



**Sacramento
Housing &
Redevelopment
Agency**

**REPORT TO COUNCIL
AND HOUSING AUTHORITY
AND REDEVELOPMENT AGENCY**

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

Public Hearing
January 22, 2008

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

**Title: Approval of Tax-Exempt Bonds and Agency Loan for Broadway Senior
Center Apartments**

Location/Council District: 5200 Broadway, Sacramento, Council District 5

Recommendation: Adopt 1) a **Housing Authority Resolution** a) indicating the willingness of the Housing Authority of the City of Sacramento to issue up to \$7,000,000 in tax-exempt mortgage revenue bonds to provide acquisition, construction, and permanent financing for the project; b) authorizing an application to the California Debt Limit Allocation Committee (CDLAC) for authority to issue the bonds; c) authorizing the Interim Executive Director or her designee to execute all necessary documents associated with the transaction; 2) a **City Resolution** a) indicating that the City Council has conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing related to the proposed acquisition, construction, and permanent financing of the project; and b) approving the issuance of tax-exempt obligations; 3) a **City Resolution** a) approving funding from City Home Investment Partnership (HOME) funds for a Sacramento Housing and Redevelopment Agency (Agency) loan of up to \$1,100,000 for the project; and b) authorizing the Interim Executive Director or her designee to execute a commitment letter; and 4) a **Redevelopment Agency Resolution** a) approving funding from Tax Increment (TI) funds for a City Redevelopment Agency loan of up to \$1,000,000 for the project; and b) authorizing the Interim Executive Director to execute a commitment letter.

Contact: Lisa Bates, Deputy Executive Director, 440-1316, Christine Weichert, Assistant Director, 440-1353

Presenter: Bernadette Austin, Housing Finance Analyst

Department: Sacramento Housing and Redevelopment Agency

Tax-Exempt Bonds and Agency Loan for Broadway Senior Center Apartments

Description/Analysis

Issue: This report recommends the issuance of up to \$7,000,000 in tax-exempt mortgage revenue bonds and approval of a \$2,100,000 loan consisting of \$1,100,000 in HOME funds and \$1,000,000 in TI funds for the acquisition, rehabilitation, and permanent financing of Broadway Senior Center Apartments, located at 5200 Broadway. The proposed project by Dawson Holdings, Inc., (Developer), would preserve 120 units of multi-family affordable housing currently at risk of converting to market-rate. The project was previously approved by City Council in June 2007 for funding as a 9% Low Income Housing Tax Credits (LIHTC) project but it was not awarded tax credits. As a result, the Developer is now requesting to fund the project through the use of 4% LIHTC and MRB.

Broadway Senior Center Apartments is an existing housing project made affordable by a project-based Housing Assistance Payment (HAP) contract with the U.S. Department of Housing and Urban Development (HUD) that covers all 120 units. The manager's unit is covered by the contract but can be rented to the manager at market rate if necessary. Under the HAP contract, tenants pay 30 percent of their income for rent and the balance of the rent is paid by HUD. The contract is currently subject to annual renewals and the owner is willing to sell to a market rate-rate developer. Instead, Dawson Holdings, Inc., intends to secure a new long-term HAP contract that would ensure continued rent subsidies for residents for a 20-year period. The Agency will require the developer to renew the HAP contract on the property after expiration of the initial contract as long as the extensions are available.

The project is proposed to be funded with tax-exempt mortgage revenue bonds, 4% LIHTC, the Agency loan, and a deferred developer fee. The bonds, tax credits, and Agency loan together will require 23 units to be affordable to individuals earning 50 percent or less than the Area Median Income (AMI) and 96 to be affordable to individuals earning 60 percent or less than the AMI for a period of 55 years. In actuality, the HAP contract will require that all the residents, excluding the manager, earn 50 percent or less AMI for the term of the contract. Should the HAP contract not be renewed at any time, the bond, tax credit, and Agency loan affordability restrictions would continue in effect for the remainder of their 55-year terms.

The Agency loan will be partially funded from TI funds. These funds require an executed Owner Participation Agreement (OPA) with the partnership that will operate the project. The Agency will return to the Council for approval of the OPA after the Developer has secured his bond and tax credit allocations.

The project was built in 1979 and needs substantial improvements to bring it up to modern standards. The developer proposes a rehabilitation budget of approximately \$2,500,000 to make the necessary improvements. All apartment interiors will be renovated and upgraded as needed with replacement of countertops, garbage disposal, appliances, refaced or replaced cabinetry in the bathrooms, vinyl, toilets, and bath tubs. Exterior work will include replacement and painting of deteriorating siding and surrounding fencing, installation of dual-

Tax-Exempt Bonds and Agency Loan for Broadway Senior Center Apartments

pane windows, and all buildings will have concrete entry ramps and walkways from the property entrance. Site work will include improvements to landscaping, modification of sidewalks to correct problematic drainage issues, and upgraded ADA accessibility throughout the complex. Security cameras and enhanced lighting will also be installed.

All current tenants residing in the project have incomes that are at or below the proposed thresholds. While there may be some temporary relocation due to the renovation, no one will be permanently displaced by this action.

Further background on the project developer and the property are included as Attachment 1. A vicinity map, location map, and site plan are included as Attachments 2, 3, and 4. A project summary, including a proposed sources and uses of funds, is included as Attachment 5. A project cash flow proforma and a schedule of maximum rents are included as Attachments 6 and 7.

