



**Sacramento  
Housing &  
Redevelopment  
Agency**

**REPORT TO REDEVELOPMENT AGENCY  
AND HOUSING AUTHORITY**

**City of Sacramento**

915 I Street, Sacramento, CA 95814-2671

[www.CityofSacramento.org](http://www.CityofSacramento.org)

Continued to 7-29-08

**Staff Report  
July 22, 2008**

**Honorable Chair and Members of the Board**

**Title: Limited Partnership Restructure and Funding Request Approvals for Riverview Plaza Project**

**Location/Council District: 600 I Street, Council District 1**

**Recommendation:** Adopt **1) a Housing Authority Resolution** a) approving the substitution of the Housing Authority of the City of Sacramento (Housing Authority) as the limited partner of Riverview Plaza Associates, a California limited partnership. (Partnership); b) authorizing acceptance of \$300,000 ground lease partial payment from the Partnership; c) authorizing the Interim Executive Director to amend the budget to appropriate the \$300,000 ground lease payment from the Partnership for the purchase of the current limited partner's (Chevron U.S.A. Inc) interest; d) authorizing the purchase of Chevron's limited partner interest for \$300,000 e) authorizing the Interim Executive Director to amend the budget to pay for all transfer fees, costs and legal expenses on behalf Partnership and the Housing Authority, itself, in connection with the substitution of the Housing Authority as limited partner and purchase of Chevron's limited partner interest; f) approving acceptance of an Owner Participation Agreement, \$5,000,000 Forgivable Loan and related documents with the Partnership for the project; g) approving the modification and extension of affordability restrictions on 33 residential units in the project in accordance with the requirements of tax increment funding as outlined in this staff report; and **2) a Redevelopment Agency Resolution** a) authorizing the Interim Executive Director to approve the transfer of Chevron's limited partner interest to the Housing Authority and waive the Redevelopment Agency's rights under the 2004 Put and Option Agreement; b) authorizing the Interim Executive Director to execute an Owner Participation Agreement (OPA) and Forgivable Loan Agreement in substantially the form attached with the Partnership for the project; c) authorizing the transfer of \$5,000,000 from Downtown Tax-Exempt Tax Allocation Bonds to the project including the reimbursement of predevelopment costs associated with the work to be performed under the OPA; d) authorizing cost savings, if any, under the immediate needs budget, to be applied to other priority capital needs identified in the 2006 McGinnis Chen Capital Needs Assessment; e) approving the modification and extension of affordability restrictions on 33 residential units in the project for 55 years; f) authorizing the Interim Executive Director to execute other documents and perform other actions as necessary to make and reasonably administer the agreements.



Limited Partnership Restructure and Funding Request Approvals for Riverview Plaza Project

**Contact:** Jim Hare, Assistant Director, Housing and Community Development, 440-1313; Lisa Bates, Deputy Executive Director, Housing and Community Development, 440-1322

**Presenters:** Jim Hare, Assistant Director, Housing and Community Development

**Department:** Sacramento Housing and Redevelopment Agency

**Description/Analysis**

**Issue:** Riverview Plaza is a 16-story residential and commercial mixed-use building located at 600 I Street (Vicinity Map, Attachment 1; Location Map, Attachment 2). The residential portion consists of 123 one-bedroom apartments rented to low- and very-low income seniors and one manager's unit. Riverview Plaza was developed as a tax credit project in 1989. The residential portion is owned by Riverview Plaza Associates, A California Limited Partnership which is composed of an investor limited partner (Chevron U.S.A Inc.) and a non-profit general partner, Sacramento Housing Development Corporation (SHDC). The County Board of Supervisors sits as the Board of SHDC. The commercial portion of the building (first two floors) is owned by the Housing Authority of the City of Sacramento.

Staff has conducted a thorough evaluation of the Riverview Plaza building and its financial structure to determine priority needs of the development. Staff will be presenting two separate reports that provide overall strategy recommendations to help ensure the fiscal and physical health of Riverview Plaza. The first report will address residential ownership restructure and the building's immediate repair work. The second report will recommend a financial restructure to help achieve a balanced operating budget and successful long-term operations.

Limited Partnership Restructure

The residential portion of Riverview Plaza has reached the end of its 15-year tax credit compliance period. Chevron has received all of its tax benefits and would like to be released from the Partnership. This action is typical at the end of the tax credit compliance period. Staff is recommending a restructure of the limited partnership which includes the Housing Authority's purchase of Chevron's limited partner interest for \$300,000.

Capital Needs Assessment

In anticipation of the limited partnership restructure, Agency staff conducted a comprehensive evaluation of the capital needs of the building and found that immediate repairs should be addressed.

