Sacramento Housing & Redevelopment Agency

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

Consent
March 17, 2009

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

Title: Approval of Revised Multifamily Lending and Mortgage Revenue Bond Policies

Location/Council District: Citywide

Recommendation: Adopt **1)** a **City Council Resolution; 2)** a **Housing Authority Resolution;** and **3)** a **Redevelopment Agency Resolution** approving the Multifamily Lending and Mortgage Revenue Bond Policies.

Contact: Lisa Bates, Deputy Executive Director, 440-1330; Christine Weichert, Assistant Director, Housing and Community Development, 440-1353

Presenters: Christine Weichert, Assistant Director, Housing and Community Development

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: The Sacramento Housing and Redevelopment Agency ("Agency") offers gap financing and issuance of mortgage revenue bonds for the development and rehabilitation of affordable multifamily rental housing in the City of Sacramento and unincorporated areas of the County of Sacramento. Under certain cooperation agreements, the Agency may also finance affordable housing developments in other cities within the County. All housing financed by the Agency under these programs carries affordability restrictions on some or all of the units. The goals of the program are to:

- Increase and preserve the supply of affordable rental housing for all income groups, including those requiring supportive services;
- Facilitate community and neighborhood revitalization through strategic investments in deteriorated properties and new construction;

- Encourage economic integration within neighborhoods and within affordable developments to the greatest extent possible;
- Maintain quality and sustainable living environments for residents of assisted affordable developments and surrounding properties; and
- Increase the efficiency of Agency funding by obtaining the fullest leverage of non-Agency funds.

The Multifamily Lending and Mortgage Revenue Bond programs are the primary programs available locally to assist affordable housing in the City and County of Sacramento. Projects are structured to generate as much funding as possible through the use of bonds, tax credits, and other state or conventional funding sources. The remaining "gap," if any, is filled by the Agency with financing through the Multifamily Lending Program.

The Multifamily Lending and Mortgage Revenue Bond Policies serve two functions. They establish strategic priorities for developer driven projects and provide a common framework for the evaluation of all Agency-assisted projects. In addition to the prioritization set forth in the Agency's Policies, the Agency is able to shape and influence the location and type of housing throughout the City and unincorporated County through Agency initiatives such as the Redevelopment Area Implementation Plans, Single Room Occupancy (SRO) strategy, and Ten-Year Plan to End Chronic Homelessness. Background information regarding the Agency initiated projects is presented in Attachment 1.

The Multifamily Lending and Mortgage Revenue Bond Policies were revised in 1999 and again in 2005. The current revision not only updates the policies, but also combines the lending and bond policies, that have previously been separate, into a single volume to eliminate duplication and to ensure common underwriting standards between the two programs. The Policies allow for:

- Project prioritization of developer driven projects;
- Construction and development standards for all projects;
- Oversight of property management and resident services for all projects; and
- Standard underwriting procedures for all projects.

Staff recommends revising the policies to fund projects that best meet the City's housing objectives through a transparent selection process; broaden and strengthen construction, property management, and resident service requirements; and reflect changing industry lending practices and standards. Background information is presented in Attachment 1. A copy of the proposed policies is presented as Exhibit A to the Council resolution.

Prioritization of Projects

The continuing need for affordable housing in the City results in numerous funding proposals being presented to the Agency annually. Despite the demand, Agency funding for multifamily loans is limited to approximately $7.5 million in the City annually (excluding future bonding from tax increment funds). While the Agency has always been selective about the projects it funds, a number of

factors, including a desire to ensure quality, a shift towards working on more difficult and/or complex redevelopment projects, and the current market climate, have coalesced prompting the need for the Agency to create clear and relevant funding priorities.

The Agency recommends higher standards of project design, building materials and construction, property management, and resident services to improve the quality of life for the residents and to ensure the long-term viability of the project. Higher standards, however, increase both the initial cost and ongoing operating costs for a project, and can increase the amount of financing required. In addition, the Agency has placed increased focus on projects that are in need of significant repairs and/or properties that meet broader redevelopment goals. While this strategic shift is consistent with the Agency's goals and objectives, it creates projects that are more costly and prompts more demand for the Agency's limited resources. Finally, the recent downturn in the economy has severely impacted the amount of conventional funding available for affordable housing, further increasing the demand for limited Agency resources.

To ensure that limited funds are allocated consistent with the Agency's objectives and directed to projects that best meet the City's housing needs, staff recommends prioritization of projects by type and location and the selection of those projects for financing that have the highest priority. Through discussions with the community, staff has concluded that preservation and recapitalization of the existing affordable housing inventory through rehabilitation is the most pressing need, followed by construction of housing projects that meet inclusionary requirements under the City's Mixed Income Housing Ordinance, followed by rehabilitation of other projects and new construction. In addition, staff has placed increased importance on distributing new housing production throughout the community by encouraging production in areas where there is likely to be less affordable housing, that is, areas where the poverty rate is less than 30 percent.

