SHRA

INVESTING IN COMMUNITIES

NOTICE OF REGULAR MEETING
Sacramento Housing and Redevelopment Commission
Wednesday, August 21, 2013 – 6:00 pm
801 12th Street Sacramento, CA

ROLL CALL

APPROVAL OF AGENDA

APPROVAL OF ACTION SUMMARY SYNOPSIS

1. Synopsis – July 17, 2013

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.

BUSINESS ITEMS

3. Tax Equity and Fiscal Responsibility (TEFRA) Hearing and Approval of Tax Exempt Bonds and Loan for Washington Plaza Senior Apartments

4. Tax Equity and Fiscal Responsibility (TEFRA) Hearing and Approval of Tax Exempt Bonds for the Warren Project

PRESENTATIONS

5. Housing Element Update

6. 2014 SHRA Budget Workshop – Revenue Overview

EXECUTIVE DIRECTOR REPORT

COMMISSION CHAIR REPORT

ITEMS AND QUESTIONS OF COMMISSION MEMBERS

ADJOURNMENT

Staff reports are available for public review on the Agency's website www.shra.org and include all attachments and exhibits. Hard copies are available at the Agency Clerk's office (801 12th Street) for 10 cents per page. A copy of materials for this agenda will be available at the meeting for public review. **Assistance for the Disabled**: 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.

SYNOPSIS

Sacramento Housing and Redevelopment Commission (SHRC)
Regular Meeting
July 17, 2013

Meeting noticed on July 11, 2013

ROLL CALL

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

MEMBERS PRESENT: Alcalay, Chan, Gore, Griffin, Le Duc, Morgan, Morton, Rosa, Shah

MEMBERS ABSENT: Johnson, Rosa, Stivers

STAFF PRESENT: Vickie Smith, LaShelle Dozier, David Levin, Jim Shields, May Lyon, Patrick Hanafee, Brian Lengyl, Sarah Hansen, Chris Pahule

APPROVAL OF AGENDA - items 4 and 5 were heard and approved together and items 6 and 7 were heard and approved together.

APPROVAL OF ACTION SUMMARY SYNOPSIS

1. The Synopsis for June 19, 2013 and July 1, 2013 were approved as submitted.

CITIZENS COMMENTS

2. None

CONSENT ITEMS

3. Approval of Change to Addendum for Purchase and Sales Agreement to dispose of surplus Housing Authority owned non-residential property located at 320 Commerce Circle

   The Commission recommended approval of the staff recommendation for the item listed above. The votes were as follows:

   AYES: Alcalay, Chan, Gore, Griffin, LeDuc, Morgan, Morton, Shah

   NOES: none

   ABSENT: Johnson, Rosa, Stivers

PUBLIC HEARING ITEMS

4. Authorization to Execute Non-Exclusive Easement Agreements for Conventional Public Housing and Housing Authority Property with Comcast Sacramento I, LLC – City report

5. Authorization to Execute Non-Exclusive Easement Agreements for Conventional Public Housing and Housing Authority Property with Comcast Sacramento I, LLC – County report

Mark Stephenson, Housing Authority Analyst, presented the items.

Commissioner Morgan asked for more details about what Comcast was paying for which staff provided.

Commissioner Morton asked how the funds would be used. Staff indicated that expenditures will be determined at each specific property.

Commissioner LeDuc asked if redevelopment of properties would cause any conflicts. Staff indicated that this had not been determined yet but easement changes would be worked out as properties change over time.

Chair Alcalay advised staff that he wanted to make sure that residents are taken care of by providing wireless internet access in community rooms.

Executive Director LaShelle Dozier indicated that this is already being worked on in conjunction with the SHRA 3rd grade reading program.

Brian Lengyl, Housing Authority Regional Manager, said that wireless access will be incorporated on all new large renovation projects in the future as well.

The Commission recommended approval of the staff recommendation for the items listed above. The votes were as follows:

AYES: Alcalay, Chan, Gore, Griffin, LeDuc, Morgan, Morton, Shah

NOES: none

ABSENT: Johnson, Rosa, Stivers

6. Amendment to the 2013 One-Year Action Plan and Various Year Action Plans in Relation to the Neighborhood Stabilization Program Three (NSP-3), and amendment to the Agency Budget - City report

7. Amendment to the 2013 One-Year Action Plan and Various Year Action Plans in Relation to the Neighborhood Stabilization Program Three (NSP-3), and amendment to the Agency Budget - County report

Patrick Hanafee, Redevelopment Planner, presented the item.

Commissioner LeDuc asked for clarification about the fees that builders earn under this program which staff provided.

The Commission recommended approval of the staff recommendation for the items listed above. The votes were as follows:

AYES: Alcalay, Chan, Gore, Griffin, LeDuc, Morgan, Morton, Shah

NOES: none

ABSENT: Johnson, Rosa, Stivers

EXECUTIVE DIRECTOR REPORT

LaShelle Dozier announced:

1) August 7th meeting cancelled. Next meeting would be held on August 21st.
2) Arbor Creek Family apartments opening on July 18th at 11am
3) Arbors at Oak Park opening on July 31st at 11am

COMMISSION CHAIR REPORT

Chair Alcalay announced:

1) The formation of a By-Law review committee and he made the following appointments to that committee – Bill Chan, Mark Stivers, Gale Morgan, and Michael Alcalay.
2) Housing Element was being heard at the City on July 25th.
3) Reminded staff to ask City Staff to bring Housing Element back to Commission for final review.
4) Asked staff to send questions about SHRA asked at City Council by Councilmember Schenirer to all commission members.

ITEMS AND QUESTIONS OF COMMISSION MEMBERS

none

ADJOURNMENT

As there was no further business to be conducted, Chair Alcalay adjourned the meeting at 6:45 p.m.

AGENCY CLERK

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August 16, 2013

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Tax Equity and Fiscal Responsibility Hearing and Approval of Tax Exempt Bonds and Loan for Washington Plaza Senior Apartments

SUMMARY

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

RECOMMENDATION

The staff recommends approval of the recommendations outlined in this report.

Respectfully submitted,

LA SHELLE DOZIER
Executive Director

Attachment

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

Public Hearing
September 10, 2013

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

Title: Tax Equity and Fiscal Responsibility (TEFRA) Hearing and Approval of Tax Exempt Bonds and Loan for Washington Plaza Senior Apartments

Location/Council District: 1318 E Street, Council District 4

Issue: Conduct a public hearing concerning issuance of a tax-exempt mortgage revenue bond obligation and approve a gap financing loan and a seller carryback loan for rehabilitation of the property.

Recommendation: Conduct a public hearing and upon conclusion adopt 1) a **Housing Authority Resolution** a) acknowledging that the Housing Authority (Authority) intends to execute and deliver the obligations for the purpose of paying the costs of financing the acquisition and construction of the Washington Plaza Project (Project), b) declaring that the Authority reasonably expects that a portion of the proceeds of the obligations will be used for reimbursement of expenditures for the acquisition and construction of the Project that are paid before the date of initial execution and delivery of the obligations, c) declaring that the maximum amount of proceeds of the obligations to be used for reimbursement of expenditures for the acquisition and construction of the Project that are paid before the date of initial execution and delivery of the Obligations is not to exceed $14,000,000, d) acknowledging that the foregoing declaration is consistent with the budgetary and financial circumstances of the Authority in that there are no funds (other than proceeds of the obligations) that are reasonably expected to be (i) reserved, (ii) allocated or (iii) otherwise set aside, on a long-term basis, by or on behalf of the Authority, or any public entity controlled by the Authority, for the expenditures for the acquisition and construction of the Project that are expected to be reimbursed from the proceeds of the obligations, e) declaring that the Developer shall be responsible for the payment of all present and future costs in connection with the execution and delivery of the obligations, including, but not limited to, any fees and expenses incurred by the Authority in anticipation of the execution and delivery of the obligations, the cost of printing any official statement, rating agency costs, bond counsel fees and expenses, underwriting discount and costs, trustee fees and expense, and the costs of printing the Obligations. The payment of the principal, redemption premium, if any, and purchase price of and interest on the obligations shall be solely the responsibility of the Developer. The obligations shall not constitute a debt or obligation of the Authority. f) authorizing the appropriate officers or staff of the Authority, for and in the name of and on behalf of the Authority, to make an application to the California Debt Limit Allocation Committee for an allocation of private activity bonds for the financing of the Project. g) acknowledging that the adoption of this resolution shall not obligate (i) the Authority to provide financing to the Developer for the acquisition and construction of the Project or to execute and deliver the obligations for purposes of such financing; or (ii) the Authority, of or any department of the Authority or the City of Sacramento to approve any application or request for, or take any other action in connection with, any environmental, General Plan, zoning or any other permit or other action necessary for the acquisition, construction or operation of the Project; 2) a **Housing Authority Resolution** a) approving a seller carryback loan commitment for financing the acquisition of the property by the Developer for $5,458,000, reflecting fair market value of Washington Plaza, and authorizing the Executive Director to execute and transmit the carryback loan commitment to the Developer, b) authorizing the Executive Director to enter into and execute related purchase-and-sale and ground lease agreements and other documents, as approved to form by Housing Authority Counsel, and perform other actions necessary to fulfill the intent of the loan commitment, in accordance with its terms, and to ensure proper repayment of the Housing Authority funds including without limitation, subordination, extensions, and restructuring of such a loan consistent with Agency adopted policy and with the resolution, c) authorizing the Executive Director to amend the Housing Authority budget to receive and allocate payments for use in a manner consistent with the US Department of Housing and Urban Development Disposition Approval for 1318 E Street, Sacramento, CA, dated October 8, 2009, and d) making related findings; 3) a **City Council Resolution** a) approving a loan commitment for financing the project with up to $2,568,000 of City HOME funds and $552,000 of CDBG funds, and delegating authority fo the Sacramento Housing and Redevelopment Agency (Agency) to execute and transmit the loan commitment to the Developer, b) authorizing the Agency to enter into and execute other documents, as approved to form by Agency Counsel, and perform other actions necessary to fulfill the intent of the loan commitment, 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 the resolution, c) authorizing the Agency to amend the Agency budget and allocate up to $2,568,000 in City HOME funds to the project, d) authorizing the Agency to amend the Agency budget and allocate up to $552,000 in City CDBG funds to the Project, and e) making related findings; and, 4) a **City Council Resolution** a) approving the execution and delivery of the obligations solely for the purpose of fulfilling the requirement of Section 147(f) of the Code, indicating the City Council has conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing related to the proposed project, and b) making related findings.

Contact: Christine Weichert, Assistant Director, Development Finance, 440-1353

Presenter: Gregory Ptucha, Development Finance

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: In August 2007, the Housing Authority of the City of Sacramento ("Housing Authority") adopted Repositioning Strategy Guiding Principles ("Strategy") as a strategic response to reductions in funding sources for public housing capital improvements and operations. Creative public-private partnerships were conceived as a means for the Sacramento Housing and Redevelopment Agency ("Agency") to attract private equity and debt capital as financing for needed repairs and improvements for certain existing projects.

The Strategy recommended three mid-rise buildings operated by the Housing Authority as priority projects. One of these three buildings, and the subject of this report, is the Washington Plaza Apartments at 1318 "E" Street in the Alkali Flat neighborhood. Washington Plaza is a 76-unit, nine-story, reinforced concrete structure constructed in 1971. Although structurally sound, the forty-four year old building needs significant upgrades to preserve the building as housing for extremely low-income seniors. A vicinity map is included as Attachment 1.

In 2009, to implement the Strategy, the Housing Authority created a nonprofit public benefit corporation under California law named the Sacramento Housing Authority Repositioning Program, Inc. ("SHARP"). SHARP's corporate structure is similar to the Norwood Avenue Housing Corporation non-profit that the Agency operates, and its board members are appointed by the Agency's Executive Director.

The physical needs assessment for the property identifies the need for almost $10 million in construction "hard costs". Work to be done includes correcting life-safety concerns, remediating environmental issues, upgrading and waterproofing the building's exterior, replacing windows, upgrading mechanical and electrical systems, making energy efficiency improvements, upgrading unit interiors, and resolving code compliance issues. In addition, the ground floor entry and common areas will be significantly altered and increased in size to improve security, function and usefulness to tenants and to allow its use for community events. A proposed architectural illustration is included as Attachment 2.

The Project reflects a partnership between SHARP and BRIDGE Housing Corporation (BRIDGE), an experienced non-profit affordable housing developer based in San Francisco. BRIDGE will remain in the partnership throughout construction. Upon completion of the work, BRIDGE will exit the partnership, leaving SHARP to continue in an ownership role. The Housing Authority will continue to own the underlying land, and it is anticipated that the Housing Authority will continue to manage Washington Plaza. In addition, Housing with Heart, Inc., will provide a minimum of 15 hours of resident services each week.

During the planned 11-month rehabilitation period the property will continue to be occupied, although three floors of tenants will be temporarily relocated to off-site locations on a rotating basis until work is complete. Vacating full floors will expedite the remediation and rehabilitation work. After approximately two months of temporary relocation, tenants will return to their renovated units.

Project funding sources will include more than $7 million of low income housing tax credit equity, about $4 million in mortgage revenue bond proceeds, $750,000 in Affordable Housing Program (AHP) funds, the $3.12 million Agency loan, and a $5.458 million Housing Authority seller carryback loan for the improvements. Since the property will continue to operate during renovation, more than $444,000 of expected operating income will contribute to Project funding as well.

In connection with its loan, the Agency will impose a 55-year regulatory agreement to maintain use of the property as affordable senior housing. Units will be regulated at 50 percent of Area Median Income (AMI). However, the property also has an ongoing Housing Assistance Payments (HAP) contract from the US Department of Housing and Urban Development (HUD). This contract will ensure that no tenant pays more than 30 percent of their income for housing, with HUD paying the difference. Since all potential residents on the waiting list for such vouchers are extremely low income (30 percent of AMI or below), actual rents charged to tenants at Washington Plaza will be affordable at or below 30 percent of AMI.

Further background on the project, developer and the property is included as Attachment 3. A project summary, including a proposed sources and uses of funds, is included as Attachment 4. A project cash flow pro-forma is included as Attachment 5, and a schedule of maximum rents is included as Attachment 6.

Policy Considerations: The recommended actions are in-keeping with the strategy adopted in the Housing Authority's 2007 Repositioning Strategy to attract non-traditional sources of equity and debt to preserve affordable housing. The actions are also generally consistent with approved Agency tax-exempt bond and multi-family loan policies. The total debt load of the property will exceed a 90% loan-to-value ratio, and the loan term will be 55 years. Regulatory restrictions on the property will be specified in bond and loan regulatory agreements. Compliance with the regulatory agreements will be monitored by the Agency on a regular basis for 55 years.

Economic Impacts: This residential rehabilitation project is expected to create approximately 96 total jobs (54 direct jobs and 42 jobs through indirect and induced activities) and result in approximately $12.9 million in total economic output ($7.9 million direct output and another $5 million 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 is categorically exempt under California Environmental Quality Act (CEQA) Guidelines Section 15301 which exempts actions on existing facilities, including rehabilitation and financing, where the use remains unchanged.

National Environmental Policy Act (NEPA): Review under the National Environmental Policy Act (NEPA) is currently underway and will be completed prior to any choice limiting action.

Sustainability Considerations: The renovation of Washington Plaza is consistent with City Sustainability Master Plan goal number one (Energy Independence) by improving energy efficiency and a consequent reduction in fossil fuel use, as well as the reduction of peak electrical demand through installation of solar polar generating equipment. The Project is consistent with goal number five (Public Health and Nutrition) in that it will rehabilitate an inefficient, aged building and contribute to improvement of the historic Alkali Flat neighborhood.

Commission Action: At its meeting on August 21, 2013, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this project. The votes were as follows:

AYES:

NOES:

ABSENT:

Rationale for Recommendation: The actions recommended in this report enable SHRA and HACS to continue to preserve existing affordable housing units and to provide a range of affordable housing opportunities in the City.

Financial Considerations: The proposed bond issuance will not be an obligation of the City, Housing Authority or the Agency. The bonds will be an obligation solely of the project and the owner, who will bear all costs associated with issuing the bonds. The Agency will receive a one-time issuance fee of 0.25 percent of the bond issuance amount, which is payable at bond closing, and it will also collect a fixed annual fee of 0.15 percent of the total bond issuance amount. The law firm of Orrick, Herrington & Sutcliffe LLP, is acting as bond counsel for the Housing Authority.

September 10, 2013

Approval of Tax-exempt Bonds and Loan for Washington Plaza Senior Apartments

The proposed Agency loan comprised of up to $2.568 million of federal HOME funds and $552,000 of City CDBG funds has been limited to the amount needed to fill the gap between total Project financing needs and funds available from private equity investors, AHP and mortgage revenue bond sources. Annual repayment of the principal and accrued interest on the Agency loan will be calculated to achieve an annual 1.2 debt service coverage ratio. All unpaid amounts will be due and payable at the maturity of the loan.

The proposed Housing Authority seller carryback loan has been set at the appraised value of the property to be transferred. Repayment will occur as cash flow permits, with all unpaid amounts due and payable at the maturity of the loan.

M/WBE and Section 3 Considerations: Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding to maintain federal funding. Section 3 requirements will be applied to the extent they may be applicable.

Respectfully Submitted by: LaShelle Dozier

LA SHELLE DOZIER
Executive Director

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Attachments

Attachment 1

1318 E St

1318 E St

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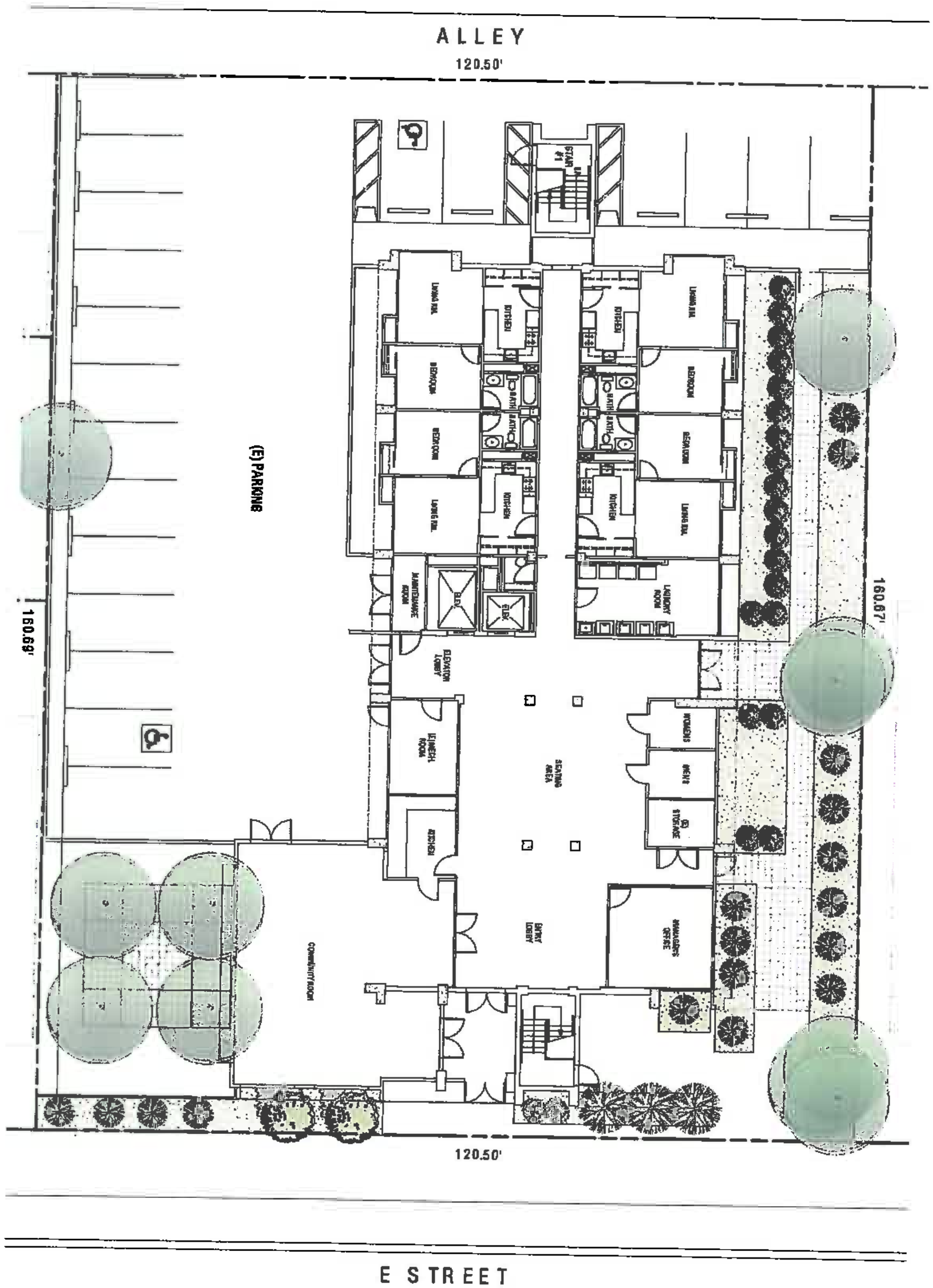
SHRA GIS
August 16, 2013

Architectural Illustrations
Washington Plaza Senior Apartments

Perspective Elevation of East and North (E Street) Facades

Attachment 2

Architectural Illustrations
Washington Plaza Senior Apartments



Washington Plaza Senior Apartments
Background Information

The Developer, a joint venture between BRIDGE Housing Corporation (BRIDGE) and the Sacramento Housing Authority Repositioning Program (SHARP), proposes to rehabilitate the Washington Plaza Apartments at 1318 E Street in Sacramento. This collaboration is a result of an asset repositioning strategy by the Housing Authority of the City of Sacramento (Housing Authority), which is intended to address the limited funding available to rehabilitate aging public housing units.

Project Description: Washington Plaza is a 76-unit, nine-story, reinforced concrete structure constructed in 1971. A vicinity map and architectural renderings are provided as Attachments 1 and 2. Although structurally sound, the forty-four year old building needs significant upgrades to preserve it as housing for very low-income seniors. The almost $10 million in rehabilitation costs proposed for the project will include correcting life-safety concerns, remediating environmental issues, upgrading and waterproofing the building's exterior, replacing windows, upgrading mechanical and electrical systems, making energy efficiency improvements, upgrading unit interiors, and resolving code compliance issues. In addition, the ground floor entry and common areas will be significantly altered and increased in size to improve security, function and usefulness to tenants and to allow its use for community events.

Developer: BRIDGE Housing Corporation is a non-profit developer based in San Francisco, California. They have won numerous awards for design, finance, environmental sustainability, and multifamily affordable communities, and have participated in the development of over 14,000 housing units. BRIDGE was established in 1983 and their projects display the same quality of construction as market-rate housing. BRIDGE strives to create sustainable living environments that enhance and uplift the neighborhoods around them and to prevent people from being priced out of their own communities. BRIDGE recently completed the Foothill Farms Senior Housing project in Sacramento County.