Limited Partnership Restructure and Funding Request Approvals for Riverview Plaza Project

In 2006, the architectural and engineering firm of McGinnis Chen Associates, Inc. was hired to conduct a comprehensive capital needs assessment. Their report concluded that the exterior building shell should be repaired and other items, mostly involving interior systems, should be replaced or upgraded to achieve a 15-year life expectancy objective. The most immediate needs are: 1) repair the exterior shell of the building to prevent water penetration, and 2) replace outdated portions of the building's Fire, Life and Safety evacuation system.

The project does not have sufficient operating reserves or the financial capacity to fund the recommended repairs. The requested \$5 million loan will provide the necessary resources to complete the urgent repair work and ensure the building remains safe, inhabitable and affordable.

**Policy Considerations:** This request is consistent with the policies of the City of Sacramento supporting the preservation of affordable housing. Affordability restrictions on the property will be specified in a regulatory agreement between the Partnership and the Agency. Compliance with the regulatory agreement will be monitored by the Agency on a regular basis.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** The proposed action is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Sections 15310 and 15301(a) and (d) which exempts loan financing and rehabilitation of existing facilities where the use remains unchanged. The National Environmental Policy Act (NEPA) does not apply.

**Sustainability Considerations:** The Riverview Plaza Project has been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved the contents of this report will advance the following goals, policies and targets as follows: the project supports Goal number 5 – Public health and Nutrition, specifically Target number 5 which calls for the redevelopment or rehabilitation of areas within the City or aged City facilities based on old, wasteful, and/or dysfunctional designs to achieve better results for people and the environment.

**Other:** The National Environmental Policy Act does not apply.

**Committee/Commission Action:** At its meeting of July 16, 2008, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. Staff will brief the Council on the outcome of their vote at the July 22, 2008 meeting.

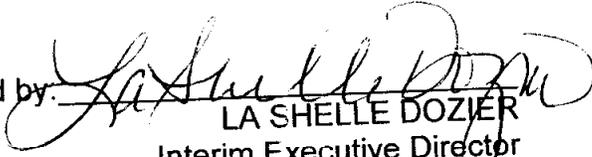
July 22, 2008

Limited Partnership Restructure and Funding Request Approvals for Riverview Plaza Project

**Rationale for Recommendation:** Riverview Plaza is in immediate need of repair to stop water intrusion coming through the exterior of the building. The caulking that was originally installed on the exterior shell of the building has surpassed its effective life cycle. Additionally, the Fire, Life & Safety evacuation system is outdated and is no longer serviceable. If repair needs are left unaddressed, the result will be the accelerated deterioration of the building, and higher maintenance costs. If approved, Agency funding requirements will extend the affordability of 33 very-low income units for an additional 55 years.

**Financial Considerations:** The recommended funding for the purchase of Chevron's limited partner interest will come from previously budgeted Partnership funds. The proposed funding for the Riverview Plaza repair work is \$5 million of Merged Downtown Tax-Exempt Tax Allocation Bonds. These funds are most appropriate for projects where no repayment is expected or sought.