Policy Considerations: While the recommended actions are consistent with the approved Agency tax exempt bond and multi-family loan policies, the term of the Agency loan is to be extended in order to be consistent with the term of the senior loan. Regulatory restrictions on the property will be specified in bond and loan regulatory agreements with the Housing Authority and the Agency, respectively. Compliance with the regulatory agreements will be monitored by the Agency on a regular basis. As an affordable housing project, Broadway Senior Center Apartments is exempt from the Art in Public Places requirements usually associated with projects funded with TI.

Environmental Considerations: The proposed action is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Sections 15310 and 15301(a) and (d) which exempts bond and loan financing and rehabilitation of existing facilities where the use remains unchanged. The project consists of the rehabilitation of a multi-family residential complex in which the unit density will not be changed and the estimated cost of rehabilitation is less than 75 percent of the total estimated cost of replacement after rehabilitation. Therefore, the proposed action is categorically excluded from environmental review under the National Environmental Policy Act (NEPA) pursuant to 24 CFR Section 58.35(a)(3).

Committee/Commission Action: At its meeting of January 9, 2008, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES: Burruss, Chan, Coriano, Fowler, Gore, Hoag, Morgan, Otto, Shah, Stivers

NOES: None

ABSENT: Dean

Tax-Exempt Bonds and Agency Loan for Broadway Senior Center Apartments

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

Financial Considerations: Staff recommends approval of issuance of up to \$7,000,000 in tax-exempt bonds and up to \$2,100,000 in an Agency loan from City HOME and aggregated Low/Mod TI funds which will be repaid with interest. A loan commitment letter is included as Exhibit A. The developer will be responsible for the CDLAC processing fee and posting of the performance deposit required by CDLAC.

M/WBE Considerations: Minority and Women’s Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

Respectfully Submitted by: 
LA SHELLE DOZIER
Interim Executive Director

Recommendation Approved:


RAY KERRIDGE
City Manager

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Broadway Senior Center Apartments Project Background Information

The developer, Dawson Holdings, Inc., proposes to acquire and rehabilitate Broadway Senior Center Apartments, an existing 120-unit affordable senior housing project located at 5200 Broadway. The developer is requesting issuance of up to \$7,000,000 in tax exempt bonds and a \$2,100,000 Agency loan comprised of \$1,100,000 in City Home Investment Partnership (HOME) funds and \$1,000,000 in aggregated Tax Increment (TI) funds. Award of this loan will be contingent upon the allocation of mortgage revenue bonds and of 4% Low-Income Housing Tax Credits to the project.

Description of Development: The project consists of 26 single-story buildings. One building houses the community room, laundry facility, management/leasing office, and maintenance shop. The remaining 25 buildings contain 112 one-bedroom units and 8 two-bedroom units. One-bedroom units are 593 square feet, and two-bedroom units are 800 square feet. A site plan is included as Attachment 4.

All units are rental units and will be affordable to low-income and very low-income residents. Rent restrictions will be enforced through a Regulatory Agreement with the Agency for a term of 55 years.

Developer: Dawson Holdings, Inc., has developed numerous affordable apartment projects. Their current portfolio includes 3,338 apartments in 25 projects in California, Oregon, Colorado and Missouri. The company is based in Sausalito, and many of the company's apartment projects are in Sacramento and the San Francisco Bay area. Local projects include the Willow Pointe Apartments, Countrywood Apartments, Florin Meadows, Rancho Cordova Apartments, Bryte Gardens, Sunnyslope Apartments, Willow Tree, and Rosswood Manor. The general contractor will be Precision General Commercial Contractors, Inc., which is experienced in apartment construction and rehabilitation. The firm is affiliated with the Developer.

Property Management: Sackett Corporation, the current property manager, will continue in that function. The company has managed commercial and multi-family residential properties since 1977. Over the past 25 years, Sackett Corporation has managed approximately 20,000 residential units in California and Arizona. Their experience includes conventional apartments, tax-exempt bond financed-apartments, senior housing, and HUD subsidized housing.

Agency staff has reviewed the management plan, including daily operations, leasing procedures, maintenance, and eviction procedures, and has found that the proposed management company meets the Agency's requirements for property management.

Social Services Plan: Social Services will be provided to the residents by Community Resident Services, Inc., a nonprofit 501(c)(3) corporation. Community Resident Services 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.