Housing and Lending Standards

Staff recommends broadening and strengthening construction and management requirements for projects to provide increased safety and security for the residents, to enhance the appearance of the property and to improve the long-term viability of the project. Staff recommends improvements to property management and resident service requirements to enhance the quality of life and security of residents and to ensure a uniform level of services is provided to the residents of all new projects. The revised policies include minimum experience qualifications for property management firms, approval of management plans, improved security measures including patrols for larger developments, and minimum requirements for community space and resident services. Additionally, the policies include modifications to the Agency's underwriting standards to accommodate the needs of senior lenders, investors, and developers in a changing financial environment.

Policy Considerations: Initiatives such as the Redevelopment Area Implementation Plans, SRO strategy, Ten-Year Plan to End Chronic Homelessness, and the Multifamily Lending and Mortgage Revenue Bond Policies, allow the Agency to shape and influence the location, type, and quality of affordable housing throughout the City. The Agency's Policies were last revised in 2005. Staff recommends revising the policies to fund projects that best meet the City's housing objectives; broaden and strengthen construction, property management, and resident services requirements; and reflect changing industry lending practices and standards.

Environmental Considerations:

California Environmental Quality Act (CEQA): The actions in this report are not a project subject to environmental review under CEQA because the CEQA Guidelines in Section 15378(b)(4) exempt government funding mechanisms and administrative activities that do not involve commitment to any specific project. Projects that qualify for Agency funding under these programs are subject to environmental review prior to Agency loan or bond commitment approvals.

Sustainability Considerations: N/A

Other: The actions in this report are not a project subject to environmental review under National Environmental Policy Act (NEPA) because the NEPA regulations at 24 CFR Section 58.34(a)(3) exempt government administrative and management activities. Projects that qualify for Agency funding under these programs are subject to environmental review prior to Agency loan or bond commitment approvals.

Committee/Commission Action: *Sacramento Housing and Redevelopment Commission:* At its February 18, 2009 meeting, the Sacramento Housing and Redevelopment Commission reviewed the staff recommendation for this item. The votes were as follows:

AYES: Burruss, Chan, Dean, Fowler, Gore, Morgan, Otto, Shah, Stivers

NOES: None

ABSENT: None

Rationale for Recommendation: The Multifamily Lending and Mortgage Revenue Bond Policies provide direction to projects initiated by the development community and create a common framework for the evaluation of all Agency financed multifamily projects including those that are Agency initiated. Revisions to the policies will allow the Agency to act strategically, provide clarity to the development community, and ensure sustainability for all Agency-assisted projects.

The revised Multifamily Lending and Mortgage Revenue Bond Policies will:

- conform with the goals and objectives of the 2008 Housing Element;
- provide transparency to the process by which developer driven projects are selected to receive Agency funds;
- set minimum standards to ensure Agency-assisted projects are well built and professionally managed and maintained; and
- institute enforcement measures for Agency-assisted projects that do not meet required standards.

Financial Considerations: There are no financial impacts associated with the revision of the Multifamily Lending and Mortgage Revenue Bond Policies.

M/WBE Considerations: The items discussed in this report have no M/WBE impact; therefore, M/WBE considerations do not apply.

Respectfully Submitted by:
LA SHELLE DOZIER
Executive Director

Recommendation Approved:

for RAY KERRIDGE
City Manager

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Attachment 1

Multifamily Lending and Mortgage Revenue Bond Policies
Background Information

Sacramento Housing and Redevelopment Agency (SHRA) policies for implementation of the Multifamily Lending and Mortgage Revenue Bond Programs allow for: 1) project prioritization; 2) construction and development standards; 3) oversight of property management and resident services; and 4) control of underwriting standards.

Staff recommends prioritization of projects as follows:

1. Preservation
   Preservation of projects which are currently publicly subsidized, but at risk of losing affordability restrictions due to sale, termination, or public subsidy reductions.

2. Recapitalization
   Substantial rehabilitation of projects with affordability restrictions, including projects that have reached the expiration of their 15-year tax credit compliance period, but only in conjunction with new mortgage revenue bonds, tax credits, and/or other affordable housing resources to the greatest extent feasible.

3. Inclusionary housing
   New construction to meet inclusionary housing requirements under the City of Sacramento Mixed Income Housing Ordinance or the County of Sacramento Affordable Housing Ordinance, but only in conjunction with mortgage revenue bonds, tax credits, a state subsidy, and/or a contribution of land and monetary financial assistance from the master developer.

4. Rehabilitation and new production
   Substantial rehabilitation of other projects, with preference among City projects to those located in redevelopment areas; and

   New construction of affordable housing including low income, mixed income, or workforce housing, with preference to projects in census tracts where the poverty rate is less than 30 percent; projects that meet redevelopment goals; projects located within ¼ mile of a Transit Hub (as defined by State Transit Oriented Development Program Guidelines); or development of sites identified as being appropriate for affordable housing in the Housing Element.

