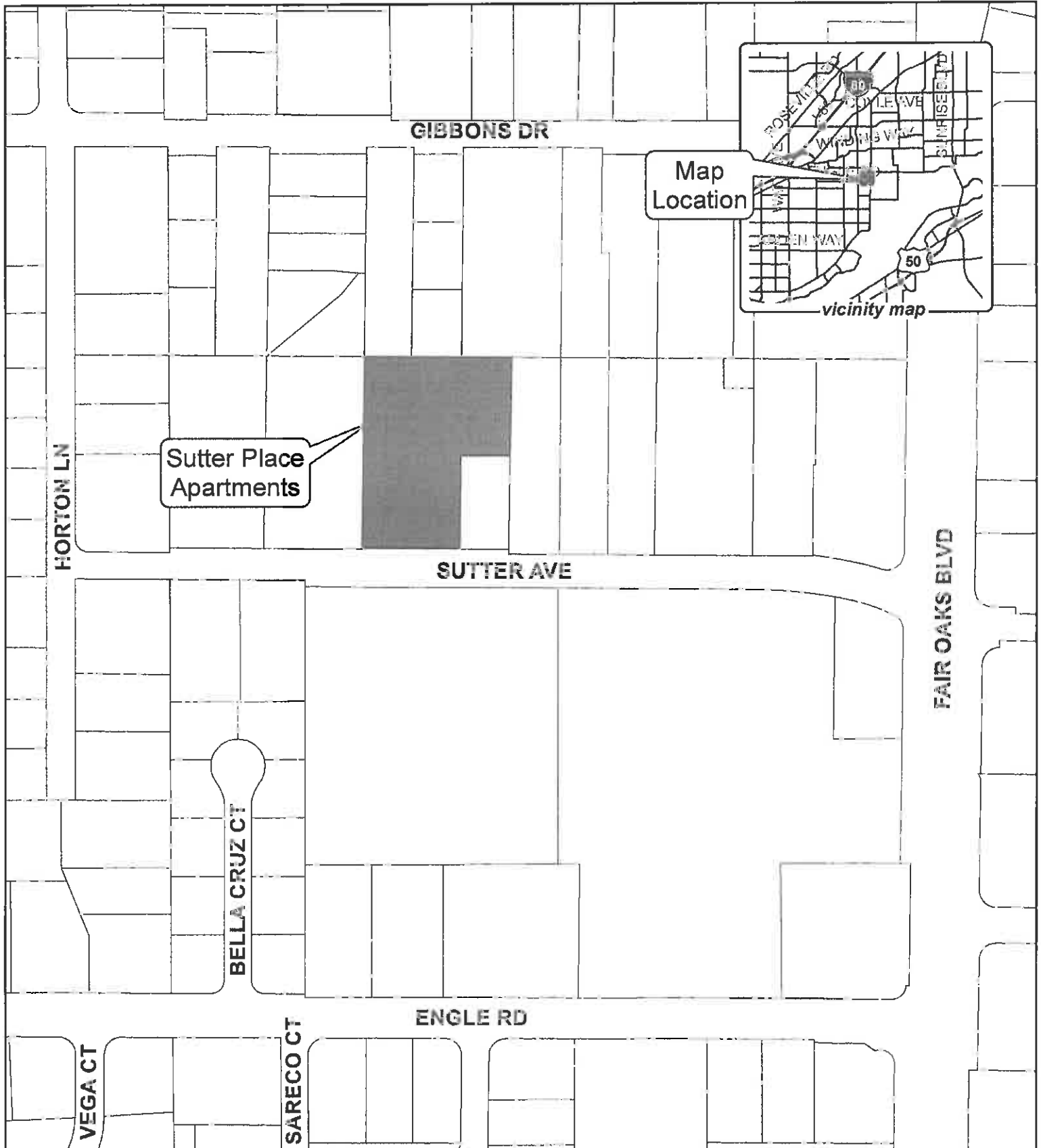
Chair of the Board of Supervisors
of Sacramento County, California

(SEAL)

ATTEST: _____
Clerk, Board of Supervisors



Sutter Place Apartments



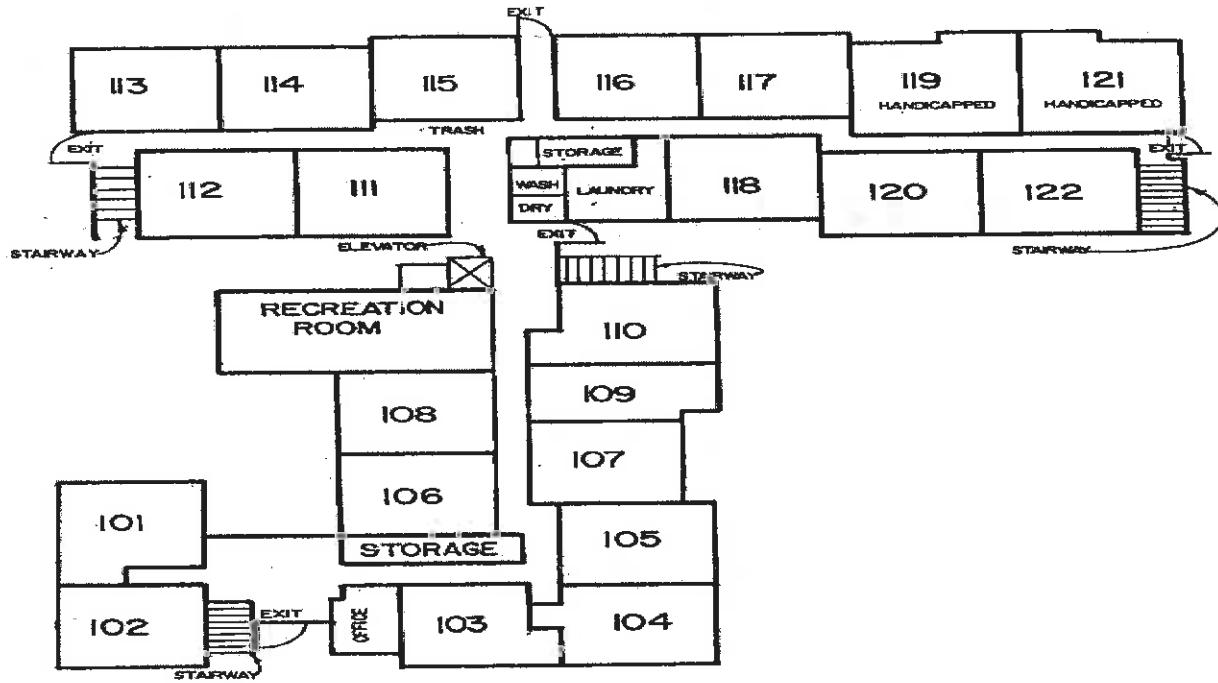
Sutter Place Apartments



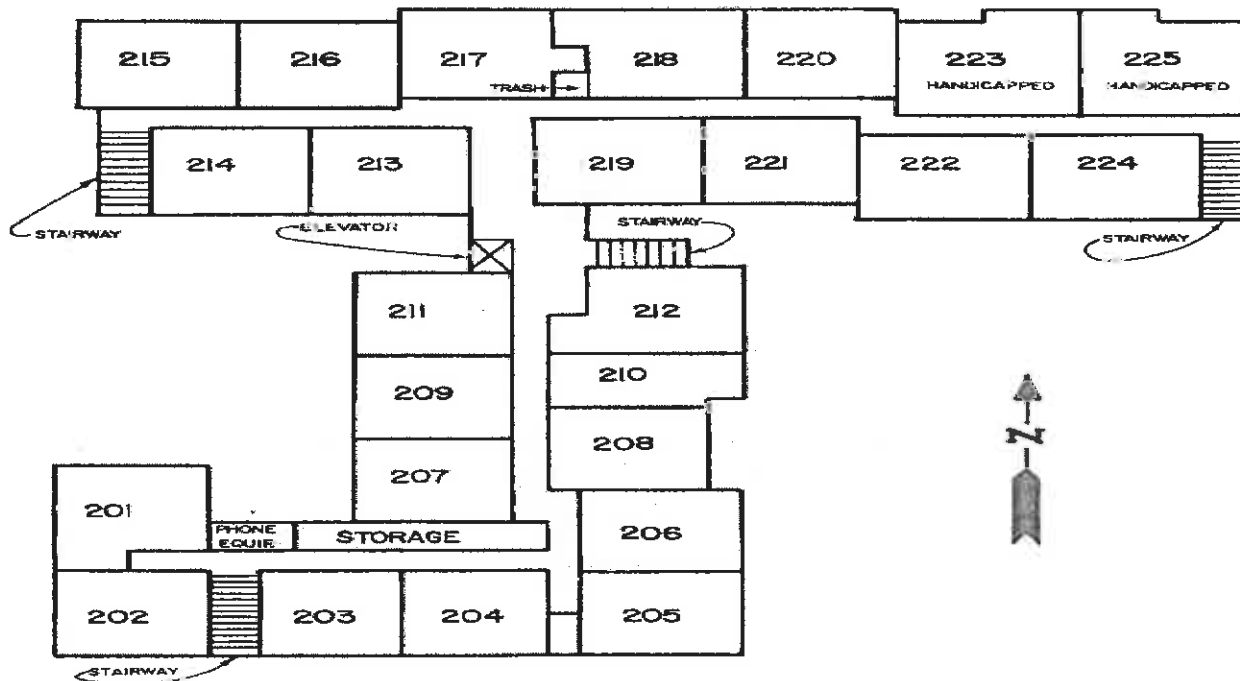
SHRA GIS
April 27, 2015

Site Map

Level I



Level II



**Sutter Place Apartments
Project Summary**

Address	5801 Sutter Avenue, Carmichael 95608			
Number of Units	47			
Year Built	1980			
Acreage	1.17 (50,965 sq. ft.)			
Affordability	46 units (99%) at or below 30%, 40%, 50% and 60 % of Area Median Income (AMI) * and 1 Manager's Unit			
Unit Mix and Rents	ELI (30% AMI) *	VLI (40% AMI) *	I (50% AMI)	LI (60% AMI) *
Studio / 1 Bath	1	1	1	0
1 Bedroom / 1 Bath	9	9	20	5
Unrestricted				1
Square Footage	<u>Unit Size (sq.ft.)</u>	<u>Total</u>		
Studio / 1 Bath	550	1,650		
1 Bedroom / 1 Bath	625	27,500 sq.ft.		
Community Area		10,900 sq.ft.		
Total		38,400 sq.ft.		
Resident Facilities	Community room with kitchen, elevator, laundry, covered outdoor patio seating area, indoor seating areas, on site parking (32 covered and 14 open spaces), security cameras and perimeter fencing.			
Permanent Sources	<u>Total</u>	<u>Per Unit</u>	<u>Per Square Foot</u>	
Tax Credit Equity	5,256,864	111,848	136.90	
Permanent Loan	1,860,000	39,574	48.44	
Agency Loan Commitment	1,570,000	33,404	40.89	
Deferred Developer Fee	190,000	4,043	4.95	
NOI During Construction	105,000	2,234	2.73	
TOTAL SOURCES	\$ 8,981,864	\$ 191,103	\$ 233.90	
Permanent Uses				
Acquisition	2,950,000	62,766	76.82	
Construction Costs	3,006,384	63,966	78.29	
Permits	30,000	638	0.78	
Architecture, Engineering, Survey	90,192	1,919	2.35	
Hard Cost Contingency	452,896	9,636	11.79	
Soft Cost Contingency	172,161	3,663	4.48	
Financing Cost	610,535	12,990	15.90	
Operating Reserves	199,973	4,255	5.21	
Legal Fees	70,000	1,489	1.82	
Relocation - Temporary	100,000	2,128	2.60	
Developer Fee	1,016,046	21,618	26.46	
Third Party Fees, Marketing, Other	283,677	6,036	7.39	
TOTAL USES	\$ 8,981,864	\$ 191,103	\$ 233.90	
Management / Operations				
Proposed Developer:	Domus Development, LLC			
Property Management Company:	Domus Management Company			
Operations Budget:	203,997	4,340		
Property Management	29,046	618		
Resident Services:	8,580	183		
Replacement Reserves:	14,100	300		

* HAP contract ensures all tenants will be extremely low income (30 percent or less of AMI).

**Sutter Place Apartments
Cash Flow Proforma**

Unit Type	Number	Square Feet	Total Sq Feet	TCAC Gross Rent	HAP Rent	Utility Allowance	Market Rent	Actual Rent	Rent per Sq Foot	Total Mo. Rent	Annual Rent	Year 1 2017	Year 2 2018	Year 3 2019	Year 4 2020	Year 5 2021	Year 6 2022	Year 9 2025	Year 10 2026	Year 15 2031	Year 20 2036	Year 30 2046
Studio / 1 BA @ 50% AMI	1	550	550	\$ 626	\$ 715	\$ 32	\$ 622	\$ 715	\$ 1.30	\$ 715	\$ 8,580											
Studio / 1 BA @ 40% AMI	1	550	550	\$ 501	\$ 715	\$ 32	\$ 622	\$ 715	\$ 1.30	\$ 715	\$ 8,580											
Studio / 1 BA @ 30% AMI	1	550	550	\$ 375	\$ 715	\$ 32	\$ 622	\$ 715	\$ 1.30	\$ 715	\$ 8,580											
1 BD / 1 BA @ 60% AMI	5	625	3,125	\$ 804	\$ 800	\$ 41	\$ 777	\$ 800	\$ 1.28	\$ 4,000	\$ 48,000											
1 BD / 1 BA @ 50% AMI	20	625	12,500	\$ 670	\$ 800	\$ 41	\$ 777	\$ 800	\$ 1.28	\$ 16,000	\$ 192,000											
1 BD / 1 BA @ 40% AMI	9	625	5,625	\$ 536	\$ 800	\$ 41	\$ 777	\$ 800	\$ 1.28	\$ 7,200	\$ 86,400											
1 BD / 1 BA @ 30% AMI	9	625	5,625	\$ 402	\$ 800	\$ 41	\$ 777	\$ 800	\$ 1.28	\$ 7,200	\$ 86,400											
Manager's Unit (Exempt)	1	625	625	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -											
Totals	47	4,775	29,150								\$ 36,545											
												Year 15 2031	Year 20 2036	Year 30 2046								
Income																						
Potential Gross Income		2.50%		449,504	460,741	472,260	484,066	496,168	508,572	521,285	534,318	547,676	561,368	575,137	589,209	603,625	618,386	633,493	648,945	664,747	680,899	697,407
Other Income		2.50%		3,229	3,309	3,392	3,477	3,564	3,653	3,744	3,838	3,934	4,032	4,132	4,235	4,341	4,448	4,556	4,666	4,777	4,890	5,004
Less Vacancy		5.00%		(22,637)	(23,203)	(23,783)	(24,371)	(24,987)	(25,611)	(26,252)	(26,908)	(27,581)	(28,270)	(28,985)	(29,716)	(30,463)	(31,226)	(32,006)	(32,802)	(33,614)	(34,442)	(35,286)
Effective Gross Income				\$430,096	\$440,848	\$451,869	\$463,166	\$474,745	\$486,614	\$498,779	\$511,249	\$524,030	\$537,131	\$550,572	\$564,358	\$578,488	\$592,963	\$607,794	\$622,977	\$638,511	\$654,409	\$670,671
Operating Expenses																						
Taxes/Insurance		3.50%	4,340	203,997	211,137	218,527	226,175	234,091	242,284	250,764	259,541	268,625	278,027	287,753	297,801	308,172	318,868	329,890	341,238	352,912	364,912	377,247
Resident Services		3.50%	628	29,498	30,088	30,690	31,304	31,930	32,568	33,220	33,884	34,552	35,225	35,903	36,586	37,273	37,965	38,661	39,362	40,068	40,779	41,495
Property Management		3.50%	183	8,580	8,880	9,191	9,513	9,846	10,190	10,547	10,916	11,298	11,694	12,094	12,500	12,916	13,342	13,778	14,224	14,680	15,146	15,622
Replacement Reserves		3.50%	618	29,046	30,063	31,115	32,204	33,331	34,498	35,705	36,955	38,248	39,587	40,971	42,399	43,872	45,389	46,950	48,555	50,205	51,900	53,640
Total Expenses			6,069	\$285,221	\$294,268	\$303,622	\$313,295	\$323,298	\$333,641	\$344,336	\$355,396	\$366,833	\$378,660	\$444,136	\$444,136	\$444,136	\$444,136	\$444,136	\$444,136	\$444,136	\$444,136	\$444,136
Net Operating Income				\$144,875	\$146,580	\$148,247	\$149,871	\$151,448	\$152,973	\$154,443	\$155,853	\$157,197	\$158,470	\$159,788	\$161,051	\$162,262	\$163,421	\$164,528	\$165,583	\$166,687	\$167,739	\$168,839
Debt Service																						
Senior Loan		5.65%	35	122,064	122,064	122,064	122,064	122,064	122,064	122,064	122,064	122,064	122,064	122,064	122,064	122,064	122,064	122,064	122,064	122,064	122,064	122,064
HA Monitoring Fee		0.15%		2,355	2,355	2,355	2,355	2,355	2,355	2,355	2,355	2,355	2,355	2,355	2,355	2,355	2,355	2,355	2,355	2,355	2,355	2,355
Debt Service Subtotal				\$124,419	\$124,419	\$124,419	\$124,419	\$124,419	\$124,419	\$124,419	\$124,419	\$124,419	\$124,419	\$124,419	\$124,419	\$124,419	\$124,419	\$124,419	\$124,419	\$124,419	\$124,419	\$124,419
DCR on Senior Loan				1.16	1.18	1.19	1.20	1.22	1.23	1.24	1.25	1.26	1.27	1.28	1.29	1.30	1.31	1.32	1.33	1.34	1.35	1.37
Priority Distributions																						
Asset Management Fee (GP)		3.00%		5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,718	6,916	7,118	7,324	7,534	7,748	7,966	8,188	8,414
Partnership Management Fee (LP)		3.00%		10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048	13,438	13,838	14,248	14,668	15,098	15,538	15,988	16,448	16,918
Priority Distributions Subtotal				\$10,456	\$11,861	\$13,219	\$14,524	\$15,773	\$16,961	\$18,084	\$19,135	\$20,110	\$21,004	\$21,822	\$22,574	\$23,252	\$23,856	\$24,386	\$24,942	\$25,514	\$26,102	\$26,706
Net Cash after Priority Distributions				\$10,456	\$11,861	\$13,219	\$14,524	\$15,773	\$16,961	\$18,084	\$19,135	\$20,110	\$21,004	\$21,822	\$22,574	\$23,252	\$23,856	\$24,386	\$24,942	\$25,514	\$26,102	\$26,706
Deferred Developer Fee																						
Principal Balance		4.00%		190,000	187,144	182,769	176,861	169,411	160,414	149,869	137,780	124,156	109,013	92,459	75,459	58,959	42,959	27,459	12,459	0	0	0
Interest for Period				7,600	7,486	7,311	7,074	6,776	6,417	5,995	5,511	4,966	4,361	3,699	2,986	2,224	1,424	600	0	0	0	0
Accumulated Interest				7,600	7,486	7,311	7,074	6,776	6,417	5,995	5,511	4,966	4,361	3,699	2,986	2,224	1,424	600	0	0	0	0
Payment				10,456	11,861	13,219	14,524	15,773	16,961	18,084	19,135	20,110	21,004	21,822	22,574	23,252	23,856	24,386	24,942	25,514	26,102	26,706
Balance				\$187,144	\$182,769	\$176,861	\$169,411	\$160,414	\$149,869	\$137,780	\$124,156	\$109,013	\$92,459	\$75,459	\$58,959	\$42,959	\$27,459	\$12,459	\$0	\$0	\$0	\$0
Net Cash after Deferred Fee				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SHRA HOME and CDBG Loan																						
Principal Balance		4.00%		1,570,000	1,570,000	1,570,000	1,570,000	1,570,000	1,570,000	1,570,000	1,570,000	1,570,000	1,570,000	1,570,000	1,570,000	1,570,000	1,570,000	1,570,000	1,570,000	1,570,000	1,570,000	1,570,000
Interest for Period				62,800	62,800	62,800	62,800	62,800	62,800	62,800	62,800	62,800	62,800	62,800	62,800	62,800	62,800	62,800	62,800	62,800	62,800	62,800
Accumulated Interest				62,800	125,600	188,400	251,200	314,000	376,800	439,600	502,400	565,200	628,000	690,800	753,600	816,400	879,200	942,000	1,004,800	1,067,600	1,130,400	1,193,200
Payment				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Balance				\$1,632,800	\$1,695,600	\$1,758,400	\$1,821,200	\$1,884,000	\$1,946,800	\$2,009,600	\$2,072,400	\$2,135,200	\$2,198,000	\$2,260,800	\$2,323,600	\$2,386,400	\$2,449,200	\$2,512,000	\$2,574,800	\$2,637,600	\$2,700,400	\$2,763,200
Combined Debt Coverage Ratio				1.16	1.18	1.19	1.20	1.22	1.23	1.24	1.25	1.26	1.27	1.28	1.29	1.30	1.31	1.32	1.33	1.34	1.35	1.37