SHARP is a nonprofit public benefit corporation created by the Housing Authority in 2009, to implement the Repositioning Strategy Guiding Principles adopted by the Housing Authority in 2007. Its activities include acquiring, providing, developing, financing, rehabilitating, owning and operating affordable housing, for the purpose of repositioning aging Housing Authority assets to maintain and preserve their affordable units. It is currently partnering with BRIDGE to purchase and rehabilitate three Housing Authority properties, including Washington Plaza.

Property Management: The property is proposed to be managed by the Housing Authority. Housing Authority staff currently manage the units at Washington Plaza, along with 3,300 other housing units throughout the City and County of Sacramento.

Resident Services: Resident services at Washington Plaza will be provided by Housing with HEART, an affiliate of Jamboree Housing Corporation. Housing with HEART will provide 15 hours of services to the residents per week, including health and wellness and life building services. Housing with HEART provides services at several properties in the City and County of Sacramento, including the Hotel Berry.

Security: Developer will be required to provide a security camera system and lighting adequate to properly illuminate all common spaces.

Project Financing: Funding for the project includes a mortgage revenue bond and Low-Income Housing Tax Credits (LIHTC), an Affordable Housing Program grant from the Federal Home Loan Bank, a seller carryback loan for the improvements from the Housing Authority, an Agency gap financing loan, and income from operations during the construction period.

The property also has an ongoing Housing Assistance Payments (HAP) contract from the US Department of Housing and Urban Development (HUD), which will provide a source of ongoing income to supplement rents paid by tenants. Pursuant to the HAP contract, each unit will have a Housing Choice Voucher associated with it. Tenants will pay no more than 30 percent of their income in rent each month, and the HUD voucher will pay the difference between the tenant's payment and a market rent calculated by HUD.

These funding sources together will require that all of the units in the property, excluding one manager's unit, be affordable to households earning less than 50 percent of Area Median Income (AMI). In addition, all of the potential tenants on the Housing Choice Voucher waiting list are extremely low income, so actual rents charged to tenants will be below 30 percent of AMI.

Low-Income Set-Aside Requirements: As a condition of receiving tax credits and the benefits of tax-exempt bond financing, federal law requires the apartments be set-aside for targeted income groups. The Agency's gap financing will also restrict rents at the property. Regulatory restrictions on the units will last for 55 years. The following chart summarizes the combined proposed affordability restrictions:

Funding	**% of Units**	**Affordability Restrictions**	**No. Units**	**Regulatory Requirements**
Tax-Exempt Bonds, Tax Credits (LIHTC), Agency Loan	99%	Very Low Income (50% AMI)	75	55 years
Unrestricted	1%	Unrestricted	1	None
Total	**100%**		**76**	

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

Attachment 4

Washington Plaza Senior Apartments
Project Summary

Address	1318 E Street, Sacramento 95814		
Number of Units	76		
Year Built	1971		
Acreage	0.45 (19,602 sq. ft.)		
Affordability	75 units (99%) at or below 50% of Area Median Income (AMI) * 1 Manager's Unit		
Unit Mix and Rents		VLI (50% AMI) *	Manager
1 Bedroom / 1 Bath		75	
Unrestricted			1
Square Footage	*Unit Size (sq.ft.)*	*Total*	
1 Bedroom / 1 Bath	408	31,000 sq.ft.	
Ground Floor Community Area		1,400 sq.ft.	
Laundry Room		400 sq.ft.	
Total		32,800 sq.ft.	
Resident Facilities	Community room with kitchen, 19 on-site parking stalls, laundry, outdoor seating area		
Permanent Sources	*Total*	*Per Unit*	*Per Square Foot*
Mortgage Revenue Bond	3,972,500	52,270	121
Tax Credit Equity	7,683,751	101,102	234
Seller Carry back Loan	5,458,000	71,816	166
Construction Period Income	444,065	5,843	14
AHP Loan	750,000	9,868	23
Agency Loan	3,120,000	41,053	95
TOTAL SOURCES	$ 21,428,316	$ 281,952	$ 653.30
Permanent Uses			
Acquisition Costs	5,458,000	71,816	166
Construction Costs	8,230,649	108,298	251
Contingency	1,522,158	20,028	46
Financing Costs	905,805	11,918	28
Reserves	563,845	7,419	17
Legal Fees	158,500	2,086	5
Relocation - Temporary	662,000	8,711	20
Permits	209,526	2,757	6
Architecture and Engineering	360,000	4,737	11
Developer Fee	2,500,000	32,895	76
Other	857,833	11,287	26
TOTAL USES	$ 21,428,316	$ 281,952	$ 653.30
Management / Operations			
Proposed Developer:	SHARP, Inc. and BRIDGE Housing Corporation		
Property Management Company:	Housing Authority of the City of Sacramento		
Operations Budget:	$406,495	$5,349	
Resident Services:	$24,000	$316	
Replacement Reserves:	$22,800	$300	

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

Attachment 5

Washington Plaza Cash Flow

Unit Type	Number	Square Feet	Total Sq Feet	TCAC Gross Rent	Utility Allowance	TCAC Net Rent	Rent per Sq Foot	Net Monthly TCAC Rent	Annual TCAC Rent	HAP Rent Increment Per Unit	Total Monthly HAP Increment	Total Annual HAP Increment
1 BD / 1BA @ 50% AMI	75	408	30,600	$ 678	$ 59	$ 619	$ 1.52	$ 46,425	$ 557,100	$ 174	$ 13,050	$ 156,600
Manager's Unit	1	408	408	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total / Average for Restricted Units	76	408	31,008	$ 678	$ 59	$ 619	$ 1.50	$ 46,425	$ 557,100	$ 174	$ 13,050	$ 156,600

		annual		2016	2017	2018	2019	2020	2025	2030	2035	2040	2045
Income	rate	increase	per unit	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
Potential Gross Income		2.00%		579,607	591,199	603,023	615,083	627,385	692,684	764,779	844,378	932,261	1,029,292
Excess HAP Income		2.00%		162,927	166,185	169,509	172,899	176,357	194,712	214,978	237,353	262,057	289,332
Other Income		2.00%		24,068	24,549	25,040	25,541	26,052	28,763	31,757	35,062	38,711	42,740
Less Vacancy - TCAC rents	3.00%			-17,388	-17,736	-18,091	-18,453	-18,822	-20,781	-22,943	-25,331	-27,968	-30,879
Less Vacancy - Sec 8 PBS increment rent	3.00%			-4,888	-4,986	-5,085	-5,187	-5,291	-5,841	-6,449	-7,121	-7,862	-8,680
Effective Gross Income				$744,325	$759,212	$774,396	$789,884	$805,681	$889,537	$982,121	$1,084,341	$1,197,200	$1,321,806
Operating Expenses													
Operating Expenses		3.00%	4,141	333,860	343,876	354,192	364,818	375,762	435,611	504,993	585,425	678,668	786,763
Property Management		3.00%	526	42,436	43,709	45,020	46,371	47,762	55,369	64,188	74,412	86,264	100,003
Resident Services		3.00%	316	24,000	24,720	25,462	26,225	27,012	31,315	36,302	42,084	48,787	56,558
Taxes & Assessments		2.00%	66	5,000	5,100	5,202	5,306	5,412	5,975	6,597	7,284	8,042	8,879
Replacement Reserves		0.00%	0	22,800	22,800	22,800	22,800	22,800	22,800	22,800	22,800	22,800	22,800
Total Expenses			5,049	428,096	440,205	452,676	465,520	478,749	551,071	634,881	732,005	844,561	975,003
Net Operating Income				**$316,229**	**$319,007**	**$321,720**	**$324,363**	**$326,933**	**$338,466**	**$347,240**	**$352,336**	**$352,639**	**$346,803**
Debt Service	amount	rate	term										
Senior Loan	$3,972,500	5.500%	35	255,996	255,996	255,996	255,996	255,996	255,996	255,996	255,996	255,996	255,996
Housing Authority Monitoring Fee	$12,832,342	0.150%		19,249	19,249	19,249	19,249	19,249	19,249	19,249	19,249	19,249	19,249
Debt Service Subtotal				275,244	275,244	275,244	275,244	275,244	275,244	275,244	275,244	275,244	275,244
Priority Distributions													
Asset Management Fee (AMF)		3.00%		5,000	5,150	5,305	5,464	5,628	6,524	7,563	8,768	10,164	11,783
Partnership Management Fee (PMF)		3.00%		20,000	20,600	21,218	21,855	22,510	26,095	30,252	35,070	40,656	47,131
Priority Distributions Subtotal				25,000	25,750	26,523	27,318	28,138	32,619	37,815	43,838	50,820	58,914
Net Cash after Priority Distributions				15,985	18,013	19,953	21,801	23,551	30,603	34,181	33,254	26,575	12,645
Housing Authority Seller Carryback Loan													
Principal Balance	5,458,000	3.16%		5,458,000	5,458,000	5,458,000	5,458,000	5,458,000	5,458,000	5,458,000	5,458,000	5,458,000	5,458,000
Interest for Period				172,473	188,823	194,285	199,855	205,540	235,928	270,348	310,094	356,858	412,836
Accumulated Interest				517,418	690,257	866,529	1,046,431	1,230,170	2,214,573	3,333,876	4,631,331	6,163,396	8,003,172
Payment				15,985	18,013	19,953	21,801	23,551	30,603	34,181	33,254	26,575	12,645
Balance				5,959,433	6,130,244	6,304,576	6,482,630	6,664,619	7,641,970	8,757,694	10,056,077	11,594,822	13,448,527
SHRA loan													
Principal Balance	3,120,000	0.00%		3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000
Payment				0	0	0	0	0	0	0	0	0	0
Balance				3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000
Combined Debt Coverage Ratio				1.15	1.16	1.17	1.18	1.19	1.23	1.26	1.28	1.28	1.26
Net Cash After All Loan Repayment				0	0	0	0	0	0	0	0	0	0

MAXIMUM RENT AND INCOME LEVELS 2013

Rents @ 50% of Area Median Income

Maximum Income Limits:

Family Size	Max Income *50% AMI*
1 person	$25,350
2 person	$28,950

Maximum Rent Limits:

Low Income Housing Tax Credits (LIHTC's)

Unit Size	Gross Rent *50% AMI*
1 Bedroom	$679.00

** Rent listed is the maximum gross rent under tax credit guidelines. However, the project's Housing Assistance Payments (HAP) contract will allow tenants to pay no more than 30% of their income, with HUD paying the difference between the tenant payment and market rent. Further, all potential tenants currently on a waiting list for such units are below 30% AMI. As such, tenant rent payments will be at or below 30% AMI (less than $407).*

RESOLUTION NO. 2013 –

Housing Authority of the City of Sacramento

on the date of

WASHINGTON PLAZA APARTMENTS REHABILITATION ("PROJECT"): APPROVAL OF $5,458,000 SELLER CARRYBACK LOAN COMMITMENT; EXECUTION OF RELATED LOAN COMMITMENTS AND RELATED DOCUMENTS WITH WASHINGTON PLAZA HOUSING ASSOCIATES, LP, OR RELATED ENTITY; AND RELATED BUDGET AMENDMENTS

BACKGROUND

A. The Housing Authority of the City of Sacramento ("Housing Authority") adopted Resolution No. 2009-003 on March 10, 2009 which authorized an application to the United States Department of Housing and Urban Development ("HUD") for disposition of Washington Plaza Apartments ("Washington Plaza" or "Project") at 1318 E Street, Sacramento;

B. Said resolution also authorized the transfer of ownership of Washington Plaza to an instrumentality of the Housing Authority for ultimate further transfer to an entity that can benefit from the use of low-income housing tax credits to accomplish necessary renovations to Washington Plaza;

C. HUD approved the disposition of Washington Plaza on October 8, 2009 and the instrumentality, the Sacramento Housing Authority Repositioning Program, Inc., ("SHARP") has been established;

D. SHARP and BRIDGE Housing Corporation ("BRIDGE") working together as co-developers created Washington Plaza Housing Associates, LP, ("Applicant") to apply to the California Tax Allocation Committee for tax credits to accomplish rehabilitation of Washington Plaza;

E. The Housing Authority entered into an exclusive ground lease and purchase option agreement with SHARP and BRIDGE in March 2013;

F. The Applicant has also applied for rehabilitation and construction financing in the form of seller financing ("Carryback Loan Commitment") from the Housing Authority in an amount of $5,458,000 as justified by fair market value appraisal.

G. The Agency has considered environmental impacts of the project in accordance with California Environmental Quality Act (CEQA) and has determined that the Project is exempt due to CEQA §15301, where rehabilitation to the existing facility involves no expansion or change to the existing use. Review under the National Environmental Policy Act (NEPA) is currently underway and will be completed prior to any choice limiting action.

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

Section 1. All of the evidence having been duly considered, the findings, including the environmental findings, as stated above, are approved.

Section 2. The Carryback Loan Commitment attached as Exhibit A for financing the acquisition of the property by Applicant for $5,458,000, reflecting fair market value of Washington Plaza, is approved and the Executive Director is authorized to execute and transmit the Carryback Loan Commitment to the Applicant.

Section 3. The Executive Director is authorized to enter into and execute related purchase-and-sale and ground lease agreements and other documents, as approved to form by Housing Authority Counsel, and perform other actions necessary to fulfill the intent of each loan commitment that accompanies this resolution, in accordance with the terms of each, and to ensure proper repayment of the Housing Authority funds including without limitation, subordination, extensions, and restructuring of such a loan consistent with Agency adopted policy and with this resolution.

Section 4. The Executive Director is authorized to amend the Housing Authority budget to receive and allocate payments for use in a manner consistent with the United States Department of Housing and Urban Development Disposition Approval for 1318 E Street, Sacramento, CA, dated October 8, 2009.

Table of Contents:

September 10, 2013

James Shields, President
Sacramento Housing Authority Repositioning Program, Inc. ("SHARP")
801 12th Street, 5th Floor
Sacramento, CA 95814

Ann Silverberg, Senior Vice President
BRIDGE Housing Corporation
345 Spear Street, 7th Floor
San Francisco, CA 94105

Re: Conditional Seller Carryback Funding Commitment
Washington Plaza Senior Apartments, 1318 E Street, Sacramento, CA

Dear Mr. Shields and Ms. Silverberg:

On behalf of the Housing Authority of the City of Sacramento ("Agency"), we are pleased to advise you of its commitment in the amount of $5,548,000 in the form of a seller carry-back loan ("Loan") for the purpose of financing the acquisition of improvements located at 1318 E Street in Sacramento, California ("Property") commonly known as Washington Plaza Senior Apartments. The Agency's decision is based on your application and all representations and information supplied by you in relation to it. If these representations and information change in a material manner without written approval of Agency, this commitment is void. Agency's obligation to make the Loan is subject to the satisfaction of all the following terms and conditions and Borrower's execution of documentation in a form and substance satisfactory to the Agency.

The Loan shall be made on standard Agency loan documents. No material loan terms other than those 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 Housing Authority Resolution 2009-003 approved on March 10, 2009. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan documents shall be deemed to be terms of this commitment.

Unless otherwise agreed in writing by the Agency in exercise of its absolute discretion, the following shall be considered conditions to Agency approval of its financing commitment. The Agency may, in exercise of its absolute discretion, modify its requirements upon written notice to Borrower given at least sixty days prior to close of escrow for the Property. This commitment will expire on September 1, 2014.

1. PROJECT DESCRIPTION: The project is the acquisition and rehabilitation of existing property located at 1318 E Street in Sacramento, California. At least 75 units will be affordable to qualifying seniors earning less than 50% of AMI, and one resident manager unit will be unrestricted.

2. BORROWER: The name of the Borrower for the Loan is anticipated to be Washington Plaza Housing Associates, LP or a similarly named related entity in which the general partner will initially be a limited liability company comprised of Sacramento Housing Authority Repositioning Program, Inc. ("SHARP") and an affiliate of BRIDGE Housing Corporation.

3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely for financing the acquisition of improvements on the Property.

4. PRINCIPAL AMOUNT: The total principal amount of the Loan will be Five Million Five Hundred Forty-Eight Thousand Dollars ($5,548,000).

5. TERM OF LOAN: The Loan shall mature 55 years from the close of escrow date.

6. INTEREST RATE: The Loan shall bear interest at the Applicable Federal Rate at the time of escrow closing. Interest shall be calculated on the basis of a 360-day year and actual days elapsed. The current indicative rate is Three and Sixteen Hundredths Percent (3.16%) compounded annually.

7. LOAN REPAYMENT: Commencing on January 1 following the Conversion Date, annual payments of interest and principal shall be due in arrears, in an amount equal to the Residual Receipts remaining, if any, after payment of all operating expenses and priority payments as further described below. All unpaid principal and interest amounts due but not payable shall accrue under the Note. All payments shall be applied first to accrued interest and thereafter to principal. All outstanding principal and interest is due and payable on the maturity date.
   a. Residual Receipts is defined as the net income remaining in the period as stated in the annual audited financial statement after payment of all approved operating expenses and priority payments due in the period.
   b. Priority Payments are defined as replacement reserve deposits, operating reserve deposits (if any), bond payments, LP and GP asset management fee payments, deferred developer fee payments (if any), and guaranty reimbursements (if any) due in the period.

8. SOURCE OF LOAN FUNDS: The Acquisition Loan will be financed through seller carry-back financing from the Housing Authority of the City of Sacramento. The Agency hereby acknowledges, agrees and represents that the Acquisition Loan shall be a below market interest rate loan for purposes of Labor Code Section 1720(c)(6)(E), and that such Acquisition Loan shall not trigger prevailing wage. This Acquisition Loan is conditioned upon Borrower's acceptance of Agency's requirements and conditions related to its

lending programs, including among others, the required forms of agreements for the Acquisition Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements, all as mutually agreed to by Agency and Borrower.

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

__________ (Borrower Initial)

10. 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.

11. SECURITY: The Loan shall be evidenced by a promissory note secured by a deed of trust with assignment of rents against the leasehold interest in the Improvements, which shall be a subordinate lien upon the Improvements subject only to other items as the Agency may approve in writing. The Agency will subordinate said deeds of trust in order to accommodate completion of construction of the Property.

13. LEASE AND RENTAL SCHEDULE: Upon request, Agency shall have the right to review 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.

14. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than $7,600,000 in Low Income Housing Tax Credit Equity and no less than $3,900,000 in mortgage revenue bond financing at a rate and terms acceptable to the Agency.

15. 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. Such commitments for financing shall not require modification of Agency loan documents, or any term of this commitment letter. 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 other Agency agreements.

16. 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.

17. FINANCING IN BALANCE: Borrower will be required to maintain the financing "in balance". The financing 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 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 financing is not "in balance", the Agency may declare the Loan to be in default.

18. 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 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.

19. 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.

20. 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.

21. RETENTION AMOUNT: The Agency shall require that the construction lender 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 construction loan.

22. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the

project plans and specification and the budget approved with this commitment. 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.

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. 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.

30. 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.

31. 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.

32. 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.

33. RESIDENT SERVICES PLAN: Borrower shall provide Agency with a detailed resident services plan including, but not limited to, the following information: 1) identification of all entities responsible for providing resident 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, including adult educational activities and service coordination; 3) a description of the programs to be offered, and; 4) a proforma resident services budget.

34. 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.

35. 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.

36. 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.

37. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.

Sincerely,
Housing Authority of the City ofSacramento

La Shelle Dozier
Executive Director

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

BORROWER:

Sacramento Housing Authority Repositioning Program, Inc.

By:______________________________
James Shields
President

Dated:____________________________

BRIDGE Housing Corporation

By:______________________________
Ann Silverberg

Senior Vice President

Dated:______________________________

RESOLUTION NO. ______

Adopted by the Sacramento City Council

on the date of

WASHINGTON PLAZA: APPROVING THE ISSUANCE OF TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS

BACKGROUND

A. The Housing Authority of the City of Sacramento (the "Issuer") intends to execute and deliver tax-exempt obligations in an principal amount not to exceed $14,000,000 (the "Obligations") for the purpose, among other things, of making a loan to Washington Plaza Housing Associates, LP a California limited partnership, the proceeds of which shall be used to finance the acquisition and rehabilitation of a 76-unit multifamily housing facility located at 1318 E Street in the City of Sacramento, California (the "Project"); and

B. The Issuer is authorized by Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California to issue and sell revenue obligations for the purpose of financing the acquisition, construction/rehabilitation and development of multifamily rental housing facilities to be occupied in part by low and/or very low income tenants; and

C. In order for the Obligations to be considered "qualified exempt facility bonds" under Section 142(a) of the Internal Revenue Code of 1986, as amended (the "Code"), Section 147(f) of the Code requires that the "applicable elected representatives" of the area in which the Project is to be located hold a public hearing on and approve the execution and delivery of the Obligations; and

D. This City Council is the elected legislative body of the City; and

E. A notice of public hearing in a newspaper of general circulation in the City has been published, to the effect that a public hearing would be held by this City Council regarding the execution and delivery of the Obligations by the Issuer and the nature and location of the Project; and

F. This City Council held said public hearing on the published date, at which time an opportunity was provided to present arguments both for and against the execution and delivery of the Obligations and the nature and location of the Project; and

G. It is in the public interest and for the public benefit that the City approve the execution and delivery of the Obligations for the purpose of financing the acquisition and rehabilitation of the Project;

H. The City shall not have any liability for the repayment of the Obligations or any responsibility for the Project;

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

Section 1. The City hereby finds and determines that the foregoing recitals are true and correct.

Section 2. Solely for the purpose of fulfilling the requirement of Section 147(f) of the ` Code, the City hereby approves the execution and delivery of the Obligations.

Seciton 3. This resolution shall take effect upon its adoption.

RESOLUTION NO. 2013 - __

Adopted by the Housing Authority of the City of Sacramento

WASHINGTON PLAZA: DECLARING INTENTION TO REIMBURSE EXPENDITURES FROM THE PROCEEDS OF TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS

BACKGROUND

A. The Housing Authority of the City of Sacramento (the “Issuer”) intends to execute and deliver tax-exempt obligations in a principal amount not to exceed $14,000,000 (the “Obligations”) for the purpose of making a loan to Washington Plaza Housing Associates, LP a California limited partnership ("Developer"), the proceeds of which shall be used to finance the acquisition and rehabilitation of a 76-unit multifamily housing facility commonly known as Washington Plaza Apartments (the “Project”). The Project is located at 1318 E Street in the City of Sacramento, California (the “Project”);

B. United States Income Tax Regulations section 1.103-18 provides generally that proceeds of tax-exempt debt are not deemed to be expended when such proceeds are used for reimbursement of expenditures made prior to the date of execution and delivery of such debt unless certain procedures are followed, among which is a requirement that (with certain exceptions), prior to the payment of any such expenditure, the issuer must declare an intention to reimburse such expenditure; and

C. It is in the public interest and for the public benefit that the Authority declare its official intent to reimburse the expenditures referenced herein;

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

Section 1. The Authority intends to execute and deliver the Obligations for the purpose of paying the costs of financing the acquisition and rehabilitation of the Project.