The Nine Percent Low Income Housing Tax Credit (LIHTC) program provides federal and state tax credits to affordable multifamily rental housing developments competitively based upon the California Tax Credit Allocation Committee's point system. The Nine Percent LIHTC prioritization policy is intended to assist staff in setting Agency funding priorities for projects seeking funding under this program. Given the limited availability

of funds, staff recommends a ranking that first serves Extremely Low Income (ELI) initiatives aimed at special needs tenants and Single Room Occupancy (SRO) projects.

Prioritization of projects using Nine Percent LIHTC's is recommended as follows:

Tier 1

- Acquisition/Rehabilitation or new construction designed and programmed to serve special needs tenants, such as chronically homeless individuals or families; and
- Acquisition/Rehabilitation or new construction which will augment or safeguard the City of Sacramento's inventory of SRO units.

Tier 2

- Acquisition/Rehabilitation projects that have community development benefits (i.e. blight removal, acquisition of multiple parcels under multiple ownership, projects included in an implementation plan or identified by the Agency as a catalyst project).

Tier 3

- New construction projects that have community development benefits (i.e. blight removal, acquisition of multiple parcels under multiple ownership, transit oriented developments, projects included in an implementation plan or identified by the Agency as a catalyst project).

Anticipated Project Priorities for 2009

Traditionally the Agency has provided affordable housing through two mechanisms: 1) Agency initiated projects - those fulfilling redevelopment goals or adopted strategies (e.g. Ten-Year Plan to End Chronic Homelessness, SRO, Downtown Housing, etc.); and 2) developer driven projects. The Multifamily Lending and Mortgage Revenue Bond Programs are the tools that the Agency employs to provide direction to projects that are initiated by the development community and to evaluate all projects that the Agency funds. Since Agency initiated and developer driven projects utilize the same funding mechanisms, it is important to understand which Agency initiated projects will be considered for funding when looking forward to the 2009 calendar year.

Agency Initiated Projects:

Ten-Year Plan to End Chronic Homelessness: One project meeting the goals of the Ten-Year Plan to End Chronic Homelessness, the rehabilitation of the Budget Inn on Stockton Boulevard, is poised to be funded in 2009.

Single Room Occupancy Strategy: One project that will assist in fulfilling the SRO strategy's goal of maintaining a minimum same number of units in the Central City, the development of the 7th and H Street site, will be considered in 2009.

Downtown Housing Strategy: The Downtown Housing Strategy for the Central City identified the J K L corridor as the primary focus area, and called for a Notice of Funding Availability (NOFA) for $25 million. Three sites were submitted as part of that process:

11th and J Streets, 16th and J Streets, and 8th and K Streets. The latter site is now the subject of an Exclusive Right to Negotiate Agreement as a potential hotel site. The other two sites met the J K L focus area criteria and would lend themselves to be good mixed income residential sites. While no funding awards have been made as a result of the NOFA, staff plans to continue to work with developers on the 11th and J, and 16th and J Street sites. In addition, developers have approached staff regarding converting the Maydestone building at 15th and J Street into a mixed income building. Given the high cost of development in the Central City, increased underwriting flexibility will likely be needed in some, if not all, of these projects.

Redevelopment Projects: Projects identified in implementation plans coming to fruition this year include: the Broadway and MLK Boulevard site in the Oak Park Redevelopment Area; La Valentina in the Alkali Flat Redevelopment Area; and Township Nine in the River District Redevelopment Area. The sites, with the exception of Township Nine, are Agency-owned. In addition, La Valentina and Township Nine are considered Transit Oriented Developments.

Neighborhood Stabilization Program: Neighborhood revitalization target areas selected as a result of the Neighborhood Stabilization Program (NSP) may require non-foreclosure matching funds.

Program/Development Driven Projects:

1. Preservation: Staff is aware of several multifamily complexes that are federally-assisted projects at risk of losing affordability restrictions and are in need of substantial rehabilitation this year.

2. Recapitalization: Staff is aware of several projects that may require rehabilitation in 2009.

3. Inclusionary Housing: Due to the market downturn, no projects are imminent.

   In the event the above projects do not come to fruition, and subject to funding availability, staff will focus on the fourth priority, substantial rehabilitation and new production.

Financial Impacts

The Agency's 2009 funds include approximately $7.5 million of annual housing resources which include HOME, Housing Trust Fund, and Tax Increment 20% Set-Aside Funds, and also resources that will result from borrowing or bonding against Redevelopment Area revenue. These resources are projected to be allocated to Agency initiated projects including the Budget Inn (which has already received approvals to move forward but has faced difficulty due to the financial crisis) and the 7th and H project. Both of these projects serve to fulfill goals outlined in the Ten-Year Plan to End Chronic Homelessness and/or the Agency's Downtown SRO strategy and will result in the rehabilitation and construction of 275 new units of affordable housing. Three new construction redevelopment projects are also proposed which include La Valentina, Broadway/MLK, and Township Nine. Each of these projects will serve to fulfill key aspects of the redevelopment efforts in the areas where they are located and will

result in the production of approximately 200 additional affordable housing units. In addition, staff anticipates that two projects resulting from the Downtown NOFA will be funded, resulting in the production of at least an additional 120 affordable housing units.