**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

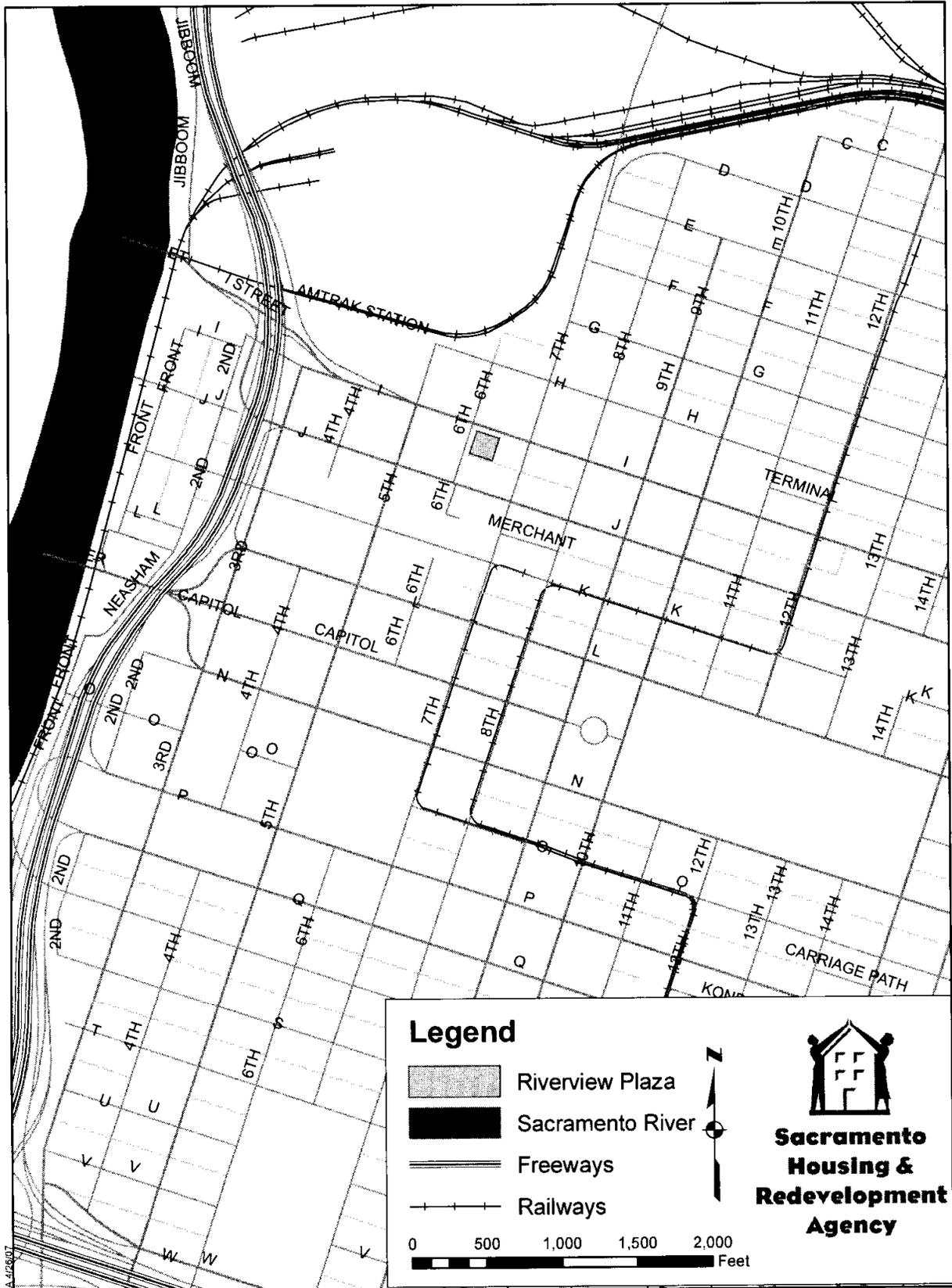
Recommendation Approved:

  
RAY KERRIDGE  
City Manager

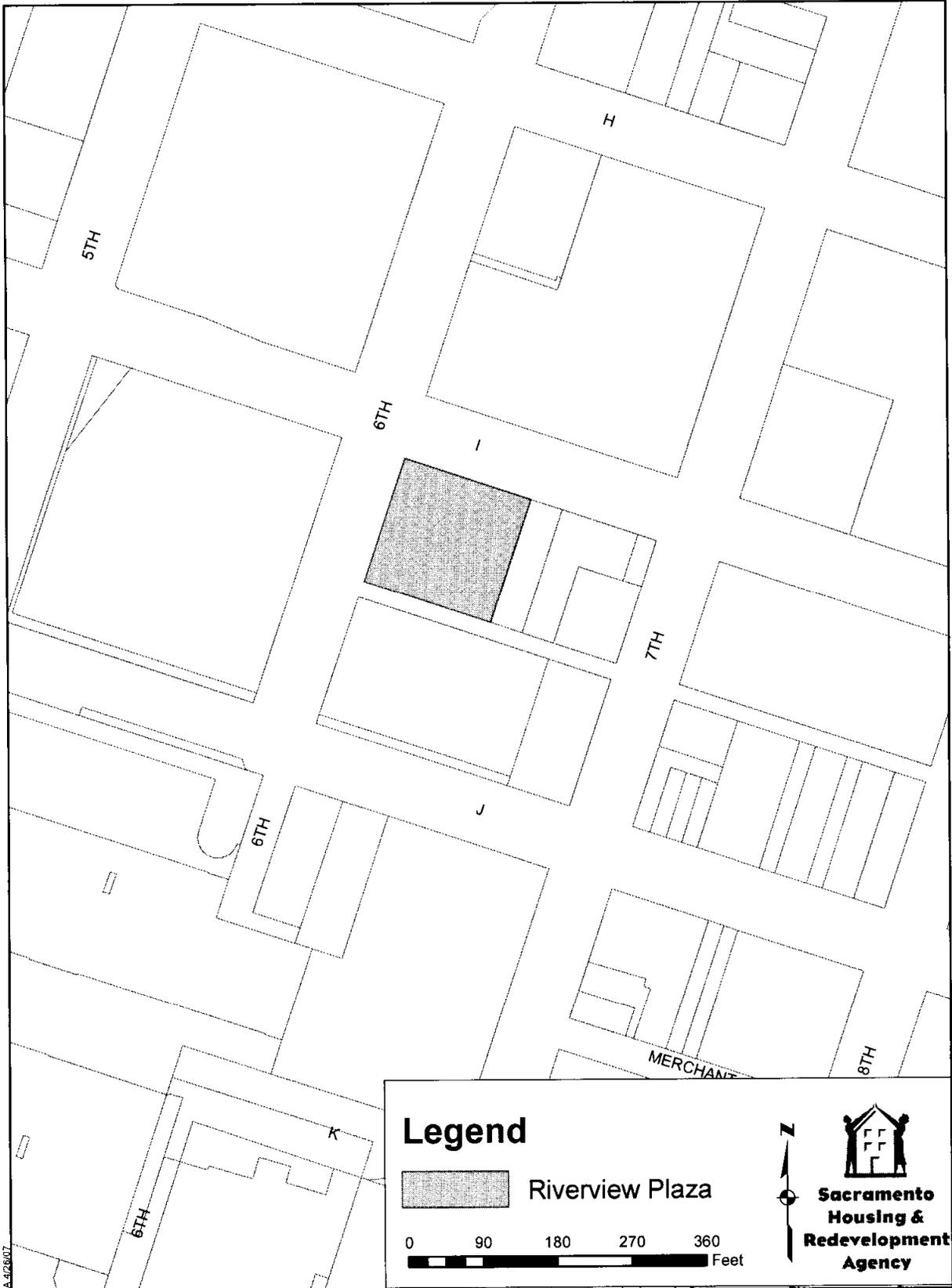
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# Riverview Plaza Vicinity Map