Section 2. The Authority hereby declares that it reasonably expects that a portion of the proceeds of the Obligations will be used for reimbursement of expenditures for the acquisition and rehabilitation of the Project that are paid before the date of initial execution and delivery of the Obligations.

Section 3. The maximum amount of proceeds of the Obligations to be used for reimbursement of expenditures for the acquisition and rehabilitation of the Project that are paid before the date of initial execution and delivery of the Obligations is not to exceed $14,000,000.

Section 4. The foregoing declaration is consistent with the budgetary and financial circumstances of the Authority in that there are no funds (other than proceeds of the Obligations) that are reasonably expected to be (i) reserved, (ii) allocated or (iii) otherwise set aside, on a long-term basis, by or on behalf of the Authority, or any public entity controlled by the Authority, for the expenditures for the acquisition and rehabilitation of the Project that are expected to be reimbursed from the proceeds of the Obligations.

Section 5. The Developer shall be responsible for the payment of all present and future costs in connection with the execution and delivery of the Obligations, including, but not limited to, any fees and expenses incurred by the Authority in anticipation of the execution and delivery of the Obligations, the cost of printing any official statement, rating agency costs, bond counsel fees and expenses, underwriting discount and costs, trustee fees and expense, and the costs of printing the Obligations. The payment of the principal, redemption premium, if any, and purchase price of and interest on the Obligations shall be solely the responsibility of the Developer. The Obligations shall not constitute a debt or obligation of the Authority.

Section 6. The appropriate officers or staff of the Authority are hereby authorized, for and in the name of and on behalf of the Authority, to make an application to the California Debt Limit Allocation Committee for an allocation of private activity bonds for the financing of the Project.

Section 7. The adoption of this Resolution shall not obligate (i) the Authority to provide financing to the Developer for the acquisition and rehabilitation of the Project or to execute and deliver the Obligations for purposes of such financing; or (ii) the Authority, of or any department of the Authority or the City of Sacramento to approve any application or request for, or take any other action in connection with, any environmental, General Plan, zoning or any other permit or other action necessary for the acquisition, rehabilitation or operation of the Project.

Section 8. This resolution shall take effect immediately upon its adoption.

RESOLUTION NO. 2013 –

Adopted by the Sacramento City Council

on the date of

WASHINGTON PLAZA APARTMENTS REHABILITATION ("PROJECT"): APPROVAL OF CITY HOME INVESTMENT PARTNERSHIP PROGRAM ("HOME") LOAN COMMITMENT NOT TO EXCEED $2,568,000; APPROVAL OF CITY COMMUNITY DEVELOPMENT BLOCK GRANT LOAN COMMITMENT OF $552,000; EXECUTION OF RELATED LOAN COMMITMENTS AND RELATED DOCUMENTS WITH WASHINGTON PLAZA HOUSING ASSOCIATES, LP, OR RELATED ENTITY; AND RELATED BUDGET AMENDMENTS

BACKGROUND

A. Washington Plaza Housing Associates, LP, ("Developer") is a single-asset tax credit investment partnership formed to finance and rehabilitate the Washington Plaza Senior Apartments. The Developer's managing general partner is Washington Plaza Housing Associates LLC whose members are Sacramento Housing Authority Repositioning Program, Inc. ("SHARP") and an affiliate of BRIDGE Housing Corporation ("BRIDGE"). Developer has applied for an allocation of Three Million One Hundred Twenty Thousand Dollars ($3,120,000) comprised of not more than $2,568,000 of City Home Investment Partnership Program ("HOME") funds and $552,000 of City Community Development Block Grant Multifamily Residential ("CDBG") funds ("Loan Commitment") to provide permanent financing of the 76-unit Washington Plaza senior apartment rehabilitation project ("Washington Plaza" or "Project") at 1318 E Street.

B. SHARP and BRIDGE have entered into a ground lease and purchase option to acquire the Project.

C. The Project qualifies for HOME and CDBG funds under the Sacramento Housing and Redevelopment Agency ("Agency") guidelines.

D. The Developer has also applied for rehabilitation and construction financing in the form of seller financing ("Carryback Loan Commitment") from the Agency on behalf of the Housing Authority of the City of Sacramento ("Housing Authority") in an amount of $5,458,000 as justified by fair market value appraisal.

E. Underwriting analysis of funding needed to comprehensively rehabilitate Washington Plaza for continued service life indicates the need for the gap financing being sought by the Developer.

F. The Agency has considered environmental impacts of the project in accordance with California Environmental Quality Act (CEQA) and has determined that the Project is exempt due to CEQA §15301, where rehabilitation to the existing facility involves no expansion or change to the existing use. Review under the National Environmental Policy Act (NEPA) is currently underway and will be completed prior to any choice limiting action.

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 letter, attached as Exhibit A, for financing the Project with up to $2,568,000 of City HOME funds and $552,000 of CDBG funds is approved, and the Sacramento Housing and Redevelopment Agency (Agency) is delegated authority to execute and transmit the Loan Commitment to the Developer.

Section 3. The Agency is authorized to enter into and execute other documents, as approved to form by Agency Counsel, and perform other actions necessary to fulfill the intent of each loan commitment that accompanies this resolution, in accordance with the terms of each, 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 4. The Agency is authorized to amend the Agency budget and allocate up to $2,568,000 in City HOME funds to the Project.

Section 5. The Agency is authorized to amend the Agency budget and allocate up to $552,000 in City CDBG funds to the Project

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Exhibit A

September 10, 2013

James Shields, President
Sacramento Housing Authority Repositioning Program, Inc. ("SHARP")
801 12th Street, 5th Floor
Sacramento, CA 95814

Ann Silverberg, Senior Vice President
BRIDGE Housing Corporation
345 Spear Street, 7th Floor
San Francisco, CA 94105

RE: Conditional funding commitment, Washington Plaza Senior Apartments, 1318 E Street, Sacramento, CA

Dear Mr. Shields and Ms. Silverberg:

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 $552,000 in City Community Development Block Grant Multifamily ("CDBG") funds and $2,568,000 in City Home Investment Partnership Program ("HOME") funds for the purpose of financing the rehabilitation of that certain real property located at 1318 E Street, 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 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 days prior to close of escrow for the Property.

This commitment will expire on September 1, 2014.

Exhibit A

1. PROJECT DESCRIPTION: The project is the acquisition and comprehensive rehabilitation of the existing, nine-story, 76-unit, Washington Plaza Senior Apartments. One apartment unit will be an unrestricted manager's unit, and the remaining 75 apartments will restricted to seniors earning less than 50 percent of the area median income ("AMI").

2. BORROWER: The name of the Borrower for the Loan is Washington Plaza Housing Associates, LP or a similarly named related entity in which the general partner will initially be a limited liability company comprised of Sacramento Housing Authority Repositioning Program, Inc. ("SHARP") and an affiliate of BRIDGE Housing Corporation.

3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of 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) Three Million One Hundred Twenty Thousand ($3,120,000), 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 unpaid balance of the Loan will be all due and payable at a maturity date of 55 years (660 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 interest at Zero Percent (0%) per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.

7. LOAN REPAYMENT: Monthly installments shall be made according to the structured payment schedule contained in the final Loan Agreement, calculated to achieve 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. Notwithstanding the preceding payment schedule, no payments shall be made on this Loan until the full balance of principal and interest on the seller carryback loan made by the Housing Authority of the City of Sacramento to the Borrower pursuant to a commitment letter dated the same date as this commitment letter is paid in full.

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: a) City Community Development Block Grant Multifamily ("CDBG") funds; and b) City Home Investment Partnership Program ("HOME") 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 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 second lien upon the Property and Improvements subject only to the tax-exempt permanent loan 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: The Agency shall have the right to review all leases of the Property and Improvements 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 $7,600,000 in Low Income Housing Tax Credit Equity.

13. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:

    (a) As a condition precedent to disbursement of the remainder of the Agency loan, construction financing from a private lender(s) in an amount(s) sufficient to complete construction of the Property according to a scope of work as approved by Agency and made for a term not less than that specified in the Schedule of Performances for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.

    (b) Commitments for seller carryback loan financing in an amount equal to appraised value of the improved real property.

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

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

    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 Agency loan documents 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 must submit to Agency and 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 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 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 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") 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.

20. <u>RETENTION AMOUNT</u>: 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. <u>COST BREAKDOWN</u>: 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. <u>COST SAVINGS</u>: 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, net of any increases or decreases in sources of funding, 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 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 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.

27. TITLE INSURANCE: Borrower must procure and deliver to Agency a 2006 ALTA Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and /102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deed of Trust constitutes a second 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. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase 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. RENEWABLE ENERGY REBATES: Borrower represents that, consistent with its installation of photovoltaic generating equipment at the Property, it is applying for rebates

from the appropriate utilities. If rebates are received, Agency may, in its sole discretion, reduce the amount of its Loan by an amount up to the amount of rebates received.

34. RESIDENT SERVICES PLAN: Borrower shall provide Agency with a detailed resident services plan including, but not limited to, the following information: 1) identification of all entities responsible for providing resident 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, including adult educational activities and service coordination; 3) a description of the programs to be offered, and; 4) a proforma resident services budget.

35. 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.

36. 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.

37. 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.

38. 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,

LaShelle Dozier
Executive Director

Exhibit A

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

BORROWER:
Sacramento Housing Authority Repositioning Program, Inc.

By:______________________________
James Shields
President

Dated:___________________________

BRIDGE Housing Corporation

By:______________________________
Ann Silverberg
Senior Vice President

Dated:___________________________

RESOLUTION NO. SHRC-______

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

ON DATE OF

WASHINGTON PLAZA APARTMENTS REHABILITATION ("PROJECT"): APPROVAL OF CITY HOME INVESTMENT PARTNERSHIP PROGRAM ("HOME") LOAN COMMITMENT NOT TO EXCEED $2,568,000; APPROVAL OF CITY COMMUNITY DEVELOPMENT BLOCK GRANT ("CITY CDBG") LOAN COMMITMENT OF $552,000; APPROVAL OF $5,458,000 SELLER CARRYBACK LOAN COMMITMENT; EXECUTION OF RELATED LOAN COMMITMENTS AND RELATED DOCUMENTS WITH SHARP/BRIDGE HOUSING JOINT VENTURE, LLC, OR RELATED ENTITY; AND RELATED BUDGET AMENDMENTS

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

WHEREAS, the Housing Authority of the City of Sacramento ("Housing Authority") adopted Resolution No. 2009-003 on March 10, 2009 which authorized an application to the United States Department of Housing and Urban Development ("HUD") for disposition of Washington Plaza Apartments ("Washington Plaza") at 1318 E Street, Sacramento;

WHEREAS, said resolution also authorized the transfer of ownership of Washington Plaza to an instrumentality of the Housing Authority for ultimate further transfer to an entity that can benefit from the use of low-income housing tax credits to accomplish the necessary renovations to Sutterview;

WHEREAS, HUD approved the disposition of Washington Plaza on October 8, 2009 and the instrumentality, the Sacramento Housing Authority Repositioning Program, Inc., ("SHARP");

WHEREAS, SHARP and BRIDGE Housing Corporation ("BRIDGE") have created Washington Plaza Housing Associates, LLC, as the managing general partner of Washington Plaza Housing Associates, LP, the tax credit investment partnership (together as "Developer") to apply for to the California Tax Allocation Committee for tax credits;

WHEREAS, the Housing Authority entered into a ground lease and improvements purchase option with SHARP and BRIDGE in March 2013;

WHEREAS, the Developer plans a comprehensive rehabilitation project of Washington Plaza Apartments that would be funded with tax credit equity, mortgage revenue bond proceeds, gap financing and a seller carryback note, with total fund sources equaling approximately $21 million;

WHEREAS, Washington Plaza Apartments will continue to be occupied during comprehensive rehabilitation, but will require temporary relocation of tenants to facilitate the Project;

WHEREAS, a Relocation Plan to guide temporary relocations during the construction period has been prepared to comply with applicable sections of the Uniform Relocation Act;

WHEREAS, an allocation of $14,000,000 in mortgage revenue bond ("MRB") proceeds to assist in funding rehabilitation and permanent financing for Washington Plaza is sought by the Developer;

WHEREAS, the Developer has also applied for permanent gap financing not to exceed $3.12 million, comprised of City Home Investment Partnership Program ("HOME") funds not to exceed $2.568 million, as well as City Community Development Block Grant Multifamily Residential ("CDBG") funds of $552,000 for Washington Plaza ("HOME/CDBG Loan Commitment");

WHEREAS, the rehabilitation and permanent financing requested by the Developer includes seller financing ("Carryback Loan Commitment") from the Sacramento Housing and Redevelopment Agency ("Agency") on behalf of the Housing Authority in an amount of $5,458,000 as justified by fair market appraisal;

WHEREAS, the requested funding has determined to be justified by underwriting analysis of Project costs and revenues and insufficient amounts of financing likely to be available from private equity and debt sources;

WHEREAS, the actions contemplated by this resolution are exempt from the California Environmental Quality Act (CEQA) pursuant CEQA Guidelines Section 15301 where rehabilitation to the existing facility involves no expansion or change to the existing use. Review under the National Environmental Policy Act (NEPA) is currently underway and will be completed prior to any choice limiting action.

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

Section 1. All of the evidence having been duly considered, the findings, including the environmental findings, as stated above, are approved.

Section 2. The construction period temporary Relocation Plan attached as Exhibit A is approved.

Section 3. Subject to approval by the City Council of the requested MRB issuance and HOME/CDBG funding, the Loan Commitment attached as Exhibit B and incorporated in this resolution by this reference for the financing of the Washington Plaza project is approved and the Executive Director is authorized to execute the Loan Commitment and related documents and transmit to the Developer or related entity.

Section 4: Subject to approval of the HOME/CDBG loan request by the City Council, the Executive Director is authorized to amend the Agency budget to transfer $2,568,000 from City HOME funds and $552,000 of CDBG funds to the Project.

Section 5 Subject to approval of the Carryback Loan Commitment for $5,458,000, attached as Exhibit C, by the Housing Authority Board, the Carryback Loan Commitment is approved and the Executive Director is authorized to execute and transmit the Carryback Loan Commitment to the Developer or related entity.

Section 6. Subject to approval of the HOME/CDBG loan request by the City Council, the Executive Director, or her designee, 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 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 7. The Agency is authorized to amend the Agency budget to receive and allocate payments to the Housing Authority of the City of Sacramento for use in a manner consistent with the United States Department of Housing and Urban Development Disposition Approval dated October 8, 2009.

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CHAIR

ATTEST:

____
CLERK

A U T O

T E M P

Washington Plaza Apartments
1318 E Street
Sacramento, CA 95814

RELOCATION PLAN

Prepared for
Washington Plaza Housing Associates, LP
345 Spear Street, Suite 700
San Francisco, CA 94105

by

Autotemp
373 4th Street Suite 2A
Oakland, CA 94607

August 2013

INTRODUCTION

Sacramento Housing and Redevelopment Agency (SHRA) was created under a Joint Powers Agency agreement on April 20, 1982 by the Sacramento City Council and Sacramento County Board of Supervisors. SHRA uses a variety of financing tools to expand housing opportunities by rehabilitating and preserving properties and through construction of new for-sale and rental housing.

On behalf of the Housing Authority of the City of Sacramento (Housing Authorty), SHRA submitted to the U.S. Department of Housing and Urban Development ("HUD"), a Disposition Application for the transfer of Housing Authority property known as Washington Plaza Senior Apartments (the Project) to a new Low Income Housing Tax Credit partnership that will include a Housing Authority affiliate, known as Sacramento Housing Authority Repositioning Program, Inc. (SHARP), in the Project's new ownership structure. HUD can approve transfers of public housing property to an affiliate to develop or redevelop public housing with a mix of financing resources that housing authorities cannot typically utilize.

The Disposition Application was approved by HUD in October 2009 and SHRA subsequently submitted an application to HUD for Section 8 Project-based Vouchers, which was approved in 2010, so the entire Project has operated under Section 8 project-based voucher program contract since mid-2010. In July 2010, the property improvements were transferred by ground-lease to SHARP, with the Housing Authority retaining title to the underlying real estate.

The disposition provides SHRA with the opportunity to restore and enhance the physical condition of the Project for the benefit of its residents and the community. Residents will not be required to move permanently pursuant to the rehabilitation of Washington Plaza, but they will experience temporary relocation during the construction period.

The new tax credit partnership, Washington Plaza Housing Associates, LP, that will own the Project will allow for a Four Percent (4%) Low Income Housing Tax Credit investment by a Limited Partner, to be determined, that will allow the property to be acquired and rehabilitated. The development entity will be an LLC that will be comprised, during the rehabilitation period, of two members. Winfield Hill, Inc., a nonprofit affiliate of BRIDGE Housing Corporation, will be the managing member of the LLC. SHARP, the nonprofit affiliate of SHRA, will be the other member

(Developer). BRIDGE Housing Corporation (BRIDGE), is a non-profit, public benefit corporation, headquartered in San Francisco, which develops and manages affordable, high-quality homes for working families and seniors.

Washington Plaza Housing Associates, LP (the "Developer") proposes to acquire, and undertake an extensive rehabilitation of Washington Plaza Apartments, with the Housing Authority continuing to hold title to the underlying real estate while granting ground-lease rights to the Developer.

The Project

The Project consists of 76 one-bedroom apartments within a nine-floor mid-rise building. The apartments are designated for very-low income seniors.. Located at 1318 E Street in Sacramento, the apartments generally have a low vacancy rate. The property currently offers laundry facilities and a community room with a kitchen.

The Developer proposes the comprehensive rehabilitation of the existing residential structure pursuant to a physical needs assessment. The rehabilitation will meet applicable code requirements for expected useful life replacements; envelope repairs; structural and seismic upgrades; remediation of hazardous materials; renewal of mechanical, electrical and plumbing systems; and life-safety repairs. The scope of rehabilitation includes upgrades to common areas and unit interiors, and "greening" of building systems as required by funding sources. The objective is to extend the service life of the building for a minimum of twenty years. As a result of the Project, all of the current households will be temporarily displaced, to allow rehabilitation to occur in an orderly and safe manner. Upon completion, 75 of the units will house very-low income seniors, and one unit will house a resident manager for the property.

The dwelling units which are the subject of this Relocation Program are located in the City and County of Sacramento. The subject property is located north of Sacramento's business core and the State Capitol in the historic Alkali Flat neighborhood, which is comprised of commercial and residential uses, with nearby parks and schools. For the regional and site-specific locations, the subject property is shown on the 'Project Site Maps' (**Attachment 1**).

The project will comply with all General Plan guidelines and zoning requirements of the City and be compatible with adjacent land uses. There is no foreseen negative impact on the surrounding neighborhood.

Prospective funding sources are conventional financing; 4% low income housing tax credits (LIHTC) and Bond Financing (CDLAC), AHP, Community Development Block Grant (CDBG) and HOME funding, with all current funding sources being carried over.

As a result of the Project, all of the current households will be temporarily displaced, to allow rehabilitation to occur in an orderly and safe manner.

Autotemp, an experienced acquisition and relocation firm, has been selected to prepare this Relocation Plan ('Plan') and will provide all subsequently required relocation assistance. In compliance with statutory requirements, the Plan has been prepared to evaluate the present circumstances and replacement housing requirements of the current Project occupants. The Developer will provide all subsequently required relocation assistance to the households which will be temporarily displaced.

Pursuant to Federal regulations governing the disposition of public housing projects (24 CFR 970), the Uniform Relocation Act does not apply to the disposition of public housing units. However, in accordance with Section 18 of the United States Housing Act (42 USC 1437p), and its implementing regulations (24 CFR 970.21), SHRA must offer each household displaced "comparable housing". Such comparable housing may include, if available, tenant-based assistance such as a Housing Choice Voucher, project-based assistance or occupancy in a unit operated or assisted by a public housing authority at a rental rate paid by the household that is comparable to the rental rate applicable to the unit which the household presently occupies. Those residents who are required to move are also entitled to payment of actual and reasonable relocation expenses and are eligible to receive advisory services.

This Plan sets forth policies and procedures which would be necessary to conform to statutes and regulations established by the Federal Uniform Relocation Act (46 U.S.C. § 4600 et seq.), its implementing regulations (49 C.F.R.) Part 24); and, the California Relocation Assistance Law, California Government Code Section 7260 et seq (the "CRAL") and the California Relocation Assistance and Real Property

Acquisition Guidelines, Title 25, California Code of Regulations, Chapter 6, Section 6000 et seq. (the "Guidelines") for residential displacements, and the funding agencies' own rules and regulations.

In should be noted that, with certain narrow exceptions, Federal funds cannot be used for any "displaced person" who is an alien not lawfully present in the United States.

RELOCATION PLAN

This Relocation Plan has been prepared in accordance with the provisions of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (the 'Uniform Act');); and, the California Relocation Assistance Law, California Government Code Section 7260 et seq (the "CRAL") and the California Relocation Assistance and Real Property Acquisition Guidelines, Title 25, California Code of Regulations, Chapter 6, Section 6000 et seq. (the "Guidelines") for residential displacements, along with the funding agencies' own rules and regulations.

No displacement activities will take place prior to the required reviews and approval of this Plan. In order to attain its overall development goals for the Project, it is the Developer's intention to provide a fair and equitable relocation program for all eligible Project displacees.

A. General Demographic and Housing Characteristics

To obtain information necessary for the implementation of the Plan, interviews will be conducted with the current tenants on the Project site. Inquiries made of the occupants will include primary language in the home, disabilities and health problems, and preferences related to temporary replacement housing and location.

All information of a statistical nature supplied by property management was purely anecdotal in nature and not validated by documentary evidence such as will otherwise be required to comply with relocation qualifying criteria.

The standard housing density utilized provides for two (2) persons per bedroom and one person in a common living area for tenant occupied units, although this can be adjusted to include two persons in the common living area. There is currently no over-crowding, with only one senior resident per unit.

Relocation activities will consider individual household needs to be close to public transportation, employment, schools, public/social services and agencies, recreational services, parks, community centers, or shopping. Special considerations will need to be taken in light of the senior classification of the households. In addition, health needs, which will require special consideration for accessibility, and perhaps proximity to medical facilities, will be identified. The interviews will be performed by relocation staff and confidentiality will be maintained.

Relocation Assistance information and assistance will be provided in the primary language of the displaced occupants, in order to assure that all displaced occupants obtain a complete understanding of the relocation plan and eligible benefits.

B. RELOCATION HOUSING NEEDS

The rehabilitation is scheduled to be completed in multiple phases, in groups of 25 to 30 households at a time. Households will be temporarily displaced off-site, for approximately two months and then returned to the newly rehabilitated unit at Washington Plaza Apartments. No household will be moved off-site for a period greater than one year.