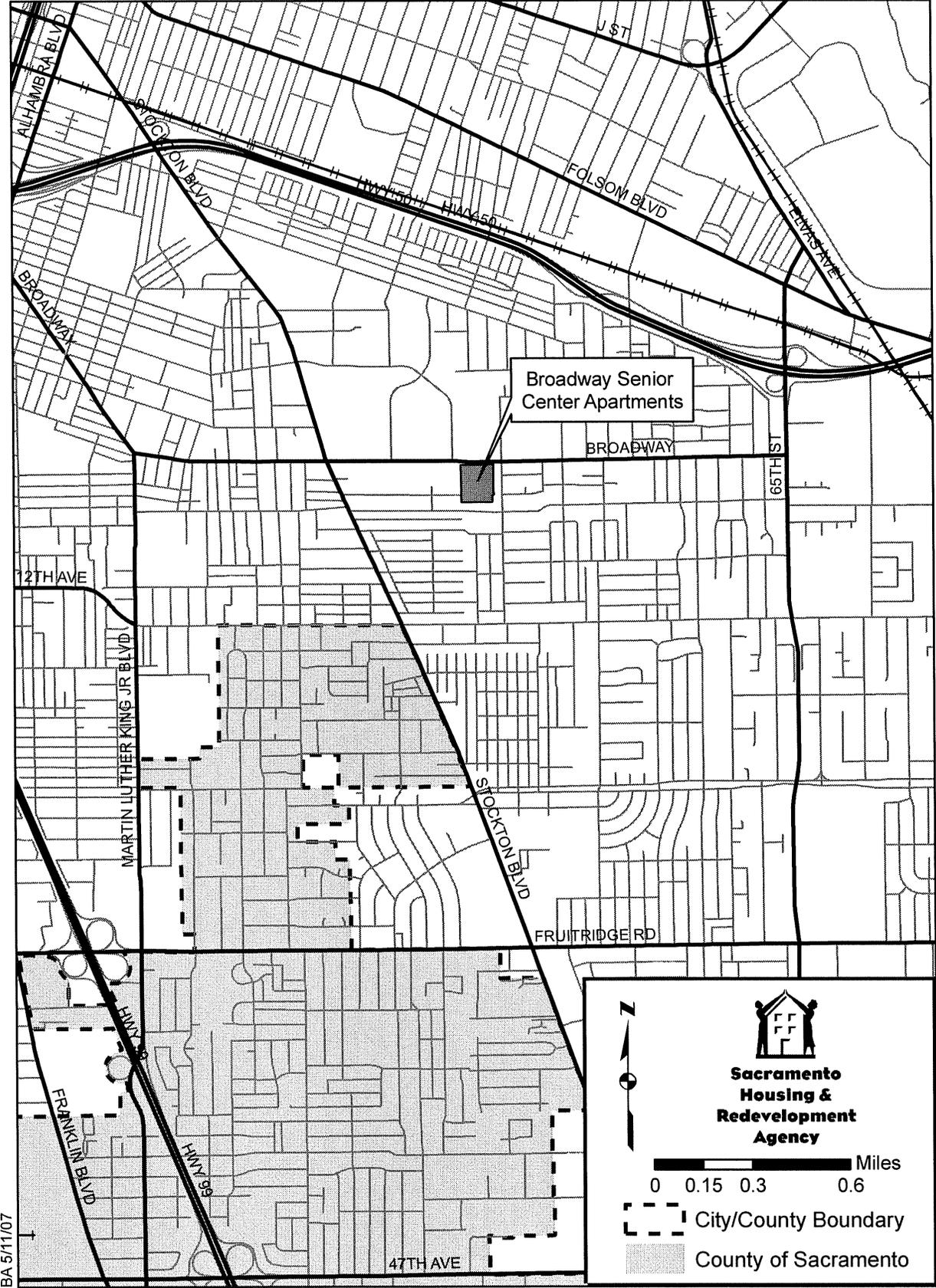
Project Financing: The developer has proposed to finance the Broadway Senior Center Apartments project using tax exempt mortgage revenue bonds issued by the Housing

Authority, Low income Housing Tax credits, a deferred fee, and a \$2,100,000 Agency loan using \$1,100,000 in City HOME funds and 1,000,000 in TI funds.

Low-income Set-aside Requirements: The project will be layered with affordability requirements required by the various public funding sources. These sources and their affordability requirements are summarized in the following table.

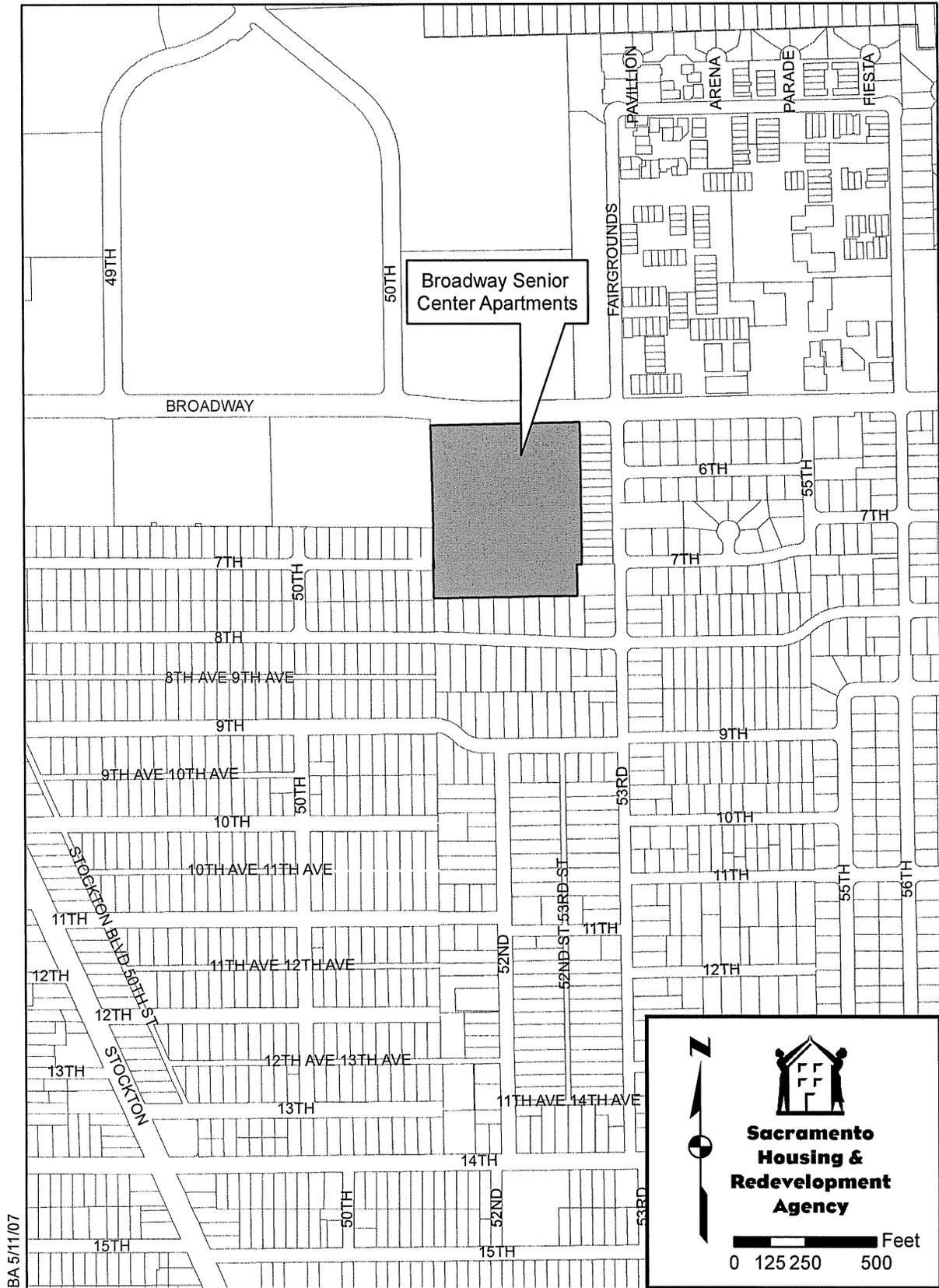
Funding	Affordability Restrictions	No. Units Covered	Regulatory Term
HAP Contract	Very Low-Income (50% AMI)	120	20 years
Tax Exempt Bonds, Low Income Housing Tax Credits, and Agency Loan	Very Low-Income (50% AMI)	23	55 years
	Low-Income (60% AMI)	96	55 years
Manager's Unit	Unrestricted (HAP optional)	1	