Housing and Lending Standards
Staff recommends broadening and strengthening construction and management requirements for all Agency-assisted projects. Additionally, the policies include modifications to the Agency's underwriting standards to accommodate the needs of senior lenders, investors and developers in a changing financial environment.

Construction and Development Standards
Staff recommends revisions to the construction and development requirements for affordable housing projects to provide increased safety and security for the residents, to enhance the appearance and increase the long-term physical viability of the project, and to provide standards that can be applied uniformly to projects throughout the City. Updated development requirements include:

- Updated minimum rehabilitation standards;
- Size limitation of 200 units in new construction projects;
- Improved handicapped accessibility;
- Enhanced safety and security systems;
- Energy efficiency standards.

Management Oversight
Staff recommends increased oversight of property management and resident services requirements to improve quality of life and security for the residents and provide a uniform level of services. Updated management and services requirements include:

- Minimum experience qualifications;
- Management Plans, including provisions for screening of residents and visitors;
- Comprehensive lists of compliance violations and required actions;
- Improved security measures, including patrols;
- Smoke-free units;
- Minimum hours of resident services appropriate for the population;
- Minimum sizes for community space;
- Increased accountability for performance by owners and non-compliance fees.

Underwriting Standards
The current financial environment has resulted in changes in underwriting procedures and standards with both lenders and investors being more conservative in their participation. Consequently, the revised policies and procedures include modifications to the Agency's underwriting standards to accommodate the needs of senior lenders, tax credit investors, and developers. Additionally, the Policies include provisions for construction cost savings, the limited issuance of bonds by state-wide issuers for projects in the city, revised selection procedures for bond underwriters and bond counsel, a revised quarterly Agency loan application cycle, and underwriting and compliance monitoring fees for Agency loans.

RESOLUTION NO. 2009 -

Adopted by the Sacramento City Council

on date of

APPROVAL OF MULTIFAMILY LENDING AND MORTGAGE REVENUE BOND POLICIES OF THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY ("AGENCY")

BACKGROUND

A. Staff is recommending revising the multifamily lending and mortgage revenue bond policies in order to: 1) prioritize projects so limited funds can be directed to projects that best meet the City's housing objectives; 2) broaden and strengthen construction and management requirements, and resident services standards; and 3) reflect changing industry lending practices and standards.

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

Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action are approved.

Section 2. The "Multifamily Lending and Mortgage Revenue Bond Policies" as described in Exhibit A are adopted.

Section 3. The Agency is authorized to make technical changes to the Multifamily Lending and Mortgage Revenue Bond Policies as necessary to comply with federal, state and local laws, regulations, ordinances or resolutions as they may be adopted or amended from time to time. The authority to make any material policy changes to these Multifamily Lending and Mortgage Revenue Bond Policies, however, shall remain with the affected entity's governing board, at its sole discretion.

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Sacramento Housing and Redevelopment Agency
Multifamily Lending and Mortgage Revenue Bond Policies
For Projects of 12 or More Units

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INTRODUCTION

The Sacramento Housing and Redevelopment Agency ("SHRA" or "Agency") offers gap financing and issuance of mortgage revenue bonds for the development and rehabilitation of multifamily rental housing in the City of Sacramento and unincorporated areas of the County of Sacramento. Under certain cooperation agreements, SHRA may also finance affordable housing developments in other cities within the County. All housing financed by SHRA carries affordability restrictions on some or all of the units.

The goals of the program are to:

- Increase and preserve the supply of affordable rental housing for all income groups, including those requiring supportive services
- Facilitate community and neighborhood revitalization through strategic investments in deteriorated properties and new construction
- Encourage economic integration within neighborhoods and within affordable developments, to the greatest extent possible
- Maintain quality and sustainable living environments for residents of assisted affordable developments and surrounding properties
- Increase the efficiency of Agency funding by obtaining the fullest leverage of non-Agency funds

Pre-applications for Agency financing are accepted on a quarterly basis. After review of the pre-application and based on funding availability, Agency staff will request full applications from applicants who meet project priorities described in Section 1.1 of these guidelines. Agency pre-application deadlines will occur generally in the months of January, April, July, and October. Pre-applicants will receive confirmation within 30 days after the pre-application deadline if they have or have not been invited to submit a full application. The timeline for submission of the full application will be outlined in the confirmation letter. The schedule for governing board approval will be coordinated with the developer for each project.

Applications for the issuance of mortgage revenue bonds without an Agency loan will be accepted at any time throughout the year.

From time to time, the Agency also releases Notices of Funding Availability (NOFA's) or sponsors initiatives for projects which meet certain additional specific criteria. NOFA's will include the amount of loan funds available, and will specify the type of development sought by the Agency. Selection criteria may include a specific housing need to be met, a particular location, or other requirements of the development being considered for funding under the NOFA.

Applications are accepted at offices of the Sacramento Housing and Redevelopment Agency, Housing and Community Development Department.