C. REPLACEMENT HOUSING RESOURCES

A resource survey will be conducted prior to any mandatory displacement to identify available comparable, decent, safe and sanitary units; that are adequate in size, and contain the required number of bedrooms for each household in the downtown Sacramento area. Referrals will be made to "open-market" housing. For the purposes of this Plan, a survey of the nearby area found availability of sufficient housing to accommodate prospectively temporarily displaced households.

These potential replacement housing resources include both extended stay and corporate housing. Both offer fully-furnished units and offer full amenities including kitchens and utilities, thus avoiding the need to provide a meal allowance per-diem.

The survey found two extended stay facilities within a five mile radius along with numerous corporate housing apartments. Besides their proximity, these facilities also offer access to regional transit and para-transit operators within varying proximities.

D. CONCURRENT RESIDENTIAL DISPLACEMENT

Based on the needs of the Project, there may be concurrent displacement by the Developer, which will not impact upon the ability to relocate the Project occupants, based upon the findings of the housing resource study. The Developer will be rehabilitating potentially two other complexes at the same time, with similar demands. The resource study identified sufficient temporary housing to accommodate all three projects, if necessary.

E. TEMPORARY HOUSING

There is no anticipated need for temporary housing beyond what is outlined in this Plan. Should such a need arise, the Developer will respond appropriately and in conformance with all applicable laws and requirements.

F. PROGRAM ASSURANCES AND STANDARDS

There shall be adequate funds budgeted to relocate all temporarily displaced households. All displacement and re-housing services will be provided to ensure that displacement does not result in different, or separate treatment of households based on race, nationality, color, religion, national origin, sex, marital status, familial status, disability or any other basis protected by the federal Fair Housing Amendments Act, the Americans with Disabilities Act, Title VI of the Civil Rights Act of 1964, Title VII of the Civil Rights Act of 1964, Title VIII of the Civil Rights Act of 1968, the California Fair Employment & Housing Act, and the Unruh Act, as well as any otherwise arbitrary, or unlawful discrimination.

All households will receive a Notice of Non-Displacement/General Information Notice (see Attachment 2) and will receive a minimum of a 90 day notice prior to their need to move, followed by a 30 day notice and a seven day notice, for those households being temporally displaced. See Attachment 3 for sample notices. Upon completion of the rehabilitated housing, no household will be economically displaced, with rents remaining unchanged due to the rehabilitation.

G. RELOCATION ASSISTANCE PROGRAM

Autotemp staff is available to assist the temporarily displaced tenants with questions regarding relocation and/or assistance in relocating. Relocation staff can be contacted **Toll-free** at **888.202.9195** from 8:30 a.m. to 6:00 p.m., Monday through Friday and also available on-site by appointment. The Relocation Office is located at **373 4th Street, Suite 2A, Oakland, CA 94607**.

A comprehensive relocation assistance program, with technical and advisory assistance, will be provided to the households being displaced. Close contact will be maintained with each household. Specific activities will:

1. Fully inform eligible project occupants of the nature of, and procedures for, obtaining relocation assistance.

2. Determine the needs of each residential displacee eligible for assistance;

3. Provide assistance that does not result in different or separate treatment due to race, color, religion, national origin, sex, sexual orientation, marital status or other arbitrary circumstances;

4. Assist each eligible person to complete applications for benefits.

5. Make relocation benefit payments in accordance with the Guidelines, where applicable;

6. Inform all persons subject to displacement of the Developer's policies with regard to eviction and property management; and,

7. Establish and maintain a formal grievance procedure for use by displaced persons seeking administrative review of the Developer's decisions with respect to relocation assistance.

On-going meetings with residents, including one-on-one meetings between the residents and relocation staff, will be necessary to relocate residents with a minimum of disruption. The relocation staff will be available to offer advisory service and assistance, including providing transportation to view prospective replacement homes, as necessary.

H. CITIZEN PARTICIPATION

The Developer will ensure the following:

1. Resident meeting will be held to promote education and understanding of the relocation program;
2. Full and timely access to documents relevant to the relocation program;
3. Provision of technical assistance necessary to interpret elements of the relocation program and other pertinent materials;
4. The Plan will be reviewed to ensure that it is feasible and complies with locally-adopted rules and regulations governing relocation.

I. RELOCATION BENEFIT CATEGORIES

Benefits will be provided in accordance with URA, the CRAL, the Guidelines, and all other applicable regulations and requirements. Benefits will be paid upon submission of required claim forms and documentation in accordance with approved procedures. The Developer will provide appropriate benefits for any eligible household as required by the above laws and requirements.

Specific eligibility requirements and benefit plans will be detailed on an individual basis with all displaced households. In the course of personal interviews and follow-up visits, each displaced household will be counseled as to available options and the consequences of any choice with respect to financial assistance.

Residential Moving Expense Payments

Any and all temporarily displaced households will be eligible to receive a payment for moving expenses. The payment will be made based upon an invoice for actual reasonable moving expenses from a licensed professional mover and paid directly to the vendor.

Moving expenses will be based on **Actual Reasonable Moving Expense Payments** – The displaced tenants will receive the services of a licensed, professional mover to perform the move; the Developer will pay for the actual cost of the move as follows. The payment will be made directly to the mover or as reimbursement to the displaced tenant, and may include:

(a) Transportation of the displaced person and personal property. Transportation costs for a distance beyond 50 miles are not eligible, unless the Developer determines that relocation beyond 50 miles is justified.

(b) Packing, crating, unpacking, and uncrating of the personal property.

(c) Disconnecting, dismantling, removing, reassembling, and reinstalling relocated household appliances and other personal property.

(d) Storage of the personal property for a period not to exceed 12 months, unless the Developer determines that a longer period is necessary.

(e) Insurance for the replacement value of the property in connection with the move and necessary storage.

(f) The replacement value of property lost, stolen, or damaged in the process of moving (not through the fault or negligence of the displaced person, his or her agent, or employee) where insurance covering such loss, theft, or damage is not reasonably available.

(g) Other moving-related expenses that are *not* listed as ineligible under § 24.301(h), as the Developer determines to be reasonable and necessary.

Temporary Relocation

Those households which need to be moved temporarily *off-site* for rehabilitation activities will be offered residential moving payments as outlined above. During their temporary move, housing costs, for eligible households, will be limited to their current rent plus utilities.

The Developer will pay any *increased* costs for housing, for eligible households, directly to the pre-arranged, temporary landlord. If a household does not return to Washington Plaza Apartments upon notification of an available unit, any rental or relocation assistance will be terminated.

These potential replacement housing resources offer full amenities including kitchens and utilities, thus avoiding the need to provide a meal allowance per-diem. If the replacement housing does not include cooking facilities, a meal allowance will be provided.

Eligible households, subject to the Developer's approval, wishing to move temporarily from the project for the duration of their displacement, to housing *not* identified by the Developer (such as with family and/or friends) will be reimbursed, pursuant to a pre-determined schedule, for rental assistance to accommodate their household's reasonable preferences.

Due to the temporary nature of the move, accommodations will also be made for storage of personal property, as *necessary.*

HOUSING CHOICE VOUCHERS

Residents of the project for more than one year have the ability to convert their project based voucher to a HCV, if available. If the resident wishes to do so, a relocation representative will be available to answer questions, in regard to the household's housing options and if desired, assistance in relocating.

Generally, the HCV Program is limited to families earning 50% of Area Median Income (AMI), adjusted by household size, as compared to an income-limit of 80% of AMI for the Public Housing Program. However, because the households are considered "continuing participants" under HUD regulations, all eligible families in good standing can request a HCV.

On-going rental assistance will be provided pursuant to the provisions of the Section 8 program. The Section 8 program provides for a household to pay thirty percent (30%) of the household's adjusted income – with some program-specific exceptions – for their monthly housing rental costs.

Section 8 program Payment Standards are set by the Housing Authority, based on the Fair Market Rents issued by HUD. They're updated annually. A Payment Standard is the maximum allowable monthly assistance payment in the Housing Authority's jurisdiction for an assisted household's (1) contract rent and (2) those essential utilities for which the tenant is responsible, including a stove or refrigerator provided by the family.

Payment Standards are used to determine how much of the rent is paid by the Housing Authority and how much by the household. Payment Standards do NOT determine or limit the rent a landlord may charge.

J. PAYMENT OF RELOCATION BENEFITS

Claims and supporting documentation for relocation benefits must be filed with the Developer within eighteen (18) months *from*:

- The date the claimant moves from the acquired property; ***or,***
- The date on which final payment for the acquisition of real property is made, *whichever is later*.

The procedure for the preparation and filing of claims and the processing and delivery of payments will be as follows:

1. Claimant(s) will provide all necessary documentation to substantiate eligibility for assistance.

2. Assistance amounts will be determined in accordance with the provisions of Relocation Law and guidelines, as may be applicable.

3. Required claim forms will be prepared by relocation personnel in conjunction with claimant(s). Signed claims and supporting documentation will be submitted by relocation personnel to the Developer.

4. The Developer will review, and approve claims for payment, or request additional information.

5. The Developer will issue benefit checks which will be delivered to the household or the vendor, unless circumstances dictate otherwise.

6. Final payments will be issued after confirmation that the Project area premises have been completely vacated, and actual residency at the replacement unit is verified.

7. Receipts of payment will be obtained and maintained in the relocation case file.

No household will be displaced until "comparable" housing is located as defined above. Relocation staff will inspect any replacement units to which referrals are made to verify that they meet all the standards of decent, safe, and sanitary as defined in Section 24.2 (a) (8) of the Uniform Act.

No household will be entitled to a rental assistance or replacement housing payment if it chooses to move to a replacement unit which does not meet the standards of decent, safe, and sanitary housing.

K. RELOCATION TAX CONSEQUENCES

In *general*, relocation payments are *not* considered income for the purpose of the Internal Revenue Code of 1986, or the Personal Income Tax Law, Part 10, of the Revenue and Taxation Code. The above statement on tax consequences ***is not*** intended to be provision of tax advice by the Developer, their Agents, Consultants or, Assigns. Displacees are encouraged to consult with their own, independent tax advisors concerning the tax consequences of relocation payments.

L. APPEALS POLICY

The appeals policy will follow the standards described in Section 6150 et seq. of the Guidelines. Briefly stated, the displaced tenants will have the right to ask for review when there is a complaint regarding any of their rights to relocation and relocation assistance, such as a determination as to eligibility, the amount of payment, or the failure to provide a comparable replacement housing referral.

M. EVICTION POLICY

Eviction by the Developer is permissible only as a last alternative. With the exception of persons considered to be in unlawful occupancy, a displaced person's eviction does not affect eligibility for relocation assistance and benefits. Relocation records must be documented to reflect the specific circumstances surrounding the eviction.

Eviction may be undertaken only for one or more of the following reasons:

1. Failure to pay rent, except in those cases where the failure to pay is due to the Lessor's failure to keep the premises in habitable condition; is the result of harassment or retaliatory action; or, is the result of discontinuation or substantial interruption of services;
2. Performance of a dangerous, and/or illegal act in the unit by tenant, tenant's guest(s) and/or invitee(s) or any combination thereof;
3. A material breach of the rental agreement and failure to correct breach within 30 days of notice;
4. Maintenance of a nuisance, and failure to abate within a reasonable time following notice;
5. Refusal to accept one of a reasonable number of offers of replacement dwellings;
6. A requirement under State, or local law or emergency circumstances that cannot be prevented by reasonable efforts on the part of the public entity.

N. PROJECTED DATES OF DISPLACEMENT

Displaced households will receive a minimum of a Ninety (90)-day Notice-to-Vacate. Rehabilitation is anticipated to begin in December of 2013, with temporary relocation beginning in January 2014. This notice is expected to be issued on or about October 01, 2013 for those households being temporarily displaced in the first phase, and will be issued in advance for subsequent phases.

Prior to moving, all temporarily displaced households will enter into a Memorandum of Understanding with the Developer, discussing each party's responsibilities during the move.

O. ESTIMATED RELOCATION COSTS

The Developer pledges to appropriate the necessary funds, on a timely basis, to ensure the successful completion of the project. Any and all required financial assistance will be provided.

The anticipated budget for relocation benefits including implementation services and oversight is as follows:

Temporary Relocation- 76 Households

Temporary Housing $ 385,000.00

(Approximately $85 a night including hotel and sales taxes, if applicable, (approximately 20 percent of nightly bill) for an extended stay unit or comparable rental within a short distance of the existing housing units)

Moving Assistance $ 185,000.00

($2,434 per household for (a) packing of belongings (b) moving services to a storage unit and temporary residence; (c) two months of secure off-site storage; (d) moving services back to the unit; (e) unpacking all belongings (f) removal and disposal of packing debris; (g) insurance for replacement value of items; (h) taxes on all retail services in this moving assistance scope of work)

Reasonable Accommodations $ 15,000.00

(Additional requirements for those residents who may have health or other issues that require reasonable accommodations beyond the standard per-resident scope of work and budget)

Relocation Services $ 60,000.00

(Consulting fee to Autotemp for more than one year of resident counseling, coordination of all relocation services; compliance with all applicable laws)

Contingency $ 17,000.00

Total $ 662,000.00

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TABLE OF ATTACHMENTS

Attachment 1: Project Site Maps

Attachment 2: Notice of Non-Displacement/General Information Notice

Attachment 3: Sample Notices

ATTACHMENT 1:
PROJECT SITE MAPS

Figure 1. Regional Site Location

Figure 2. Site-specific Location

Figure 3. Overhead View

ATTACHMENT 2:
Notice of Non-Displacement

Notice of Non-Displacement Residential Occupant

Date:

_________________ and All Other Occupants
1318 E Street Apt ________
Sacramento, CA 95814

Dear Washington Plaza Apartments Resident:

Your landlord works hard to provide a comfortable living environment for all of its residents. To that end, we are in the preliminary stages of evaluating feasibility, scope, and funding options for the renovation of Washington Plaza Apartments. At this time, there is not a concrete proposal or timeline for work that may be completed.

> **The purpose of this notice is to inform you that you will not be permanently displaced in connection with the proposed project.**

However if we are able to proceed with the rehabilitation plans, you may be required to move temporarily so that the rehabilitation can be completed. If you must move temporarily, suitable housing will be made available to you, including moving costs and any increase in housing costs and you will be reimbursed for all reasonable out of pocket expenses. We have retained the professional firm of Autotemp to assist in the planning and logistics of any temporary relocation that may be required if/when rehabilitation is undertaken.

Again, this is not a notice to vacate the premises or a notice of relocation eligibility. You should continue to pay your monthly rent to your landlord because a failure to pay rent and meet your other obligations as a tenant may be cause for eviction and loss of relocation assistance. You are urged not to temporarily vacate or to move before receiving formal written notice. If you move or if you are evicted before receiving such notice, you may not be eligible to receive any assistance.

If we proceed with the rehabilitation and temporary relocation becomes necessary, Autotemp will contact you directly with more information about the proposed project. In the meantime, should you have any questions about this or any other relocation issues please contact XXXXXXX by phone at XXXXXXXX.

Sincerely,

Attachment 3: Sample Notices

90 Day Notice

<<HEAD-OF-HOUSEHOLD>> and All Other Occupants
<<MAILING ADDRESS>>
<<CITY, STATE ZIP>>

Re: Rehabilitation

Dear <insert name> :

Previously you received a General Information Notice and Notice of Non-Displacement from Washington Plaza Apartments regarding the forthcoming rehabilitation.

The rehabilitation includes extensive interior work, which will require you to vacate your current unit for approxiamtely two months. As a temporary displacee, you are entitled to remain on the project site after the completion of the rehabilitation. We realize that the rehabilitation and any move, even for a short duration, may be an inconvenience. Hopefully you will find the prospect of your newly rehabilitated home as exciting as we do.

The important points are:
1. Your home will be rehabilitated.
2. You only pay your normal rent payment.
3. Temporary housing will be provided at no additional cost to you.
4. Your household furniture and goods will be moved by professional movers at no cost to you.

Notice is hereby given that Washington Plaza Apartments elects to temporarily terminate your tenancy and you are hereby to quit and deliver up possession of the property you occupy on or before XXXXXXXXX. If you do not vacate the premises by that date, Washington Plaza Apartments will initiate legal proceedings to recover possession of the premises, along with rents and damages.

Washington Plaza Apartments has contracted with Autotemp, an experienced relocation company, to assist in the planning for your **temporary relocation** and MidPen will secure temporary housing for you during this period at no additional cost to you. In November, XXXXXXX of Autotemp, will be meeting with you to discuss your temporary move and the options available, along with completing a Memorandum of Understanding (MOU).

Also, during this 90 Day period, assistance will be provided in planning and moving to your temporary replacement unit along with the processing of relocation benefit claim forms, if applicable, to help facilitate your relocation. You will receive the services of a professional mover at no cost to you. You will pay no more than your current rent during this temporary displacement. Please call XXXXXX of **Autotemp at (888) 202.9195 extension X**, if you have any questions regarding this notice or the relocation process.

Draft 30 Day Notice

<<HEAD-OF-HOUSEHOLD>> and All Other Occupants
<<MAILING ADDRESS>>
<<CITY, STATE ZIP>>

Re: 30 Day Notice to Vacate

Dear <insert name> :

Previously you received a 90 Day Notice from Washington Plaza Apartments regarding the forthcoming rehabilitation.

The rehabilitation includes extensive interior work, which will require you to vacate your current unit for approximately two months. After the temporary move, you will be returned to your home. We realize that the rehabilitation and any move, even for a short duration, may be an inconvenience. Hopefully you will find the prospect of your newly rehabilitated home as exciting as we do.

The important points are:
1. Your home will be rehabilitated.
2. You only pay your normal rent payment.
3. Temporary housing will be provided at no additional cost to you.
4. Your household furniture and goods will be moved by professional movers at no cost to you.

Your temporary accomodations are located at ______________________________.

As we approach the commencement of the work, you will receive a 7 Day Notice to Vacate, confirming the day of your move. Your move is <u>tentatively</u> scheduled for ____________________.

Assistance will be provided in planning and moving to your temporary replacement unit along with the processing of relocation benefit claim forms to help facilitate your relocation. You will receive the services of a professional mover at no cost to you. You will pay no more than your current rent during this temporary move. Please call XXXXXXXX of **Autotemp at (888) 202.9195 extension XX**, if you have any questions regarding this notice or the relocation process. Your service provider and Autotemp will continue to work together to minimize your inconvenience during the temporary move. We greatly appreciate your support during this process.

Draft 7 Day Notice

<<HEAD-OF-HOUSEHOLD>> and All Other Occupants
<<MAILING ADDRESS>>
<<CITY, STATE ZIP>>

Re: 7 Day Notice to Vacate

Dear <insert name> :

Pursuant to the 30 Day Notice to Vacate that you previously received, we are giving you a 7 Day Notice to Vacate to confirm the date for your temporary move during the renovation of your apartment at Washington Plaza Apartments. Your move to your temporary unit is scheduled for **XXXXXXXXXX at X:00 a.m**. As a reminder, according to the Memorandum of Understanding you signed, the movers will arrive **on Tuesday XXXXXXXX, 2013** to assess your packing needs and deliver boxes for belongings going to the temporary unit. **On Wednesday XXXXX, 2013 Movers will pre-pack your home.**

Your temporary housing will be located at ______________________. **The phone number is ______________.**

As reviewed in the MOU a limited amount of your belongings will be moved to your temporary home. The remainder will be packed and placed in storage as needed.

Please continue to coordinate your move with XXXXXXXXXXXXXXX. XXXXXXXXXXX can be contacted at 888.202.9195 ext. X.

Exhibit B

September 10, 2013

James Shields, President
Sacramento Housing Authority Repositioning Program, Inc. ("SHARP")
801 12th Street, 5th Floor
Sacramento, CA 95814

Ann Silverberg, Senior Vice President
BRIDGE Housing Corporation
345 Spear Street, 7th Floor
San Francisco, CA 94105

RE: Conditional funding commitment, Washington Plaza Senior Apartments, 1318 E Street, Sacramento, CA

Dear Mr. Shields and Ms. Silverberg:

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 $552,000 in City Community Development Block Grant Multifamily ("CDBG") funds and $2,568,000 in City Home Investment Partnership Program ("HOME") funds for the purpose of financing the rehabilitation of that certain real property located at 1318 E Street, 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 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 days prior to close of escrow for the Property.

This commitment will expire on September 1, 2014.

Exhibit B

1. PROJECT DESCRIPTION: The project is the acquisition and comprehensive rehabilitation of the existing, nine-story, 76-unit, Washington Plaza Senior Apartments. One apartment unit will be an unrestricted manager's unit, and the remaining 75 apartments will restricted to seniors earning less than 50 percent of the area median income ("AMI").

2. BORROWER: The name of the Borrower for the Loan is Washington Plaza Housing Associates, LP or a similarly named related entity in which the general partner will initially be a limited liability company comprised of Sacramento Housing Authority Repositioning Program, Inc. ("SHARP") and an affiliate of BRIDGE Housing Corporation.

3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of 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) Three Million One Hundred Twenty Thousand ($3,120,000), 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 unpaid balance of the Loan will be all due and payable at a maturity date of 55 years (660 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 interest at Zero Percent (0%) per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.

7. LOAN REPAYMENT: Monthly installments shall be made according to the structured payment schedule contained in the final Loan Agreement, calculated to achieve 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. Notwithstanding the preceding payment schedule, no payments shall be made on this Loan until the full balance of principal and interest on the seller carryback loan made by the Housing Authority of the City of Sacramento to the Borrower pursuant to a commitment letter dated the same date as this commitment letter is paid in full.

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: a) City Community Development Block Grant Multifamily ("CDBG") funds; and b) City Home Investment Partnership Program ("HOME") 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 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 second lien upon the Property and Improvements subject only to the tax-exempt permanent loan 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. <u>LEASE AND RENTAL SCHEDULE</u>: The Agency shall have the right to review all leases of the Property and Improvements 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. <u>PROOF OF EQUITY</u>: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than $7,600,000 in Low Income Housing Tax Credit Equity.

13. <u>OTHER FINANCING</u>: 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 seller carryback loan financing in an amount equal to appraised value of the improved real property.

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

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

    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 Agency loan documents or other agreements.

14. <u>EVIDENCE OF FUNDS:</u> 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. <u>SOILS AND TOXIC REPORTS</u>: Borrower must submit to Agency and 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. <u>LOAN IN BALANCE</u>: 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 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. <u>PLANS AND SPECIFICATIONS</u>: 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 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. <u>ARCHITECTURAL AGREEMENT</u>: 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. <u>CONSTRUCTION CONTRACT</u>: 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.

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, net of any increases or decreases in sources of funding, 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. <u>START OF CONSTRUCTION</u>: 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. <u>COMPLETION OF CONSTRUCTION</u>: Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing.

25. <u>HAZARD INSURANCE</u>: Borrower shall procure and maintain fire and extended coverage 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. <u>PUBLIC LIABILITY AND OTHER INSURANCE</u>: 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.