Broadway Senior Center Apartments Vicinity Map

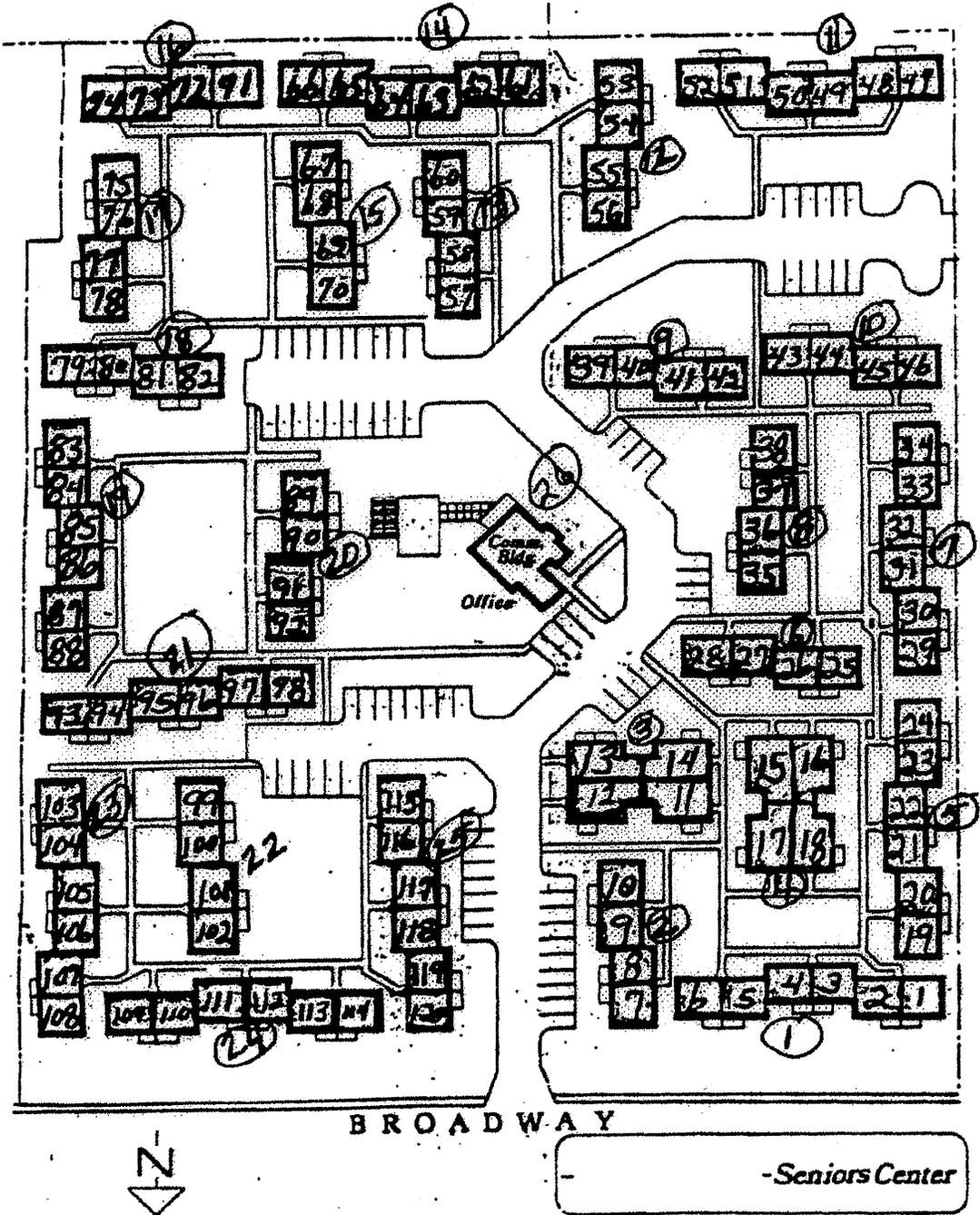


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Broadway Senior Center Apartments Location Map