MAXIMUM HOME RENT AND INCOME LEVELS 2015
Rents at 30%, 40%, 50% and 60% of Area Median Income

Maximum Income Limits:

Family Size	Max Income			
	30% AMI	40% AMI	50% AMI	60% AMI
1 person	\$ 15,030	\$ 20,040	\$ 25,050	\$ 30,060
2 person	\$ 17,160	\$ 22,880	\$ 28,600	\$ 34,320
3 person	\$ 19,320	\$ 25,760	\$ 32,200	\$ 38,640

Maximum Rent Limits:

HOME/CDBG/Low Income Housing Tax Credits (LIHTC's)

Unit Size	Gross Rent			
	30% AMI	40% AMI	50% AMI	60% AMI
Studio	\$ 375	\$ 501	\$ 626	\$ 751
1 Bedroom	\$ 402	\$ 536	\$ 670	\$ 804

Date: June 9, 2015

Domus Development, LLC
C/O Meea Kang, President
9 Cushing, Suite 200
Irvine, CA 92618

RE: Conditional Funding Commitment for Sutter Place Apartments

Dear Ms. Kang:

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 \$775,000 in County HOME Investment Partnership Program (HOME) funds and \$795,000 in County Community Development Block Grant Multifamily (CDBG) funds for the purpose of financing the acquisition, rehabilitation and development of that certain real property known as Sutter Place Apartments located at 5801 Sutter Avenue, Carmichael, 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 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 Friday, December 9, 2016.

1. **PROJECT DESCRIPTION:** The project is the acquisition, rehabilitation and development of a 47-unit multifamily affordable apartment community known as Sutter Place Apartments located at 5801 Sutter Avenue, Carmichael, California. 46 units are deed-restricted affordable housing with an existing Housing Assistance Payment (HAP) contract with the U.S. Department of Housing and Urban Development (HUD). The Property receives Section 8 rental subsidies for all 46 deed-restricted units. The Property consists of a single two-story, wood-framed building with a concrete slab-on-grade foundation and a flat roof. Common areas include a management office, recreation room with kitchen, laundry room, restrooms, community seating areas and tenant storage rooms. Additional amenities include elevator, balconies/patios, air conditioning, appliances, on site parking and a gated perimeter.
2. **BORROWER:** The name of the Borrower for the Loan is Sutter Avenue Associates, L.P., a California limited partnership (Domus Development, LLC, 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) One Million Five Hundred Seventy Thousand Dollars (\$1,570,000), 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 the first disbursement, at which point any and all unpaid principal and interest on the loan will be due and payable.
6. **INTEREST RATE:** The Loan will bear simple interest at four percent (4%) per annum. Interest shall be calculated on the basis of a 365-day year and actual number of days elapsed.
7. **MONTHLY REPAYMENT:** Monthly principal and interest payments shall be deferred from the Loan's Effective Date through the first 192 months. Beginning in month 193, monthly installments shall be made according to the payment schedule contained in the Loan Agreement, calculated to achieve an annual 1.2 debt coverage ratio. Monthly payments shall be applied first to outstanding interest accrued and unpaid and then to principal.

8. SOURCE OF LOAN FUNDS:

Agency is making the Loan from the following sources of funds, and the Loan is subject to all requirements related to the use of such, whether Agency requirements or otherwise: County HOME Investment Partnership Program funds and County Community Development Block Grant Multifamily 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)

Borrower acknowledges that every contract for new construction or rehabilitation construction of housing that includes Section 8 Housing Assistance Payments (HAP) contract, CDBG funds, and/or 12 or more units assisted with HOME funds will contain a provision requiring the payment of not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (40 U.S.C. 276a-5), to all laborers and mechanics employed in the development of any part of the housing. Such contracts must also be subject to the overtime provisions, as applicable, of the Contract Work Hours and Safety Standards Act (40 U.S.C. 3701-3708); (24 C.F.R. 92.354). Borrower also acknowledges that any project containing a "subsidy" may be subject to state prevailing wages, which are the responsibility of the Borrower and Borrower's contractor.

_____ (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 Citibank 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 \$5,256,864 in Low Income Housing Tax Credit Equity and no less than \$190,000 in deferred developer fee. If LIHTC equity goes below \$5,256,864 it must be offset by an increase in deferred developer fee.
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 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 E1527-93) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property will be remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.
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 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.
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, 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. 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).
27. 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.
28. 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.

29. 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.
30. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
31. 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.
32. 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.
33. 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 twelve (12) hours of on-site resident services.
34. 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.

35. 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.
36. 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.
37. 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.
38. 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.
39. 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: June 9, 2015

BORROWER:

SUTTER AVENUE ASSOCIATES, L.P., a California limited partnership

MANAGING GENERAL PARTNER:

AHCDC LOAP LLC, a California limited liability company

By: Affordable Housing CDC, Inc., a California nonprofit public benefit corporation,
its sole member

By: _____
Joseph A. Stalzer
Executive Director

ADMINISTRATIVE GENERAL PARTNER:

Domus GP LLC, a California limited liability company

By: Domus Development, LLC, a California limited liability company, a member

By: MNJ Development, LLC, a California limited liability company,
a member

By: Newport Partners, LLC, a California limited liability company,
its sole member

By: _____
Monique Hastings
Manager

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
June 3, 2015

SUTTER PLACE APARTMENTS: APPROVAL OF UP TO \$1,570,000 COUNTY HOME INVESTMENT PARTNERSHIP PROGRAM AND COUNTY COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM LOAN COMMITMENT; EXECUTION OF LOAN COMMITMENT, LOAN AGREEMENT AND RELATED DOCUMENTS WITH DOMUS DEVELOPMENT, LLC OR RELATED ENTITY; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL RECITALS

BACKGROUND

- A. Domus Development, LLC (Developer) has applied for an allocation of up to One Million Five Hundred Seventy Thousand Dollars (\$1,570,000) in County Home Investment Partnership Program Funds (HOME) and County Community Development Block Grant Program Funds (CDBG) to assist in funding the acquisition, construction and permanent financing of the Sutter Place Apartments project.
- B. The Sutter Place Apartments project qualifies for HOME and CDBG funding under the Sacramento Housing and Redevelopment Agency guidelines.
- C. The proposed action has been analyzed in accordance with the California Environmental Quality Act (CEQA) and is categorically exempt under CEQA Guidelines Section 15301 which exempts actions on existing facilities, including rehabilitation and financing, where the use remains unchanged and there is no expansion of an existing use; and
- D. The proposed action has been analyzed in accordance with the National Environmental Policy Act (NEPA) and is categorically excluded pursuant to 24 CFR Section 58.35(a)(3)(ii) as it consists of the rehabilitation of a multifamily residential complex, without a change in land use, in which the unit density will not be changed by more than 20 percent and the estimated cost of rehabilitation is less than 75 percent of the cost of replacement after rehabilitation.

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

Section 1: The above recitals, including the environmental recitals, are determined to be to be true and correct.

Section 2: Subject to approval by the Board of Supervisors, the Loan Commitment letter, for One Million Five Hundred Seventy Thousand Dollars (\$1,570,000), is attached to and incorporated in this resolution, by this reference for the financing of the Sutter Place Apartments project (Loan Commitment) is approved.

Section 3: The Executive Director, or designee, is authorized to execute the Loan Commitment and related documents and transmit to Domus Development, LLC or related entity.

Section 4: The Executive Director, or designee, is authorized to amend the SHRA budget to transfer Seven Hundred and Seventy-Five Thousand Dollars (\$775,000) from County Home Investment Partnership Program funds and Seven Hundred Ninety-Five Thousand Dollars (\$795,000) from County Community Development Block Grant Program funds to the Sutter Place Apartments project.

Section 5: The Executive Director, or designee, is authorized to execute the Loan Agreement and related documents, and perform other actions necessary to fulfill the intent of repayment of funds, including without limitation, subordination, extensions and restructuring of payments, all as approved by Agency Counsel.

CHAIR

ATTEST:

CLERK



May 29, 2015

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Approval of Agency Loan for Land Park Wood Apartments

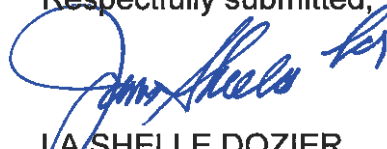
SUMMARY

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

RECOMMENDATION

Staff recommends approval of the recommendations outlined in this 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

Staff Report

June 9, 2015

Honorable Mayor and Members of the City Council

Title: Approval of Agency Loan for the Land Park Woods Apartments

Location/Council District: 2814 5th Street, Council District 4

Recommendation: Adopt a **Council Resolution** a) approving a \$1,825,000 Loan Commitment of City Home Investment Partnership Program (HOME) funds for the financing of the Land Park Woods Apartments Project and delegating authority to the Sacramento Housing and Redevelopment Agency (Agency) to execute and transmit the Loan Commitment to the Mercy Housing California, b) approving the restructuring and assumption of outstanding loans, c) authorizing the Agency to release and replace previous property restrictions, d) 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 e) authorizing the Agency to amend its budget and allocate up to \$1,825,000 in City HOME funds to the Land Park Woods Apartment Project, and f) approving related findings.

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

Presenters: Steve Lierly, Housing Finance Analyst, Development Finance

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: The Land Park Woods Apartments (Project) is an affordable multifamily complex located on approximately 5.26 acres at 2814 Fifth Street in Sacramento's Upper Land Park neighborhood. The Project was originally constructed in 1969 and extensively renovated in 1994 utilizing Low Income Housing Tax Credit (LIHTC) financing. There are a total of 75 units consisting of one, two, and three-bedroom units in eleven one-story wood frame residential buildings, and a single-story community building which includes leasing and laundry facilities.

Mercy Housing California and Rural California Housing Corporation (collectively "Developer") intend to form a new limited partnership to acquire and renovate the Project. The Developer has requested a new loan of \$1,825,000 for acquisition,

Approval of Agency Loan for the Land Park Woods Apartments

rehabilitation and permanent financing of the Project; including the assumption and modification of existing City Housing Trust Fund (HTF) and City HOME loans. A vicinity map is included as Attachment 1.

The proposed rehabilitation of the Land Park Woods Apartments will be an extensive renovation of this 46-year old housing development. Interior improvements will include replacement of all the flooring, cabinets, countertops, entry doors, appliances, heating, ventilation and air conditioning (HVAC) systems, windows, toilets, tub and tub surrounds. Each unit will be repainted and life safety issues will be addressed. Eight of the units will be adapted for Americans with Disabilities Act (ADA) compatibility. Exterior improvements will address irrigation, concrete and pavement, access gates and path of travel issues. Renovation of recreational facilities will be provided including a tot lot, barbeque area and basketball court. The roofs, gutters, and downspouts will all be replaced. The existing stucco siding will be removed and replaced with fiber-cement siding and new dual pane windows will be installed. Throughout the property paving will be repaired and resealed, common area lighting will be upgraded, fencing and gates will be repaired or replaced, and a security camera system will be installed. Additional landscaping and upgraded irrigation will be installed including recommended tree maintenance as contained in the arborist report. A site plan is included as Attachment 2.

The property will continue to be occupied during the planned 12-month rehabilitation period. Tenants will be temporarily relocated onsite or to an off-site location when required. After approximately 30 days of temporary relocation, tenants will return to their renovated units. No tenants will be permanently relocated. There are a total of eleven buildings at the development, and one building containing eight units will be renovated each month for a total of eleven phases.

Proposed funding sources will include \$7.3 million of LIHTC equity, existing Agency loans of approximately \$3,606,107 which includes accrued interest, a new Agency HOME loan of \$1,825,000, a \$500,000 Affordable Housing Program (AHP) loan, a deferred developer fee of \$150,000 and exiting reserves of \$76,792. Units will be regulated at 30, 40 and 50 percent of Area Median Income (AMI). Further background on the project developer and the property is included as Attachment 3.

Policy Considerations: The recommended actions are consistent with the Agency's previously approved multifamily lending and mortgage revenue bond policies. The Agency loans will all be senior to any subsequent Project financing but when combined they exceed standard loan to value policies.

Regulatory restrictions on the property will be specified in separate regulatory agreements between the Developer and the Agency for periods of 15 and 30 years in accordance with funding regulatory requirements. The LIHTC regulatory agreement is for a term of 55 years. Compliance with the Agency regulatory agreements will be monitored by the Agency on a regular basis.

Approval of Agency Loan for the Land Park Woods Apartments

Economic Impacts: This multifamily residential project is expected to create 67.3 total jobs (43.7 direct jobs and 23.6 jobs through indirect and induced activities) and create \$13,482,481 in total economic output (\$8,909,223, of direct output and another \$4,573,258 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 proposed action has been analyzed in accordance with the California Environmental Quality Act (CEQA) and is categorically exempt under CEQA Guidelines Section 15301 which exempts actions on existing facilities, including rehabilitation and financing, where the use remains unchanged and there is no expansion of an existing use.

Sustainability Considerations: The Project has been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, the project will advance the following goals, policies and targets as follows: Goal number one – Energy Independence, specifically by reducing the use of fossil fuels, improving energy efficiency, and providing long-term affordable and reliable energy.