27. <u>TITLE INSURANCE</u>: Borrower must procure and deliver to Agency a 2006 ALTA Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and /102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deed of Trust constitutes a second 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. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase 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. RENEWABLE ENERGY REBATES: Borrower represents that, consistent with its installation of photovoltaic generating equipment at the Property, it is applying for rebates

from the appropriate utilities. If rebates are received, Agency may, in its sole discretion, reduce the amount of its Loan by an amount up to the amount of rebates received.

34. RESIDENT SERVICES PLAN: Borrower shall provide Agency with a detailed resident services plan including, but not limited to, the following information: 1) identification of all entities responsible for providing resident 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, including adult educational activities and service coordination; 3) a description of the programs to be offered, and; 4) a proforma resident services budget.

35. 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.

36. 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.

37. 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.

38. 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,

LaShelle Dozier
Executive Director

Exhibit B

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

BORROWER:
Sacramento Housing Authority Repositioning Program, Inc.

By:____________________________
James Shields
President

Dated:__________________________

BRIDGE Housing Corporation

By:____________________________
Ann Silverberg
Senior Vice President

Dated:__________________________

Exhibit C

September 10, 2013

James Shields, President
Sacramento Housing Authority Repositioning Program, Inc. ("SHARP")
801 12th Street, 5th Floor
Sacramento, CA 95814

Ann Silverberg, Senior Vice President
BRIDGE Housing Corporation
345 Spear Street, 7th Floor
San Francisco, CA 94105

Re: Conditional Seller Carryback Funding Commitment
Washington Plaza Senior Apartments, 1318 E Street, Sacramento, CA

Dear Mr. Shields and Ms. Silverberg:

On behalf of the Housing Authority of the City of Sacramento ("Agency"), we are pleased to advise you of its commitment in the amount of $5,548,000 in the form of a seller carry-back loan ("Loan") for the purpose of financing the acquisition of improvements located at 1318 E Street in Sacramento, California ("Property") commonly known as Washington Plaza Senior Apartments. The Agency's decision is based on your application and all representations and information supplied by you in relation to it. If these representations and information change in a material manner without written approval of Agency, this commitment is void. Agency's obligation to make the Loan is subject to the satisfaction of all the following terms and conditions and Borrower's execution of documentation in a form and substance satisfactory to the Agency.

The Loan shall be made on standard Agency loan documents. No material loan terms other than those 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 Housing Authority Resolution 2009-003 approved on March 10, 2009. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan documents shall be deemed to be terms of this commitment.

Unless otherwise agreed in writing by the Agency in exercise of its absolute discretion, the following shall be considered conditions to Agency approval of its financing commitment. The Agency may, in exercise of its absolute discretion, modify its requirements upon written notice to Borrower given at least sixty days prior to close of escrow for the Property. This commitment will expire on September 1, 2014.

1. PROJECT DESCRIPTION: The project is the acquisition and rehabilitation of existing property located at 1318 E Street in Sacramento, California. At least 75 units will be affordable to qualifying seniors earning less than 50% of AMI, and one resident manager unit will be unrestricted.

2. BORROWER: The name of the Borrower for the Loan is anticipated to be Washington Plaza Housing Associates, LP or a similarly named related entity in which the general partner will initially be a limited liability company comprised of Sacramento Housing Authority Repositioning Program, Inc. ("SHARP") and an affiliate of BRIDGE Housing Corporation.

3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely for financing the acquisition of improvements on the Property.

4. PRINCIPAL AMOUNT: The total principal amount of the Loan will be Five Million Five Hundred Forty-Eight Thousand Dollars ($5,548,000).

5. TERM OF LOAN: The Loan shall mature 55 years from the close of escrow date.

6. INTEREST RATE: The Loan shall bear interest at the Applicable Federal Rate at the time of escrow closing. Interest shall be calculated on the basis of a 360-day year and actual days elapsed. The current indicative rate is Three and Sixteen Hundredths Percent (3.16%) compounded annually.

7. LOAN REPAYMENT: Commencing on January 1 following the Conversion Date, annual payments of interest and principal shall be due in arrears, in an amount equal to the Residual Receipts remaining, if any, after payment of all operating expenses and priority payments as further described below. All unpaid principal and interest amounts due but not payable shall accrue under the Note. All payments shall be applied first to accrued interest and thereafter to principal. All outstanding principal and interest is due and payable on the maturity date.
   a. Residual Receipts is defined as the net income remaining in the period as stated in the annual audited financial statement after payment of all approved operating expenses and priority payments due in the period.
   b. Priority Payments are defined as replacement reserve deposits, operating reserve deposits (if any), bond payments, LP and GP asset management fee payments, deferred developer fee payments (if any), and guaranty reimbursements (if any) due in the period.

8. SOURCE OF LOAN FUNDS: The Acquisition Loan will be financed through seller carry-back financing from the Housing Authority of the City of Sacramento. The Agency hereby acknowledges, agrees and represents that the Acquisition Loan shall be a below market interest rate loan for purposes of Labor Code Section 1720(c)(6)(E), and that such Acquisition Loan shall not trigger prevailing wage. This Acquisition Loan is conditioned upon Borrower's acceptance of Agency's requirements and conditions related to its

lending programs, including among others, the required forms of agreements for the Acquisition Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements, all as mutually agreed to by Agency and Borrower.

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

__________ (Borrower Initial)

10. 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.

11. SECURITY: The Loan shall be evidenced by a promissory note secured by a deed of trust with assignment of rents against the leasehold interest in the Improvements, which shall be a subordinate lien upon the Improvements subject only to other items as the Agency may approve in writing. The Agency will subordinate said deeds of trust in order to accommodate completion of construction of the Property.

13. LEASE AND RENTAL SCHEDULE: Upon request, Agency shall have the right to review 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.

14. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than $7,600,000 in Low Income Housing Tax Credit Equity and no less than $3,900,000 in mortgage revenue bond financing at a rate and terms acceptable to the Agency.

15. 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. Such commitments for financing shall not require modification of Agency loan documents, or any term of this commitment letter. 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 other Agency agreements.

16. 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.

17. FINANCING IN BALANCE: Borrower will be required to maintain the financing "in balance". The financing 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 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 financing is not "in balance", the Agency may declare the Loan to be in default.

18. 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 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.

19. 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.

20. 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.

21. RETENTION AMOUNT: The Agency shall require that the construction lender 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 construction loan.

22. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the

project plans and specification and the budget approved with this commitment. 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.

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. 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.

30. 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.

31. 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.

32. 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.

33. RESIDENT SERVICES PLAN: Borrower shall provide Agency with a detailed resident services plan including, but not limited to, the following information: 1) identification of all entities responsible for providing resident 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, including adult educational activities and service coordination; 3) a description of the programs to be offered, and; 4) a proforma resident services budget.

34. 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.

35. 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.

36. 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.

37. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.

Sincerely,
Housing Authority of the City ofSacramento

La Shelle Dozier
Executive Director

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

BORROWER:

Sacramento Housing Authority Repositioning Program, Inc.

By:________________________
James Shields
President

Dated:________________________

BRIDGE Housing Corporation

By:________________________
Ann Silverberg

Exhibit C

Senior Vice President

Dated:________________________

4

SHRA

August 15, 2013

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Tax Equity and Fiscal Responsibility Hearing and Approval of Tax Exempt Bonds for The Warren Project

SUMMARY

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

RECOMMENDATION

The staff recommends approval of the recommendations outlined in this report.

Respectfully submitted,

LaShelle Dozier

LA SHELLE DOZIER
Executive Director

Attachment

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

Public Hearing
September 10, 2013

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

Title: Tax Equity and Fiscal Responsibility (TEFRA) Hearing and Approval of Tax Exempt Bonds for The Warren Project

Location/Council District: 16th and N, Council District 4

Issue: Conduct a public hearing concerning issuance of a tax-exempt mortgage revenue bond obligation.

Recommendation: Conduct a public hearing and upon conclusion adopt: 1) **a Housing Authority Resolution** a) acknowledging that the Housing Authority (Authority) intends to execute and deliver the obligations for the purpose of paying the costs of financing the acquisition and construction of the Warren Project (Project), b) declaring that the Authority reasonably expects that a portion of the proceeds of the obligations will be used for reimbursement of expenditures for the acquisition and construction of the Project that are paid before the date of initial execution and delivery of the obligations, c) declaring that the maximum amount of proceeds of the obligations to be used for reimbursement of expenditures for the acquisition and construction of the Project that are paid before the date of initial execution and delivery of the Obligations is not to exceed $30,000,000, d) acknowledging that the foregoing declaration is consistent with the budgetary and financial circumstances of the Authority in that there are no funds (other than proceeds of the obligations) that are reasonably expected to be (i) reserved, (ii) allocated or (iii) otherwise set aside, on a long-term basis, by or on behalf of the Authority, or any public entity controlled by the Authority, for the expenditures for the acquisition and construction of the Project that are expected to be reimbursed from the proceeds of the obligations, e) declaring that the Developer shall be responsible for the payment of all present and future costs in connection with the execution and delivery of the obligations, including, but not limited to, any fees and expenses incurred by the Authority in anticipation of the execution and delivery of the obligations, the cost of printing any official statement, rating agency costs, bond counsel fees and expenses, underwriting discount and costs, trustee fees and expense, and the costs of printing the

Obligations. The payment of the principal, redemption premium, if any, and purchase price of and interest on the obligations shall be solely the responsibility of the Developer. The obligations shall not constitute a debt or obligation of the Authority.
f) authorizing the appropriate officers or staff of the Authority, for and in the name of and on behalf of the Authority, to make an application to the California Debt Limit Allocation Committee for an allocation of private activity bonds for the financing of the Project.
g) acknowledging that the adoption of this resolution shall not obligate (i) the Authority to provide financing to the Developer for the acquisition and construction of the Project or to execute and deliver the obligations for purposes of such financing; or (ii) the Authority, of or any department of the Authority or the City of Sacramento to approve any application or request for, or take any other action in connection with, any environmental, General Plan, zoning or any other permit or other action necessary for the acquisition, construction or operation of the Project, and 2) a **City Council** Resolution: a) approving the execution and delivery of the obligations solely for the purpose of fulfilling the requirement of Section 147(f) of the Code, indicating the City Council has conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing related to the proposed project, and b) making related findings.

Contact: Christine Weichert, Assistant Director, Development Finance, 440-1353

Presenters: Joel Riphagen, Housing Finance Analyst, Development Finance

Department: Sacramento Housing and Redevelopment Agency (SHRA)

Description/Analysis

Issue: The Warren is a proposed mixed-use, mixed-income new construction project at the northwest corner of 16th and N Streets in Sacramento. The project will consist of approximately 5,500 square feet of ground floor retail space, a two-level parking garage, and five floors of residential units above the retail and parking. The 118 residential units will consist of studios and 1- and 2-bedroom units, with 24 of the units (20 percent) affordable to households earning less than 50 percent of Area Median Income (AMI), and the remainder rented at market rate. A vicinity map and building rendering are provided as Attachments 1 and 2.

The new building will include a landscaped second-floor courtyard for tenants with a barbeque area, as well as bicycle storage, internet connections, in-unit washers and dryers, and community rooms for resident use on each floor. Funding for the project includes a mortgage revenue bond and Low-Income Housing Tax Credits (LIHTC), developer equity and a deferred developer fee, and a grant from the Capital Area Development Agency (CADA). CADA currently owns the land and will be granting it to the project. No loan is being requested from SHRA. The purpose of this staff report is to hold the required Tax Equity and Fiscal Responsibility Act (TEFRA) hearing and approve the issuance of bonds for the project.

The bonds and tax credits together will require that 20 percent of the units (24 units total) be affordable to households earning less than 50 percent of AMI. The affordability restrictions will be enforced by regulatory agreements that last for 55 years.

Staff recommends Housing Authority action to approve an issuance of up to $30,000,000 in tax-exempt mortgage revenue bonds and City Council action to approve the issuance of a tax-exempt obligation. Further background on the project, developer and the property is included as Attachment 3. A project summary, including proposed sources and uses of funds, is included as Attachment 4. A project cash flow pro-forma and a schedule of maximum rents are included as Attachments 5 and 6.

Policy Considerations: The recommended actions are consistent with the approved Multifamily Lending and Mortgage Revenue Bond Policies. Regulatory restrictions on the property will be specified in bond and loan regulatory agreements with the Housing Authority. Compliance with the regulatory agreements will be monitored on a regular basis for 55 years.

Economic Impacts: This residential new construction project is expected to create 259.9 total jobs (145.9 direct jobs and 114 jobs through indirect and induced activities) and create $36,031,581 in total economic output ($22,143,497 of direct output and another $13,888,084 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 bond financing of this project is exempt pursuant to CEQA Guideline 15310. Neither SHRA nor the City is providing federal funding to this project, so the National Environmental Policy Act (NEPA) does not apply.

Sustainability Considerations: The project is considered to be an infill development, which provides multiple benefits including providing mixed income housing options close to jobs, reducing the need to build new development on the urban fringe, increasing the viability of and dependency on alternative modes of transportation, preserving natural resources, and providing for efficient use of land, services and infrastructure.

Commission Action: At its meeting on August 21, 2013, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES:

NOES:

ABSENT:

Rationale for Recommendation: The actions recommended in this report enable SHRA to continue to fulfill its mission to provide a range of affordable housing opportunities in the City.

Financial Considerations: The proposed bond issuance will not be an obligation of the City, the Housing Authority, or SHRA. The bonds will be an obligation solely of the project and the owner who will bear all costs associated with issuing the bonds. SHRA will receive a one-time issuance fee of 0.25 percent of the bond issuance amount, which is payable at bond closing. SHRA will also collect an annual fee of 0.15 percent of the total bond issuance amount and a supplemental annual fee equal to 20 percent of 1 percent of the value of the affordable units in the project. The law firm of Orrick, Herrington & Sutcliffe LLP is acting as bond counsel for the Housing Authority.

M/WBE and Section 3 Considerations: The activities recommended in this staff report do not involve federal funding; therefore, there are no M/WBE or Section 3 requirements.

Respectfully Submitted by: LaShelle Dozier

LA SHELLE DOZIER
Executive Director

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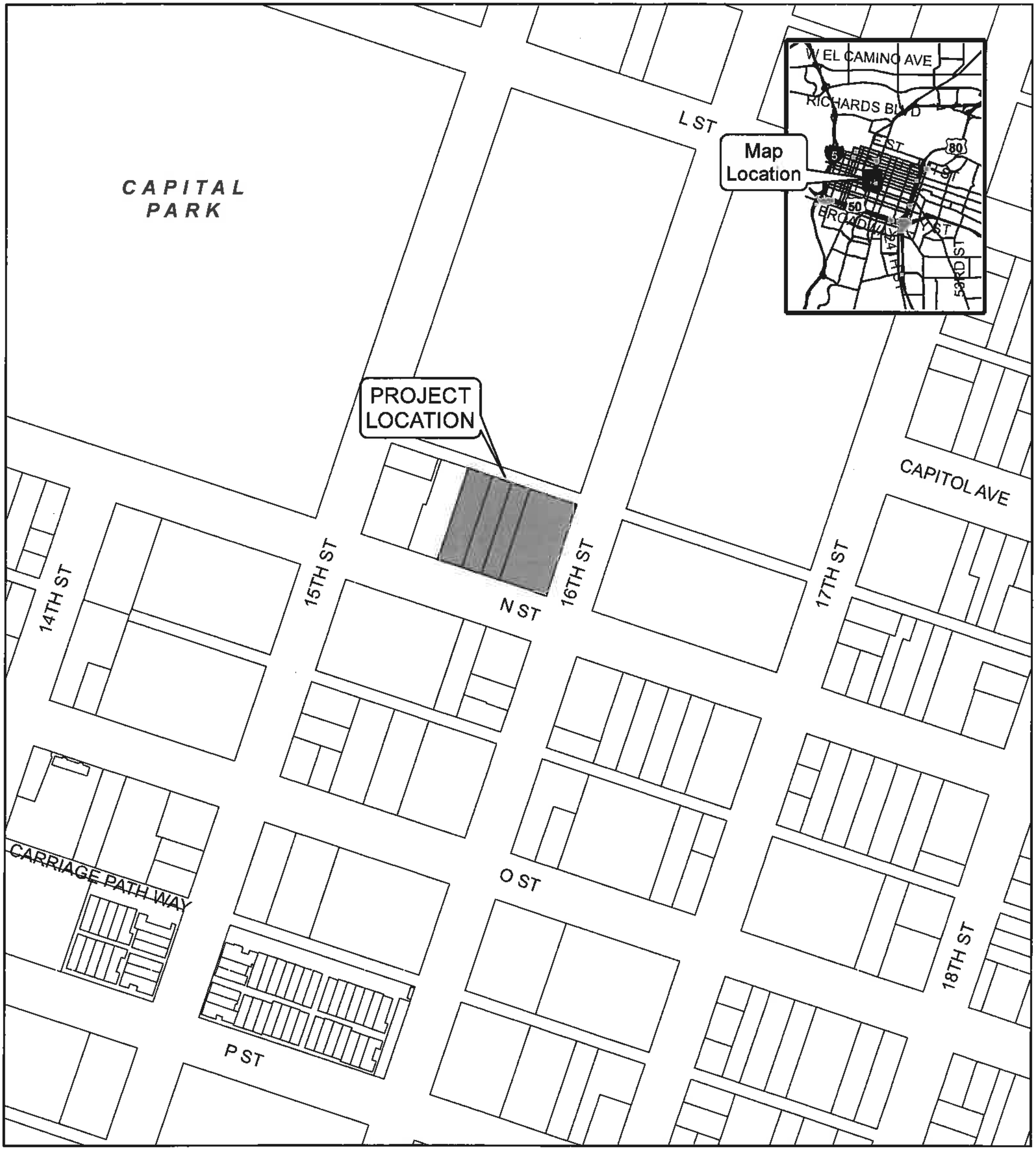
SHRA

The Warren



Project Parcel

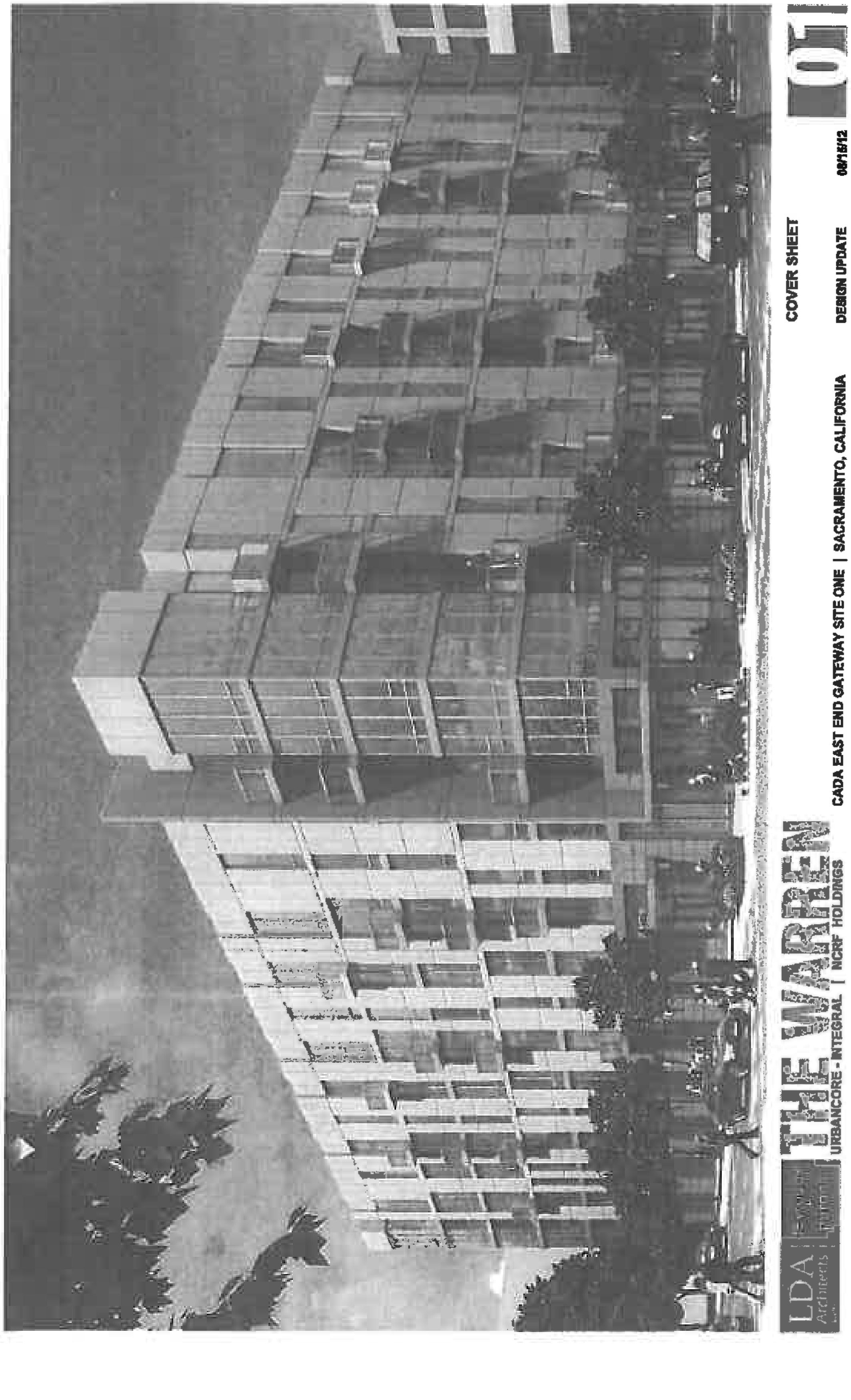
Feet
0 200 400

N

SHRA GIS
July 31, 2013

Attachment 2

Building Rendering



The Warren
Background Information

The Developer, a joint venture of UrbanCore-Integral and the Nehemiah Corporation, proposes to create a mixed-income, mixed-use development at the northwest corner of 16th and N Streets in Sacramento. The proposed project will consist of about 5,500 square feet of ground floor retail space, a two-level parking garage, and five floors of residential units above the retail and parking. Parking spaces will be available to residential tenants.

Project Description: The project's 118 residential units will consist of studios and 1- and 2-bedroom units, with 24 of the units (20 percent) affordable to households earning less than 50% of Area Median Income (AMI), and the rest rented at market rate. A vicinity map and building rendering are provided as Attachments 1 and 2. The new building will include a landscaped second-floor courtyard for tenants with a barbeque area, as well as bicycle storage, internet connections, in-unit washers and dryers, and community rooms for resident use on each floor.

Developer: The Developer, East End Gateway One LLC, is led by UrbanCore-Integral and the Nehemiah Corporation. UrbanCore-Integral is a joint venture of UrbanCore and Integral Development. Most recently, UrbanCore-Integral partnered with the John Stewart Company to develop Cannery Place Apartments at Township 9 in Sacramento.