# Riverview Plaza Location Map



## Background

### Description of Development

Riverview Plaza is a mixed-use high rise located at 600 I Street in downtown Sacramento. Office and retail tenants occupy approximately 24,800 square feet on the first two floors. Agency staff occupies approximately 16,000 square feet, with the balance occupied by a day-care center, a hair salon, and vacant retail space. The residential portion of the building (floors 3-16) consists of 123 affordable one-bedroom senior apartments, a two-bedroom manager's apartment, and common areas including a large commercial kitchen, dining area, and swimming pool. The commercial and residential tenants share an underground garage with parking for 50 cars.

The development was constructed in 1988 and placed in service as a nine percent Low Income Housing Tax Credit (LIHTC) project in 1989. Funding for the development included loans and grants from numerous public and private sources. In order for the project to be eligible for tax credits, ownership of the residential portion was transferred to a limited partnership, Riverview Plaza Associates, L.P., comprised of a tax credit investor, Chevron (with a 99% percent interest to maximize the tax credit benefits), and a non-profit general partner, SHDC (with a 1% percent interest), for which the Sacramento County Board of Supervisors serves as the Board of Directors.

The Housing Authority of the City of Sacramento owns the land and the commercial portion of the building and also manages the residential portion under a contract with the Partnership.

### Limited Partnership Restructure

In 2004 when the 15-year tax credit compliance period expired, a Put and Option Agreement was executed with Chevron that gave, SHDC and/or the Redevelopment Agency of the City the option to acquire Chevron's interest in the property for \$300,000 at any time. Chevron has indicated they would like to be released from the Partnership.

Staff is recommending a restructure of the limited partnership which includes: 1) assignment of SHDC/Redevelopment Agency option to purchase Chevron's limited partner interest to the Housing Authority, 2) substitution of the Housing Authority as limited partner in place of Chevron, and 3) purchase of Chevron's limited partner interest for \$300,000 by the Housing Authority.

Under separate action to be authorized by SHDC, staff is recommending the Partnership to make a \$300,000 partial payment on the Housing Authority ground lease. This report further recommends the Housing Authority to appropriate the \$300,000 ground lease payment from the Partnership for the purchase of Chevron's interest.

Limited Partnership Restructure and Funding Request Approvals for Riverview Plaza Project

Capital Needs Assessment

In anticipation of purchasing Chevron's interest, a comprehensive capital needs assessment was conducted by the architectural and engineering firm of McGinnis Chen Associates. The purpose of the investigation was to evaluate the condition of the major building components and systems to develop a recommended plan to achieve a minimum 15-year life expectancy objective. The report identified the most immediate needs are: 1) repair the exterior shell of the building to prevent water penetration, and 2) replace outdated portions of the building's Fire, Life and Safety evacuation system.