Other: The proposed action has been analyzed in accordance with the National Environmental Policy Act (NEPA) and is categorically excluded pursuant to 24 CFR Section 58.35(a)(3)(ii) as it consists of the rehabilitation of a multifamily residential complex with no change in land use, in which the unit density will not be changed by more than 20 percent and the estimated cost of rehabilitation is less than 75 percent of the cost of replacement after rehabilitation.

Commission Action: It is anticipated that, at its meeting of June 3, 2015, the Sacramento Housing and Redevelopment Commission will approve the staff recommendation for this item. Staff will notify the Council in the event this does not occur.

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.

Approval of Agency Loan for the Land Park Woods Apartments

Financial Considerations: Staff recommends funding of an Agency loan comprised of \$1,825,000 of City HOME funds together with the Agency assignment and modification of an existing HTF loan of \$1,874,000 plus accrued interest of \$1,135,677 and an existing HOME loan of \$400,000 plus accrued interest of \$223,430. The Agency will be collecting an annual monitoring fee equal to 0.15 percent of the new HOME loan amount, consistent with the Agency's multifamily lending guidelines. A loan commitment letter is included as Exhibit A to the attached resolution.

M/WBE and Section 3 Considerations and First Source Considerations: 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. Developer will be required to use the First Source Program for employment opportunities.

Respectfully Submitted by:



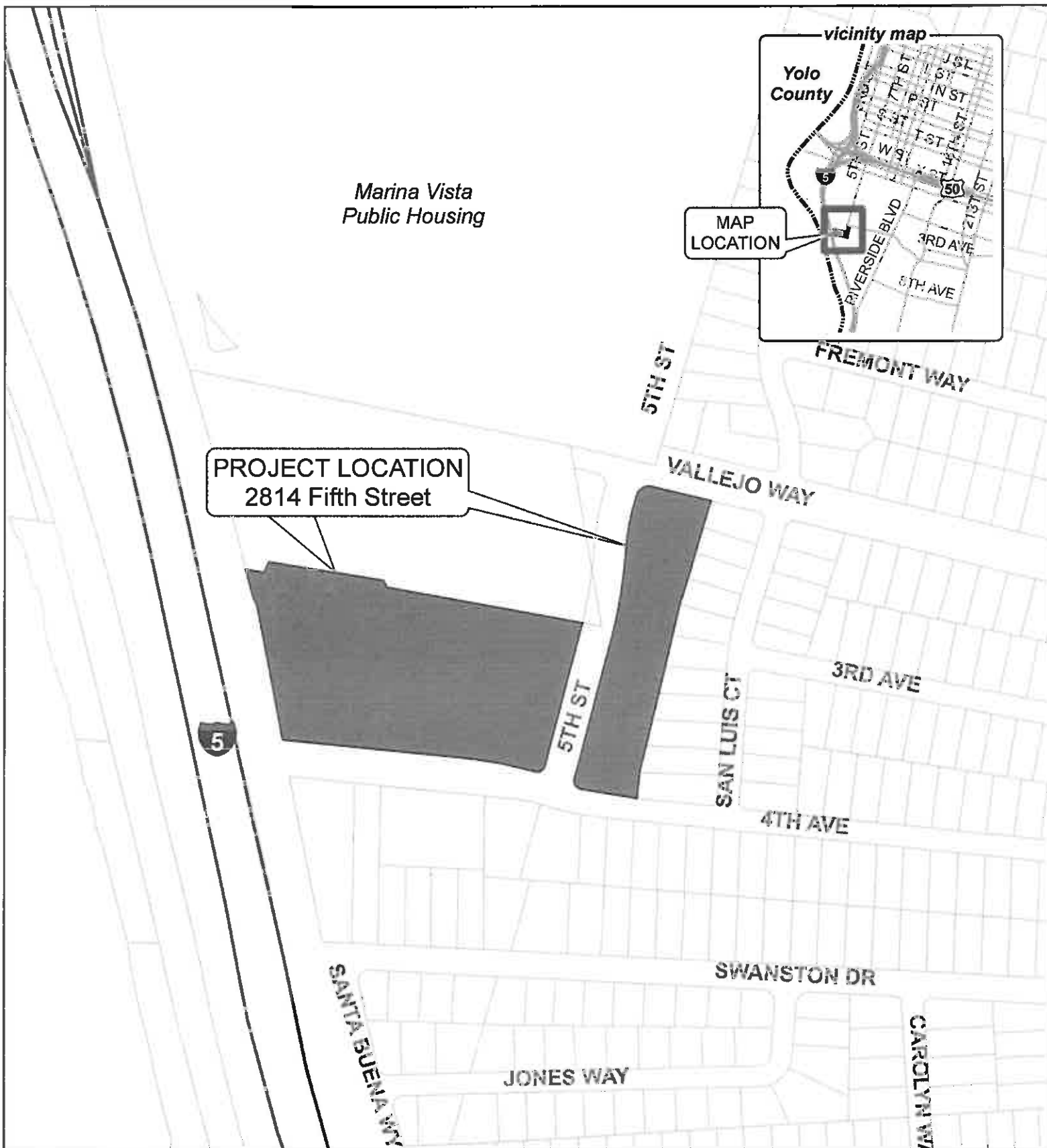
LA SHELLE DOZIER
Executive Director

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Land Park Woods Apartments



2814 5th St



SHRA GIS
May 18, 2015

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Carmel, Calif.

PRELIMINARY
NOT FOR
CONSTRUCTION

Age group	Gender	Prevalence (%)	95% CI	Significance
15-24	Male	1.2	0.5-2.9	NS
	Female	1.5	0.6-3.6	
25-34	Male	1.8	0.8-3.9	NS
	Female	2.1	0.9-4.7	
35-44	Male	2.5	1.1-5.4	NS
	Female	2.8	1.2-6.3	
45-54	Male	3.2	1.5-6.8	NS
	Female	3.5	1.6-7.7	
55-64	Male	4.1	2.0-8.2	NS
	Female	4.4	2.1-9.1	
65-74	Male	5.0	2.5-9.8	NS
	Female	5.3	2.6-10.4	
75-84	Male	6.0	3.0-11.6	NS
	Female	6.3	3.1-12.4	
85-94	Male	7.0	3.5-13.6	NS
	Female	7.3	3.6-14.3	
95-104	Male	8.0	4.0-15.6	NS
	Female	8.3	4.1-16.4	

NS = Not significant.

References

Members

Project
LAND PAIR, WOODS APARTMENTS
REHABILITATION
2814 34th STREET
SACRAMENTO, CA 95818
APR. 012-0010-002-0000
APR. 012-0010-005-0000

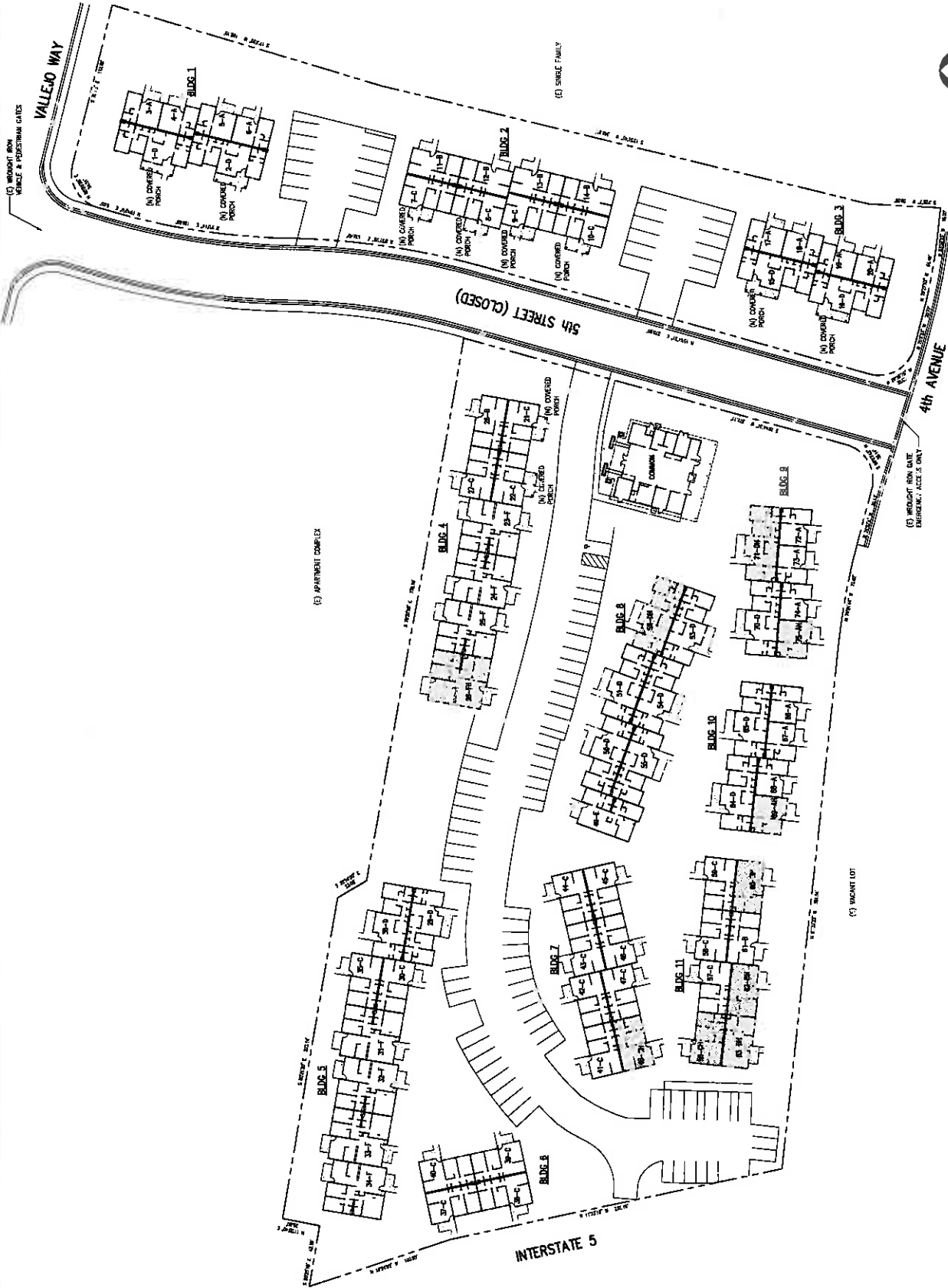
Drawing
SITE PLAN

Drawing
SITE PLAN

Project No.	1503
Drawn by	DA
Reviewed by	KF
Date	4-24-15

A1.1

2000



① SITE PLAN

Land Park Woods Apartments Background Information

Description of Development: Land Park Woods Apartments (Project) is an existing regulated affordable housing development located on 5.6 acres in the Upper Land Park neighborhood at 2814 Fifth Street, in the City of Sacramento. The Project was originally built in 1969 as a senior project. Fifth Street Partners, LP, which included the Rural California Housing Corporation, purchased and renovated the site in 1996 utilizing Low Income Housing Tax Credits (LIHTC's), a \$300,000 loan from the Affordable Housing Program (AHP) and two separate loans from the Sacramento Housing and Redevelopment Agency (Agency). These loans include an Agency HOME loan of \$400,000 and an Agency HTF loan for \$1,874,000. Prior to the 1996 renovation the Project contained 50 one-bedroom units and 50 two-bedroom units. After completion the Project contained 25 one-bedroom units, 25 two-bedroom units and 25 three-bedroom units for a total of 75 units. Other than routine maintenance, no additional rehabilitations have been undertaken since then.

The Project consists of 11 single-story residential buildings and a separate Community building in which a community room, laundry facilities, maintenance room and a rental office are located. Currently, the 11 residential buildings and community room are wood frame construction with stucco exteriors built on concrete slabs. The exterior stucco is in poor condition and is in need of replacement. All the roofs are pitched with asphalt shingles which are in poor condition. The windows are dual-pane aluminum and in poor condition. The site drainage, landscaping, fencing, irrigation and parking lot improvements are needed. In addition, the site and units warrant ADA access upgrades.

Exterior work will include new roofs, gutters, exterior doors and windows. The stucco and siding will be removed and replaced with pre-finished fiber-cement siding. All up-lifted concrete will be replaced and include ADA walkway improvements to each door. All perimeter wood fencing will be replaced including patio fencing for each apartment. Repairs to broken sewer lines and the installation of additional storm inlets and drains. The vehicle and pedestrian gates together with calling systems will be replaced or repaired. New outdoor recreation areas with new barbecue equipment and tables will be installed. The tot lot equipment will be replaced and upgrades made to the basketball court. Additional landscaping will be added, the trees trimmed and all irrigation systems upgraded. The existing site lighting will be upgraded to include new LED fixtures and a security camera system will be installed.

Interior work to the units and community building will include new flooring, paint, appliances, cabinets, countertops, sinks, bathtubs, toilets, and lighting, as well as new HVAC systems.

The proposed rehabilitation conforms to the Agency's guidelines that require a 15 year useful life for all major building systems and will bring the property up to current market standards. The improvements will create a complex that is visually more appealing and

functionally improved, will increase its marketability and have a positive impact on the surrounding neighborhood.

Location and site maps are included as Attachments 1 and 2 respectively. A project summary, including a proposed sources and uses of funds for Land Park Woods Apartments is included as Attachment 4. A project cash flow proforma is included as Attachments 5.

Developer: Mercy Housing California was formed through the merger of Rural California Housing Corporation and Mercy Charities Housing California in July 2000. Mercy Housing is a non-profit public benefit corporation dedicated to providing quality affordable housing with supportive programs to low-income persons in California. A limited partnership including Rural California Housing Corporation will be established to own the Project. Mercy Housing California has been responsible for the construction of more than 2,900 affordable single-family self-help homeownership units and 124 multifamily rental properties with a total of more than seven thousand units. Their portfolio includes 18 properties in Sacramento County alone.

Property Management: The project will be managed by Mercy Services Management Group (MSMG), an affiliate of Mercy Housing. MSMG manages 216 properties nationally (more than 11,000 affordable housing units), including 100 properties in California. Agency staff has reviewed and approved the management plan, including daily operations, leasing procedures, maintenance, and eviction procedures.

Resident Services: Services will be provided to the residents by Living With Hope an MHC affiliate. The service provider will be required to provide 15 hours of services per week at Land Park Woods Apartments. Mercy has also committed to provide additional hours of service above and beyond the minimum of 15 hours at the site. Programs will be tailored to the needs of the residents. Examples of services include after-school programs, computer training, and English as a Second Language classes.

Project Financing: Land Park Woods Apartments is to be primarily financed with nine percent Low Income Housing Tax Credits (LIHTC). Construction financing will be provided by a bank loan and the remainder of the permanent financing will be provided by an Agency HOME loan of \$1,825,000 an Affordable Housing Program (AHP) loan of \$500,000, a deferred developer fee of \$150,000 and the assumption of existing Agency loans of approximately \$3,606,107 which includes accrued interest.

Low-Income Set-Aside Requirements: The tax credits, Agency loan and assumed debt will require that all units be affordable to households earning 30, 40 and 50 percent of Area Median Income (AMI). The project will be layered with affordability requirements required by the various funding sources. The LIHTC regulatory term is 55 years, the new HOME and HTF regulatory agreements will regulate units for 15 years and 30 years respectively. These sources and their affordability requirements are summarized in the following table:

Funding	Affordability Restrictions	No. Units Covered	Maximum Regulatory Term
LIHTC, New Agency Loan, Existing Agency Loan	Very Low-Income (30% AMI)	8	55 years
LIHTC, New Agency Loan, Existing Agency Loan	Low-Income (40% AMI)	32	55 years
LIHTC, New Agency Loan, Existing Agency Loan	Low-Income (50% AMI)	34	55 years
Mangers Unit	Unrestricted	1	
Total		75	

Maximum rent and income limits can be found in Attachment 6. The project's affordability restrictions will be specified in regulatory agreements with the Developer.