BA 5/11/07



Broadway Senior Center Apartments

<u>Address</u>	5200 Broadway, Sacramento		
<u>Number of Units</u>	120		
<u>Year Built</u>	1979		
<u>Acreage</u>	7.45 acres		
<u>Affordability</u>	23 units (20%) at or below 50% of median income 96 units (80%) at or below 60% of medium 1 manager's unit at market rate		
<u>Unit Mix and Rents</u>	(50% AMI)	(60% AMI)	Market
1 Bedroom	22	90	0
2 Bedroom	1	6	1
Total	23	96	1
<u>Unit Square Footage</u>	1 Bedroom 593 square feet 2 Bedroom 800 square feet Total 75,416 square feet, including 2,600 for the community space		
<u>Resident Facilities</u>	The site includes a community room with a full kitchen and two restrooms.		
<u>Permanent Sources</u>	<i>Total</i>	<i>Per Unit</i>	<i>Per Square Foot</i>
Tax Credit Equity	\$ 4,029,000	\$ 33,575	\$ 53.42
Tax Exempt Bonds	\$ 5,181,000	\$ 43,175	\$ 68.70
SHRA Loan	\$ 2,100,000	\$ 17,500	\$ 27.85
Developer Fee Loan	\$ 680,000	\$ 5,667	\$ 9.02
Net Operating Cash Flow	\$ 20,000	\$ 167	\$ 0.27
TOTAL SOURCES	\$ 12,010,000	\$ 100,083	\$ 159
<u>Permanent Uses</u>			
Acquisition Costs	\$ 6,630,000	\$ 55,250	87.91
Construction Costs	\$ 2,557,000	\$ 21,308	33.91
Contractor Overhead and Profit	\$ 388,000	\$ 3,233	5.14
Architecture and Engineering	\$ 10,000	\$ 83	0.13
Contingency	\$ 252,000	\$ 2,100	3.34
Financing Costs	\$ 341,000	\$ 2,842	4.52
Reserves	\$ 222,000	\$ 1,850	2.94
Legal	\$ 102,000	\$ 850	1.35
Developer Fee	\$ 1,361,000	\$ 11,342	18.05
Other	\$ 147,000	\$ 1,225	1.95
TOTAL USES	\$ 12,010,000	\$ 100,083	\$ 159
<u>Management / Operations</u>	Proposed Developer: Dawson Holdings, Inc Property Management Company: Sackett Corporations Operations Budget: \$356,000 \$2,967 per unit Replacement Reserves: \$36,000 \$300 per unit		

MAXIMUM RENT AND INCOME LEVELS

Mortgage Revenue Bond Program

(Rents @ 50% of AMI)

Maximum Income Limits:	
50% AMI	
<u>Family Size</u>	<u>Max. Income</u>
1 person	\$ 23,500
2 person	\$ 26,900
3 person	\$ 30,250
4 person	\$ 33,600
5 person	\$ 36,300
Maximum Rent Limits:	
<u>Unit Size</u>	<u>Gross Rent</u>
1 Bedroom	\$ 673

4% Low-Income Housing Tax Credit Program

(Rents @ 60% of AMI)

Maximum Income Limits:	
60% AMI	
<u>Family Size</u>	<u>Max. Income</u>
1 person	\$ 28,200
2 person	\$ 32,280
3 person	\$ 36,300
4 person	\$ 40,320
5 person	\$ 43,560
Maximum Rent Limits:	
<u>Unit Size</u>	<u>Gross Rent</u>
1 Bedroom	\$ 756

HOME Funds

(Rents @ 50% and 65% of AMI)

Maximum Income Limits:		
	Low HOME 50% AMI	High HOME 65% AMI
<u>Family Size</u>	<u>Max. Income</u>	<u>Max. Income</u>
1 person	\$ 23,500	\$ 30,550
2 person	\$ 26,900	\$ 34,970
3 person	\$ 30,250	\$ 39,325
4 person	\$ 33,600	\$ 43,680
5 person	\$ 36,300	\$ 47,190
Maximum Rent Limits:		
<u>Unit Size</u>	<u>Gross Rent</u>	<u>Gross Rent</u>
1 Bedroom	\$ 630	\$ 819

RESOLUTION NO. 2008 -

Adopted by the Housing Authority of the City of Sacramento

on date of

RESOLUTION 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 issue tax-exempt obligations in a principal amount not to exceed \$7,000,000 (the "Obligations") for the purpose, among other things, of making a loan to DHI Broadway Associates, L.P., a California limited partnership, or a California limited liability company or other limited partnership to be formed by Dawson Holdings, Inc. (the "Developer"), the proceeds of which shall be used by the Developer to finance the acquisition and rehabilitation of a 120-unit multifamily housing facility located at 5200 Broadway, Sacramento, California and commonly known as the Broadway Senior Center Apartments (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 issuance 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 issue 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 \$7,000,000.

- 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 issuance of the Obligations, including, but not limited to, any fees and expenses incurred by the Authority in anticipation of the issuance of the Obligations, the cost of printing any official statement, rating agency costs, bond counsel fees and expenses, underwriting discount and costs, trustee fees and expense, and the costs of printing the Obligations. The payment of the principal, redemption premium, if any, and purchase price of and interest on the Obligations shall be solely the responsibility of the Developer. The Obligations shall not constitute a debt or obligation of the Authority.
- Section 6. The appropriate officers or 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 issue 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. 2008 - _____

Adopted by the Sacramento City Council

on date of

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 issue tax-exempt obligations in a principal amount not to exceed \$7,000,000 (the "Obligations") for the purpose, among other things, of making a loan to DHI Broadway Associates, L.P., a California limited partnership, or a California limited liability company or other limited partnership to be formed by Dawson Holdings, Inc. ("Developer"), the proceeds of which shall be used by the Developer to finance the acquisition and rehabilitation of a 66-unit multifamily housing facility located at 5200 Broadway, Sacramento, California and commonly known as Broadway Senior Center Apartments (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 bonds for the purpose of financing the acquisition, 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 issuance 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 issuance 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 issuance of such Bonds 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 issuance 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 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 issuance and delivery of the Obligations.