PROGRAM REGULATIONS
CITY AND UNINCORPORATED COUNTY OF SACRAMENTO

Section 1. Basic Eligibility

All projects requesting multifamily lending assistance and/or a mortgage revenue bond issuance are subject to the requirements in these guidelines.

1.1. Eligible projects and project priorities. Funding recommendations for Agency financing will be made based on the project priorities set out below. Projects seeking issuance of mortgage revenue bonds without Agency financing are not subject to these priorities. Pre-application approval, followed by approval of a full application, is required before being eligible for funding.

Applications seeking funding to be used in conjunction with the 9% Low Income Housing Tax Credit Program (LIHTC) are subject to the priorities for that program, included as Exhibit 1 to these guidelines.

For a listing of funding sources and their specific requirements, please see Exhibit 2.

Affordable housing priorities:

1. Preservation

   Preservation of projects which are currently publicly subsidized, but at risk of losing affordability restrictions due to sale, termination, or public subsidy reductions.

2. Recapitalization

   Substantial rehabilitation of projects with affordability restrictions, including projects that have reached the expiration of their 15-year tax credit compliance period, but only in conjunction with new mortgage revenue bonds, tax credits, and/or other affordable housing resources to the greatest extent feasible.

3. Inclusionary housing

   New construction to meet inclusionary housing requirements under the City of Sacramento Mixed Income Housing Ordinance or the County of Sacramento Affordable Housing Ordinance, but only in conjunction with mortgage revenue bonds, tax credits, a State subsidy, and/or a contribution of land and monetary financial assistance from the master developer.

4. Rehabilitation and new production

   Substantial rehabilitation of other projects, with preference among City projects to those located in redevelopment areas; and

   New construction of affordable housing including low income, mixed income, or workforce housing, with preference to projects in census tracts where the poverty rate is less than 30 percent; projects that meet redevelopment goals; projects located within ¼ mile of a Transit Hub (as defined by State Transit

Oriented Development Program Guidelines); or development of sites identified as being appropriate for affordable housing in the Housing Element.

Maps of City redevelopment areas and census tracts where the poverty rate is less than 30 percent are presented in Exhibits 3 and 4 respectively.

1.2. Location policy. Sacramento Housing and Redevelopment Agency (SHRA) will encourage funding for low-income housing in areas not adjacent to existing regulated low-income housing.

1.3. Eligible applicants. Applications are accepted from non-profit and for-profit housing corporations, joint ventures, limited liability companies, partnerships, and local governmental entities. Applicants must have previous experience owning affordable housing projects or partner with an entity that does have the required experience (Section 4.6.2). All applicants seeking an Agency loan must include a non-profit managing general partner.

1.3.1. Related parties. SHRA prohibits members of the boards of directors of nonprofit corporations and their immediate and extended families from participating financially in their organization's projects.

1.3.2. Noncompliance. Applications are not accepted from entities that have been notified that they are not in compliance with their current obligations on any loans or tax-exempt mortgage revenue bonds issued by SHRA or any other government entity. Noncompliance, at the discretion of the Agency, may consist of any monetary or non-monetary provisions, such as failure to submit required financial statements in a timely manner, failure to comply with the requirements of the regulatory agreement, including but not limited to resident service and property management obligations, and failure to correct in a timely manner any building deficiency noted by any government agency.

1.4. Eligible uses of funds. Loan proceeds may be used for the following purposes:

1.4.1. Acquisition/construction financing. Funds may be used to finance normal and customary acquisition and construction expenses, subject to SHRA approval. If loan funds are used for the purchase of property, the purchase price must be the lower of the sales contract or the property's as-is appraisal value determined by a certified appraiser not more than six months prior to the property's acquisition.

1.4.2. Permanent financing. Funds may be used as permanent financing, generally combined with a construction loan.

1.4.3. Predevelopment expenses. In very limited situations, and at SHRA's discretion, SHRA will provide unsecured loans to experienced 501 (c) (3) nonprofit housing corporations for third party predevelopment expenses such as appraisals, architectural, engineering, and environmental reports, and market studies necessary to obtain financial commitments. SHRA requires the assignment of all predevelopment work performed (whether paid for by SHRA or not) and/or the land purchase or option agreement.

1.5. Ineligible uses of funds. SHRA financing is not provided for the sole purpose of property acquisition; the acquisition and rehabilitation of properties needing less than

substantial rehabilitation; land banking; or for the sole purpose of refinancing existing debt.

Refunding of tax exempt bonds and any related gap financing is allowable.

Section 2. SHRA Loan Terms and Conditions

The following loan terms and conditions apply to loans from SHRA, regardless of the source of those funds. The terms and conditions of mortgage revenue bond loans will be in accordance with CDLAC and TCAC requirements and the requirements of the lending institution specific to the project.

2.1. Loan to value. Total loan amount, including hard and soft debt, shall not exceed 90% combined loan-to-value. The property value shall be based on a MAI (Member, Appraisal Institute) appraisal that takes restricted rents and the value of below-market financing and tax credits into consideration. In a rehabilitation project, the property value shall be the after-rehabilitation value unless otherwise allowed by SHRA.