The exterior walls of the building are finished in lath and plaster on floors 1-2, and modular Exterior Insulation and Finish System (EIFS) panels on floors 3-16. The joints between the EIFS panels are sealed with caulking, which has surpassed its effective life. This caulking needs to be removed and the joints resealed to prevent water penetration. The new caulking product is superior to the original material and should last 25 years. Additionally, certain roofing components and window joints that allow water penetration into the structure also need to be repaired. The needs assessment further revealed that water intrusion had caused moisture damage in certain areas of the east stairway that should be addressed.

Riverview Plaza does not have sufficient operating reserves or the financial capacity to fund the recommended repairs. The \$5 million Agency loan will provide the necessary resources to complete immediate repair needs. This report further recommends authorizing cost savings, if any, under the immediate needs budget, to be applied to other priority capital needs identified in the 2006 McGinnis Chen Needs Assessment. A copy of the immediate needs repair work budget is included as Attachment 4.

If the proposed funding request is approved, construction could begin in August 2008 with estimated completion in May 2009.

In the second report addressing the financial restructure, staff will recommend augmenting the project's capital needs reserve to fund additional capital needs and ongoing maintenance items that are not covered under the \$5 million repair work budget.

Relocation

Temporary relocation of some residents may be required due to the proposed rehabilitation work. Any affected residents will be provided with temporary relocation benefits as required by State law.

Proposed Project Financing

The immediate repair needs are proposed to be financed with \$5,000,000 of Merged Downtown Tax-Exempt Tax Allocation Bonds. The funding request will be structured as a Forgivable Loan between the City Redevelopment Agency and the Partnership. The loan shall be forgiven upon: a) the completion of the project including the replacement of outdated portions of the Fire, Life and Safety Evacuation System

Limited Partnership Restructure and Funding Request Approvals for Riverview Plaza Project

evidenced by the written approval of the City of Sacramento Fire Department, b) Agency's receipt of the final application by the general contractor for payment of retention fund, and c) Housing Authority's purchase of Chevron's limited partner interest.

Low-income Set-aside Requirements

The following chart summarizes the extended affordability resulting from the proposed City Redevelopment Agency funding.

<b>Source</b>	<b>% of Units</b>	<b>Affordability Restrictions</b>	<b>No. Units</b>	<b>Regulatory Requirements</b>
Downtown Housing Set-Aside Funds	26%	Very Low Income (50% AMI)	33	55 years
<b>Total</b>	<b>26%</b>	<b>Very Low Income (50% AMI)</b>	<b>33</b>	<b>55 years</b>

The project's affordability restrictions will be specified in a regulatory agreement with the Partnership and will be monitored by the Agency for the 55-year term of the restrictions.

<b>RIVERVIEW PLAZA REPAIR WORK BUDGET</b>		
<b>IMMEDIATE NEEDS</b>		
<b>EXTERIOR BUILDING</b>		
<b>Turner Construction Contract</b>		<b>Costs</b>
Construction Hard Costs	\$	2,691,822
General Conditions, Insurance and Fee	\$	681,435
Contractor Contingency	\$	124,501
	<b>Total</b>	<b>\$ 3,497,758</b>
<b>Performance Contracting Inc. Contract (EIFS +)</b>		
	<b>Total</b>	<b>\$ 843,465</b>
<b>TOTAL EXTERIOR</b>	<b>\$</b>	<b>4,341,223</b>
<b>FIRE, LIFE &amp; SAFETY EVACUATION SYSTEM</b>		
<b>Clark Systems Contract</b>		<b>Costs</b>
	<b>Total</b>	<b>\$ 500,000</b>
<b>TOTAL FIRE, LIFE &amp; SAFETY</b>	<b>\$</b>	<b>500,000</b>
<b>TOTAL CONTRACTS</b>	<b>\$</b>	<b>4,841,223</b>
<b>Owner Contingency</b>	<b>\$</b>	<b>158,777</b>
<b>TOTAL PROJECT COSTS</b>	<b>\$</b>	<b>5,000,000</b>