Urban Core is based in San Francisco and is primarily engaged in the development of mixed-use, mixed-income, urban infill properties. They have participated in the development of a number of significant properties with non-profit affordable housing developers in San Francisco and the surrounding Bay Area. Integral Development, LLC, a recent addition to the partnership, is based in Atlanta, Georgia, where they are involved in the development of mixed-use, mixed-income, and urban infill properties. The firm provides property management, financial services, and development and construction services to their own portfolio and serves as primary consultants to the affordable housing community in and around Atlanta, Georgia.

Nehemiah Corporation will be involved in the project through its subsidiary, NCRF Holdings, Inc. Nehemiah Corporation has been active in serving the needs of low-income communities, particularly through is long-running downpayment assistance program. NCRF Holdings, Inc was formed to develop catalyst infill real estate projects, the revenues from which will be used to fund Nehemiah's nonprofit activities. Its primary current development project in Sacramento is Township 9.

Property Management: Property management will be provided by Riverstone Residential Group, a large nationwide multifamily property manager. Riverstone manages over 800 apartment communities nationwide, including both market rate and affordable properties. The property manager has submitted a property management plan that is acceptable to the Agency.

Resident Services: Resident Services will be provided to the residents by Pacific Housing Inc., a nonprofit 501(c)(3) corporation. Pacific Housing proposes to offer instructional programs in areas such as exercise, nutrition, financial planning, computer training, and English as a Second Language, along with coordinating social activities for the residents. Ultimately, programs will be tailored to the needs of the residents. The service provider will be required to provide a minimum of 12.5 hours of services per week.

Security: Developer will be required to provide a security camera system and lighting adequate to properly illuminate all common spaces.

Project Financing: Funding for the project includes a mortgage revenue bond and Low-Income Housing Tax Credits (LIHTC), developer equity and a deferred developer fee, and a grant from the Capital Area Development Agency (CADA). CADA currently owns the land and will be granting it to the project. No loan is being requested from the SHRA.

The bonds and tax credits together will require that 20 percent of the units (24 units total) be affordable to households earning less than 50 percent of AMI. The affordability restrictions will be enforced by regulatory agreements that last for 55 years.

Low-Income Set-Aside Requirements: As a condition of receiving tax credits and the benefits of tax-exempt bond financing, federal law requires the apartments be set-aside for targeted income groups. Regulatory restrictions on the units will last for 55 years. The following chart summarizes the combined proposed affordability restrictions:

Funding	**% of Units**	**Affordability Restrictions**	**No. Units**	**Regulatory Requirements**
Tax-Exempt Bonds Tax Credits (LIHTC)	20%	Very Low Income (50% AMI)	24	55 years
Unrestricted	80%	Unrestricted	94	None
Total	**100%**		**118**	

Maximum rent and income limits for the mortgage revenue bond program can be found in Attachment 5. The project's affordability restrictions will be specified in regulatory agreements with the Developer.

The Warren
Project Summary

Address	16th and N					
Number of Units	118					
Year Built	New Construction					
Acreage	0.68 acres					
Affordability	24 units at or below 50% of Area Median Income (AMI) 94 unregulated market rate units					
Unit Mix and Rents		(50% AMI)		Unregulated		Total
1 Bedroom		12		65		77
2 Bedroom		12		29		41
Total		24		94		118
Square Footage		*Per Unit*		*Total*		
1 Bedroom		703		54,131		
2 Bedroom		1,044		42,804		
Leasing/Community/Hallway Space				21,437		
Parking				52,607		
Retail				5,542		
Total				176,521		
Resident Facilities	Washer/dryer in unit, internet, community rooms, BBQ area, landscaped courtyard, bicycle storage					
Estimated Sources		*Total*		*Per Unit*		*Per SF*
Tax Credit Equity	$	1,784,119	$	15,120	$	10.11
Mortgage Revenue Bond	$	25,892,563	$	219,429	$	146.68
Developer Equity	$	1,383,165	$	11,722	$	7.84
Deferred Developer Fee	$	1,250,000	$	10,593	$	7.08
CADA Grant	$	700,000	$	5,932	$	3.97
TOTAL SOURCES	$	31,009,847	$	262,795	$	175.67
Estimated Uses		*Total*		*Per Unit*		*Per SF*
Construction	$	19,375,671	$	164,201	$	109.76
Building Permits	$	1,536,386	$	13,020	$	8.70
Architecture, Engineering, Survey	$	1,322,182	$	11,205	$	7.49
Contingency	$	1,810,349	$	15,342	$	10.26
Financing Costs	$	1,793,922	$	15,203	$	10.16
Legal Fees	$	407,000	$	3,449	$	2.31
Reserves	$	1,345,178	$	11,400	$	7.62
Developer Fee	$	2,500,000	$	21,186	$	14.16
Third Party Reports, Marketing, Other	$	919,159	$	7,789	$	5.21
TOTAL USES	$	31,009,847	$	262,795	$	175.67
Management / Operations						
Property Management Company:	Riverstone Residential Group					
Resident Services Provider:	Pacific Housing					
Operations Budget:	$706,419	per year			$5,987	per unit
Resident Services Budget:	$11,685	per year			$99	per unit
Replacement Reserves:	$29,500	per year			$250	per unit

Unit Type	Number	Square Feet	Total Sq Feet	Maximum Gross Rent	Utility Allowance	Net Rent	Rent per Sq Foot	Total Mo. Rent	Annual Rent
1 BR @ 50% AMI	12	698	8,376	$ 678	$ 70	$ 608	$ 0.87	$ 7,296	$ 87,552
2 BR @ 50% AMI	12	988	11,856	$ 813	$ 88	$ 725	$ 0.73	$ 8,700	$ 104,400
1 BR @ Market	65	698	45,370			$ 1,525	$ 2.18	$ 99,125	$ 1,189,500
2 BR @ Market	29	988	28,652			$ 2,142	$ 2.17	$ 62,118	$ 745,416
	118		94,254					$ 177,239	$ 2,126,868

	Rate	Annual Increase	Per unit	2014 Year 1	2015 Year 2	2016 Year 3	2017 Year 4	2018 Year 5	2023 Year 10	2028 Year 15	2033 Year 20	2038 Year 25	2043 Year 30
Income													
Potential Gross Income		2.00%		2,126,868	2,169,405	2,212,793	2,257,049	2,302,190	2,541,804	2,806,357	3,098,445	3,420,934	3,776,987
Parking Income		2.00%		198,000	201,960	205,999	210,119	214,322	236,628	261,257	288,449	318,471	351,617
Less Vacancy at 5%				116,243	118,568	120,940	123,358	125,826	138,922	153,381	169,345	186,970	206,430
Retail Income		2.00%		$158,967	$162,146	$165,389	$168,697	$172,071	$189,980	$209,754	$231,585	$255,688	$282,301
Less Vacancy at 20%				$31,793	$32,429	$33,078	$33,739	$34,414	$37,996	$41,951	$46,317	$51,138	$56,460
CADA Annual Payment				$151,584	$143,580	$142,564	$141,435	$140,188	$83,254				
Effective Gross Income				$2,487,382	$2,526,094	$2,572,728	$2,620,203	$2,668,531	$2,874,749	$3,082,036	$3,402,817	$3,756,985	$4,148,015
Operating Expenses													
Operating Expenses		3.00%	3,101	365,918	376,896	388,202	399,848	411,844	477,440	553,484	641,639	743,836	862,310
Property Management Fee		3.00%	540	63,720	65,632	67,601	69,629	71,717	83,140	96,382	111,733	129,530	150,160
Social Services		3.00%	99	11,685	12,036	12,397	12,769	13,152	15,246	17,675	20,490	23,753	27,536
Taxes and Assessments		2.00%	2,006	236,678	241,412	246,240	251,165	256,188	282,852	312,292	344,795	380,682	420,303
Replacement Reserves		3.00%	250	29,500	30,385	31,297	32,235	33,203	38,491	44,621	51,728	59,967	69,519
Total Expenses			5,996	$707,501	$726,359	$745,736	$765,646	$786,103	$897,169	$1,024,454	$1,170,386	$1,337,768	$1,529,829
Net Operating Income				$1,779,881	$1,799,735	$1,826,993	$1,854,557	$1,882,428	$1,977,580	$2,057,582	$2,232,431	$2,419,217	$2,618,186
Debt Service	Amount	Rate	Term										
Senior Loan	$25,892,563	4.88%	35	1,544,420	1,544,420	1,544,420	1,544,420	1,544,420	1,544,420	1,544,420			
SHRA Monitoring Fee	$27,085,121	0.15%	55	40,628	40,628	40,628	40,628	40,628	40,628	40,628	40,628	40,628	40,628
Debt Service Subtotal				$1,585,048	$1,585,048	$1,585,048	$1,585,048	$1,585,048	$1,585,048	$1,585,048	$40,628	$40,628	$40,628
DCR on Senior Loan				1.12	1.14	1.15	1.17	1.19	1.25	1.30	54.95	59.55	64.44
Priority Distributions													
Asset Management Fee		2.00%		$10,000	$10,200	$10,404	$10,612	$10,824	$11,951	$13,195	$14,568	$16,084	$17,758
Managing General Partner Fee		3.00%		$20,000	$20,600	$21,218	$21,855	$22,510	$26,095	$30,252	$35,070	$40,656	$47,131
Administrative General Partner Fee		2.00%		$10,000	$10,200	$10,404	$10,612	$10,824	$11,951	$13,195	$14,568	$16,084	$17,758
SHRA Supplemental Annual Fee				$9,522	$9,685	$9,851	$10,018	$10,189	$11,078	$12,033	$13,055	$14,148	$15,311
Net Cash after Priority Distributions				$155,311	$174,202	$200,472	$227,024	$253,857	$343,407	$417,055	$2,129,110	$2,307,701	$2,497,358
Deferred Developer Fee													
Principal Balance	$1,250,000	0.00%		1,250,000	1,094,689	920,487	720,015	492,991	0	0			
Interest for Period				0	0	0	0	0	0	0			
Accumulated Interest				0	0	0	0	0	0	0			
Payment				155,311	174,202	200,472	227,024	253,857	0	0			
Balance				$1,094,689	$920,487	$720,015	$492,991	$239,134	$0	$0			
Net Cash after Deferred Developer Fee				$0	$0	$0	$0	$0	$343,407	$417,055	$2,129,110	$2,307,701	$2,497,358

MAXIMUM RENT AND INCOME LEVELS 2013

(Rents @ 50% of AMI where applicable)

Maximum Income Limits:	
	50% AMI
Family Size	Max Income
1 person	$25,350
2 person	$28,950
3 person	$32,550

Maximum Rent Limits: Low-Income Housing Tax Credit Program	
Unit Size	Gross Rent *50% AMI*
1 Bedroom	$679
2 Bedroom	$813

RESOLUTION NO. 2013 - __

Adopted by the Housing Authority of the City of Sacramento

On date of

THE WARREN - DECLARING INTENTION TO REIMBURSE EXPENDITURES FROM THE PROCEEDS OF TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS

BACKGROUND

A. The Housing Authority of the City of Sacramento (the "Issuer") intends to execute and deliver tax-exempt obligations in a principal amount not to exceed $30,000,000 (the "Obligations") for the purpose of making a loan to East End Gateway One, LLC, a California limited liability corporation, or such other California limited liability company or limited partnership formed or to be formed by Urban Core-Integral and Nehemiah Corporation (the "Developer"), the proceeds of which shall be used by the Developer to finance the acquisition and construction of a 118-unit multifamily housing facility to be commonly known as The Warren (the "Project"). The Project will be located at the Northwest corner of the intersection of 16th Street and N Street in the City of Sacramento, California (the "Project");

B. United States Income Tax Regulations section 1.103-18 provides generally that proceeds of tax-exempt debt are not deemed to be expended when such proceeds are used for reimbursement of expenditures made prior to the date of execution and delivery of such debt unless certain procedures are followed, among which is a requirement that (with certain exceptions), prior to the payment of any such expenditure, the issuer must declare an intention to reimburse such expenditure; and

C. It is in the public interest and for the public benefit that the Authority declare its official intent to reimburse the expenditures referenced herein;

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

Section 1. The Authority intends to execute and deliver the Obligations for the purpose of paying the costs of financing the acquisition and construction of the Project.

Section 2. The Authority hereby declares that it reasonably expects that a portion of the proceeds of the Obligations will be used for reimbursement of expenditures for the acquisition and construction of the Project that are paid before the date of initial execution and delivery of the Obligations.

Section 3. The maximum amount of proceeds of the Obligations to be used for reimbursement of expenditures for the acquisition and construction of the Project that are paid before the date of initial execution and delivery of the Obligations is not to exceed $30,000,000.

Section 4. The foregoing declaration is consistent with the budgetary and financial circumstances of the Authority in that there are no funds (other than proceeds of the Obligations) that are reasonably expected to be (i) reserved, (ii) allocated or (iii) otherwise set aside, on a long-term basis, by or on behalf of the Authority, or any public entity controlled by the Authority, for the expenditures for the acquisition and construction of the Project that are expected to be reimbursed from the proceeds of the Obligations.

Section 5. The Developer shall be responsible for the payment of all present and future costs in connection with the execution and delivery of the Obligations, including, but not limited to, any fees and expenses incurred by the Authority in anticipation of the execution and delivery of the Obligations, the cost of printing any official statement, rating agency costs, bond counsel fees and expenses, underwriting discount and costs, trustee fees and expense, and the costs of printing the Obligations. The payment of the principal, redemption premium, if any, and purchase price of and interest on the Obligations shall be solely the responsibility of the Developer. The Obligations shall not constitute a debt or obligation of the Authority.

Section 6. The appropriate officers or staff of the Authority is hereby authorized, for and in the name of and on behalf of the Authority, to make an application to the California Debt Limit Allocation Committee for an allocation of private activity bonds for the financing of the Project.

Section 7. The adoption of this Resolution shall not obligate (i) the Authority to provide financing to the Developer for the acquisition and construction of the Project or to execute and deliver the Obligations for purposes of such financing; or (ii) the Authority, of or any department of the Authority or the City of Sacramento to approve any application or request for, or take any other action in connection with, any environmental, General Plan, zoning or any other permit or other action necessary for the acquisition, construction or operation of the Project.

Section 8. This resolution shall take effect immediately upon its adoption.

RESOLUTION NO. 2013 -

Adopted by the Sacramento City Council

On date of

THE WARREN - APPROVING THE ISSUANCE OF TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS

BACKGROUND

A. The Housing Authority of the City of Sacramento (the "Issuer") intends to execute and deliver tax-exempt obligations in an principal amount not to exceed $30,000,000 (the "Obligations") for the purpose, among other things, of making a loan to East End Gateway One, LLC, a California limited liability company, or such other California limited liability company or limited partnership formed or to be formed by UrbanCore-Integral and Nehemiah Corporation (the "Developer"), the proceeds of which shall be used by the Developer to finance the acquisition and construction of a 118-unit multifamily housing facility to be located at the Northwest corner of the intersection of 16th Street and N Street in the City of Sacramento, California (the "Project").

B. The Issuer is authorized by Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California to issue and sell revenue obligations for the purpose of financing the acquisition, construction/rehabilitation and development of multifamily rental housing facilities to be occupied in part by low and/or very low income tenants.

C. In order for the Obligations to be considered "qualified exempt facility bonds" under Section 142(a) of the Internal Revenue Code of 1986, as amended (the "Code"), Section 147(f) of the Code requires that the "applicable elected representatives" of the area in which the Project is to be located hold a public hearing on and approve the execution and delivery of the Obligations.

D. This City Council is the elected legislative body of the City.

E. A notice of public hearing in a newspaper of general circulation in the City has been published, to the effect that a public hearing would be held by this City Council regarding the execution and delivery of the Obligations by the Issuer and the nature and location of the Project.

F. This City Council held said public hearing on the published date, at which time an opportunity was provided to present arguments both for and against the execution and delivery of the Obligations and the nature and location of the Project.

G. It is in the public interest and for the public benefit that the City approve the execution and delivery of the Obligations for the purpose of financing the acquisition and construction of the Project.

H. The City shall not have any liability for the repayment of the Obligations or any responsibility for the Project.

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

Section 1. The City hereby finds and determines that the foregoing recitals are true and correct.

Section 2. Solely for the purpose of fulfilling the requirement of Section 147(f) of the Code, the City hereby approves the execution and delivery of the Obligations.

Section 3. This resolution shall take effect upon its adoption.

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City of Sacramento City Planning and Design Commission

915 I Street, Sacramento, CA 95814

www.CityofSacramento.org

STAFF REPORT
August 15, 2013

To: Members of the Planning and Design Commission

Subject: Draft 2013-2021 Housing Element (LR12-004)

Location/Council District: Citywide/All Districts

Recommendation: Forward recommendation to Council to authorize staff to submit the Draft 2013-2021 Housing Element to the California Department of Housing and Community Development for review and comment.

Contact: Greg Sandlund, Associate Planner, (916) 808-8931, Thomas S. Pace, Long Range Planning Manager, 808-6848

Presenters: Greg Sandlund

Department: Community Development

Division: Planning

Dept. ID: 21001222

Description/Analysis

Issue: The Housing Element serves as the City's overall housing strategy and plan for the housing needs of all economic segments of the community through a comprehensive analysis of needs, constraints, and resources as well as policies and programs to address those issues. State law requires that every city and county in California adopt a Housing Element, subject to State approval, as part of the General Plan.

There have been four workshops with the Commission to discuss housing element policies on November 15, 2012, March 14, 2013, May 23, 2013 and July 25, 2013. The purpose of the July 25, 2013 workshop was to provide the Commission and the public an opportunity to review and comment on the draft 2013-2021 Housing Element as well as discuss key policy and program updates, including:

- The Mixed Income Housing Ordinance;
- The Housing Trust Fund Ordinance;
- A new responsible banking ordinance; and
- A new fee deferral program.

Staff's responses to public and commission comments from the July 25th meeting can be found in Attachment 2.

Staff is recommending that the Commission forward the draft Housing Element to City Council to approve for review by the State Department of Housing and Community Development. The Background (Attachment 1) of the staff report summarizes the key changes to the Housing Element. The Background also lists the key policy and program changes as well as the reasoning behind the change. Attachment 3 lists changes made to the draft Housing Element as a result of comments received since the document was released for public review on July 17. The revised draft Housing Element can be found as an exhibit to the draft City Council Resolution in Attachment 4.

Policy Considerations: The Housing Element sets forth the City's goals and policies to address current and future housing needs. State law requires that the Housing Element be updated regularly to ensure that the City has sufficient sites, policies, and programs to address that need.

Environmental Considerations: This is not a project as defined by the California Environmental Quality Act (CEQA) [CEQA Section 21065 and CEQA Guidelines Section 15378 (b)(4)]. Adoption of the Housing Element will be subject to CEQA approval, which will commence upon Council approval to submit the Draft Housing Element to HCD for review and comment.

Public Outreach and Comments: Staff has completed three rounds of outreach with key stakeholder groups to discuss housing needs, housing market conditions and solicit input on policy ideas and potential changes. These meetings have included market rate and affordable housing developers as well as affordable housing and homeless advocates and service providers. A community meeting was held on March 13th to solicit input from the community at large followed by outreach to community and neighborhood groups in March and April. A complete list of outreach can be found in Attachment 5.

Sustainability: A sustainable community includes housing for current and future households of all income levels. The update to the City's Housing Element is designed to ensure that the City continues to provide opportunities for a range of housing types despite the challenging economic and financial conditions.

Rationale for Recommendation: Jurisdictions are required under Government Code Section 65580 *et seq.* to update their Housing Elements and submit them for review and certification by the State Department of Housing and Community Development (HCD) within 18 months after adoption of the Metropolitan Transportation Plan by their local Council of Governments, which is SACOG. Failure to adopt a certified Housing Element can leave the City vulnerable to legal challenge and will make the City ineligible for certain State grant funds, including Prop. 1C Infill and TOD Program funds.

Respectfully submitted by:

Greg Sandlund
Associate Planner

Recommendation Approved:

Thomas S. Pace
Long Range Planning Manager

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Attachment 1
Background

Summary of Program Changes to the Housing Element

Current housing programs have been evaluated and revised, deleted, or new programs have been added. The number of housing element programs has been reduced from 93 to just over 40. Many programs were removed because they were completed through regulatory changes that included:

- Planning and Development Code Update (2013);
- Multi-family Lending Guidelines Update (2009)
- Reasonable Accommodation Ordinance (2009);
- Universal Design Ordinance (2010); and
- Rezoning 2,000 parcels for consistency with the General Plan (2009/2010).

The Planning and Development Code update addressed nine programs alone by addressing parking constraints; updating the density bonus ordinance; facilitating alternative housing types; clarifying live/work arrangements; streamlining the entitlement process; removing constraints to secondary dwelling units; and defining transitional and supportive housing as a dwelling to be treated the same in each zone.

Other programs were removed because they called for studies and reports that were unable to be completed because of reduced staff capacity. Some of these programs were merged and consolidated into single programs, such as updating citywide design guidelines, which have a definitive outcome as opposed to a report with recommendations.

Due the reduction on funding, a number of housing programs have been removed. These programs include technical assistance and capacity building for non-profits; annually providing affordable housing information to referral services; educating the community on fair housing, anti-"NIMBY," and accessibility issues; and other programs specific to redevelopment areas.

Lastly, programs were modified or added in response to current issues. The key policy and program changes are addressed in the next section. For a complete review of all changes to existing housing element programs please refer to the draft 2013-2021 Housing Element (Attachment 4), specifically Chapter 4 Evaluation of Past Performance and Appendix A: Program Evaluation.

Key Policy and Program Changes

Staff is developing policies that respond to a variety of stakeholders with often competing interests, reduced financial resources, an unstable housing market, and shifts in development patterns. The prime objective is to optimize the City's ability to create inclusive, well-planned affordable housing, and opportunities for future growth, while being mindful of constraints to development that will restrict housing supply or impede the City's economic recovery. If the housing supply is constrained, new market-rate housing becomes more expensive because of pent-up demand. With these policy recommendations the City is walking a fine line between creating new opportunities for affordable housing while maintaining a healthy environment for growth and revitalization.

Fee Deferral Program for Affordable Housing

Policy:
H-2.2.3 Offsetting Development Costs for Affordable Housing. The City shall defer fees to Certificate of Occupancy (COO) to help offset development costs for affordable housing and will offer other financial incentives including, but not limited to, water development fee waivers and sewer credits.

Program:
40. The City shall support establish a fee deferral program for affordable housing to defer fees to certificate of occupancy, recognizing the complexities and time needed to complete an affordable housing development.
- Implements Which Policy(ies): H-2.2.3
- Responsible Department: Community Development
- Objective: Extend fee deferral period for affordable housing development.

Rationale:
The City's fee deferral program expired December 31, 2009. The cities of Elk Grove, Folsom, Roseville and Sacramento County have programs that defer local impact fees until construction is complete. This is helpful because the fees can then be paid for in the second phase of financing, when it easier to predict the fee amount.

Responsible Banking Ordinance

Policy:
H-1.3.7 Responsible Banking Practices. To help reduce predatory and subprime lending practices in Sacramento, the City shall require partner banks and lending institutions to invest in the community in a responsible manner.