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

RESOLUTION NO. 2008 –

Adopted by the Sacramento City Council

on date of

BROADWAY SENIOR CENTER APARTMENTS: APPROVAL OF \$1,100,000 LOAN COMMITMENT (CITY HOME INVESTMENT PARTNERSHIP FUNDS); EXECUTION OF COMMITMENT AND RELATED DOCUMENTS WITH DAWSON HOLDINGS, INC., OR RELATED ENTITY; RELATED BUDGET AMENDMENT

BACKGROUND

- A. Dawson Holdings, Inc. has applied for an allocation of One Million One Hundred Thousand Dollars (\$1,100,000) in the City Home Investment Partnership Program Funds (HOME) and aggregated Tax Increment Funds (TI) to assist in funding the costs of acquisition and rehabilitation of the 120-unit Broadway Senior Center Apartments ("Project");
- B. The Broadway Senior Center Apartments project qualifies for HOME funding under Sacramento Housing and Redevelopment Agency guidelines.
- C. The Sacramento Housing and Redevelopment Agency (Agency) has determined that the project is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Sections 15310 and 15301(a) and (d) which exempts bond and loan financing and rehabilitation of existing facilities where the use remains unchanged. The project is Categorically Excluded from environmental review under National Environmental Policy Act regulations at 24 CFR Section 58.35 (a) subsection (3)(i) and converts to exempt per 58.34(a)(12) because it does not require any mitigation for compliance with any listed statutes or authorities, nor requires any formal permit or license.

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

Section 1. The above recitals are true and correct and the proposed action is exempt from environmental review under CEQA Guidelines Sections 15310 and 15301(a) and (d). The project is Categorically Excluded from environmental review under National Environmental Policy Act regulations at 24 CFR Section 58.35 (a) subsection (3)(i).

Section 2. The Loan Commitment, attached to and incorporated in this resolution by this reference, for financing the Broadway Senior Center Apartments project with up to \$1,100,000 HOME Funds (up to \$2,100,000 in total including up to \$1,000,000 TI Funds) is approved and the Agency is authorized to execute and transmit the Loan Commitment to Dawson Holdings, Inc.

Section 3. The Agency is authorized to enter into and execute other documents and perform other actions necessary to fulfill the intent of the Loan

Commitment that accompany this resolution, in accordance with their respective terms, and to ensure proper repayment of the Agency funds including without limitation, subordination, extensions, and restructuring of such a loan.

Section 4. The Agency is authorized to make technical amendments to said agreements and documents with approval of Agency Counsel, which amendments are in accordance with the Loan Commitment, with Agency policy, with this resolution, with good legal practices for making of such a loan.

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Exhibit A – Commitment Letter

Date: January 9, 2007

Tom Dawson
Dawson Holdings, Inc.
3 Harbor Drive, Suite 301
Sausalito, CA 94965

RE: Conditional funding commitment, Broadway Senior Center Apartments

Dear Mr. Dawson,

On behalf of the Sacramento Housing and Redevelopment Agency and the Redevelopment Agency of the City of Sacramento ("Agency"), we are pleased to advise you of its commitment of acquisition, construction, and permanent loan funds ("Loan") from the City Home Investment Partnership ("HOME") and Tax Increment ("TI") Funds for the purpose of financing the acquisition and rehabilitation of that certain real property at 5200 Broadway, Sacramento, California ("Property"). The Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of 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 January 31, 2009.

1. PROJECT DESCRIPTION: The project is a 120-unit senior apartment complex. A total of 23 units will be affordable to households earning less than 50 percent AMI and 96 units will be affordable to households earning less than 60 percent AMI. One unit will remain an unrestricted manager's unit.
2. BORROWER: The name of the Borrower for the Loan is DHI Broadway Senior Associates, L.L.C.
3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of acquisition, construction, and permanent financing or for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.

4. PRINCIPAL AMOUNT: The combined principal amount of the Loan will be the lesser of (a) Two Million One Hundred Thousand Dollars (\$2,100,000), or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency. However, the combined indebtedness of the Property must not exceed 90 percent of the appraised value as determined by the Agency.
5. TERM OF LOAN: The unpaid balance of the Loan will be all due and payable on month 438 (36.5 years) from the date of closing.
6. INTEREST RATE: The Loan will bear interest at Four Percent (4%) per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.
7. AMORTIZATION: Loan payments shall be made according to the payment schedule outlined in Section 8 of this Loan Commitment Letter.
8. MONTHLY PAYMENT: Payments shall be applied first to outstanding interest accrued and unpaid and then to principal. Interest and principal payments shall be deferred from the date of the loan for the first 168 months. Beginning in the month 169, monthly installments shall be made according to the following schedule:

Months 169-180	\$ 3,987 monthly
Months 181-192	\$ 4,754 monthly
Months 193-204	\$ 5,225 monthly
Months 205-216	\$ 5,693 monthly
Months 217-228	\$ 6,156 monthly
Months 229-240	\$ 6,614 monthly
Months 241-252	\$ 7,067 monthly
Months 253-264	\$ 7,512 monthly
Months 265-276	\$ 7,951 monthly
Months 277-288	\$ 8,381 monthly
Months 289-300	\$ 8,802 monthly
Months 301-312	\$ 9,214 monthly
Months 313-324	\$ 9,614 monthly
Months 325-336	\$ 10,002 monthly
Months 337-348	\$ 10,378 monthly
Months 349-360	\$ 10,739 monthly
Months 361-372	\$ 11,085 monthly
Months 373-384	\$ 11,414 monthly
Months 385-396	\$ 11,725 monthly
Months 397-408	\$ 12,017 monthly
Months 409-420	\$ 12,289 monthly
Months 421-432	\$ 12,538 monthly
Months 433-438	\$ 12,764 monthly
Month 439	\$ 2,813,515 loan balance all due and payable

9. 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: \$2,100,000 in City HOME and TI 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.