# RESOLUTION NO. 2008 - \_\_\_\_\_

Adopted by the Housing Authority of the City of Sacramento

on date of

**RIVERVIEW PLAZA: APPROVAL OF THE SUBSTITUTION OF THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO (HOUSING AUTHORITY) AS THE LIMITED PARTNER OF RIVERVIEW PLAZA ASSOCIATES, A CALIFORNIA LIMITED PARTNERSHIP (PARTNERSHIP); AUTHORIZE ACCEPTANCE OF \$300,000 GROUND LEASE PARTIAL PAYMENT FROM THE PARTNERSHIP; AUTHORIZE AMENDING THE BUDGET TO APPROPRIATE \$300,000 GROUND LEASE PAYMENT FOR THE PURCHASE OF CHEVRON'S LIMITED PARTNER INTEREST; AUTHORIZE THE PURCHASE OF CHEVRON'S LIMITED PARTNER INTEREST FOR \$300,000; AUTHORIZE INTERIM EXECUTIVE DIRECTOR TO AMEND THE BUDGET TO PAY FOR ALL TRANSFER FEES, COSTS AND LEGAL EXPENSES ON BEHALF OF THE PARTNERSHIP AND HOUSING AUTHORITY IN CONNECTION WITH THE LIMITED PARTNER SUBSTITUTION AND PURCHASE; AUTHORIZE EXECUTION OF DOCUMENTS TO PURCHASE CHEVRON'S LIMITED PARTNER INTEREST AND SUBSTITUTE THE HOUSING AUTHORITY AS LIMITED PARTNER OF THE PARTNERSHIP; ACCEPTANCE OF OWNER PARTICIPATION AGREEMENT, FORGIVABLE LOAN OF UP TO \$5,000,000 AND RELATED DOCUMENTS TO THE PARTNERSHIP; MODIFICATION AND EXTENSION OF AFFORDABILITY RESTRICTIONS ON THIRTY-THREE (33) UNITS IN THE RIVERVIEW PLAZA RESIDENTIAL PROJECT**

## BACKGROUND

- A. Riverview Plaza is a 16-story commercial and age-restricted residential project located at 600 I Street, Sacramento. The commercial portion is owned by the Housing Authority of the City of Sacramento. The 124-unit residential portion is owned by Riverview Plaza Associates, A California Limited Partnership (Partnership).
- B. The residential portion of the project was financed with 9% low income housing tax credits in 1989. The 15 year tax credit compliance period expired in 2004.
- C. The investor limited partner, Chevron U.S.A. Inc., has received all of its tax benefits under the tax credit financing and would like to be released from the Partnership.
- D. McGinnis Chen Associates performed a comprehensive capital needs assessment in 2006 that evaluated the condition of the building components and systems.

Limited Partnership Restructure and Funding Request Approvals for Riverview Plaza Project

- F. Riverview Plaza does not have sufficient reserves or the financial capacity to fund needed repair work to ensure the building continues to operate properly and efficiently.
- G. The Partnership has made a funding request to the Redevelopment Agency of the City of Sacramento for a forgivable loan of \$5,000,000 to fund immediate repair needed to the Riverview Plaza development.

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

- Section 1. It is determined that the action proposed by this resolution 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.
- Section 2. The Interim Executive Director is authorized to substitute the Housing Authority of the City of Sacramento as the limited partner of the Partnership.
- Section 3. The Interim Executive Director or designee is authorized to execute all documents required to substitute the Housing Authority of the City of Sacramento as the limited partner of the Partnership.
- Section 4. The Housing Authority is authorized to accept a \$300,000 partial ground lease payment from the Partnership.
- Section 5. The Interim Executive Director is authorized to amend the budget to appropriate the \$300,000 ground lease payment from the Partnership for the purchase of the current limited partner's (Chevron U.S.A. Inc.) interest.
- Section 6. The Housing Authority is authorized to purchase Chevron's limited partner interest for \$300,000.
- Section 7. The Interim Executive Director or designee is authorized to execute all documents required to purchase Chevron's limited partner interest.
- Section 8. The Interim Executive Director is authorized to amend the budget to pay for all transfer fees, costs and legal expenses on behalf of the Partnership and Housing Authority, itself, in connection with the substitution of the Housing Authority as limited partner and purchase of Chevron's limited partner interest.
- Section 9. The Housing Authority approves the Partnership's funding request to the Redevelopment Agency of the City of Sacramento for a forgivable loan of \$5,000,000 from Downtown Tax-Exempt Tax Allocation Bonds to the Partnership to complete immediate needs repair work to Riverview Plaza.

Limited Partnership Restructure and Funding Request Approvals for Riverview Plaza Project

- Section 10. The Partnership is authorized to apply cost savings, if any, under the immediate needs budget, toward other priority capital needs identified in the 2006 McGinnis Chen Associates Needs Assessment Report.
  
- Section 11. The Partnership is authorized to accept recordation of a regulatory agreement on the property modifying and extending affordability restrictions on thirty three (33) of the residential units in the project for 55 years.