Program:
41. The City shall establish a Responsible Banking Ordinance that would require banks that receive City deposits to report on mortgage lending practices, small business lending, and other investments in the community. The ordinance shall in no way restrict the investment activities of the City Treasurer or the Administration, Investment and Fiscal Management Board.
- Implements Which Policy(ies): H-1.3.7
- Responsible Department: City Treasurer (Primary), Community Development, Economic Development, SHRA
- Objective: Promote responsible lending and investment in the City.

Rationale:
Analysis in the Community Profile of the Housing Element has shown a clear correlation between areas with higher rates of subprime mortgages and areas with higher concentrations of lower-income residents in Sacramento. At the same time housing prices began a steep decline in mid-2006, adjustable rate mortgages reset to higher interest rates and many homeowners found they were unable to afford the higher monthly payments. This lead to a drastic increase in the number of defaults and foreclosures, which in turn lead to lower property values, lower property tax revenue, additional neighborhood blight in low-income

areas, and increased economic hardship for the City. Banks benefitting from the City's deposits, shall demonstrate responsible lending and investments in the community. Responsible lending can help to prevent a future foreclosure crisis in the City. A summary of local responsible banking ordinances, prepared by the National Community Reinvestment Coalition, compares various responsible banking ordinances in Los Angeles, San Jose, New York, Cleveland, Philadelphia and other cities. The summary can be found in Attachment 7.

Housing Trust Fund Ordinance

Policy:
H-2.2.4 Funding for Affordable Housing. The City shall pursue and maximize the use of all appropriate state, federal, local and private funding for the development, preservation, and rehabilitation of housing affordable for extremely low-, very low-, low-, and moderate-income households, while maintaining economic competitiveness in the region.

Program:
21. The City shall streamline the Housing Trust Fund Ordinance to apply the fees equally throughout the City and modify aspects of the ordinance that have proven to be ineffective over the years.
- Implements Which Policy: H-2.2.2; H-2.2.4
- Responsible Department: Community Development, SHRA
- Objective: Amend the City Zoning Code to improve and clarify the implementation of the Housing Trust Fund and ensure economic competitiveness with surrounding jurisdictions.

Rationale:
The Housing Trust Fund Fee has been an effective tool for providing gap financing for affordable housing developments. Over $26 million has been invested in 45 projects since 1994. However, the ordinance needs to be updated to use a single citywide fee schedule, versus having one for North Natomas and another for rest of the City. The ordinance also needs to be amended to apply only to new construction or additions. A business that is reusing an existing building should not have to pay additional impact fees. Currently the ordinance does not give credit for developments that have housing and nonresidential uses in the same building. Lastly, the City is at an economic disadvantage by having housing trust fund fees, on average, %133 percent higher than surrounding jurisdictions. The City of Folsom recently increased their fees but they are still less than half of what the City of Sacramento charges as shown in Attachment 6.

Mixed Income Housing Ordinance

Policies:
H-1.3.5 Housing Type Distribution. The City shall promote an equitable distribution of housing types for all income groups throughout the city and promote mixed income neighborhoods rather than creating concentrations of below-market-rate housing in certain areas.

H-2.2.4 Funding for Affordable Housing. The City shall pursue and maximize the use of all appropriate state, federal, local and private funding for the development, preservation, and rehabilitation of housing affordable for extremely low-, very low-, low-, and moderate-income households, while maintaining economic competitiveness in the region.

H-2.2.6 Update the Mixed Income Housing Ordinance. The City shall revise its Mixed-Income Housing Ordinance to promote affordable housing citywide and to require developers to contribute towards production of housing affordable to lower- and moderate-income households.

Program:
1. The City shall revise its Mixed-Income Housing Ordinance to promote affordable housing citywide and will require: 1) an affordable housing impact fee for all new housing units, and 2) large, single-family subdivisions to provide housing for a variety of incomes and family types.

- Implements Which Policy(ies): H-1.2.3, H-2.2.4, H-2.2.6
- Responsible Department: Community Development; SHRA
- Objective: Adapt the current Mixed Income Ordinance to create new affordable housing opportunities and mixed income communities while being flexible, market sensitive, and responsive to the challenges of infill development.

Rationale:
The Mixed Income Housing Ordinance needs to be updated for the following reasons:
1. The current ordinance is inflexible, which restricts creative approaches to providing affordable housing.
2. Development as the result of the current ordinance has generally not resulted in mixed-income communities. Most of the affordable units are concentrated in large multi-family developments adjacent to single family homes affordable to above moderate-income families.
3. For-sale inclusionary units created by the ordinance have been difficult to market due to a lack of qualified buyers and most have ended up in foreclosure.
4. The end of Redevelopment has created a need to augment local affordable housing funding. The current ordinance's obligations exceed what the City can locally subsidize.
5. Fee revenue can be used to support affordable projects in walkable areas with quality transit.
6. Infill development is difficult to do with a myriad of unforeseen costs and with smaller, irregular shaped lots. The new ordinance needs to be predictable and not create site design challenges.
7. The housing market has proven to be cyclical and unstable. The ordinance needs to be able to respond to both downturns and upturns in the market.
8. The Palmer Decision of 2009 calls into question the legality of requiring deed-restricted rental units.

Attachment 2
Responses to July 25 Workshop Comments

1. **What is the estimated amount of fee revenue to be generated by a citywide fee on new housing units?**

   Staff has performed a high and low fee estimate as follows:

High Fee Revenue Estimate (2013-2021)

Assummed Density	Estimated Units	Assumed Square Footage	Fee Rate	Fee Revenue
Large Single Family	11,701	2,200	$3.00	$77,226,600.00
Small Single Family	6,434	1,200	$1.00	$7,720,800.00
Multifamily	10,805	850	$1.00	$9,184,250.00
			Total Fee Revenue:	**$94,131,650.00**

The high fee estimate above is based on the total land inventory capacity indicated in Table H 5-6 of the draft 2013-2021 Housing Element's land inventory. This estimate assumed full build-out with no fee credits except for small single family units that would be considered affordable-by-design. Low density zones are assumed to produce standard single family homes with an average of 2,200 square feet. Medium density zones are assumed to produce small or attached single family homes with a square footage of 1,200 square feet. High density zones are assumed to produce multifamily units with a square footage of 850 square feet. No additional fee credits or exemptions for affordable units are assumed.

Low Fee Revenue Estimate (2013-2021)

Housing Types	Estimated Units	Assumed Square Footage	Fee Rate	Fee Revenue
Large Single Family	4800	2,200	$3.00	$31,680,000.00
Small Single Family	1617	1,200	$1.00	$1,940,400.00
Multifamily	4948	850	$1.00	$4,205,800.00
			Total Fee Revenue:	**$37,826,200.00**

The low fee estimate is based on market rate production that is actually expected during the 2013-2021 planning period, which is indicated in Table 9-1 Quantified Objectives for 2013-2021. The same square footage assumptions for the high fee estimate were used. Affordable units indicated in Table 9-1 are not included because they would be exempt from the fee. If other fee credits are assumed, the estimated fee revenue would likely be less than $37 million.

2. **Can staff provide more detail on the nature and affordability of the affordable-by-design housing types?**

   Staff is assuming that the housing types would generally be affordable to moderate income families. Depending on the area's housing market, the units could be more or less affordable. Further details on the nature and affordability of these housing types will be presented when the Commission reviews the draft Mixed Income Housing Ordinance.

3. **In regard to the Responsible Banking Ordinance, how many banks receive city deposits and how much money is deposited?**

   The City works with one bank, Bank of America for all banking services. They were procured through an RFP process. Every five years, the City Treasurer's office goes out with a request for proposals for banking services. Last fiscal year (FY13), the estimated receipts total $1.283 Billion. The following banks would be large enough to receive City deposits:

   - Wells Fargo
   - Chase
   - Bank of the West
   - Citi
   - US Bank
   - Union Bank

4. **The Sacramento Housing Alliance submitted a list of issue points concerning the draft 2013-2021 Housing Element. Below is a list of the issues and staff's response.**

   There is no discussion about what the loss of funds means to maintaining and producing affordable housing not any strategies to address this problem.

   The loss of redevelopment funding is addressed throughout the document, specifically pages ES-2, 3-44, 3-45, 4-3, 6-2, and 9-3.

   Program 1 of the Housing Element directs the City to update the Mixed Income Housing Ordinance to have a citywide fee collected on new housing units. The fee will help, in part, to address the loss of redevelopment funding. Additionally, the City continues to have a policy to "pursue and maximize the state, federal, local and private funding" for affordable housing. Staff welcomes any suggested programs or policies the Housing Alliance has to mitigate the loss of redevelopment funding.

   There is no information on the Future of SHRA.

   The City Council has not provided policy direction on this matter.

   There is no information on the Housing Choice Voucher crisis resulting from sequestration.

   The Housing Choice Voucher Program is a federally funded program. The City has no control of the funding of the program. The additional homelessness that could result from cuts to the program is concerning. SHRA is trying to mitigate the loss of vouchers by not filling new vacancies for the last 6 months (30-50 vouchers are freed up monthly). At this point no one has had to be removed from the program, however if HUD makes additional cuts next year, people will lose their vouchers.

The Housing Element should provide framework for communication with the public regarding the Mixed Income Housing Ordinance and the Housing Trust Fund Ordinance.

Chapter 4 of the Housing Element details the extensive outreach conducted for the Housing Element Update. Additional outreach will be conducted for the Mixed Income Housing Ordinance, Housing Trust Fund Ordinance and other implementation programs. However, the Housing Element does not detail outreach strategies for implementation programs.

There is no information on SafeGround or other initiatives to address growing homeless population.

The following goal and policies in the current and future Housing Element apply to these initiatives:

GOAL H-3.2 **Special Needs.** Provide housing choices appropriate for "special needs" populations, including homeless, youth, female-headed households, seniors, and persons with disabilities, including developmental disabilities.

H-3.2.2 **Community Based Non-profit Organizations.** The City shall continue to work with community-based non-profit organizations that develop affordable housing and provide supportive services for special needs populations.

H-3.2.4 **Public and Private Social Service Agencies.** The City shall cooperate with public and private social service agencies to site facilities that address the human service needs of the City's special needs populations.

The Housing Element only references other general plan elements rather than including policies to support sustainable communities and the objectives of City's Climate Action Plan.

Chapter 7 of the Housing Element details how the climate action plan is going to be integrated into the 2035 General Plan. The 2035 General Plan, through a variety of elements will have implementation measures that will promote sustainable development for all type of land uses, including housing. Additionally, the chapter details how recent efforts, such as the new Planning and Development Code are going to facilitate sustainable development consistent with SB 375.

There is no evaluation of prior housing programs.

Please see Chapter 1 Introduction; Chapter 2 Evaluation of Past Performance; and Appendix A Program Evaluation, which has a program-by-program evaluation and addresses how many units were built, preserved or rehabbed as a result of specific City programs.

The latest draft Housing Element has a new Appendix G which lists regulated affordable housing built, rehabilitated, or preserved since 2008.

Programs are weak and do not have clear quantified objectives. Housing element law was revised by SB 375 to require programs to demonstrate how the will have "beneficial impact" in the planning period.

The quantified objectives table in Chapter 9 reflects the estimated total quantifiable impact of the Housing Element's programs. The policies, programs and their individual objectives indicate the beneficial impact in the planning period.

Housing Element effectively highlights growing housing needs, etc. but the programs do not meaningfully address and in some cases, do not confront issues at all.

With the loss of redevelopment funding the City has been actively engaging stakeholders for innovative ideas, particularly for new resources for affordable housing, in part through four Planning and Design Commission workshops. Any suggested programs the Housing Alliance has in mind to meet housing needs are certainly welcome for consideration.

The land inventory requires significant revisions. The City appears to rely on too many small sites to address housing need for lower income families.

The City has a proven track record of producing housing for lower income families on sites a half acre or more. The median size of the parcels zoned for lower income housing units is 1.12 acres with the smallest site at just over half an acre. Fifty four of the 229 sites are over three acres. Given the City's higher densities, allowable heights, and reasonable parking requirements, there is more than adequate capacity for future lower income housing.

Attachment 3
Summary of Changes to the Draft Housing Element

Staff has made changes to the draft 2013-2021 Housing Element in response to comments from stakeholders and outside agencies between July 25 and August 6th. A summary of the changes are as follows:

- Added CADA projects to Table H 5-2 "Built, Planned and Approved Projects" and Table H 3-25 "Units in Projects at Risk of Conversion to Market Rate Housing."
- Revised Program 41 (Responsible Banking Ordinance) to include the clarification "The ordinance shall in no way restrict the investment activities of the City Treasurer or the Administration, Investment and Fiscal Management Board."
- Removed outdated references to redevelopment or associated plans.
- Updated sections 2.2 and 2.3 of Chapter 2 Evaluation of Past Performance to improve accuracy of program highlights.
- Updated outdated or inaccurate information in Appendix A Program Evaluation.
- Added Appendix G to show a complete list of affordable projects that have been built, rehabilitated or preserved since 2008.
- Added additional detail in Chapter 5 Land Inventory and Chapter 8 Constraints detailing the City and the Sacramento Area Flood Control Agency's efforts to provide 100 and 200 year flood protection to ensure future housing development.

Attachment 4
Draft City Council Resolution

RESOLUTION NO.

Adopted by the Sacramento City Council

Date Adopted

A RESOLUTION APPROVING AND AUTHORIZING STAFF TO SUBMIT THE DRAFT 2013-2021 HOUSING ELEMENT TO THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT FOR REVIEW AND COMMENT. (LR12-004)

BACKGROUND

A The City Council has reviewed the Draft 2013-2021 Housing Element on September 3, 2013 and finds:

1. Pursuant to Government Code Section 65583 et seq., the City is required to submit the Housing Element, covering the planning period from October 31, 2013 through October 31, 2021, to the California Department of Housing and Community Development for formal review and comment;

2. The City held study sessions before City Planning and Design Commission, City Disabilities Advisory Commission, County Adult and Aging Commission, and Sacramento Housing and Redevelopment Commission between November 2012 and July 2013;

3. The proposed policies of the 2013-2021 Housing Element have been found to be consistent with those of the 2030 General Plan;

4. On August 15, 2013 the City Planning and Design Commission reviewed and recommended approval of the Draft 2013-2021 Housing Element.

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

Section 1. The Draft 2013-2021 Housing Element is approved, and staff is authorized and directed to submit the Draft 2013-2021 Housing Element to the California Department of Housing and Community Development for review.

Table of Contents

Exhibit A – Draft City of Sacramento 2013-2021 Housing Element

Due to the size of the document, it has been posted on the project website as a separate document. The draft 2013-2021 Housing Element can be found at:

http://www.sacgp.org/housing.html

Attachment 5
Outreach Summary

Meeting(s)	Dates
Natomas Planning Committee	September 25, 2012
Habitat, Mercy Housing, Housing Advocates	September 28, 2012
North State BIA Staff	October 5, 2013
Planning and Design Commission Workshop	**November 15, 2012**
North State BIA Staff	December 14, 2012
Sacramento Housing Alliance Staff	February 21, 2013
North State BIA Staff	February 25, 2013
Natomas Planning Committee	March 4, 2013
Community Workshop	March 13, 2013
Planning and Design Commission Workshop	**March 14, 2013**
Bill Heartman	May 10, 2013
North State BIA Staff	May 14, 2013
North State BIA Board	May 19, 0213
Disability Advisory Commission	March 21,2013
SHRA Commission	April 17, 2013
Adult and Aging Commission	April 24, 2013
Planning and Design Commission Workshop	**May 23, 2013**
SHRA Commission	May 29, 2013
Phil Angelides	June 11, 2013
North State BIA Board	June 18, 2013

Natomas Planning Committee	June 19, 2013
Sacramento Steps Forward	June 20, 2013
Downtown Partnership	June 27, 2013
Sacramento Housing Alliance Staff	July 16, 2013
Planning and Design Commission Workshop on Draft Housing Element	July 25, 2013
Planning and Design Commission Hearing to Approve	**August 15**
Council Hearing to Approve	September 3
Planning and Design Commission Hearing to Adopt	December 2013
Council Hearing to Adopt	January 2014

Attachment 6
Correspondence and Materials Received to Date

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July 25, 2013

City of Sacramento
Planning and Design Commission
300 Richards Boulevard, 3rd Floor
Sacramento, CA 95814

RE: Housing Element Workshop No. 4

Dear Commissioners Kaufman, Parrinello, Mack, Burchill, Nybo, LoFaso, Covill, Harvey, Ray, Declines, Lubawy, Lele and Chandler:

This letter is submitted on behalf of Encore McKinley Village, LLC in response to the Staff Report and related attachments for the "Housing Element Workshop No. 4 for the Housing Element of the General Plan." As noted in the Staff Report, the purpose of the Workshop is to provide the Commission and the public an opportunity to review and comment on the draft 2013-2021 Housing Element as well as discuss key policy and program updates including the Mixed Income Housing Ordinance, Housing Trust Fund Ordinance, responsible banking ordinance and new fee deferral program. The comments below address the City's proposed update to its Mixed Income Housing Ordinance (Ordinance).

At the outset, we want to express our appreciation for the work that City staff has done to try to balance the need for diverse housing types against the financial realities of the still fragile Sacramento housing market. In particular, we support the City's goal of encouraging a range of housing opportunities through the "Affordable by Design" concept embodied in the draft outline of the Ordinance.

As the City and the community work to craft and implement polices to increase affordable housing, it is important that we do so in a way that does not inhibit a sustainable housing recovery and that encourages – and does not discourage – new, infill developments which already face substantial costs and hurdles.

Accordingly, we wish to offer three comments at this time on the draft outline presented by the staff. First, we believe infill projects that have submitted applications and are currently being processed by the City should be subject to a grandfather clause exempting such projects from the proposed affordable housing impact fee. Second, the City's own consultant has determined that new residential development in Sacramento is not feasible in the current market even without imposition of the proposed affordable housing impact fee; thus, the fee should not be imposed until the City can make a finding that the residential market has improved such that development is actually feasible. Finally, given the direct correlation between infill development, annual transportation savings per household, and housing affordability, additional credits against the proposed affordable housing impact fees should be given for infill projects located in "Established Communities" or "Center & Corridor Communities," as designated by the Sacramento Area Council of Governments (SACOG). Each of these issues is discussed in more detail below.

Grandfather Clause. Infill projects are not subject to the existing Mixed Income Housing Ordinance. The City proposes to revise the Ordinance to apply to all new housing units, including infill. Infill projects such as McKinley Village and others in the City's development pipeline were underwritten and undertaken with the assumption that these projects would not be subject to affordable housing impact fees. As a matter of fairness to these projects, and in keeping with the City's policies encouraging and promoting infill development, we urge the City to allow pending infill projects to be grandfathered in and exempted from affordable housing impact fees either indefinitely or, in the alternative, for a period of five years to allow a reasonable time for project build-out.

Fees Linked to Market Conditions and Findings of Feasibility. In the Financial Feasibility Analysis prepared for the City, Keyser Marston Associates (KMA), the City's consultant, assumed that developer returns would need to be at least 10% of total development costs for a typical project to be financially feasible. (Residential Nexus Analysis for the Mixed Income Housing Ordinance, p. 72 [Appendix II(C), "Financial Feasibility Analysis"].) We believe that this benchmark is too low to attract development financing given current entitlement, development, and market risks associated with projects in Sacramento at this time. However, even assuming this overly conservative benchmark, KMA determined that all five of the ownership housing prototypes studied in its Feasibility Analysis are infeasible. Indeed, *none* of the five prototypes provides 10% returns and even the highest return of 6.3% for urban infill condo projects was caveated by KMA with the observation that such projects are "virtually unbuildable in today's market." (*Ibid.*) In other words, even without imposing any affordable housing impact fees, KMA determined that none of the prototypical residential for-sale housing products is currently feasible.

Nevertheless, the City's proposed Ordinance seeks to impose additional fees and thereby exacerbate the financial difficulty of developing under existing market conditions. We do not believe this to be a practical or feasible approach at this time. Particularly in light of the City's desire to encourage more infill development, the City must be sensitive about imposing new financial burdens that could preclude much needed residential development in the City.[1]

Accordingly, we suggest the City delay imposing the affordable housing impact fee until such time as the City and its consultant can make a finding that residential development is, in fact, feasible. As noted in the Staff Report, the Ordinance needs to respond to both downturns and upturns in the market. We wholeheartedly agree. When the market is stronger and returns clear the feasibility threshold, taking into account the imposition of the affordable housing impact fee, it is reasonable for the City to consider imposing these impact fees. The Ordinance should be flexible enough to impose and increase fees as the market improves and returns are more robust.

Fee Credits for Established Communities and Center & Corridor Communities. To the extent the Ordinance seeks to provide affordable housing opportunities, the Ordinance needs to better acknowledge the correlation between infill development and decreased household transportation costs/annual transportation savings. Numerous studies across the country have shown that 1) transportation costs are a major component of household expenses and a significant factor in effective housing affordability; 2) transportation costs are significantly lower for infill housing as compared to suburban housing further from employment centers; and 3) reduced transportation costs effectively result in increased housing affordability. For example, as shown in Attachment 1, the share of annual household income spent on transportation increases greatly as development moves away from the central city and employment centers. SACOG also collected data on transportation and housing expenses as part of the update to its Regional Transportation Plan, and concluded the total cost of transportation per household is significantly higher for Developing Communities and Rural Residential Communities (further from employment centers) and significantly lower for Centers & Corridors and Established Communities (closer to central city and employment centers). (See Attachment 2, comparing the annual cost per household by the different community type areas, and Attachment 3, showing such areas).[2]

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[1] Pursuant to the Regional Housing Needs Allocation (RHNA), the City must plan to accommodate 24,101 new housing units by 2021 (Housing Element, p. H 5-2).

[2] SACOG community type areas (Centers & Corridors, Established Communities, Developing Communities and Rural Residential Communities) are defined it its RTP along with a map identifying the various areas. (See the executive summary of chapter 3 at: http://www.sacog.org/2035/mtpscs/; see also Attachment 3.)

This is further explained in Attachments 4(a) and 4(b).[3] As shown in Attachment 4(a), a household with an annual income of $60,900 per year (80% of 2012 Median Family Income for a family of 4) can afford to purchase a $249,875 home. When annual transportation savings for infill development are factored in, less income is required to purchase the same house (because the household is saving money on transportation) in an infill location as compared to a suburban location. Assuming the annual transportation savings provided by SACOG, households in Developing Communities located away from employment centers need $60,900 annual income to purchase a $249,875 home, while households in Established Communities closer to employment centers can purchase the same value home with an annual income of $55,900, and households in Center & Corridor Communities closer to the central city would need an annual income of $49,233 to purchase the same home. This increased affordability is due to the annual transportation savings afforded to infill development, which is $1,500 for Established Communities and $3,500 for Center and Corridor Communities. (See Attachments 2, 3, 4(a) and 4(b).) [4]

Looked at in another way, assuming the same annual income of $60,900, households located in the central city and near other employment centers can purchase more housing than households located away from employment centers. (Also see Attachments 4(a) and 4(b).)