Land Park Woods
Residential Project Financial Summary

Address	2814 Fifth Street, Sacramento CA 95			
Number of Units	75			
Year Built	1969			
Acreage	5.6 acres			
Affordability	8 units (11%) at or below 30% of AMI 32 units (40%) at or below 45% of AMI 34 units (46%) at or below 50% of AMI 1 Manager Unit			
Unit Mix and Rents	(30% AMI)	(40% AMI)	(50% AMI)	Manager
1 Bedroom / 1 Bath	3	12	10	
2 Bedroom / 1 Bath	3	12	9	1
3 Bedroom / 2 Bath	2	8	15	
Total	8	32	34	1
Square Footage	<i>Per Unit</i>		<i>Total</i>	
1 BR / 1 BA	525	25	13,125	square feet
2 BR / 2 BA	734	25	18,350	square feet
3 BR / 2 BA	1,141	25	28,525	square feet
Total		75	60,000	square feet
Resident Facilities	The project includes a community clubhouse and childrens playground.			
Permanent Sources	<i>Total</i>	<i>Per Unit</i>	<i>Per Square Foot</i>	
Tax Credit Equity	\$ 7,313,636	\$ 97,515	\$ 121.89	
Existing SHRA HTF Loan	\$ 3,012,746	\$ 40,170	\$ 50.21	
Existing SHRA HOME Loan	\$ 630,039	\$ 8,401	\$ 10.50	
New SHRA Loan	\$ 1,825,000	\$ 24,333	\$ 30.42	
AHP Loan	\$ 500,000	\$ 6,667	\$ 8.33	
Accrued/ Deferred Interest	\$ 118,500	\$ 1,580	\$ 1.98	
Cash Reserves From Seller	\$ 76,792	\$ 1,024	\$ 1.28	
Deferred Developer Fee	\$ 150,000	\$ 2,000	\$ 2.50	
TOTAL SOURCES	\$ 13,626,713	\$ 181,690	\$ 227	
Permanent Uses				
Acquisition	\$ 3,942,574	\$ 52,568	\$ 65.71	
Construction	\$ 4,232,680	\$ 56,436	\$ 70.54	
Site Improvements	\$ 859,025	\$ 11,454	\$ 14.32	
Development Impact Fees/Permits	\$ 100,000	\$ 1,333	\$ 1.67	
Architecture, Engineering, Survey	\$ 435,044	\$ 5,801	\$ 7.25	
Relocation	\$ 375,000	\$ 5,000	\$ 6.25	
Hard Cost Contingency	\$ 779,099	\$ 10,388	\$ 12.98	
Soft Cost Contingency	\$ 165,000	\$ 2,200	\$ 2.75	
Financing Costs	\$ 344,818	\$ 4,598	\$ 5.75	
TCAC	\$ 60,745	\$ 810	\$ 1.01	
Operating Reserves	\$ 226,508	\$ 3,020	\$ 3.78	
Legal Fees	\$ 67,500	\$ 900	\$ 1.13	
Developer Fee	\$ 1,125,411	\$ 15,005	\$ 18.76	
Insurance, Third Party, Marketing, Other	\$ 913,309	\$ 12,177	\$ 15.22	
TOTAL USES	\$ 13,626,713	\$ 181,690	\$ 227	
Management / Operations				
Proposed Developer:	Rural California Housing Corporation			
Property Management Company:	Mercy Housing Management			
Resident Services	\$55,000	\$733		
Operations Budget:	\$343,125	\$4,575		
Replacement Reserves:	\$31,875	\$425		

Attachment 5
Cash Flow Proforma

Land Park Woods
Project Cash Flow Proforma

Unit Type	Number	Square Feet	Total Sq Feet	Gross Rent	Utility Allowance	Net Rent	Rent per Sq Foot	Total Mo. Rent	Annual Rent	Year 11	Year 12	Year 13	Year 14	Year 15	Year 20
										2027	2028	2029	2030	2031	2036
1 BD / 1 BA @ 30% AMI	3	525	1,575	\$ 402	\$ 73	\$ 329	\$ 0.63	\$ 987	\$ 11,844						
1 BD / 1 BA @ 40% AMI	12	525	6,300	\$ 576	\$ 73	\$ 483	\$ 0.88	\$ 5,566	\$ 66,672						
1 BD / 1 BA @ 50% AMI	10	525	5,250	\$ 670	\$ 73	\$ 597	\$ 1.14	\$ 5,970	\$ 71,640						
2 BD / 1 BA @ 30% AMI	3	734	2,202	\$ 483	\$ 90	\$ 393	\$ 0.54	\$ 1,179	\$ 14,148						
2 BD / 1 BA @ 40% AMI	12	734	8,808	\$ 644	\$ 90	\$ 554	\$ 0.75	\$ 6,648	\$ 79,776						
2 BD / 1 BA @ 50% AMI	9	734	6,606	\$ 805	\$ 90	\$ 715	\$ 0.97	\$ 8,435	\$ 77,220						
3 BD / 2 BA @ 30% AMI	2	1,141	2,282	\$ 558	\$ 108	\$ 450	\$ 0.39	\$ 900	\$ 10,800						
3 BD / 2 BA @ 40% AMI	8	1,141	9,128	\$ 744	\$ 108	\$ 636	\$ 0.56	\$ 5,088	\$ 61,056						
3 BD / 2 BA @ 50% AMI	15	1,141	17,115	\$ 930	\$ 108	\$ 822	\$ 0.72	\$ 12,330	\$ 147,960						
Manager's Units	75	734	60,000					\$ 45,093	\$ 541,116						
Totals															
Income	rate	annual increase	per unit	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 20
Potential Gross Income		2.50%		554,644	568,510	582,723	597,291	612,223	692,674	708,991	727,741	745,934	764,593	783,697	888,682
Other Income		2.50%		8,500	8,713	8,930	9,154	9,382	10,615	10,881	11,153	11,432	11,717	12,010	13,589
Less Vacancy		5.00%		27,732	28,425	29,136	29,865	30,611	34,634	35,500	36,387	37,297	38,229	39,185	44,334
Effective Gross Income				\$535,412	\$548,797	\$562,517	\$576,580	\$590,984	\$668,656	\$685,372	\$702,507	\$720,069	\$738,071	\$756,523	\$855,936
Operating Expenses															
Operating Expenses		3.50%	4,575	343,123	355,132	367,562	380,427	393,742	467,641	484,009	500,949	518,482	536,629	555,411	659,654
Assessments		2.00%	137	10,300	10,506	10,716	10,930	11,149	12,309	12,556	12,807	13,063	13,324	13,591	15,005
Property Management		3.50%	504	37,800	39,123	40,492	41,910	43,376	51,518	53,321	55,187	57,118	59,118	61,187	72,671
Resident Services		3.50%	400	30,000	31,050	32,137	33,262	34,426	40,887	42,318	43,799	45,332	46,919	48,561	57,675
Replacement Reserves			425	31,875	31,875	31,875	31,875	31,875	31,875	31,875	31,875	31,875	31,875	31,875	31,875
Total Expenses			6,041	\$453,098	\$467,686	\$482,782	\$498,403	\$514,568	\$604,230	\$624,078	\$644,617	\$665,671	\$687,865	\$710,624	\$836,880
Net Operating Income				\$82,314	\$81,111	\$79,735	\$78,177	\$76,427	\$64,426	\$61,294	\$57,850	\$54,198	\$50,206	\$45,898	\$19,056
Debt Service	amount	rate													
SHRA Administration Fee	\$1,825,000	0.15%		2,738	2,738	2,738	2,738	2,738	2,738	2,738	2,738	2,738	2,738	2,738	2,738
Priority Distributions															
Asset Management Fee (G/P)		3.00%		5,000	5,150	5,305	5,464	5,628	6,524	6,720	6,921	7,129	7,343	7,563	8,788
Partnership Management Fee (LP)		3.00%		20,000	20,600	21,218	21,855	22,510	26,095	26,878	27,685	28,515	29,371	30,252	35,070
Priority Distributions Subtotal				25,000	25,750	26,523	27,318	28,138	32,619	33,598	34,606	35,644	36,713	37,815	43,838
Additional Resident Services				25,000	25,000	25,000	25,000	25,000	25,000	24,959	20,546	15,817	10,755	5,346	-27,519
Net Cash after Priority Distributions				\$29,576	\$27,623	\$25,475	\$23,121	\$20,551	\$4,069	\$0	\$0	\$0	\$0	\$0	\$0
Deferred Developer Fee															
Principal Balance	\$150,000	4.00%		150,000	126,424	103,858	82,537	62,717							
Interest for Period				6,000	5,057	4,154	3,301	2,509							
Accumulated Interest				6,000	5,057	4,154	3,301	2,509							
Payment				29,576	27,623	25,475	23,121	20,551							
Balance				\$126,424	\$103,858	\$82,537	\$62,717	\$44,675							
Net Cash after Deferred Developer Fee				\$0	\$0	\$0	\$0	\$0	\$4,069	\$0	\$0	\$0	\$0	\$0	\$0
SHRA HOME loan															
Principal Balance	\$1,825,000	4.00%		1,825,000	1,825,000	1,825,000	1,825,000	1,825,000	1,825,000	1,825,000	1,825,000	1,825,000	1,825,000	1,825,000	1,825,000
Interest for Period				73,000	73,000	73,000	73,000	73,000	73,000	73,000	73,000	73,000	73,000	73,000	73,000
Accumulated Interest				146,000	146,000	219,000	292,000	365,000	730,000	803,000	876,000	949,000	1,022,000	1,095,000	1,460,000
Payment				0	0	0	0	0	0	0	0	0	0	0	0
Balance				1,971,000	1,971,000	2,044,000	2,117,000	2,190,000	2,555,000	2,628,000	2,701,000	2,774,000	2,847,000	2,920,000	3,285,000
SHRA HOME & HTF existing loans															
Principal Balance	\$2,247,000	3.00%		2,247,000	2,247,000	2,247,000	2,247,000	2,247,000	2,247,000	2,247,000	2,247,000	2,247,000	2,247,000	2,247,000	2,247,000
Interest for Period				67,410	67,410	67,410	67,410	67,410	67,410	67,410	67,410	67,410	67,410	67,410	67,410
Accumulated Interest				1,426,517	1,483,927	1,561,337	1,628,747	1,696,157	2,033,207	2,100,617	2,168,027	2,235,437	2,302,847	2,370,257	2,735,667
Payment				0	0	0	0	0	0	0	0	0	0	0	0
Balance				\$3,673,517	\$3,740,927	\$3,808,337	\$3,875,747	\$3,943,157	\$4,280,207	\$4,347,617	\$4,415,027	\$4,482,437	\$4,549,847	\$4,617,257	\$5,082,667
AHP Loan															
Principal Balance	\$500,000	0.00%		500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Interest for Period				0	0	0	0	0	0	0	0	0	0	0	0
Payment				0	0	0	0	0	0	0	0	0	0	0	0
Balance				\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000

MAXIMUM LIHTC RENT AND INCOME LEVELS 2015*Rents at 30%, 40% and 50% of Area Median Income***Maximum Income Limits:**

Family Size	Max Income		
	30% AMI	40% AMI	50% AMI
1 person	\$ 15,030	\$ 20,040	\$ 25,050
2 person	\$ 17,160	\$ 22,880	\$ 28,600
3 person	\$ 19,320	\$ 25,760	\$ 32,200
4 person	\$ 21,450	\$ 28,600	\$ 35,750
5 person	\$ 23,190	\$ 30,920	\$ 38,650
6 person	\$ 24,900	\$ 33,200	\$ 41,500

Maximum Rent Limits:

Low Income Housing Tax Credits (LIHTC's)

Unit Size	Gross Rent		
	30% AMI	40% AMI	50% AMI
1 Bedroom	\$ 402	\$ 536	\$ 670
2 Bedroom	\$ 483	\$ 644	\$ 805
3 Bedroom	\$ 558	\$ 744	\$ 930

RESOLUTION NO. 2015 –

Adopted by the Sacramento City Council

on the date of

**LAND PARK WOODS APARTMENTS PROJECT: AUTHORIZING A \$1,825,000
LOAN COMMITMENT OF CITY HOME INVESTMENT PARTNERSHIP (HOME)
FUNDS; APPROVAL OF THE RESTRUCTURING OF OUTSTANDING LOANS AND
ASSUMPTION OF OBLIGATIONS; RELEASES OF OUTDATED RESTRICTIONS;
EXECUTION OF COMMITMENT AND RELATED DOCUMENTS WITH MERCY
HOUSING CALIFORNIA OR RELATED ENTITY; RELATED BUDGET AMENDMENT**

BACKGROUND

- A. Mercy Housing California has applied for an allocation of \$1,825,000 in City Home Investment Partnership Program Funds (HOME), to assist in funding the construction and permanent financing of the 75-unit Land Park Woods Apartment Project.
- B. The Project currently has two Sacramento Housing and Redevelopment Agency (Agency) loans outstanding. The first is a loan of HOME funds with a principal balance of \$400,000, plus approximately \$223,430 of accrued interest. The second is a loan of City Housing Trust Funds (HTF) with a principal balance of \$1,847,000, plus approximately \$1,135,677 of accrued interest. The Developer has requested that the existing debt be restructured and assigned to a new limited partnership formed by Mercy Housing California. The requested restructuring of the loans and associated documents includes extending their maturity to a date 55 years after the proposed rehabilitation of the Project and changing their interest rates.
- C. The 10 year term of affordability as required in 2013 HOME Rule, 24 CFR Part 92 has been achieved. The existing HOME Regulatory Agreement dated March 21, 1996 is therefore eligible for release from the Project. The Sacramento Housing and Redevelopment Agency (Agency) intends to record a new HOME Regulatory Agreement for a term of 15 years on the Project.
- D. The existing City Housing Trust Fund Regulatory Agreement dated October 6, 1994 between 2814 Fifth Street Associates, LP and the Agency is in excess of 20 years old will be released and replaced with a new City Housing Trust Fund Regulatory Agreement, consistent with Agency requirements, new Project financing. This new agreement would be for a term of 30 years.
- E. The Land Park Woods Apartment Project continues to qualify for HOME funding under the Sacramento Housing and Redevelopment Agency multi family lending guidelines.
- F. The proposed action has been analyzed in accordance with the California Environmental Quality Act (CEQA) and is categorically exempt under CEQA

Guidelines Section 15301 which exempts actions on existing facilities, including rehabilitation and financing, where the use remains unchanged and there is no expansion of existing uses.

- G. The proposed action has been analyzed in accordance with the National Environmental Policy Act (NEPA) and is categorically excluded pursuant to 24 CFR Section 58.35(a)(3)(ii) as it consists of the rehabilitation of a multifamily residential complex, with no change in land use, in which the unit density will not be changed by more than 20 percent and the estimated cost of rehabilitation is less than 75 percent of the cost of replacement after rehabilitation.

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 findings, including the environmental findings, as stated above, are approved.
- Section 2. The Loan Commitment, attached as (Exhibit A), for financing the Project with \$1,825,000 in City HOME funds is approved, and the Agency is delegated authority to execute and transmit the Loan Commitment to the Mercy Housing California or related entity.
- Section 3. The Agency is authorized to release outdated recorded restrictions associated with existing Agency loans as these restrictions have been superseded by more comprehensive restrictions and covenants.
- Section 4. The Agency is authorized to modify and extend the terms and consent to the assumption of the obligations by Mercy Housing California or a related entity, in order to ensure the continued viability of the development.
- Section 5. 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, and restructuring of such a loan consistent with Agency adopted policy and with this resolution.
- Section 6. The Agency is authorized to amend the Agency budget and allocate up to \$1,825,000 in City HOME funds to the Land Park Woods Apartment Project.

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Exhibit A - Commitment Letter

June 16, 2015

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

RE: Conditional Funding Commitment, Land Park Woods Apartments

Dear Mr. Daues,

On behalf of the Sacramento Housing and Redevelopment Agency ("Agency"), we are pleased to advise you of its commitment of acquisition, construction and permanent loan funds ("Loan") of \$1,825,000 in City Home Investment Partnership Program ("HOME") funds for the purpose of financing the development of that certain real property known as Land Park Woods located at 2814 Fifth Street in Sacramento, California ("Property"). 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 Agency, this commitment is void. Agency's obligation to make the Loan is subject to 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 material loan terms not in this funding commitment shall be included in the final loan documents without additional environmental review and governing board approval with the exception of changes the Agency is authorized to make in accordance with the City Council resolution approved on June 16, 2015. 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 days prior to close of escrow for the Property.

This commitment will expire on December 16, 2016, unless extended as outlined in Section 38.

1. PROJECT DESCRIPTION: The project is the acquisition and rehabilitation of a 75 unit apartment complex located in the proposed Land Park Woods at 2814 Fifth Street in Sacramento, California. At least 8 units will be affordable to families earning less than 30 percent of the area median income (AMI), at least 32 units will be affordable to families earning less than 40 percent of AMI, at least 34 units will be affordable to families earning less than 50 percent of AMI, with one unrestricted managers' unit.
2. BORROWER: The name of the Borrower for the Loan is Mercy Housing California, or a related entity.
3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of acquisition, construction and permanent financing, or 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) One Million Eight Hundred and Twenty-Five Thousand Dollars (\$1,825,000), 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 TERM: The Loan shall mature 57 years, (or 684 months), from the effective date of the loan.
6. INTEREST RATE: The Loan shall bear simple interest at Four Percent (4%) per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.
7. MONTHLY REPAYMENT: Monthly principal and interest payments shall be deferred from the Loan's Effective Date through the completed payment of the differed developer fee. Structured monthly installments shall be made according to the payment schedule contained in the final Loan Agreement, calculated to achieve an annual 1.2 debt coverage ratio. Monthly payments shall be applied first to outstanding interest accrued and unpaid and then to principal. All outstanding principal and interest is due and payable on the maturity date.
8. SOURCE OF LOAN FUNDS: Agency is making the Loan of \$1,825,000 of City HOME funds, and the Loan is subject to all requirements related to the use of such, whether Agency requirements or otherwise. City HOME funds shall assist 11 or fewer units, and therefore the provisions of the Davis-Bacon Act (40 U.S.C. 276a-5) requiring the payment of not less than the wages prevailing in the locality for projects including 12 or more units assisted with HOME funds shall not apply. 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)

Borrower acknowledges that every contract for new construction or rehabilitation construction of housing that includes 12 or more units assisted with HOME funds will contain a provision requiring the payment of not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (40 U.S.C. 276a-5), to all laborers and mechanics employed in the development of any part of the housing. Such contracts must also be subject to the overtime provisions, as applicable, of the Contract Work Hours and Safety standards Act (40 U.S.C. 327-332). (24 C.F.R. 92.354). Borrower also acknowledges that any project containing a "subsidy" may be subject to state prevailing wages, which are the responsibility of the Borrower and Borrower's contractor.