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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 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 construction and permanent loans by US Bank 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.
12. LEASE AND RENTAL SCHEDULE: All leases of the Property and Improvements shall be subject to Agency's approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval.

13. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of \$4,708,000 in the following manner: Low Income Housing Tax Credit Equity and deferred developer fee.
14. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:

Construction Financing from a private lender(s) in an amount(s) sufficient to complete rehabilitation 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.

Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien and for a term of not less than 30 years and fully amortized.

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 DDA, OPA or other agreements.

15. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its absolute discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
16. SOILS AND TOXIC REPORTS: Borrower must submit to Agency a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-93) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property have been remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.

17. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders are sufficient, in the sole judgement of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
18. PLANS AND SPECIFICATIONS: Final plans and specifications for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursement of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project.
19. ARCHITECTURAL AGREEMENT: The architectural agreement ("Agreement"), if any, for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
20. CONSTRUCTION CONTRACT: The construction contract ("Contract"), and any change orders issued thereunder, and the contractor ("Contractor") to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan. Agency shall require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.
21. RETENTION AMOUNT: The Agency shall retain ten percent (10%) as retention from each disbursement, not to exceed a total of ten percent (10%) of the total amount of the Loan.
22. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency, Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

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

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

23. COST SAVINGS: 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, from the original budget approved by the Agency, that results in a reduction in the amount of deferred fees payable to the developer, 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.
24. START OF CONSTRUCTION: Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than January 31, 2009.
25. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than January 31, 2010.
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27. 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).

28. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: (1) Commercial General Liability insurance in Insurance Services Office (“ISO”) policy form CG 00 01 Commercial General Liability (Occurrence) or better with limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project; (2) Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; (3) Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and (4) Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.
29. TITLE INSURANCE: Borrower must procure and deliver to Agency an ALTA Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deeds 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.
30. ORGANIZATIONAL AGREEMENTS: Borrower must submit to Agency certified copies of all of Borrower's organizational documents, including all amendments, modifications or terminations: if a corporation, Borrower's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Borrower must submit a corporate borrowing resolution referencing this Loan. If Borrower is other than a corporation, Borrower must submit such proof of authority to enter this Loan as may be required under the organizational documents.
31. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.

32. FINANCIAL INFORMATION: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency a monthly rent-roll including household composition information, and operating statements with respect to the Property and Improvements, as Agency may request.
33. MANAGEMENT AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval.
34. 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.
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.

Yours truly,

LaShelle Dozier
Interim Executive Director

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

Dated:

BORROWER:

By: _____
Tom Dawson
President
Dawson Holdings, Inc.

RESOLUTION NO. 2008 –

Adopted by the Redevelopment Agency of the City of Sacramento

on date of

BROADWAY SENIOR CENTER APARTMENTS: APPROVAL OF \$1,000,000 LOAN COMMITMENT (REDEVELOPMENT PROJECT AREA FUNDS); EXECUTION OF COMMITMENT AND RELATED DOCUMENTS WITH DAWSON HOLDINGS, INC., OR RELATED ENTITY; RELATED BUDGET AMENDMENT

BACKGROUND

- A. Dawson Holdings, Inc. has applied for an allocation of One Million Dollars (\$1,000,000) aggregated Tax Increment Funds (TI) to assist in funding the costs of acquisition and rehabilitation of the 120-unit Broadway Senior Center Apartments ("Project");
- B. The Agency desires to utilize aggregated Redevelopment Project Area funds for the development of the Project;
- C. The Agency finds that the Project will preserve the community's supply of low income housing available at an affordable housing costs to persons that are extremely low, very low and low income households and is located outside of a project area but within the City's jurisdiction;
- D. The Agency finds that the Tax Increment set-aside funds that will be used to fund the Project are needed to make the housing units affordable. Therefore, the project is not required to provide Art in Public Places.
- E. The Sacramento Housing and Redevelopment Agency has determined that the project is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Sections 15310 and 15301(a) and (d) which exempts bond and loan financing and rehabilitation of existing facilities where the use remains unchanged. The project is Categorically Excluded from environmental review under National Environmental Policy Act regulations at 24 CFR Section 58.35 (a) subsection (3)(i) and converts to exempt per 58.34(a)(12) because it does not require any mitigation for compliance with any listed statues or authorities, nor requires any formal permit or license.