2.2 Debt coverage. For the purpose of determining the debt service schedule for the Agency loan, a minimum combined debt service coverage ratio of 1.10 to 1 and maximum of 1.20 to 1 is required for the term of the loan. The Supplemental Annual Administration Fee, if any, and the cost of resident services, shall be included with other operating expenses in the calculation of net operating income for this determination.

2.3. Loan amount. The loan amount shall not exceed the difference between total development cost and the maximum potential equity and debt raised from private and public sources other than SHRA. SHRA staff shall determine the financial gap based on review of the application.

2.4. Interest rate. An interest rate of 4% simple interest will be applied to Agency loans. Simple interest is calculated on the loan amount outstanding from date of first disbursement, based upon a 360-day year and actual number of days elapsed. Under limited circumstances, a lower interest rate may be approved if the project can show an inability to service the debt at the standard rate. Such modification of the interest rate will be approved on an individual project basis.

2.5. Loan term. Loan terms may extend up to 40 years from the date of conversion to permanent financing or up to 55 years when required by senior public lenders.

2.6. Affordability term. The affordability term is the lesser of 55 years or the longest affordability period of other financing sources, and is enforced through a recorded regulatory agreement. The affordability covenant remains in effect for not less than the agreed upon term regardless of the date upon which the SHRA loan is fully repaid.

2.7. Loan repayment. Loan payments are deferred during construction and during repayment of any deferred developer fee, and are then repaid over the remainder of the term. Balloon payments are permissible in instances where cash flow alone cannot repay the debt.

> 2.7.1 Residual receipts loans are only considered if required by other state or federal funding sources.

2.7.2 If senior debt is refinanced before the maturity date, the Agency, in its sole discretion, may modify the payment schedule of the Agency loan.

2.8. Loan security. Loans are evidenced by a promissory note and secured by a deed of trust. If a loan is repaid prior to the term of a regulatory agreement, SHRA shall substitute a performance deed of trust to enforce its provisions.

2.9. Subordination. At its discretion, SHRA may subordinate repayment, security positions and affordability covenants to a conventional lender or other public agency lender.

2.10. Disbursement. In general, SHRA loan disbursements are made after all funding has been formally committed to the project, and closed. SHRA disburses funds in one of two ways: 1) Proportionate to the total project costs upon each disbursement by other lenders; or 2) Up to 90 percent prior to other lenders/investors if they provide SHRA the right to approve all disbursement requests from any party. Such requests shall be approved or denied, in whole or in part, within five business days from receipt by SHRA. If loan funds are disbursed that have not been approved by SHRA, then the SHRA loan shall be reduced by an equal amount. The senior lender, equity investor, project developer, and SHRA may enter into an Intercreditor Agreement agreeing to these disbursement terms.

2.10.1. Exceptions to these disbursement practices may be granted at SHRA's discretion under the following conditions: 1) Disbursements may be made for acquisition costs of acquisition/rehabilitation projects prior to the close of other funding commitments if they are projects with terminating public subsidies or are located in redevelopment areas; or 2) Loan advances after project approval may be considered on a case-by-case basis to acquire vacant land prior to construction loan closing if the maximum SHRA loan does not exceed 70 percent of the appraised value of the land, and if the SHRA loan is in first lien position when it represents 50 percent or more of the acquisition cost.

2.11. Retention. SHRA will hold back a minimum of ten percent of the SHRA loan until project completion and expiration of the lien period.

2.12. Term of senior financing. The term of any permanent loan senior to SHRA's loan will be no less than 15 years from the date of conversion to permanent financing.

2.13. Cost savings. All projects are subject to the Agency's cost savings provisions whereby if there are cost savings in a project, as evidenced in the cost certification, the Agency, in its sole discretion, will withhold one half of the cost savings from the retention and the loan balance shall be reduced by the amount withheld.

2.14. Application fees. Applicants must submit a Pre-Application and a full Application, if requested, according to the procedure outlined in Section 10. At the time a full Application for an Agency loan is submitted the developer must pay a "good-faith" deposit of $5,000 (or $12,500 if the application is also for the issuance of bonds) to cover Agency staff costs (at $85 per hour) and expenses in determining the feasibility of the project and processing the loan application. In addition, the Agency will receive an Annual Administration Fee equal to 15 basis points (0.15%) of the original loan amount (or 0.15% of just the original bond amount if bonds are issued) as compensation for monitoring compliance with regulatory restrictions and the administration of the loan. The fee is payable in advance at closing and in equal semi-

annual installments thereafter. Fees payable to the Agency for a bond issuance are outlined in Section 9.1.10. Fees may be subject to restrictions imposed by the funding source.

Section 3: Underwriting Guidelines

The following underwriting guidelines apply to all projects financed with either an Agency loan or mortgage revenue bonds issued by the Authorities.

3.1. Replacement reserves. Minimum replacement reserves should be consistent with California Tax Credit Allocation Committee (TCAC), California Debt Limit Allocation Committee (CDLAC), California Department of Housing and Community Development (HCD), and/or California Housing Finance Agency (CalHFA) requirements, as appropriate. In the absence of senior lender requirements, SHRA will require replacement reserves consistent with TCAC standards.