_____ (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 first lien upon the Property and Improvements subject only to other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of construction of the Property.
11. LEASE AND RENTAL SCHEDULE: Agency shall have the right to review and approve all leases of the Property and Improvements prior to execution. Borrower shall not deviate from the rental schedule presented in the staff report accompanying approval of this Loan Commitment Letter 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 \$7,300,000 in Low Income Housing Tax Credit Equity and no less than \$150,000 in deferred developer fee.

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.
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. SOIL AND TOXIC REPORTS: Borrower must submit to 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 E1527-93) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property have been 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 un-disbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders 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.

17. 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.
18. 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.
19. CONSTRUCTION CONTRACT: The construction contract ("Contract"), 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%) as retention from each disbursement for construction related expenses, not to exceed a total of ten percent (10%) 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 projected 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, 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, the projected final sources of funding, 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 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. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance or in lieu such insurance, 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).
26. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain commercial general 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.

27. TITLE INSURANCE: Borrower must procure and deliver to Agency a 2006 ALTA LP-10 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.
28. 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.
29. ACQUISITION OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's acquisition of the Property.
30. 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.
31. 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.
32. LOW INCOME HOUSING TAX CREDITS("LIHTC"): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTCs and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.

33. SECURITY AND LIGHTING: Project shall include a security camera system approved by the Agency and lighting adequate to properly illuminate the parking area and all common spaces. In addition, project will include security patrol if necessary.
34. RESIDENT SERVICES AGREEMENT: Borrower shall submit for approval a detailed resident services plan including but not limited to, the following information: 1) identification of all entities responsible for providing social services to Project tenants and each entity's role in the provision of those services; 2) the services will be provided for a minimum of 15 hours per week; 3) confirmation services will be provided according to the Agency's minimum requirements as specified in the Multifamily Lending and Mortgage Revenue Bond Policies; 4) a description of the programs to be offered, and; 5) a Proforma social services budget.
35. SMOKE FREE ENVIROMENT: Borrower shall provide that at least 50% of the buildings but no less than 50% of the units must be smoke free. Projects with only a single residential building must have at least 50% of the units in the building smoke-free. In addition all indoor common areas must be smoke-free
36. 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.
37. 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.
38. 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.
39. SUBORDINATION ANDASSIGNMENT OF EXISTING DEBT: The Agency will seek approval from the appropriate governing body to restructure, subordinate and assign the existing loans on the Property of approximately \$3,633,107 (principal and accrued interest) from the City HOME program and City Housing Trust Funds ("Existing Debt") to the Borrower. The Agency will seek to restructure the terms of the loan, the payment schedule and the maturity date to be consistent with the 57 year term of the new \$1,825,000 Agency Loan.
40. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment, including acceptance of Borrower's obligation to assume the Existing Debt, 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.

Yours truly,

Sacramento Housing and Redevelopment Agency

La Shelle Dozier, Executive Director

Dated:

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

BORROWER:
Mercy Housing California

By: _____
Stephan Daues, Regional Director of Housing Development

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

June 3, 2015

LAND PARK WOODS APARTMENTS PROJECT: AUTHORIZING A \$1,825,000 LOAN COMMITMENT OF CITY HOME INVESTMENT PARTNERSHIP (HOME) FUNDS; APPROVAL OF THE RESTRUCTURING OF OUTSTANDING LOANS AND ASSUMPTION OF OBLIGATIONS; RELEASES OF OUTDATED RESTRICTIONS; EXECUTION OF COMMITMENT AND RELATED DOCUMENTS WITH MERCY HOUSING CALIFORNIA OR RELATED ENTITY; RELATED BUDGET

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

Section 1: The proposed action has been analyzed in accordance with the California Environmental Quality Act (CEQA) and is categorically exempt under CEQA Guidelines Section 15301 which exempts actions on existing facilities, including rehabilitation and financing, where the use remains unchanged with no expansion of that existing use.

Section 2: The proposed action has been analyzed in accordance with the National Environmental Policy Act (NEPA) and is categorically excluded pursuant to 24 CFR Section 58.35(a)(3)(ii) as it consists of the rehabilitation of a multifamily residential complex, with no change in land use, in which the unit density will not be changed by more than 20 percent and the estimated cost of rehabilitation is less than 75 percent of the cost of replacement after rehabilitation.

Section 3: Subject to approval by the City Council, the Loan Commitment attached to and incorporated in this resolution by this reference for the financing of the Land Park Woods Apartments project (Loan Commitment) is approved and the Executive Director is authorized to execute the Loan Commitment and related documents and transmit to Mercy Housing California or related entity.

Section 4: Subject to the close of escrow and related financing the Executive Director or designee is authorized to modify and extend the terms and consent to the assumption of the obligations by Mercy Housing California or a related entity.

Section 5: Subject to the close of escrow and related financing the Executive Director or designee is authorized to release recorded restrictions associated with existing Agency loans on the subject property.

Section 6: The Executive Director or designee is authorized to amend the Agency budget to transfer \$1,825,000 from City Home Investment Partnership Program (HOME) funds to the Land Park Woods Apartments project.

Section 7. Subject to approvals by the City of Sacramento or the City Council, the Executive Director or designee is authorized to execute the Loan and to enter into other agreements, execute other documents, and perform other actions necessary to fulfill the intent as stated in this resolution and the accompanying staff report.

CHAIR

ATTEST:

CLERK



May 29, 2015

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Approval of the County of Sacramento Affordable Housing Program Guidelines for
Implementation of Chapter 22.35 of the County Code

SUMMARY

The attached report is submitted to you for review prior to consideration by the County
of Sacramento.

RECOMMENDATION

Staff recommends approval of the recommendations outlined in this report.

Respectfully submitted,

LA SHELLE DOZIER
Executive Director

Attachment

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
June 9, 2015
11:00 AM

To: Board Supervisors of the County of Sacramento

From: Sacramento Housing and Redevelopment Agency

Subject: Approval Of The County Of Sacramento Affordable Housing Program Guidelines
For Implementation Of Chapter 22.35 Of The County Code

Supervisory
District: All

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

Overview

On February 25, 2014, the Sacramento County Board of Supervisors (Board) repealed Chapter 22.35 of the County Code known as the County's Affordable Housing Ordinance (Repealed Ordinance) and adopted a revised Ordinance (Ordinance). The revised Ordinance creates a standard affordable housing fee which may be utilized by any applicant/developer and also provides a variety of other options that an applicant/developer may use to satisfy the affordable housing obligations of a development project.

The County of Sacramento Affordable Housing Program Guidelines (Guidelines) are intended to assist applicants, developers, homebuyers, and others in understanding and complying with the Ordinance. The Guidelines will be used in conjunction with the Ordinance.

Recommendations

Staff recommends adoption of the attached Board of Supervisors resolution which:

1. Approves the County of Sacramento Affordable Housing Program Guidelines;
2. Amends the Sacramento Housing Redevelopment Agency (SHRA) budget accordingly to carry out all of the actions below.
3. Authorizes the Sacramento Housing and Redevelopment Agency to:
 - Accept regulatory agreement monitoring fee to cover SHRA's ongoing administrative expenses related to monitoring of the affordable units;
 - Approve the sale of affordable housing unit credits under the Affordable Housing Unit Credit Program; and
 - Accept affordability fees for reasonable administration expenses to carry out the activities above.

Measures/Evaluation

Effective implementation of the Guidelines will be measured by the increase in the supply of housing affordable to low, very-low and extremely low-income households. SHRA and the County Department of Community Development (DCD) are required to present biennial reports to the Board on the outcomes from the implementation of the Ordinance.

Fiscal Impact

None

BACKGROUND

The County of Sacramento is committed to achieving diverse and balanced communities that provide housing opportunities for households of all income levels. In addition, the County has developed and implemented policies and regulatory actions that increase the supply of housing to low, very-low and extremely low-income households. Toward this end, on December 8, 2004, the County adopted an Affordable Housing Ordinance which required that developers of new residential housing in the unincorporated County include an affordable housing component in their developments. The 2004 Ordinance was subsequently amended several times to address various issues.

In the 2013-2021 update of the Sacramento County General Plan Housing Element, which was adopted on October 8, 2013, a strategy to review and revise the Affordable Housing Ordinance (Ordinance) contained in Sacramento County Code was included.

On February 25, 2014, the Board adopted the revised Affordable Housing Ordinance (Attachment II) to establish a regulatory framework which provides opportunities for the development of a supply and mix of new housing to meet the future housing needs of all income segments of the community. With the adoption of the Ordinance, SHRA, in consultation with the County Director of Community Development, was authorized to prepare guidelines to ensure compliance with Chapter 22.35 of the County Code.

During the Housing Element Update process, the County established a working group in 2012 consisting of staff and members of the Building Industry Association (BIA), Sacramento Housing Alliance (SHA), SHRA, and County of Sacramento staff, including staff from DCD and Human Assistance. The working group met several times in 2012 and 2013 for the purpose of educating and sharing information related to the provision of affordable housing in Sacramento County. SHRA and the County of Sacramento reconvened the Working Group on May 7, 2015 to receive feedback on the draft Guidelines and have incorporated those comments into the document presented here. The draft Guidelines were also distributed to the developers of the large master plans developments that are pending in the County. In addition, the County has a Fees, Costs, and Standards working group consisting of County staff, developers, and representatives of the BIA, that meets periodically and the draft Guidelines have been presented to that group for their review and comment.

DISCUSSION

Adoption of the Affordable Housing Guidelines (Attachment 1) will provide administrative policies and procedures to carry out the intent of the Ordinance. The most significant elements in the Guidelines outline the variety of options available to applicant/developers in order to fulfill their affordable housing requirements under the Ordinance. It is expected that builders of most residential units will pay the affordability fee. The Guidelines provide details to address how other options can be utilized by developers, especially for the large development projects. A summary of the proposed options as outlined in the Guidelines are listed below.

Available Options for Developer/Applicants:

1. **Pay an Affordability Fee on all newly constructed market rate units.** The fee is currently based on \$2.58 per square foot of each market rate unit. The County will adjust the fee annually on March 1st based on the Building Cost Index 20-City Average;
2. **Comply with an existing approved Affordable Housing Plan;**
3. **Enter into a Development Agreement, or other form of agreement, to produce affordable housing at least equivalent to the affordable housing fee.** This can be accomplished by utilizing one of the options below.
 - a. **Construction of affordable housing:**
 - i. The total number of multi-family units required to be built will be calculated by dividing the calculated Affordability Fee (see Affordability Fee option above) of the project by the Average Public Subsidy per Unit (average subsidy provided to new construction Mortgage Revenue Bond financed projects in Sacramento County during the proceeding five years-see Attachment III).
 - ii. The total number of single-family units required to be built will be calculated by dividing the calculated Affordability Fee of the project by the Appreciation Differential per Unit (the net present value of the difference between a newly constructed market rate home sales price and an affordable home sales price over a 10 year period).
 - b. **Land Dedication:**
 - i. Land dedications must: a) be a minimum of four net buildable acres, b) have a minimum density of 20 units per acre, c) be feasible to develop considering environmental constraints, and d) accommodate the affordable housing obligation, which is based on the number of affordable units required when utilizing the construction option above.

- ii. **Concurrency:** When the affordable obligation is met through land dedication, all land use entitlements must be obtained prior to recordation of the first final map of the development project.
- c. **An approved Affordable Housing Strategy which** must demonstrate how each development project will produce affordable housing units:
 - i. Multi-family units must be rent restricted for 55 years and 20 percent of the affordable units must be affordable to households earning 50 percent or less of Area Median Income (AMI) and 80 percent of the affordable housing units must be affordable to households earning 60 percent or less of AMI.
 - ii. Single-family homes will be restricted for 30 years and must be owner occupied by households earning 80 percent or less of AMI.
- 4. **Purchase of Affordable Housing Unit Credits from SHRA.** Unit credits will be priced at \$5,000 per unit and increased annually by three percent from the date of adoption of the Guidelines.
- 5. **Other Fulfillment Mechanisms.** An applicant/developer may combine any option in this section. Additionally, an applicant/developer may propose an alternative fulfillment strategy to be reviewed and recommended for approval or denial by SHRA staff and approved by the Board.

Exemptions

The following development projects are exempt and not required to generate any affordable housing obligations:

1. Conversion of nonresidential buildings to residential use;
2. Mobile home parks;
3. Developments with at least twenty (20) percent of the units affordable to low-income renters or buyers;
4. New single-family residential structures built by an owner-builder on his or her property, provided that (1) the new home is not intended for sale within two years of completion of construction; (2) the owner has not utilized an exemption within two years of applying for a building permit for the new structure; and (3) the owner personally performs the work, or the owner directly contracts with a contractor to complete the project.

Affordability Fee Use

Funds shall be expended solely to purchase land for affordable housing, produce affordable units, substantially rehabilitate affordable units (as defined by the California Tax Credit Allocation Committee (CTCAC) regulations), buy down of Extremely Low-Income (ELI) units consistent with the fee schedule outlined in the Guidelines, and program administration. The Ordinance allows the following uses of the affordability fees:

1. At least 10 percent shall be used to produce ELI units or buy down very low-income units to ELI units;
2. At least 50 percent shall be used to produce affordable housing in large development projects of at least 750 units;
3. Up to 10 percent may be used by SHRA and up to three (3) percent by the County to cover administrative expenses;

While fees may not be expended as outlined above on an annual basis, SHRA will attempt to meet the use requirements (i.e. 10% for ELI units and 50% for large development projects) within four years of fee collection.

Funding Priorities

Prioritization of funds will be established by SHRA in consultation with the County Department of Community Development and memorialized in SHRA's Multifamily Lending and Mortgage Revenue Bond Policies Program. In 2009, the Board of Supervisors approved the following funding priorities in the Policies:

1. **Preservation.** Publicly subsidized projects that are at risk of losing their affordability restrictions.
2. **Recapitalization.** Substantial rehabilitation of projects with affordability restrictions. Substantial rehabilitation is defined by the California Tax Credit Allocation Committee (CTCAC) per the Guidelines.
3. **Inclusionary Housing.** New construction meeting the inclusionary housing requirements under the County of Sacramento Affordable Housing Ordinance, but only in conjunction with mortgage revenue bonds, tax credits, a State subsidy, and/or a contribution of land and monetary financial assistance from the master developer.
4. **New Construction/Rehabilitation.** Substantial rehabilitation or new construction of affordable housing including low-income, mixed income, or workforce housing, with preference to projects in census tracts where the poverty rate is less than 30 percent; projects that meet redevelopment goals; projects located within ¼ mile of a Transit Hub (as defined by State Transit Oriented Development Program Guidelines); or development of sites identified as being appropriate for affordable housing in the Housing Element.

Design Quality

The design of the affordable housing units shall be compatible with the design of the total project in terms of appearance, materials, and finished quality. The affordable units will provide a mix of

bedrooms to accommodate different family sizes.

To avoid over-concentration, the affordable housing units will be dispersed to the maximum extent feasible, taking financing requirements into account. In addition, to the extent feasible, affordable units will be disbursed in proportion to the overall mix of units in the Development Project. Affordable units should not be a separate product apart from the overall development project, but should be included within the overall project.

COMMISSION ACTION

It is anticipated that, at its meeting of June 3, 2015, the Sacramento Housing and Redevelopment Commission will approve the staff recommendation for this item. Staff will notify the Board in the event this does not occur.

MEASURES/EVALUATIONS

The Affordable Housing Ordinance requires that SHRA, in consultation with the County, prepare a biennial report on the performance of the affordable housing program.

FINANCIAL ANALYSIS

Since the adoption of the Ordinance on February 25, 2014, approximately \$770,000 in new fees have been generated.

POLICY CONSIDERATIONS

The recommended actions are consistent with the previously established policies related to the adoption of the County Affordable Housing Program Ordinance.

ENVIRONMENTAL REVIEW

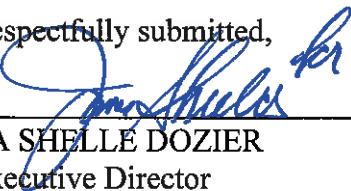
The proposed action is administrative and does not constitute a project subject to environmental review under the California Environmental Quality Act (CEQA) per Guidelines Section 15378 (b) (4) & (5).

M/WBE/SECTION 3 AND FIRST SOURCE CONSIDERATIONS

The activities recommended in this report do not involve federal funding; therefore, there are no M/WBE or Section 3 requirements. The First Source Program is not applicable to this report.