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

- Section 1. The above recitals are true and correct and that the proposed action is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Sections 15310 and 15301. The project is Categorically Excluded from environmental review under National Environmental Policy Act regulations at 24 CFR Section 58.35 (a) subsection (3)(i).
- Section 2: The use of Project Area funds to develop the Project will benefit extremely low, very low, and low income individuals.
- Section 3: The Tax Increment housing set aside funds that will be used for the project are needed to make the units affordable that therefore the Project is exempt from providing Art in Public Places
- Section 4. The Loan Commitment, attached to and incorporated in this resolution by this reference, for financing the Broadway Senior Center Apartments project with TI Funds in the amount of up to \$1,000,000 (up to \$2,100,000 in total including \$1,100,000 HOME Funds) is approved and the Agency is authorized to execute and transmit the Loan Commitment to Dawson Holdings, Inc.
- Section 5. The Agency is authorized to enter into and execute other documents and perform other actions necessary to fulfill the intent of the staff report and the Loan Commitment that accompany this resolution, in accordance with their respective terms, and to ensure proper repayment of the Agency funds including without limitation, subordination, extensions, and restructuring of such a loan.
- Section 6. The Agency is authorized to make technical amendments to said agreements and documents with approval of Agency Counsel, which amendments are in accordance with the Loan Commitment, with Agency policy, with this resolution, with good legal practices for making of such a loan.

Table of Contents

Exhibit A – Commitment Letter

Date: January 9, 2007

Tom Dawson
Dawson Holdings, Inc.
3 Harbor Drive, Suite 301
Sausalito, CA 94965

RE: Conditional funding commitment, Broadway Senior Center Apartments

Dear Mr. Dawson,

On behalf of the Sacramento Housing and Redevelopment Agency and the Redevelopment Agency of the City of Sacramento ("Agency"), we are pleased to advise you of its commitment of acquisition, construction, and permanent loan funds ("Loan") from the City Home Investment Partnership ("HOME") and Tax Increment ("TI") Funds for the purpose of financing the acquisition and rehabilitation of that certain real property at 5200 Broadway, Sacramento, California ("Property"). The Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of 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 January 31, 2009.

1. **PROJECT DESCRIPTION:** The project is a 120-unit senior apartment complex. A total of 23 units will be affordable to households earning less than 50 percent AMI and 96 units will be affordable to households earning less than 60 percent AMI. One unit will remain an unrestricted manager's unit.
2. **BORROWER:** The name of the Borrower for the Loan is DHI Broadway Senior Associates, L.L.C.
3. **PURPOSE OF LOAN:** The Loan is to be used by Borrower solely to pay the costs of acquisition, construction, and permanent financing or for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.

- 4. PRINCIPAL AMOUNT: The combined principal amount of the Loan will be the lesser of (a) Two Million One Hundred Thousand Dollars (\$2,100,000), or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency. However, the combined indebtedness of the Property must not exceed 90 percent of the appraised value as determined by the Agency.
- 5. TERM OF LOAN: The unpaid balance of the Loan will be all due and payable on month 438 (36.5 years) from the date of closing.
- 6. INTEREST RATE: The Loan will bear interest at Four Percent (4%) per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.
- 7. AMORTIZATION: Loan payments shall be made according to the payment schedule outlined in Section 8 of this Loan Commitment Letter.
- 8. MONTHLY PAYMENT: Payments shall be applied first to outstanding interest accrued and unpaid and then to principal. Interest and principal payments shall be deferred from the date of the loan for the first 168 months. Beginning in the month 169, monthly installments shall be made according to the following schedule:

Months 169-180	\$ 3,987 monthly
Months 181-192	\$ 4,754 monthly
Months 193-204	\$ 5,225 monthly
Months 205-216	\$ 5,693 monthly
Months 217-228	\$ 6,156 monthly
Months 229-240	\$ 6,614 monthly
Months 241-252	\$ 7,067 monthly
Months 253-264	\$ 7,512 monthly
Months 265-276	\$ 7,951 monthly
Months 277-288	\$ 8,381 monthly
Months 289-300	\$ 8,802 monthly
Months 301-312	\$ 9,214 monthly
Months 313-324	\$ 9,614 monthly
Months 325-336	\$ 10,002 monthly
Months 337-348	\$ 10,378 monthly
Months 349-360	\$ 10,739 monthly
Months 361-372	\$ 11,085 monthly
Months 373-384	\$ 11,414 monthly
Months 385-396	\$ 11,725 monthly
Months 397-408	\$ 12,017 monthly
Months 409-420	\$ 12,289 monthly
Months 421-432	\$ 12,538 monthly
Months 433-438	\$ 12,764 monthly
Month 439	\$ 2,813,515 loan balance all due and payable

- 9. 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: \$2,100,000 in City HOME and TI 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.

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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.

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Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:

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Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien and for a term of not less than 30 years and fully amortized.

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

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26. SECURITY CAMERAS AND OUTSIDE LIGHTING. Project shall include installation of a security camera system at vehicular driveways and/or major points of congregation and additional exterior lighting, all as approved by the Agency.
27. 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).
28. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: (1) Commercial General Liability insurance in Insurance Services Office ("ISO") policy form CG 00 01 Commercial General Liability (Occurrence) or better with limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project; (2) Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; (3) Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and (4) Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.
29. TITLE INSURANCE: Borrower must procure and deliver to Agency an ALTA Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deeds 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.

30. ORGANIZATIONAL AGREEMENTS: Borrower must submit to Agency certified copies of all of Borrower's organizational documents, including all amendments, modifications or terminations: if a corporation, Borrower's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Borrower must submit a corporate borrowing resolution referencing this Loan. If Borrower is other than a corporation, Borrower must submit such proof of authority to enter this Loan as may be required under the organizational documents.
31. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
32. FINANCIAL INFORMATION: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency a monthly rent-roll including household composition information, and operating statements with respect to the Property and Improvements, as Agency may request.
33. MANAGEMENT AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval.
34. 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.
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.

Yours truly,

La Shelle Dozier
Interim Executive Director

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

Dated:

BORROWER:

By: _____
Tom Dawson
President
Dawson Holdings, Inc.