3.1.1. SHRA may require an annual audited financial statement including the balance, deposits, and withdrawals from the replacement reserve account. If the senior lender and/or tax credit investor does not require approval of withdrawals, SHRA shall reserve the right to approve.

3.2. Operating reserves. Minimum operating reserves should be consistent with TCAC, CDLAC, HCD, and/or CalHFA requirements, as appropriate. In the absence of senior lender requirements, SHRA will require operating reserves consistent with TCAC standards.

3.2.1. SHRA may require an annual audited financial statement including the balance, deposits, and withdrawals from the operating reserve account. If the senior lender and/or tax credit investor does not require approval of withdrawals, SHRA shall reserve the right to approve.

3.2.2. For projects with tenant-based assistance and/or other operating subsidies that are renewable or terminate prior to the end of the Agency loan, reserves in excess of the TCAC requirements may be required.

3.3. Operating expenses. Total operating expenses shall be no less than the minimum amounts allowed by TCAC. Operating expenses shall include sufficient funds to provide on-going security services and resident services (Section 4).

3.4. Developer fees.

3.4.1. Developer fees include all funds paid at any time as compensation for developing the proposed project. They include all development consultant fees, processing agent fees, developer overhead and profit, construction management oversight fees if provided by the developer, personal guarantee fees, syndication consulting fees, and reserves in excess of those customarily required by multifamily housing lenders such as CDLAC or TCAC.

3.4.2. For the 9% and 4% tax credit programs, maximum developer fees will be consistent with TCAC regulations.

3.4.3. For projects not using bonds and/or tax credits, such as small supportive housing developments or small rehabilitation projects, the maximum developer fee shall be determined on a per unit basis: $25,000 per unit for the first ten

units, $15,000 per unit for units 11 through 30, and $12,000 per unit for units 31 and above.

3.4.4. For tax credit developments, developers shall defer the maximum developer fee allowable under tax law and tax credit regulations. The deferred developer fee loan shall bear interest at no greater rate than the interest rate on the SHRA loan. SHRA may adjust the deferral requirement in its sole discretion to achieve a stronger financial structure for the project and/or repayment of the SHRA debt.

3.5. Asset management fees. Limited partner and/or general partner asset management fees may be paid from the project's cash flow after the payment of operating expenses and reserves, and senior loan debt. Asset management fees may not exceed a combined total of $25,000 annually to start, but may increase at up to 3 percent annually and may accrue interest. Any additional LP or GP asset management fees in excess of the maximum allowed may be paid from cash flow after the payment of the SHRA loan(s) or from the developer's portion of a residual receipts payment, if applicable.

3.6. Revenue and operating expense inflators. Proforma revenues shall be inflated at a maximum rate of 2.5 percent per year and proforma operating expenses at a minimum rate of 3.5 percent per year or at rates consistent with industry standards.

3.7. Builder overhead and profit and general conditions. Combined contractor overhead, profit and general conditions shall be consistent with TCAC regulations for on- and off-site improvements and building construction, excluding builder's general liability insurance. SHRA, in its discretion, may make exceptions for small developments.

3.8. Lease-up income. Cash flow from project operations subsequent to loan approval and prior to the conversion of construction to permanent financing must be shown as a source of income in the proforma.

3.9 Parking income. Income from resident parking fees, if any, will be included in project income for purposes of underwriting.

3.10 HUD-subsidized projects. Purchasers of HUD developments with expiring project-based vouchers ("opt-outs" or HUD preservation projects) will be required to continue to renew project-based assistance.

3.11 Exceptions to guidelines. Exceptions to the Agency's underwriting policies will be granted in limited situations if staff concludes a waiver is appropriate and the governing board approves the request. It shall be at staff's sole discretion to determine the appropriateness of the request and whether to bring the waiver before the governing board.

Section 4. Threshold Requirements

Administrative Requirements

4.1. Affordability. All projects assisted by SHRA must include at least 20 percent of its units affordable to and occupied by very low-income households (those earning less than 50 percent of the Area Median Income, as determined by HUD). Restricted rents shall be at least 10 percent below market rents for a given type and size of unit unless expressly permitted by SHRA. The maximum amount of subsidy per restricted unit cannot exceed HUD's 221(d)(3) limits for the Sacramento area.

Projects funded with redevelopment housing set aside funds may be required to meet additional affordability requirements.

> 4.1.1 Unit distribution. Assisted units must be spread proportionately across all unit types and sizes. The set-aside units must proportionately reflect the mix of all units in the project, be distributed throughout the project and have the same floor area, amenities, and access to project facilities as market-rate units. The objective of the program is to provide a set-aside of units with lower rents, not to create special "low-income sections" within larger developments.
>
> 4.1.2 Expiration of affordability period. The rent of "in-place" tenants at the conclusion of the required affordability period will continue to be governed by the applicable affordability restrictions, so long as those tenants continue to live in the development.
>
> 4.1.3 Recertification. Project owners must recertify the eligibility of residents as required by the appropriate Federal, State, or other funding source.