Approval Of The County Of Sacramento Affordable Housing Program Guidelines For
Implementation Of Chapter 22.35 Of The County Code
Page 7

Respectfully submitted,



LA SHELLE DOZIER
Executive Director
Sacramento Housing and Redevelopment Agency

APPROVED

BRADLEY J. HUDSON
County Executive

Attachments:

RES – County BOS Resolution

ATT I –Affordable Housing Program Guidelines

ATT II – Ordinance of the Sacramento County Code Relating to Affordable Housing

ATT III – Average Public Subsidy per Unit in Sacramento County

**County of Sacramento
Affordable Housing Program Guidelines
For Implementation of Chapter 22.35 of the County Code
Adopted by the County Board of Supervisors on
February 25, 2014**

June 9, 2015

**Sacramento Housing and Redevelopment Agency (SHRA),
Development Finance Department
801 12th Street, (916) 440-1393**

**County of Sacramento,
Department of Community Development,
Division of Planning and Environmental Review
827 7th Street, Room 225, (916) 874-6141**

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INTRODUCTION

On February 25, 2014, the Sacramento County Board of Supervisors (Board) repealed Chapter 22.35 of the County Code known as the County's Affordable Housing Ordinance (Repealed Ordinance) and adopted a revised Ordinance (Ordinance). The revised Ordinance creates a standard affordable housing fee accessible to all and also provides a variety of other options an applicant/developer may choose to satisfy a development project's affordable housing obligations. These options will be discussed within the body of these Guidelines.

The County of Sacramento Affordable Housing Program Guidelines (Guidelines) are intended to aid applicants, landowners, developers, homebuyers, and others in understanding and complying with the Ordinance. The Guidelines should be used in conjunction with the Ordinance. The Guidelines are organized in chronological order according to the Sections of the revised Ordinance.

Section 22.35.010 Purpose – see ordinance

Section 22.35.020 Definitions – see ordinance

Section 22.35.030 Standard Affordable Housing Component - This section describes the variety of options available to applicant/developers to fulfill their affordable housing requirement.

A. Development Project shall:

1. Pay an Affordability Fee

An applicant/developer may pay the affordability fee on all newly constructed market rate units at the time building permits for their projects are paid. The County will adjust the fee annually prior to March 1st and publish the new fee schedule.

Projects with an approved Affordable Housing Plan (AHP) pursuant to the Repealed Ordinance (but no executed Affordable Housing Agreement) are eligible to pay the Affordability Fee outlined in the Ordinance.

Alternatively, the applicant/developer may purchase unit credits per Section 22.35.030 (B)

2. Comply with Existing Affordable Housing Plan

If a development project has a Sacramento Housing and Redevelopment Agency (SHRA) approved Affordable Housing Plan (AHP) pursuant to the Repealed Ordinance, the project may comply with its AHP as long as the project is in substantial compliance with the approvals it originally received from the Approval Body.

Developments with approved AHPs specifying payment of fees are subject to the Affordability and In-Lieu fees SHRA published December 18, 2012. Consistent with the AHP, fees shall be reduced for projects 20 units and less. Projects 5 units in size or less will pay 25 percent of the fees and the fees will increase by 5% for each additional unit thereafter until 100 percent of the fee is paid.

Developments with approved AHP specifying construction will be subject to all the requirements and conditions included with the approved AHP.

Developments with approved AHP specifying land dedication will be subject to all the requirements and conditions included with the approved AHP. Additionally, developments will be subject to the Affordability fees SHRA published December 18, 2012.

Developments purchasing unit credits from SHRA will be subject to the requirements as outlined in the AHP, the Affordable Unit Credit Purchase and Sale Agreement, and SHRA's Unit Credit Program.

3. Enter into a Development Agreement

When utilizing a fee credit for land dedication, construction of affordable dwelling units, or other form of a mechanism which leads to the production of affordable housing in an amount at least equivalent to the Affordability Fee, the applicant/developer must include an Affordable Housing Strategy (AHS) as part of the Development Agreement or other form of agreement. The AHS will be reviewed and recommended for approval or denial by SHRA staff. The AHS will then be required to be approved by the Board of Supervisors when a project's first legislative entitlement is received (i.e. general community plan designation or amendment, master plan, subdivision or parcel map, or zoning/rezoning).

The AHS must demonstrate how each development project will produce affordable housing at least equivalent to the Affordability Fee and which units in the development project will be associated with which affordable housing option. The AHS must specify the size (square footage), affordability, design, ADA compliance, concurrency (per section 3(a)(3) and 3(b)(4) below), location of affordable units, and/or location of land to be dedicated.

A site specific Affordable Regulatory Agreement or a land covenant shall be recorded and monitored by SHRA on all affordable units constructed as a result of the ordinance. All multifamily units will be rent-restricted for 55 years and all for sale units will be sale-restricted for 30 years. All units produced as a result of the Ordinance Maximum will have the following affordability.

- Multifamily:
 - At minimum 20% of affordable units must be occupied by very low income households earning 50% or less Area Median Income (AMI) and will be charged an Affordable Rent consisting of 1/12 of 30 percent of 50 percent of the Area Median Income.

- 80% of affordable units must be occupied by low income households earning 60% or less of Area Median Income (AMI). Rents charged will consist of a maximum of 1/12 of (30) percent of 60 percent of the median income applicable to Sacramento County.
- Single Family: Owner occupant households must earn 80% or less of AMI. Homes will be sold at an Affordable Housing Price.
- Median Income and AMI levels will be determined annually by the United States Department of Housing and Urban Development and will be adjusted by household size appropriate to the unit. Affordable Rents will be based on the assumption that 1.5 persons occupy each bedroom. Affordable Sales Prices will be based on the assumption that 1 person occupies each bedroom.

If at the time of the approval of the first legislative entitlement the actual square footage of each home is unknown, a size of 2,150 square feet/unit will be used to calculate the Affordable Fee amount.

a. Land Dedication

This section describes how equivalency to the affordable fee, Section 22.35.050(A) of the Ordinance, will be calculated when entering into a land dedication development agreement. This section also specifies other requirements associated with dedicating land.

Valuation of Land to Be Dedicated: The amount of land dedicated shall be based on the number of affordable units required when utilizing the construction option. See Valuation of Multifamily Constructed Units Section 22.35.030 (A)(3)(b)1 of these guidelines.

For example:

1,000 units at 2,150 square feet/unit = an affordability fee of \$5,547,000
 $(1000 \times 2150 \times \$2.58^1 = \$5,547,000)$.

Assuming Average Public Subsidy/Unit (see Section 22.35.030 (3)(b)(1) below) = \$70,300² per unit; the applicant/developer must construct 79 affordable housing units to equal the affordability fees $(\$5,547,000/\$70,300 = 79 \text{ units})$.

Total amount of land to be dedicated will be calculated by dividing the number of affordable units to be constructed by 20³. Therefore, the applicant/developer must dedicate 3.9 acres to satisfy the affordable housing requirement $(79 \text{ units} / 20 \text{ units/acre} = 3.9 \text{ acres})$.

¹ Fee as of March 1, 2015 is \$2.58/square foot. Fee will be adjusted annually.

² Average Public Subsidy/Unit as of March 1, 2015 is \$70,300. The average public subsidy per unit will be updated annually.

³ The number 20 is based on the units/acre

If land value < \$5,547,000 then developer will pay the difference between the affordability fee and the land value via fee, purchasing units credits, constructing affordable units or some other agreed upon equivalent option. If the land value is > \$5,547,000 no further payment will be required.

The credit for the land donation will be calculated by an appraiser's opinion of value provided to SHRA by the applicant/developer. The opinion of value will be based on the current value of donated site assuming the land has been fully improved and the infrastructure necessary to accommodate any affordable housing component has been constructed. The appraiser should utilize current costs and fees to arrive at their opinion of value.

An applicant/developer may dedicate more land than owed only with approval of SHRA. Unless excess land is requested, no additional credit will be given for land that is dedicated beyond what is required.

3. Land Characteristics: Land dedications must: a) be a minimum of four net buildable acres, b) have a minimum density of 20 units per acre, c) be feasible to develop considering environmental constraints, and d) accommodate the affordable housing obligation. Prior to SHRA or SHRA approved developer taking ownership, off-site infrastructure must be fully constructed, including street, curb/gutter, sidewalk, sewer, water, gas, electric, and other infrastructure and stubbed to the lot. Dedicated land must also be fully entitled. Projects proposing to dedicate less than four acres at a density of 25 units/acre or more may be considered to utilize the "Other Fulfillment Mechanisms" option.

Furthermore, the site must be located within a ¼ mile within of at least three of the following amenities:

- (i) An existing or planned public elementary, middle, or high school;
- (ii) An existing or planned public park or recreational facility;
- (iii) An existing or planned transit stop;
- (iv) An existing or planned grocery store;
- (v) An existing or planned public library.

It is assumed that most land dedication will occur on the site of the master development. An applicant/developer may request dedication of an off-site location that allows multifamily uses. If such a request is made, the site must meet or exceed the standards described above as well as any other relevant planning criteria related to appropriate adjacent uses, as determined by the County Planning Director and SHRA.

2. Production on Dedicated Sites: On each site dedicated pursuant to this Ordinance, SHRA shall ensure the number of affordable units constructed is at least equal to the acreage of land dedicated multiplied by 20. For example if five acres are dedicated, $5 * 20 = 100$ units will be constructed.

3. Concurrency: When the affordable obligation is met through land dedication, all land use entitlements, except development plan review for the affordable development proposed on the dedicated site, must be obtained prior to recordation of the first final map for the development project. The first final map for the development project shall be conditioned upon:

- The recordation of an Affordable Regulatory Agreement on the dedicated site;
- Transfer of title to the dedicated site to SHRA or its designee; and
- Delivery of infrastructure necessary to accommodate the affordable housing component at the dedicated site.

b. Construction of Affordable Housing

This section describes how equivalency to the affordable fee Section 22.35.050(A) of the Ordinance, will be calculated when entering into a development agreement (or other form of agreement) that leads to the construction of affordable units. This section also specifies other requirements associated with constructing units.

1. Valuation of Multifamily Constructed Units: The value of an affordable multifamily unit will be equated by the average public subsidy provided (Average Public Subsidy/Units) to Mortgage Revenue Bond (Bond) for new construction projects in Sacramento County during the preceding five years as reported annually by the California Debt Limit Allocation Committee (CDLAC). The total number of units required to be built will be calculated by dividing the project's affordability fee pursuant to Section 22.35.050 (A) of the Ordinance by the Average Public Subsidy/Unit).

For example:

1,000 units at 2150 square feet/unit = an affordability fee of \$5,547,000
(1000 x 2150 x \$2.58 = \$5,547,000).

Assuming Average Public Subsidy/Unit = \$70,300 per unit, the applicant/developer must construct 79 affordable housing units to equal the affordability fees (\$5,547,000/\$70,300 = 79 units).

If the developer opted to construct less than 79 units, the difference between the calculated fee and the value of the construed units would need to be paid via fee, purchase of unit credits, dedication of land, or some other equivalent option.

2. Valuation of For Sale Constructed Units: The value of an affordable for-sale unit will be equal to the net present value of the difference in appreciation in value between a newly constructed market rate home⁴ and an affordable home

⁴ The value of a newly constructed market rate home as evidenced by new home median sales price of \$401,000 according to The California Capital Region Home Sales Chart for Homes Sold in February 2015 published by DQ News.com. This data will be updated annually.

over a 10 year period⁵ assuming a 4%⁶ increase in market rate prices, a 2.5%⁷ increase in affordable prices (Appreciation Differential).

For example:

Average median price of a new home in Sacramento County = \$401,000

Value of market rate home after 10 years assuming a 4% annual appreciation = \$595,865.

Value of affordable home after 10 years assuming a 2.5% annual appreciation = \$513,314

Difference between the market rate home and affordable home = \$82,551
($\$595,865 - \$513,314 = \$82,551$)

Net present value of the difference (\$82,551) = \$56,000 per unit.

The total number of units required to be built will be calculated by dividing the project's affordability fee pursuant to Section 22.35.050 (A) of the Ordinance by the Appreciation Differential/Unit.

For example:

1,000 units at 2,150 square feet/unit = affordability fee of \$5,547,000
($1000 \times 2150 \times \$2.58 = \$5,547,000$).

Assuming SHRA's published Appreciation Differential/Unit = \$56,000 per unit, the applicant/developer must construct 99 affordable housing units to equal the affordability fees ($\$5,547,000 / \$56,000 = 99$ units).

If the developer opted to construct less than 99 units, the difference between the calculated fee and the value of the construed units would need to be paid via fee, purchase of unit credits, dedication of land, or some other equivalent option.

SHRA will adjust and publish the Appreciation Differential/Unit figure annually to reflect market changes.

3. Affordable Regulatory Agreement Monitoring Fees: The purpose of the Regulatory Agreement Monitoring Fees is to cover SHRA's ongoing administrative expenses related to monitoring of the affordable units (annual

⁵ According to the American Community Survey conducted by the Census Bureau, 50% of all residents remain in their homes for at least 10 years.

⁶ According the Sacramento Association of Realtors, 4% is the average annual appreciation of single family detached homes for the period spanning 1986-2013. This data will be updated annually.

⁷ SHRA's approved underwriting criteria for affordable housing projects assume 2.5% appreciation over time

inspections, income eligibility review, sale, resale, subordinations, etc.) for the duration of the regulatory agreement. Fees will be paid at the time the Affordable Regulatory Agreement is recorded.

If the applicant/developer is producing multifamily affordable housing units not assisted by the SHRA through a mortgage revenue bond issuance and/or a gap financing loan, the applicant/developer must pay a fee equal to the number of Affordable Units multiplied by the Average Public Subsidy/Unit and SHRA's approved annual monitoring fee discounted over the 55 year regulatory period.

Multi-Family Affordable Units x Average Public Subsidy/Unit x .15 percent.⁸

For example:

79 units x \$70,300 x .0015 = \$8,331 x 55 years = \$458,180

Net present value of \$458,180 x 3.77% (Discount rate) = \$192,104

If an applicant/developer is producing single family affordable units, the applicant/developer must pay a fee equal to the number of Affordable Units multiplied by the Appreciation Differential/Unit and .5% discounted over the 30 year regulatory period.

For Sale Affordable Units x Appreciation Differential/Unit x .5 percent.

For example:

99 units x \$56,000 x .005 = \$27,720 x 30 years = \$831,600

Net present value of \$831,600 x 3.77% (Discount rate) = \$493,010

If SHRA is issuing a bond or providing a loan to the project these fees will be waived.

4. Concurrency: The construction phasing plan shall provide for the development of the affordable units concurrently with the market rate units. The AHS may deviate from this requirement only due to the phasing of infrastructure improvements or other development conditions impacting phasing, but in no event shall building permits be issued for more than 75 percent of the market rate units prior to the issuance of building permits for one hundred (100) percent of the affordable units. The final map for the development project shall be conditioned upon the recordation of an Affordable Housing Regulatory Agreement to be released when construction of the obligated affordable housing begins. Where a

⁸Annual Administrative Fee as approved in SHRA's Multifamily and Mortgage Revenue Bond Policies, Section 2.14.

development is a Master Plan with multiple final maps, the conditioned final map will be consistent with the AHS.

The Affordable Housing Regulatory Agreement is a legally binding agreement or covenant between the developer and SHRA that is recorded against the entire development project to ensure that the affordable obligation is satisfied. The Agreement establishes, among other things, the number of affordable units, unit sizes, location, affordability, tenure, terms and conditions of affordability, phasing and production schedule, and the developer of the affordable units. The Affordable Housing Regulatory Agreement will be based on the AHS outlined in the development agreement or other agreement approved by the County and when released will be replaced by a site specific Regulatory agreement of 55 years for multifamily projects and 30 years for for-sale projects.

B. Purchase Unit Credits⁹

If an applicant/developer purchases Unit Credits from SHRA, one credit will equate to payment of fees for one market rate unit. Unit credits will be priced at \$5,000/unit. The price of a credit will be increased by 3% annually from the date of adoption of these Guidelines. If the number of the market rate units in a development exceeds the amount of SHRA credits available, the developer must pay the applicable Affordability Fees for the remaining units or construct or dedicate land pursuant to Section 22.35.030 of these Guidelines.

C. Projects With Approved Tentative Map With Density Bonus

Projects containing density bonuses approved under the Repealed Ordinance may build according to that subdivision map. Such projects will be subject to all provisions of the current Ordinance and all density bonus units will be included in determining the affordability fee payable to the County.

D. Other Fulfillment Mechanisms

An applicant/developer may combine any option in this section and can couple any option with the payment of Affordability Fees. Additionally, an applicant/developer may propose an alternative fulfillment strategy to be reviewed and recommended for approval or denial by SHRA staff. The strategy will then be required to be approved by the Board of Supervisors. Alternative fulfillment options may include but are not limited to the substantial renovation of a single family home(s) or multifamily units and the Affordable Unit Credit Purchase Program as detailed in Appendix-2. If pursuing an alternative, the applicant/developer must demonstrate such a strategy will lead to the production of newly regulated affordable housing in at least an amount equivalent to the Affordability Fee established. The County, in conjunction with the SHRA, has the ability to make interpretations of options that are in substantial compliance with the Ordinance and the Guidelines. In no circumstance should the affordability fee owed by the applicant/developer be offset by non-affordable housing provided by the

⁹ SHRA produced 101 Unit Credits prior to the repeal of the previous version of this Ordinance. The number Unit Credits SHRA currently holds has been calculated by dividing the number of Unit Credits produced by 9 percent (as per Section 22.35.030 (D)) resulting in 1,122 Unit Credits.

applicant/developer. For example, a library, community building, or off-site infrastructure could not be used in lieu of paying affordability fees, nor can the affordability fee be reduced by the provision of such amenities.