# RESOLUTION NO. 2008 - \_\_\_\_\_

Adopted by the Redevelopment Agency of the City of Sacramento

on date of

**RIVERVIEW PLAZA: APPROVAL OF TRANSFER OF PARTNERSHIP INTEREST AND WAIVER OF OPTION RIGHTS; APPROVAL OF OWNER PARTICIPATION AGREEMENT, FORGIVABLE LOAN OF \$5,000,000 TO RIVERVIEW PLAZA ASSOCIATES, A CALIFORNIA LIMITED PARTNERSHIP; EXECUTION OF OWNER PARTICIPATION AGREEMENT, FORGIVABLE LOAN AGREEMENT AND RELATED DOCUMENTS; APPROVAL OF MODIFICATION AND EXTENSION OF AFFORDABILITY RESTRICTIONS ON THIRTY THREE (33) UNITS IN THE RIVERVIEW PLAZA RESIDENTIAL PROJECT; RELATED BUDGET AMENDMENT**

## BACKGROUND

- A. Riverview Plaza is a 16-story commercial and age-restricted residential development located at 600 I Street, Sacramento. The commercial portion is owned by the Housing Authority of the City of Sacramento. The 124-unit residential portion is owned by Riverview Plaza Associates, A California Limited Partnership (Partnership) comprised of an investor limited partner (Chevron U.S.A. Inc.) and a non-profit general partner, Sacramento Housing Development Corporation (SHDC).
- B. The residential portion of Riverview Plaza has reached the end of its 15-year tax credit compliance period. Chevron has received all of its tax benefits and would like to be released from the Partnership.
- C. The Housing Authority of the City of Sacramento would like to purchase Chevron's limited partner interest.
- D. SHDC would like to assign its right to purchase Chevron's interest.
- E. McGinnis Chen Associates performed a comprehensive capital needs assessment in 2006 that evaluated the condition of the building components and systems.
- F. Riverview Plaza is in need of immediate repairs to the exterior shell of the building and replacement of outdated portions of the Fire, Life and Safety evacuation system.
- G. Riverview Plaza does not have sufficient operating reserves or the financial capacity to fund needed repair work to ensure the building continues to operate properly and efficiently.
- H. The Partnership has made a funding request to the Redevelopment Agency of the City of Sacramento for a forgivable loan of \$5,000,000 to fund immediate repairs needed to the Riverview Plaza development.

Limited Partnership Restructure and Funding Request Approvals for Riverview Plaza Project

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

- Section 1. It is determined that the action proposed by this resolution 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.
- Section 2. The Interim Executive Director is authorized to approve the transfer of Chevron's limited partner interest to the Housing Authority and waive the Redevelopment Agency of the City of Sacramento's rights under the 2004 Put and Option Agreement.
- Section 3. The Interim Executive Director is authorized to amend the Agency budget to transfer \$5,000,000 from Downtown Tax-Exempt Tax Allocation Bonds to the Riverview Plaza Project to fund immediate needs repair work to Riverview Plaza..
- Section 4. A Forgivable loan of Merged Downtown tax-exempt tax allocation bond housing set-aside funds in the amount of \$5,000,000 to the Partnership is approved.
- Section 5. The Interim Executive Director is authorized to approve reimbursement of initial predevelopment costs associated with the repair work to be performed in the Owner Participation Agreement.
- Section 6. Authorize cost savings, if any, under the immediate needs budget, to be applied to other priority capital needs identified in the 2006 McGinnis Chen Needs Assessment Report.
- Section 7. The Interim Executive Director is authorized to prepare and execute all documents required for making the \$5,000,000 Forgivable Loan to the Partnership for the Project. Documents include but are not limited to: Owner Participation Agreement, Forgivable Loan Agreement and Regulatory Agreement.
- Section 8. The Interim Executive Director or designee is authorized to enter into and execute other documents and perform other actions necessary in accordance with their respective terms, all as approved by Agency Counsel.
- Section 9. The Interim Executive Director is authorized to make technical amendments to said agreements and documents with approval of Agency Counsel, which amendments are in accordance with Agency policy, with

July 22, 2008

Limited Partnership Restructure and Funding Request Approvals for Riverview Plaza  
Project

this resolution, and with good legal practices for making of such forgivable  
loan.

Section 10. The recordation of a regulatory agreement on the property modifying and  
extending affordability restrictions on thirty three (33) of the very-low  
income residential units in the project for 55 years is approved.