Given the City's goals of both promoting infill and affordability, the Ordinance should recognize the direct correlation between infill and affordability and should provide an additional credit against the affordable housing impact fees for infill development. Specifically, we propose the Ordinance be revised to provide an additional 15% credit against the affordable housing impact fee for development in Center and Corridor Communities and a 7.5% credit for Established Communities.[5]

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[3] Attachments 4(a) and 4(b) were prepared using the assumptions from Table 3-21 of the July 2013 Public Review Draft of the Sacramento 2030 General Plan Housing Element Update. (Housing Element, p. H 3-36.)

[4] As shown in Attachment 4(b), a household in a Developing Community with an annual income of $91,000 per year (120% of 2012 Median Family Income for a family of 4) can afford to purchase a $374,689 home. Assuming annual transportation savings as calculated by SACOG, a household in an "Established Community" can purchase the same value home with an annual income of $86,320, and households in Center and Corridor Communities would need an annual income of $79,653 to purchase the same home.

[5] With this additional fee credit, for-sale units under 50 acres and located in a Center & Corridor Community would be required to pay the full fee or pay 15% of the fee and do any combination of (1) build 15% of the units as Affordably by Design, (2) build 10% of the units as regulated rental units at or below 80% AMI or (3) dedicate land valued equal to the fee balance due.

For-sale units under 50 acres and located in an Established Community would be required to pay the full fee or pay 22.5% of the fee and do any combination of (1) build 15% of the units as

We look forward to continuing to work with the City and the community to fashion policies which foster diverse housing opportunities, consistent with the goals of supporting a sustainable housing recovery and quality, infill development. We thank you for your time and hope you will consider our suggested revisions to the Ordinance.

Sincerely,

Tina Thomas (a.g.)

Tina A. Thomas

Attachments (5)

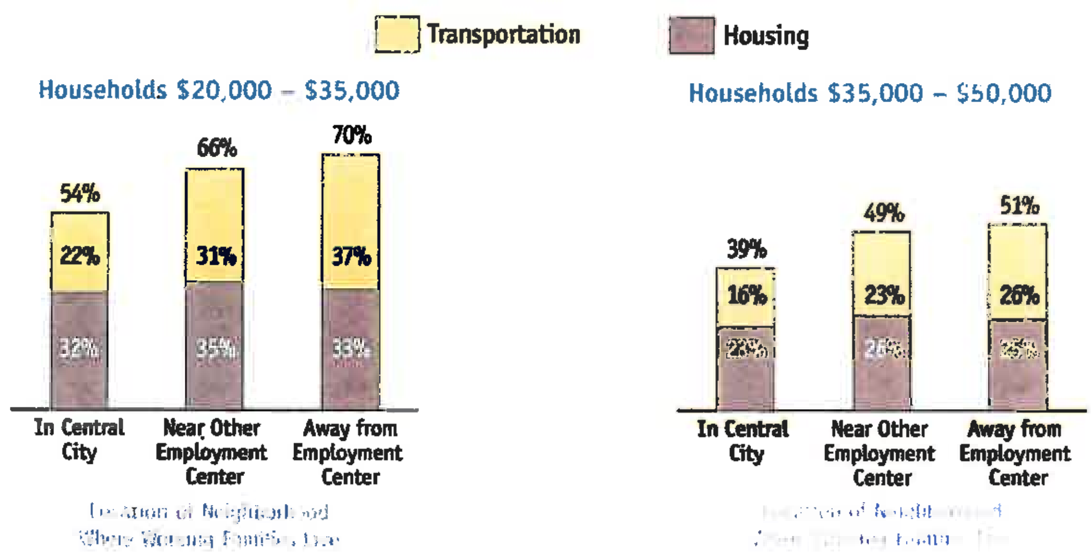
Affordably by Design, (2) build 10% of the units as regulated rental units at or below 80% AMI or (3) dedicate land valued equal to the fee balance due.

HOUSING + TRANSPORTATION = A MORE COMPLETE MEASURE OF AFFORDABILITY

Life on the Fringes: the Further a Neighborhood is from Employment Centers the More Likely Transportation Costs Predominate

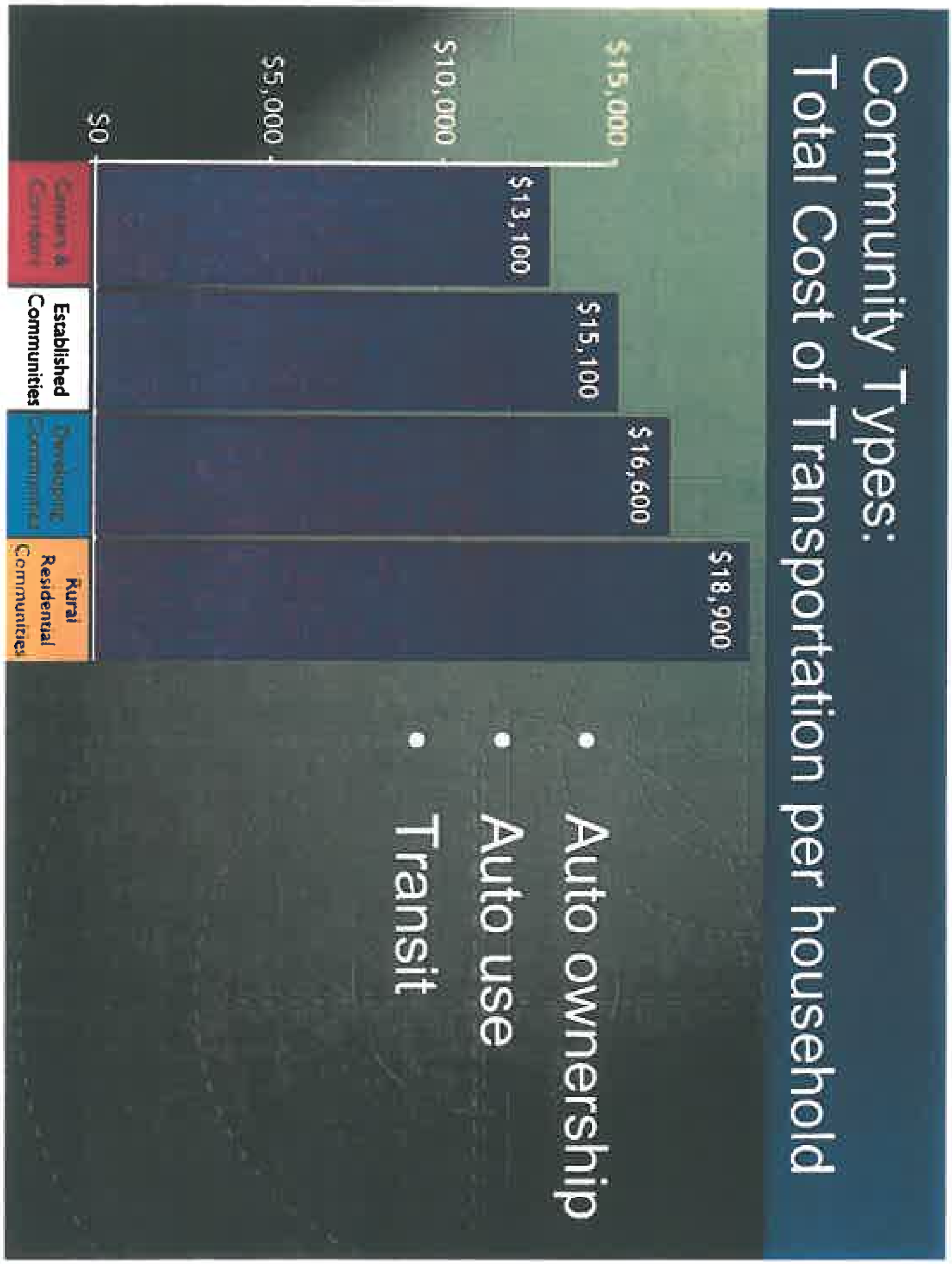
A TRIP FROM SUBURB TO CENTRAL CITY no longer describes the typical commute in many metropolitan areas of the country. As jobs have suburbanized, many commuters make their way from suburb to secondary city or from exurban community to other employment centers in the region as well as central city locations. As these graphs show, the combined cost of housing and transportation increases with distance to employment centers. For Working Families living in neighborhoods far from employment centers, especially those in the $20,000 - $35,000 bracket, combined housing and transportation costs consume a particularly large share of income, with transportation costs exceeding those for housing.

Share of Income Spent on Housing and Transportation

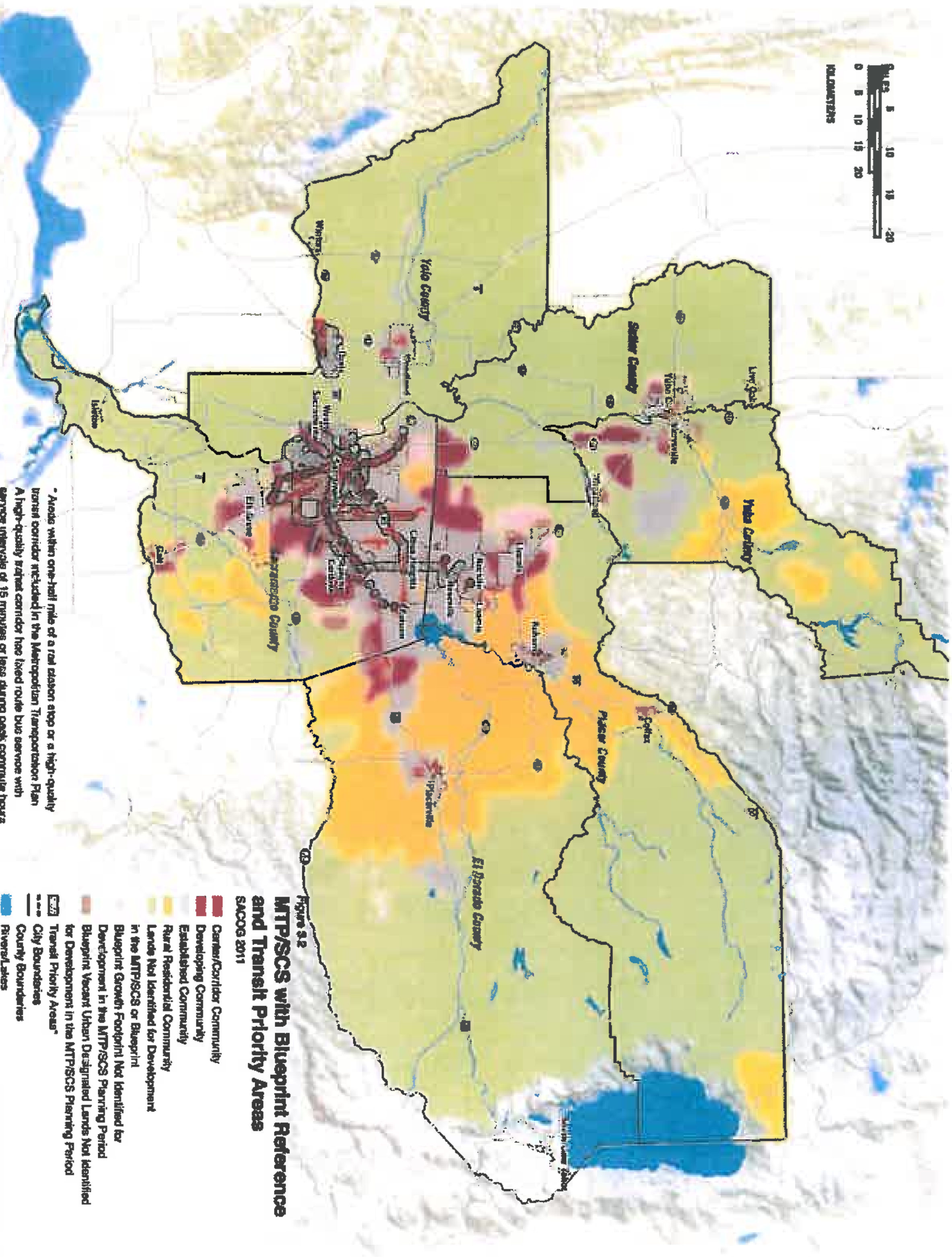


Source: Center for Neighborhood Technology calculations.
NOTE: Employment centers are job locations with a minimum of 5,000 employees.

ATTACHMENT 1



ATTACHMENT 2



ATTACHMENT 3

Ability to Pay for Housing based on HUD Income Limits, 2012

Transportation Adjustments

Based upon Households at 80% of 2012 Median Family Income[1]
Assumes a 3BR House and a 4 Person Household[1]

	Developing Communities	Established Communities	Center & Corridor Communities
Income Level[1]	$ 60,900	$ 60,900	$ 60,900
Maximum Monthly Gross Rent[1]	$ 1,523	$ 1,523	$ 1,523
Maximum Purchase Price House[1]	$ 249,875	$ 249,875	$ 249,875
Annual Transportation Cost[2]	$ 16,600	$ 15,100	$ 13,100
Annual Transportation Savings		$ 1,500	$ 3,500
Monthly Transportation Savings		$ 125	$ 292

Reduced Income Needed to Purchase Maximum Purchase Price Home Above

	Developing Communities	Established Communities	Center & Corridor Communities
Reduced Income Needed		$ 5,000	$ 11,667
Adjusted Income Level Needed		$ 55,900	$ 49,233
% of Median Family Income Needed to Purchase Maximum Purchase Price Home		73%	65%

Increased House Purchase Capacity with Transportation Cost Savings

	Developing Communities	Established Communities	Center & Corridor Communities
Increased Maximum Monthly Gross Rent		$ 125	$ 292
Increased Housing Purchase Capacity		$ 20,500	$ 47,833
Adjusted Maximum Purchase Price House		$ 270,375	$ 297,708

Notes:

1. *Uses same assumptions from Table 3-21 of the July 2013 Public Review Draft of the Sacramento 2030 General Plan Housing Element Update.*
2. *Uses data from SACOG's 2010 MTP/SCS.*

ATTACHEMENT 4a

7/25/2013

Ability to Pay for Housing based on HUD Income Limits, 2012

Transportation Adjustments

Based upon Households at 120% of 2012 Median Family Income[1]

Assumes a 3BR House and a 4 Person Household[1]

	Developing Communities	Established Communities	Center & Corridor Communities
Income Level[1]	$ 91,320	$ 91,320	$ 91,320
Maximum Monthly Gross Rent[1]	$ 2,283	$ 2,283	$ 2,283
Maximum Purchase Price House[1]	$ 374,689	$ 374,689	$ 374,689
Annual Transportation Cost[2]	$ 16,600	$ 15,100	$ 13,100
Annual Transportation Savings		$ 1,500	$ 3,500
Monthly Transportation Savings		$ 125	$ 292

Reduced Income Needed to Purchase Maximum Purchase Price Home Above

	Developing Communities	Established Communities	Center & Corridor Communities
Reduced Income Needed		$ 5,000	$ 11,667
Adjusted Income Level Needed		$ 86,320	$ 79,653
% of Median Family Income Needed to Purchase Maximum Purchase Price Home		113%	105%

Increased House Purchase Capacity with Transportation Cost Savings

	Developing Communities	Established Communities	Center & Corridor Communities
Increased Maximum Monthly Gross Rent		$ 125	$ 292
Increased Housing Purchase Capacity		$ 20,500	$ 47,833
Adjusted Maximum Purchase Price House		$ 395,189	$ 422,522

Notes:

1. *Uses same assumptions from Table 3-21 of the July 2013 Public Review Draft of the Sacramento 2030 General Plan Housing Element Update.*
2. *Uses data from SACOG's 2010 MTP/SCS*

ATTACHMENT 4b

7/25/2013

07/25/13

To: Our City's elected officials
or those otherwise concerned
with the city housing ordinance

My name is Joseph Barry. I am
a disability advocate, state worker
and student

I have made Sacramento My home
since childhood in 1989

I am a home owner and very active
in my community

All that I ask is that you do
what's right and appoint
a Stakeholders Committee / Citizens
Committee to review any proposed changes
to the current City Mixed Income
Housing Ordinance.

Thank You
Mr. Joseph Barry
[illegible] 32nd Ave
Sacramento CA 95822
916 [illegible]

Subject: Draft 2013-2021 Housing Element (LR12-004)

SACRAMENTO
HOUSING ALLIANCE

City of Sacramento Draft Housing Element

P:: 916.455.4900 | F:: 916.455.4917

SHA Issue Points

1. Public given **insufficient** time to review draft element prior to this meeting. Our comments are therefore only preliminary.

2. First, we are surprised and disappointed by what is missing from element. There is either no or little information about critical issues facing our community including:

   a. The impact on the loss of redevelopment funding. There is no discussion about what the loss of funds means to maintaining and producing affordable housing NOR and MOST IMPORTANTLY, nothing about strategies to address this devastating problem.

   b. Future of SHRA, especially in light of recent effort to dissolve agency.

   c. Housing Choice Voucher crisis resulting from sequestration which could increase homelessness in our communities.

   d. Potential significant changes to the Mixed Income Ordinance and the Housing Trust Fund. Element should provide framework for broader community discussion about these two critical programs. There is no evaluation of the Ordinance or Trust Fund in element, so impossible to evaluate if changes are needed or to guide revisions and according to Planning Department supervisors, there is no planned public outreach for revisions or review of changes to these ordinances.

   e. SafeGround and other initiatives to address the growing homeless population.

   f. How housing element will promote/support sustainable communities and objectives of City's Climate Action Plan. SB 375 reinforced the link between housing planning and achieving climate change objectives, yet the housing element only references other general plan elements rather than including policies that would meet both affordable housing and sustainable communities' goals.

3. There is no real evaluation of prior housing programs. No description of the number of units built, preserved, or rehabbed as a result of specific City programs or policies.

   Worse, programs proposed for next planning period are weak and do not include clear quantified objectives or describe "how" the City with encourage or support a specific policy or strategy. Housing element law was revised by SB 375 to require programs to demonstrate how they will have a "beneficial impact" in the planning period, and the City's programs **CLEARLY DO NOT MEET THIS STANDARD.**

www.sachousingalliance.org | 1800 21st Street, Suite 100 | Sacramento, CA 95811

4. Housing Element effectively highlights growing housing need, increasing home prices, growing income disparities and acknowledges that income disparities among minority populations lead to economic and geographic segregation. Yet, the proposed programs are completely inadequate to meaningfully address and in some cases, do not confront the issues at all.

5. Land Inventory requires significant revisions to demonstrate adequacy of sites identified. Among other serious concerns, the City appears to rely on too many small sites to address housing need for lower income families.

Subject: Draft 2013-2021 Housing Element (LR12-004)

downtown
SACRAMENTO PARTNERSHIP

July 25, 2013

City Planning and Design Commission
City of Sacramento
300 Richards Boulevard, 3rd Floor
Sacramento, CA 95811

Subject: ***Housing Element Update: Mixed Income Housing Ordinance (Item: 3)***

Dear Planning Commissioners:

On behalf of the Downtown Sacramento Partnership (DSP) Board of Directors and roughly 450 property and business owners in Sacramento Central Business District, I wanted to comment on the draft 2013-2021 Housing Element and specifically, proposed changes to the City's Mixed Income Housing Ordinance.

Residential development within the Sacramento's downtown core has been a longtime policy objective of the DSP. Market forces and challenges associated with infill development have made all projects virtually infeasible in the last several years. While we appreciate the flexible options that are included in the framework for ordinance changes, we are strongly concerned about the impacts new requirements or fees will have on development in the core. The market analysis commissioned by the City clearly shows feasibility difficulties associated with infill products today and into the near future. Numerous policies and strategies enacted by the city (including the General Plan) prioritize infill development, however new requirements will continue to inhibit sustainable infill development.

If Sacramento considers expanding the ordinance to include the Central City, it must include safeguards to ensure that we do not further negatively impact residential projects. Any ordinance changes must include exemptions for priority areas or further phase in requirements over five to 10 years (instead of the three proposed) in order to ensure that market conditions improve prior to implementing new requirements. Adding new requirements and fees to already infeasible development will only serve to promote unsustainable development patterns and move growth into suburban areas where land and construction costs are significantly cheaper. The DSP will continue to work with staff and stakeholders to mitigate any impacts from new requirements on residential development within the Central City. Downtown revitalization hinges on attracting residents with a mix of product types and income levels. Any new fees or requirements will impede these efforts.

Finally, I want to thank City staff for their outreach on this issue. Staff has always been available and transparent during discussions related to the Housing Element. If you have any questions or comments please contact me at kgreene@downtownsac.org or (916) 442-8575.

Sincerely,

Kevin Greene
Policy Manager

CC: DSP Board of Directors
John Shirey, City Manager
Tom Pace, Long Range Planning Manager

916 442.8575
FAX 916 442.2053

downtownsac.org

Mixed Income Housing Ordinance Framework

7/1/2013

1) Rental units: pay the fee.
   a) Projects with 20% or more of regulated rental units are exempt from the fee.
   b) Projects of more than 5 stories in height have a 70% fee reduction.
2) For-sale units:
   a) 0-50 acre projects pay the full fee, OR pay 30% of the fee and do any combination of:
      i) build 15% of the units as Affordable by Design*;
      ii) build 10% of the units as regulated rental units at or below 80% AMI*;
      iii) dedicate land valued equal to the fee balance due **.
   b) >50 acre projects shall pay 30% of the fee and do any combination of:
      i) build 15% of the units as Affordable by Design*;
      ii) build 10% of the units as regulated rental units at or below 80% AMI*;
      iii) dedicate land valued equal to the fee balance due**.

*Credit for building Affordable by Design or 80% AMI regulated units, or land dedication, can be pro-rated in proportion to the required percentage (i.e., 15% or 10%).

**Land dedication must meet minimum parcel size, maximum 120 unit project size, location, and other standards. Projects built on dedicated land shall be affordable to 80% AMI or below.

<u>Fee Level</u>

- For-sale units: $3 per sq. ft.
- Rental units: $1 per sq. ft.
- Phase-in: 33% of fee in year 1, 66% of fee in year 2, 100% of fee in year 3
- Indexing: after year 3, fee is indexed to construction costs and land prices

<u>Affordable By Design housing types</u>:

- Small lot single family homes (<3,000 sq. ft. lots)
- Attached homes (townhomes, condominiums, duplexes, triplexes, etc.)
- Secondary units (granny flats)
- Co-housing units
- Limited equity housing cooperatives
- Other for-sale concepts approved by the City

Affordable by Design units shall be dispersed equally among the phases of the project and, to the maximum extent an efficient lotting plan will permit, dispersed geographically within each phase of the project.

To ensure Affordable by Design units are relatively affordable, they shall be no larger than the average size of all the market-rate units in the project.

If the full fee is paid, an inclusionary housing plan is not required.

Development Agreement Option:

Affordable housing requirements can be met through other options that are consistent with housing element policies.