Section 22.35.040 Exempt Development Projects – Residential units that are reconstructed after a demolition permit is issued are not considered to be “newly constructed” and are exempt from the ordinance. Please refer to Section 22.35.040 of the Ordinance for additional exempted projects.

Section 22.35.050 Affordability Fees

A. Affordability Fee – The affordability fee is adjusted annually and currently is equal to \$2.58 per habitable square foot of each market rate unit.

B. Timing of Payment of Affordability Fee– Fees shall be paid concurrently with the payment of building permit fees.

C. Annual Adjustment of Affordability Fee – Fee shall be adjusted annually based on the Building Cost Index 20-City Average published by Engineer News-Record/McGraw Hill.

D. Extremely Low Income Buydown

At least 10 percent of the Affordability Fees collected will be utilized to produce extremely low income units. In general, SHRA will utilize Affordability Fees to buy down affordability in very low income units constructed as a result of the ordinance or constructed on sites dedicated as a result of the Ordinance. When determining compliance with the 10 percent expenditure requirement, the cost to buydown a very low income unit to an extremely low income will be consistent with the following schedule:

1 bedroom:	\$45,000
2 bedroom:	\$50,000
3 bedroom:	\$55,000
4 bedroom:	\$60,000

SHRA will report on ELI expenditure requirements in the Biennial Report. SHRA will have the authority to adjust the schedule to reflect market changes.

E. Large Development Projects

At least 50 percent of the funds available for projects will be used in development projects of at least 750 units (Large Development Project). SHRA will have the ability to collect funds until the accumulated amount is enough to fund an affordable housing development in a large project which complies with the SHRA’s Multifamily Lending and Mortgage Revenue Bond Program.

SHRA will report to the Board on the specifics of the Large Development Project expenditure requirement in the Biennial Report.

Section 22.35.060 Establishment and Administration of Fund for Affordability Fees

A. Use

Funds shall be expended solely to purchase land for affordable housing, produce affordable units, substantially rehabilitate affordable units, or buy down ELI units.

Substantial rehabilitation will be defined consistent with the California Tax Credit Allocation Committee regulations.

B. Administration Fees

Up to 10 percent of Affordability Fees may be used by SHRA and up to three percent by the County to cover Administrative expenses.

C. Funding Priorities

The prioritization of funds and will be established by SHRA in consultation with the Department of Community Development. The prioritization will be memorialized in SHRA's Multifamily Lending and Mortgage Revenue Bond Policies (Policies), which are approved by the Board of Supervisors. The priorities listed in the Policies will be discussed in the Biennial Report prepared by SHRA.

D. Biennially Report- SHRA, in consultation with the County Director of Community Development, shall report biennially on the performance of the affordable housing program.

Section 22.35.070 Quality

The design of the affordable housing units shall be compatible with the design of the total project in terms of appearance, materials, and finished quality. The affordable units will provide a mix of bedrooms to accommodate different family sizes.

To avoid over concentration, the affordable housing units should be dispersed to the maximum extent feasible, taking financing requirements into account. In addition, to the extent feasible, affordable units shall be disbursed in proportion to the overall mix of units in the Development Project. Affordable units should not be a separate product apart from the overall development project, but should be included within the overall project.

Section 22.35.080 Accessibility – A minimum of 5 percent of the total units, but not less than 1 unit in a multifamily project constructed using affordability fees shall be made accessible for persons with disabilities.

Section 22.35.090 Occupancy and Affordability Requirements – Any person who rents or owns an affordable unit shall occupy the unit as their principal residence. Rental units shall remain affordable for 55 years and for-sale units shall be affordable for 30 years.

Section 22.35.100 Guidelines – The Executive Director of SHRA, in consultation with the County Director of Community Development, shall prepare guidelines to ensure compliance with the Ordinance.

Section 22.35.110 Severability – see ordinance

APPENDIX 1: Guidelines for For-Sale Units

Calculation of Sales Prices

SHRA will assist the applicant/developer in determining the maximum sales price allowable for the particular income category for which the home is intended. Maximum sales prices shall be based on a family paying no more than 35% of its total gross monthly income on all housing expenses as outlined below.

The sales price shall be calculated based on an occupancy standard of one person per bedroom. Income limits used shall be those published by the U.S. Department of Housing and Urban Development (HUD) for the Sacramento Metropolitan Statistical Area, and will be updated annually and published by SHRA.

For purposes of determining a sales price, housing expenses include, but are not limited to, the following:

- Principal and interest (PI)
- Mortgage insurance
- Hazard insurance
- Flood insurance (where applicable)
- Property taxes
- Mello Roos or other assessments (where applicable)
- Homeowners Association (where applicable)

Calculations for principal and interest, taxes, down payment, and insurance will be based on current market conditions, rates on similar mortgage products, and will be provided by SHRA at time of the pricing of the homes.

SHRA will provide the builder maximum allowable sales prices in writing. The prices shall be effective for six months after which they will be re-calculated if the unit is not sold. Sales prices will be based on current market conditions and income limits. SHRA's Portfolio Management Department will update estimated maximum sales prices and assumptions on an annual basis.

Selection of Buyer

Buyers are not required to be first-time homebuyers.

Income Qualification

Selected buyer(s) will have two weeks to provide to SHRA full documentation of the reported income of all household members eighteen years and older. These documents include, but are not limited to:

- Schedule of Household Members and Income;

- Two most recent years federal tax returns for all income earners who will be living in the home;
- Two most recent years W-2s for all income earners who will be living in the home;
- The four most recent, consecutive pay stubs for all income earners who will be living in the home; and
- Verification of other non-wage income, including child support, social security, disability, retirement/pension payments, annuity payments, unemployment, public assistance, alimony or regular gifts for all household members.

Minimum Household Size

<i>The minimum size of the family purchasing the Affordable home shall be limited by the bedroom size of the house. House Size</i>	Minimum Family Size
2 Bedroom	1 person
3 Bedroom	1 person
4 Bedroom	2 persons
5 Bedroom	3 persons
6 Bedroom	4 persons

Family size refers to all persons, related or not, living in the home, including all children under the age of 18.

First Mortgage Requirements

It is the buyer's responsibility to secure financing from an institutional lender. The first mortgage must be an arm-lengths transaction, and must be a fully amortized loan with no balloon payments. No loans with non occupant co-mortgagers or co-signers will be allowed. SHRA will require a copy of the loan approval from the lender as proof of availability of financing.

Regulatory Agreement

At time of closing of escrow, the buyer will be required to sign a Regulatory Agreement that will be recorded against the property. This Agreement will detail the income and occupancy standards, as well as the re-sale and recapture provisions.

The affordable homes shall be occupied by the owners, and shall not be rented at any time. Provisions for occupancy of the homes shall be included in the Regulatory Agreement.

Procedures for Resale of Affordable Homes

1. Re-sale provisions: When the original homeowner decides to sell the affordable home prior to the end of the regulatory period, the homebuyer must notify SHRA of this intent. The homeowner is not to initiate discussions with a real estate agent or broker until SHRA has been notified. SHRA will have 30 days after receipt of this notification to set

the new affordable sales price. The homeowner will then have 120 days from the date SHRA determines the affordable sales price to sell the home at the new affordable price to an income eligible buyer as established by SHRA. The homeowner will receive the difference between the new affordable sales price ("adjusted resale price") and original affordable sales price. If sold in the 120 days, the new homeowner will be subject to a new 30 year regulatory agreement.

If the homeowner is unable to sell the home at an affordable price in 120 days, the homeowner may sell the home on the open market. The seller will receive the difference between the new affordable sales price ("adjusted resale price") and original affordable sales price. Any excess proceeds remaining from the sale of the home will be remitted to SHRA as recaptured funds.

2. Subsequent Re-sales

These same provisions shall apply to subsequent income eligible owners for sales to additional income qualified buyers. In each instance that a re-sale occurs to an income eligible homebuyer, a new Regulatory Agreement shall be recorded against the subject property.

Recapture Provisions

Funds recaptured by SHRA upon a sale to a non income eligible buyer will be used to fund additional affordable housing units per the Ordinance. If an affordable home is sold to a non income eligible buyer before the end of the regulatory period in accordance with the above provisions, the Regulatory Agreement shall be released from the property.

Transfer of Title

Any transfer of title of an affordable unit before the end of the regulatory period not in compliance with this section shall prompt the recapture provisions, unless that party receiving title is income eligible and qualifies themselves with SHRA. Addition of a party to the deed will trigger recapture unless the additional party is related to the owner through marriage or registered domestic partnership.

Refinancing

In order to assure that the integrity of the affordability provisions is maintained, the Agency must assure that the Regulatory Agreement securing the affordability of the property has priority over all liens, other than purchase money liens securing the purchase of restricted units. Any loans or advances on loans secured by the affordable unit, other than the purchase money loans, shall be deemed subordinate in all respects to the Individual Regulatory Agreement, including, without limitation, Agency's recapture rights as provided above. Owner's ability to refinance and to obtain funds from refinancing of the Restricted Unit is limited.

APPENDIX 2: Guidelines For Affordable Housing Unit Credit Purchase Program

Pursuant to Section 22.35.030 of the County Code (“Ordinance”) and Section 22.35.030 (3)(D)(1) of the Affordable Housing Program Guidelines Affordable Housing Unit Credits (Unit Credits) for the construction of affordable units in excess of a development’s affordable housing obligation can be earned and utilized to assist other developers in meeting their affordable obligations. The Guidelines allow Unit Credits to be purchased and sold in the private market or for Sacramento Housing and Redevelopment Agency (SHRA) to be a broker of Unit Credits. The components of the Unit Credit Purchase Program are as follows:

Producers of Unit Credits

The production of Unit Credits can be initiated by a developer/applicant or by SHRA. If unit credits are to be constructed and held by an applicant/developer, credits shall accrue only for affordable units in developments produced without the use of local public funding. However, developments which include tax credit or mortgage revenue bond financing without local public funding or that participates in the buy-down program may be eligible to generate credits. If unit credits are held by the SHRA, SHRA may utilize public funding to purchase Units but must dispose of the unit credits at their market value.

Creation and Valuation of Unit Credits

Unit credits will be created and valued once a certificate of occupancy has been issued for the excess unit. The value of a unit credit will be equal to the average public subsidy provided (Average Public Subsidy/Unit) to funded Mortgage Revenue Bond (Bond) projects in Sacramento County during the preceding five years reported annually by the California Debt Limit Allocation Committee (CDLAC) and published by SHRA in the year the credit was earned.

Extremely Low Income Buydown and Unit Credits

The Extremely Low Income (“ELI”) buydown can be used in conjunction with the purchase of Units Credits. Use of an ELI buydown does not constitute the use of public funding.

Unit Conveyance

Neither Developer/Applicant nor SHRA can convey Unit Credits prior to the issuance of Certificates of Occupancy.

Concurrency

A Developer/Applicant who has an executed Affordable Unit Credit Purchase and Sale Agreement may pull up to 50% of his building permit in advance of conveyance of Unit Credits.

Unit Credit Purchase and Sales Agreement

The Executive Director of SHRA has the authority to draft Unit Credit Purchase and Sale Agreements. If SHRA opts to purchase Unit Credits, the Executive Director is also authorized to enter into and execute Unit Credit Purchase and Sale Agreements.

Reporting

Staff will report the status of the Affordable Unit Credits Program in the Biennial Report.

SCC NO. 1549

**AN ORDINANCE OF THE SACRAMENTO COUNTY CODE RELATING TO
AFFORDABLE HOUSING**

The Board of Supervisors of the County of Sacramento, State of California,
ordains as follows:

SECTION 1. Sections 22.35.010 through 22.35.180 of Chapter 22.35, Title 22,
of the Sacramento County Code are repealed.

SECTION 2. Sections 22.35.010 through 22.35.110 are added to Chapter 22.35,
Title 22, of the Sacramento County Code to read as follows:

22.35.010 Purpose.

A. It is a public purpose of the County and a policy of the State to achieve a diverse and balanced community with housing available for households of all income levels. The County is committed to implementing policies and regulatory actions that will increase the supply of housing affordable to low, very low and extremely low income households. Because of a variety of factors and economic circumstances, including, but not limited to, increasing development costs, new residential development does not always provide housing for these economic groups. Further, the consumption of the remaining supply of suitable and available land exacerbates the County's on-going efforts to encourage and facilitate the production of housing that is affordable to persons of all income levels, including low, very low and extremely low income households.

B. Housing Element Policy HE-5.2 (E3) provides that the County will review and amend as appropriate its Affordable Housing Ordinance to consider its effectiveness in producing affordable housing, its impact on the production of market rate housing, the current and projected future need for affordable housing in the County and the market's ability to meet that need, and options to streamline and/or clarify the Ordinance.

C. The Legislature of the State of California has found that the lack of affordable housing is a critical problem which threatens the economic, environmental and social quality of life in California.

D. To implement Policy HE-5-2 (E3), to carry out the policies of the State of California, to achieve the benefits of economic diversity for the residents of the County and to assist in making affordable housing available in the County for all income levels, it is essential that new residential development contain housing opportunities to households of low, very low and extremely low income, and that the County provide a regulatory framework which provides opportunities for development of a supply and mix of new housing to meet the future housing needs of all income segments of the community.

E. The Board of Supervisors finds and determines that the Residential Nexus Analysis prepared by Keyser Marston Associates, Inc. in August 2013 meets the requirements of Government Code for the Implementation of an Impact fee in that newly constructed units represent new households and new income in Sacramento County. These households will consume goods and services, either through purchases of goods and services or by "consuming" governmental services. New consumption translates to new jobs; a portion of the jobs are at lower compensation levels. Low compensation jobs translate to lower income households that cannot afford market rate units in the County and therefore need affordable housing. The affordability fee established herein is below the ceiling identified in the Residential Nexus Analysis which ranges from \$13.36 per square foot to \$24.20 per square foot depending on the unit type for eight prototype developments in the County for the Impact fee requirement placed on market rate development.

F. The Board of Supervisors finds and determines that, based upon the above purposes and findings, there is a reasonable relationship between the need for affordable housing and the type of development projects that may meet their affordable obligation pursuant to this Chapter by payment of affordability fees.

22.35.020 Definitions.

"Affordability fee" means the fee required by Section 22.35.050.

"Affordable" means rented at an affordable rent or sold at an affordable housing price.

"Affordable housing price" means a sales price at which low income or very low income households can qualify for the purchase of for-sale affordable units. Qualification shall be based on no more than thirty-five (35) percent of income at eighty (80) percent, and fifty (50) percent of the median income applicable to Sacramento County, respectively for low income and very low income households, being applied to housing expenses, which shall include mortgage principal and interest, taxes, insurance, assessments, and homeowner fees, as applicable.

"Affordable housing plan" means the plan setting forth the elements of a development project's affordable housing requirements and the manner in which the affordable housing is to be implemented.

"Affordable housing unit" or "affordable unit" means an ownership or rental dwelling unit developed to be occupied at an affordable housing price or an affordable rent.

"Affordable rent" means: (1) for a unit whose occupancy is restricted to low income households, a monthly rent consisting of a maximum of one-twelfth of thirty (30) percent of eighty (80) percent of the median income applicable to Sacramento County; (2) for a unit whose occupancy is restricted to a very low income household, a monthly rent consisting of a maximum of one-twelfth of thirty (30) percent of fifty (50) percent of the median income applicable to Sacramento County. In all cases the median income applicable to Sacramento County is as determined annually by the United States Department of Housing and Urban Development. Maximum rent is adjusted for household size appropriate to the unit, less a reasonable allowance for utilities, as published by SHRA.

"Buy-down" means the subsidy needed to pay the difference in price between a very low income affordable unit and an extremely low income affordable unit.

"Construct" means to build or cause to be built.

"County" means the County of Sacramento.

"Credits for affordable housing units" means unit credits, purchased by SHRA prior to the effective date of this ordinance, for the construction of affordable housing units in excess of a previous affordable housing obligation.

"Developer" means any person, firm, partnership, association, joint venture, corporation, or any entity or combination of entities that seeks County's approvals for all or part of a development project. "Developer" includes "owner."

"Development agreement" means an agreement entered into pursuant to Government Code sections 65864 et seq.

"Development project" means any real estate development project in the unincorporated County that includes at least one dwelling unit. Projects at one location developed by the same owner or developer undertaken in phases, stages or otherwise developed in distinct sections shall be considered a single development project for purposes of this Section. "Development project" includes units and acreage associated with the affordable housing component.

"Dwelling unit" means a residential unit within a development project.

"Extremely low income" or "ELI" means a household whose income does not exceed thirty (30) percent of the median income, adjusted for household size, applicable to the County, as published and periodically updated by the United States Department of Housing and Urban Development.

"Large development project" means a development project that includes at least 100 acres designated for residential units and includes at least 750 residential units.

"Market rate" means not restricted to an affordable housing price or affordable rent.

"Mobilehome park" has the same meaning as set forth in Zoning Code Section 130-126 or any successor section.

"Multifamily" means residential units planned, approved, or built on land planned or zoned for other than single-family residential.