Exhibit A – Owner Participation Agreement

Exhibit B – Forgivable Loan Agreement

**OWNER PARTICIPATION AGREEMENT**  
**Using Funds from Tax Increment Housing Set- Aside Fund**

**Redevelopment Agency of the City of Sacramento**  
Merged Downtown Sacramento Redevelopment Project Area  
Riverview Plaza Rehabilitation  
600 I Street, Sacramento, CA 95814

**OWNER PARTICIPATION AGREEMENT**  
**Tax Increment Housing Set- Aside Fund**

**Redevelopment Agency of the City of Sacramento**  
Merged Downtown Sacramento Redevelopment Project Area  
Riverview Plaza Rehabilitation  
600 I Street, Sacramento, CA 95814

THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, and RIVERVIEW PLAZA ASSOCIATES, L.P. also called Agency and Developer, respectively, enter into this Owner Participation Agreement, also called OPA, as of March \_\_ 2008. For purposes of this Agreement, the capitalized terms shall have the meanings assigned in Section 15.

**RECITALS**

A. Developer is the owner of real property located at 600 I Street, Sacramento, CA 95814, in the City of Sacramento, California, more particularly described in attached Exhibit 1: Legal Description, which is incorporated into this OPA by this reference. The Property is located in Merged Downtown Sacramento Redevelopment Project Redevelopment Project Area and is subject to the Project Area's Redevelopment Plan.

B. This OPA is made in accordance with provisions of the Redevelopment Plan for participation by property owners in redevelopment of the project area (adopted in accordance with California Health & Safety Code Section 33339).

C. The Agency is participating in this OPA because this OPA is consistent with, and furthers, the Redevelopment Plan and the Implementation Plan. Specifically and without limitation, the Agency has determined that the Project will increase and improve supply of low- or moderate-income housing in the community and will eliminate the following blighting influences: Deficient buildings. The Agency has also determined that the Project will meet the following goals of the current "Implementation Plan" adopted for the Project Area: preserves and improves the stock of affordable housing.

D. In order to accomplish such Agency goals and purpose, the OPA provides that the Developer will redevelop the Property in the manner and for the uses described in this OPA. Therefore, Developer desires to develop the Property, and Agency desires to assist development of the Property, on the terms and conditions in this OPA.

## AGREEMENT

**NOW THEREFORE**, in consideration of the following mutual covenants, obligations and agreements and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties agree as follows:

1. **PROJECT DESCRIPTION.** The Project being assisted with the Agency Funding is the following: The project consists of repairing the exterior shell of the building which presently allows water to penetrate to the interior. The building shell and components of the building's major systems have surpassed or will surpass their effective life in the near future, accelerating deterioration of the building and higher maintenance costs. The project will also include replacement of outdated portions of the building Fire, Life and Safety evacuation system. . These items are described in the McGinnis Chen Associates Needs Assessment Investigation and Report, dated November 13, 2006. To the extent that there are cost savings or contingency funds not expended, those proceeds from the Agency Funding as described in Section 2, below, may be used for additional needs identified in that study.

2. **AGENCY FUNDING.** Agency is providing funding to the Project under the Forgivable Loan ("Funding Agreement") for development of the Project as described in Section 1. If Developer fails to develop the Project as and when required by this OPA, Developer must repay the Agency Funding as provided in the Funding Agreement. As a condition of Agency's obligation to provide the Agency Funding and in consideration of the Agency Funding, Agency is purchasing from Developer, and Developer is selling to Agency, an operating covenant to assure the operation of the Project as described in Section 1, as well as other obligations and restrictions, including without limitation, use restrictions and restrictions on amounts that can be charged on sale or rental of the Property, as evidenced by the Regulatory Agreement.

2.1. The Agency Funding Agreement consists of a forgivable loan in an amount not to exceed Five Million Dollars (\$5,000,000). The actual loan amount will be based upon cost incurred and may be less than \$5,000,000. Loan Documents shall evidence the forgivable loan for the Project as building, repayable over a term of thirty (30) if not forgiven. This Loan shall be evidenced by a Note and a recorded Trust Deed.

2.2. **DEVELOPER'S POWER TO HAVE THE FORGIVABLE LOAN FORGIVEN.** Developer shall have the sole power to have the forgivable loan in the amount of the Loan for the work as described in Section 1, above, forgiven in whole or in part. Three conditions must occur for forgiveness. First, this loan shall be forgiven upon the completion of the project completion of the project including the replacement of outdated portions of the Fire, Life and Safety Evacuation System evidenced by the written approval of the City of Sacramento Fire Department. The second condition is Agency's receipt of the final application by the general contractor for payment of retention funds. The third condition is that the Housing Authority of the City of Sacramento purchase Chevron's limited partner interest and substitution as limited partner of Riverview Plaza Associates, A California Limited Partnership.

3. **PREPARATION AND APPROVAL OF PLANS AND RELATED DOCUMENTS.** This OPA is a financing document of the Agency and not a land use or planning document. Approval of the