"Newly constructed" means the habitable square footage of any primary residential unit that has not been previously occupied for any purpose, as set forth in Section 1107A, 14-N of the 2010 California Building Code, California Code of Regulations Title 24 Part 2, Volume 1 of 2. For the purposes of this Chapter, exceptions from this definition include accessory dwelling units, remodel or enlargement, or restoration of a dwelling unit which has been damaged or partially destroyed due to fire, flood, or earthquake.

"Regulatory agreement" means a written agreement incorporating affordable housing prices or affordable rent and occupancy restrictions, recorded as a lien on the affordable housing units.

"SHRA" means Sacramento Housing and Redevelopment Agency, a joint powers agency.

"Very low income" means a household whose income does not exceed fifty (50) percent of the median income, adjusted for household size, applicable to the County, as

published and periodically updated by the United States Department of Housing and Urban Development.

22.35.030 Standard Affordable Housing Component.

A. Development projects shall:

1. Pay an affordability fee on all newly constructed market rate units pursuant to Section 22.35.050(A); or
2. Comply with the development project's approved affordable housing plan; if one exists, or
3. Enter into a development agreement or other form of agreement with the County which provides for a fee credit for land dedication, construction of affordable dwelling units, or other mechanism which leads to the production of affordable housing, in an amount at least equivalent to the affordability fee established by Section 22.35.050(A).

a. Land dedicated pursuant to section 22.35.030(A)(3) must be a site that is approved and accepted by SHRA and consistent with the guidelines prepared pursuant to section 22.35.100.

b. Regulatory agreements shall be recorded and monitored by SHRA on all affordable housing units constructed pursuant to section 22.35.030(A)(3).

B. Development projects may purchase credits for affordable housing units banked with SHRA prior to the effective date of this ordinance. Credits may be purchased in combination with payment of fees pursuant to section 22.35.030(A)(1) or land dedication, construction of units or other mechanism which leads to the production of affordable housing pursuant to section 22.35.030(A)(3).

C. Development projects with a tentative subdivision map which was approved prior to the effective date of this ordinance and which contain density bonus units allowed pursuant to the repealed version of this Chapter may build according to that subdivision map.

D. Development projects may enter into an agreement with the County that allows construction of new market rate housing without payment of an affordability fee if the developer has constructed affordable unit in advance of construction of market rate units pursuant to an affordable housing plan adopted prior to the effective date of this ordinance. The number of market rate units not subject to the affordability fee shall be calculated by dividing the number of affordable units by nine percent.

22.35.040 Exempted Development Projects.

The following development projects are exempt from this Chapter and generate no affordable housing obligation:

- A. Conversion of nonresidential buildings to residential use;
- B. Mobilehome parks;
- C. Market rate and affordable units in a mixed-income development on a newly created multifamily site located on-site built at a density of 17 units per acre or more where at least twenty (20) percent of the units are affordable to low income renters or buyers. Affordable housing units shall have a regulatory agreement recorded and monitored by SHRA;

D. A new single-family residential structure built by an owner-builder on his or her property, provided that (1) the new home is not intended for sale within two years of completion of construction; (2) the owner has not utilized the exemption set forth in this Section 22.35.040 within two years of applying for a building permit for the new structure; and (3) the owner personally performs the work, or the owner directly contracts with a contractor to complete the project.

22.35.050 Affordability Fees.

A. The affordability fee is an amount equal to \$2.50 per habitable square foot of each market rate unit.

B. The affordability fee shall be paid concurrently with the payment of building permit fees for the development project in accordance with the fee schedule in effect at the time of building permit application.

C. The affordability fee, including the maximum amount of the fee, shall be adjusted annually based on the Building Cost Index 20-City Average published by Enginaer News-Record/McGraw Hill. County shall publish the fee schedule.

D. At least ten (10) percent of the affordability fees collected pursuant to this Section shall be used to buy down or produce ELI units.

E. At least fifty (50) percent of the affordability fees collected shall be used to produce affordable housing in large development projects. The implementation of this provision shall be detailed in the Guidelines prepared pursuant to section 22.35.100.

22.35.060 Establishment and Administration of Fund for Affordability Fees.

A. There is hereby created by the Office of the County Auditor-Controller in the County Treasury a special interest-bearing fund entitled the Fund for Affordability Fees. All fees collected pursuant to Section 22.35.050 and interest shall be placed in said fund and shall be expended solely to purchase land for affordable housing, produce or substantially rehabilitate affordable units, or buy down ELI units.

B. The affordability fees collected shall be transferred to SHRA and administered by the SHRA Executive Director who shall have the authority to govern the fund consistent with this Chapter, established priorities pursuant to section 22.35.060(C), and the guidelines prepared pursuant to section 22.35.100. Transfer of affordability fees to SHRA shall occur no less than quarterly. A portion of the funds may be used to cover reasonable administrative expenses. SHRA and County administrative expenses shall be approved by the Board of Supervisors through the SHRA and County annual budget processes.

C. The Board of Supervisors shall establish priorities for the use of the Fund. The SHRA Executive Director, in consultation with the County Director of Community Development, shall recommend priorities for the use of the funds for Board of Supervisors' approval on a biennial basis.

D. The Executive Director of SHRA, in consultation with the County Director of Community Development, shall report biennially on the performance of the affordable housing program, including the number of units produced, the amount of funds collected and the amount of funds expended. The report shall also include the levels of affordability in units constructed pursuant to this Chapter.

22.35.070 Quality.

Affordable units constructed using affordability fees paid pursuant to this Chapter, or constructed through a development agreement or other form of agreement pursuant to section 22.35.030(A)(3) shall be visually compatible with the market rate units and accommodate diverse family sizes by including units with different numbers of bedrooms, as determined by the approval authority, upon recommendation of the SHRA Executive Director. External building materials and finishes, front yard landscaping and amenities shall be of the same type and quality for affordable units as for market rate units.

22.35.080 Accessibility.

A minimum of five (5) percent of the dwelling units (but not less than one (1) unit) in a multifamily project constructed using affordability fees paid pursuant to this Chapter shall be made accessible for persons with disabilities.

22.35.090 Occupancy and Affordability Requirement.

A. Any person who rents or owns an affordable unit shall occupy that unit as his or her principal residence.

B. Rental affordable units shall remain affordable for a period of no less than fifty-five (55) years from recordation of the notice of completion for the rental units.

C. For-sale affordable units shall remain affordable for a period of not less than thirty (30) years from the first sale of an individual property and from the date of any resale to an income-eligible buyer made at a time the affordable unit is subject to affordability restrictions under this Chapter.

22.35.100 Guidelines.

The Executive Director of SHRA, in consultation with the County Director of Community Development, shall prepare guidelines to ensure compliance with this Chapter. The guidelines shall be adopted by resolution of the Board of Supervisors.

22.35.110 Severability.

The Board of Supervisors of the County of Sacramento declares that should any section, paragraph, sentence, or word of this Chapter be declared for any reason to be invalid, it is the intent of the Board of Supervisors that it would have passed all other portions of this Chapter, independent of the provision declared invalid.

SECTION 3. This ordinance was introduced and the title thereof read at the regular meeting of the Board of Supervisors on February 11, 2014, and on February 25, 2014, further reading was waived by the unanimous vote of the Supervisors present.

This ordinance shall take effect and be in full force on and after thirty (30) days

from the date of its passage, and before the expiration of fifteen (15) days from the date of its passage it shall be published once with the names of the members of the Board of Supervisors voting for and against the same, said publication to be made in a newspaper of general circulation published in the County of Sacramento.

On a motion by Supervisor Serna, seconded by Supervisor MacGlashan, the foregoing ordinance was passed and adopted by the Board of Supervisors of the County of Sacramento, State of California, this 25th day of February 2014 by the following vote:

AYES: Supervisors, MacGlashan, Peters, Serna, Yee

NOES: Supervisors, Nottoli

ABSENT: Supervisors, None

ABSTAIN: Supervisors, None



ATTEST:

Cyndi Lee
 Clerk, Board of Supervisors

Glenn R. Yee
 Chair of the Board of Supervisors
 of Sacramento County, California

In accordance with Section 15300 of the Government Code of the State of California a copy of this document has been delivered to the Clerk of the Board of Supervisors, County of Sacramento.

FEB 25 2014

Kevin Romo
 Deputy Clerk, Board of Supervisors

516280

FILED

FEB 25 2014

BOARD OF SUPERVISORS
 BY Cyndi Lee
 CLERK OF THE BOARD

2010-2014 Multifamily Mortgage Revenue Bond Housing Projects

Appl. #	Applicant/Issuer	Project Name	Project City	Project County	Units @ 50% AMI	Units @ 60% AMI	Total Units	New Constr. Units	Senior Units	Total Permanent Project Costs	Total Public Funds	Per Unit Public Subsidy
10-103	California Statewide Communities Development Authority	Forestwood at Folsom Apts.	Folsom	Sacramento	11	43	54	54	0	\$13,170,211	\$2,500,000	\$46,296
11-027	California Statewide Communities Development Authority	The Ridge Apartments	Elk Grove	Sacramento	102	100	202	202	0	\$35,377,755	\$9,700,000	\$48,020
11-062	ABAG Finance Authority for Nonprofit Corporations	Vintage at Laguna II Senior Apartments	Elk Grove	Sacramento	35	33	68	68	68	\$14,095,510	\$5,600,000	\$82,353
12-022	Housing Authority of the City of Sacramento	Kelsey Village Apartments	Sacramento	Sacramento	19	0	20	19	0	\$5,840,074	\$2,929,500	\$146,475
12-064	Housing Authority of the County of Sacramento	Township Nine Affordable Housing Apartments	Sacramento	Sacramento	36	142	180	180	0	\$37,558,842	\$11,000,000	\$61,111
12-073	California Statewide Communities Development Authority	Granite City Apartments	Folsom	Sacramento	17	63	80	80	0	\$15,627,460	\$4,540,000	\$56,750
14-049	Housing Authority of the County of Sacramento	Arbor Creek Senior Apartments	Sacramento	Sacramento	59	0	59	59	59	\$13,860,122	\$7,813,237	\$132,428
14-309	Housing Authority of the City of Sacramento	700 Block	Sacramento	Sacramento	14	70	136	136	0	\$36,375,816	\$12,100,001	\$88,971
Total							799				\$56,182,738	\$70,316

Source: California Debt Limit Allocation Committee (CDLAC)

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
June 3, 2015

APPROVAL OF THE COUNTY OF SACRAMENTO AFFORDABLE HOUSING PROGRAM GUIDELINES FOR IMPLEMENTATION OF CHAPTER 22.35 OF THE COUNTY CODE

WHEREAS, on February 25, 2014, the Sacramento County Board of Supervisors (Board) repealed Chapter 22.35 of the County Code known as the County's Affordable Housing Ordinance and adopted a revised Ordinance. The revised Ordinance creates a standard affordable housing fee accessible to all and also provides a variety of other options that an applicant/developer may choose to satisfy a development project's affordable housing obligations.

WHEREAS, the proposed action is administrative and does not constitute a project subject to environmental review under the California Environmental Quality Act (CEQA) per Guidelines Section 15378(b)(4) and (5).

BE IT RESOLVED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION:

Section 1: The Executive Director or designee is authorized to implement the County of Sacramento Affordable Housing Program Guidelines for implementation of Chapter 22.35 of the County Code, as approved by the Board of Supervisors.

Section 2: The Executive Director, or designee, is authorized to amend the SHRA budget accordingly to carry out all of the actions above.

CHAIR

ATTEST:

CLERK

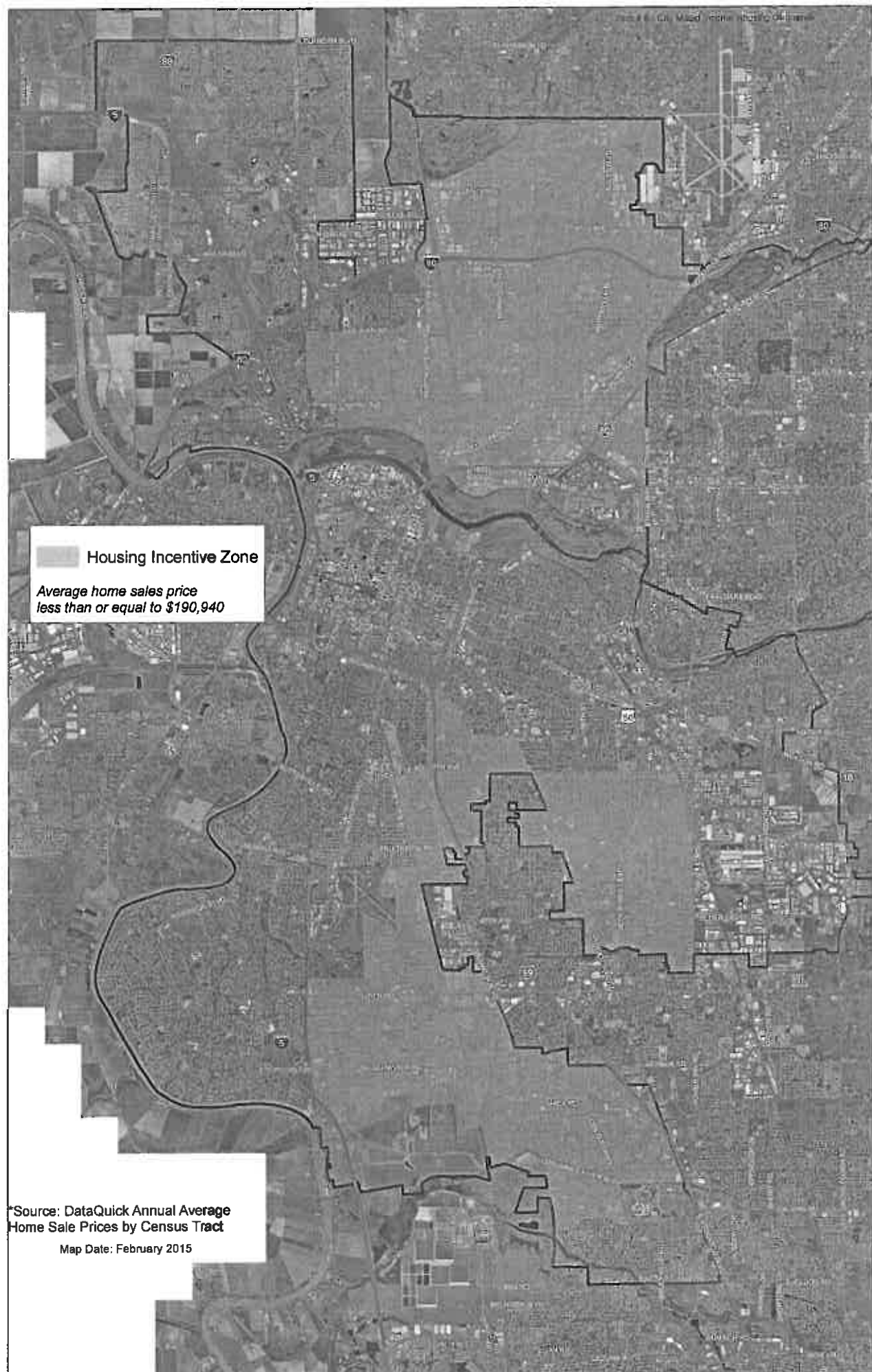
1. Applies citywide.
2. All housing units pay a fee of \$2.58 per square foot, indexed annually.
3. 100+ acre projects shall either:
 - a. Comply with an existing approved inclusionary housing plan, or
 - b. Pay the fee AND develop a mixed income housing strategy to provide housing for a variety of incomes and family types that is consistent with Housing Element policy.
4. The mixed income housing strategy may provide for a fee credit for land dedication, construction of affordable dwelling units, or other mechanism which leads to the provision of affordable housing.
 - No multi-unit dwelling development consisting of more than 50% affordable units may be located within 400 feet of another multi-unit dwelling development with more than 50% affordable units.
 - The maximum amount of affordable units in any multi-unit dwelling produced per the ordinance shall be 150.
 - The mixed income housing strategy may provide for a fee credit for lots to be dedicated to a self-help/sweat equity housing developer. The value of the finished lots can be credited toward the fee.
5. Exempt projects include:
 - Room additions.
 - Second residential units.
 - Developments with 10% regulated low income housing units.
 - A new single-family home built by an owner-builder on his or her property.
 - Conversion of nonresidential buildings to residential use.
 - Projects with an in-force development agreement adopted prior to the current ordinance.
 - Mobilehome Parks.
 - Development projects, not currently subject to the ordinance, which have received approval of site plan and design review and/or a tentative map prior to adoption of the ordinance.
6. Projects with a reduced or \$0 fee rate:
 - High density multi-unit dwellings (40 dwelling units an acre) - \$0.
 - High density single unit dwellings (20 dwelling units an acre) - \$0.
 - Projects located in the Housing Development Incentive Zone - \$1.11.

Project Timeline

June 25, 2015
August 2015

Planning and Design Commission Hearing
Council Adoption of Ordinance and Fee Resolution

Contact: Greg Sandlund, Associate Planner, 916-808-8931, gsandlund@cityofsacramento.org



*Source: DataQuick Annual Average
Home Sale Prices by Census Tract
Map Date: February 2015