4.2. Financing plan. A detailed description of the financing plan must be submitted, and should include proposed sources and uses of construction, permanent and bridge loan funds; rent or operating subsidies; and reserves. All projects must demonstrate financial viability supported over the term of the loan by a cash flow proforma, using the underwriting criteria of these policies. The preliminary commitment status of all funding sources must be described, and non-traditional financing arrangements explained in narrative attachments to the application.

4.3. Equity. Ten percent of the project's development costs must be in the form of equity contributions.

4.4. Relocation. A relocation plan shall be submitted for any project that contains persons residing within the project at the time of the project application to the Agency, and is subject to review by the Agency, City and County. The components of the relocation plan shall be determined by the funding source for the project, and whether relocation will be temporary, permanent, or both. Plans shall be completed in accordance with all state and/or federal relocation requirements associated with the funding source.

> 4.4.1 In the absence of state or federal funding in the project, plans shall comply with SHRA's Guidelines for Preparation of Relocation Plans for Multifamily Developers Using SHRA Financial Assistance. Moving expenses

shall be calculated according to the HUD standard for moving allowances, updated annually, based on the number of rooms. Relocation is considered an integral part of the project approval process and its cost estimates must be included in the project budget.

4.4.2 A relocation plan must be prepared prior to submission of the full application. SHRA prefers projects where less than 20 percent of residents will be permanently relocated (except in instances of overcrowding).

4.4.3 Proper notification of residents is the responsibility of the applicant and will be coordinated and approved by the SHRA relocation specialist. SHRA will monitor the project for compliance with relocation requirements.

4.5. Nonprofit ownership. Developments owned by not-for-profit organizations are eligible to qualify for a welfare exemption pursuant to state law for the payment of property taxes. In consideration of that benefit, the IRS requires the nonprofit organization be the managing general partner, and have material and on-going involvement in the project on a day-to-day basis. The nonprofit must also assist in the provision of resident services and must follow Board of Equalization guidelines and requirements in their activities as managing general partner. SHRA staff will review and approve the qualifications of all nonprofit partners.

4.6. Owner qualifications and experience. SHRA staff will review and approve the qualifications of the applicant and all partners in the ownership entity.

4.6.1 Applicants are required to submit proposed or executed organizational documents of the applicant and ownership entity, including a detailed description of the role of each, if separate entities, throughout the regulatory period of the project. Applicant shall submit Balance Sheets, Income Statements, and Statements of Cash Flows with notes for the last three years.

4.6.2 General partners, including all administrative and managing general partners, or a principal in each, are required to have previous experience in the development and ownership of multifamily rental affordable housing projects. Applicants are required to submit evidence of successfully participating in at least two projects over ten units in size and subject to a recorded regulatory agreement for at least three years prior to the application. SHRA may require evidence projects have maintained positive operating cash flows and that all required reserves have been funded throughout the ownership period. Applicants who are unable to meet this experience requirement will be required to partner with an entity that does have the necessary experience.

4.7. Identities of interest and related parties. The applicant must identify any persons or entities (including affiliated entities) that plan to provide development or operational services to the proposed project in more than one capacity, and provide full disclosure of "related parties," as defined in the TCAC Regulations.

4.8. Payment and performance bonds. Payment and performance bonds may be required on projects where SHRA's participation exceeds 15 percent of the total development cost of the project or where funding sources require them.

4.8.1. Projects financed in whole or in part with low-income housing tax credits and/or tax-exempt mortgage revenue bonds issued by the City or County of Sacramento or the housing authorities or redevelopment agencies of the City or

County of Sacramento, are not required to provide payment and performance bonds.

4.8.2. In the event payment and/or performance bonds are required by another party, whether or not required by SHRA, SHRA shall be named on the policies as a co-obligee.

4.9. Insurance requirements. SHRA requires the insurance coverage listed below. The Sacramento Housing and Redevelopment Agency shall be named as an additional insured on comprehensive general liability insurance.

- Comprehensive general liability insurance of at least $5,000,000 in total coverage and $1,000,000 per occurrence with a deductible of not more than $100,000 from a California-admitted insurance carrier
- Worker's compensation coverage of at least $1,000,000, as required by State law
- Comprehensive automobile liability coverage of at least $1,000,000
- Fire, hazard, and extended coverage insurance for the full insurable value of the property

Physical Requirements

4.10 Rehabilitation projects must provide substantial rehabilitation of at least $15,000 per unit of hard construction cost excluding overhead, profit, and general conditions. The project must meet the Agency's minimum construction standards (Exhibit 5) in which all major systems have an expected life of at least 15 years upon completion of the renovation.

4.11. Site control. The property must be in the control of the applicant at the time the application is filed. Evidence of site control must be accompanied by a title report not older than 90 days, and may be demonstrated by any of the following:

- Fee title
- Long-term leasehold interest, with the minimum term no less than the term of the SHRA regulatory agreement
- Option to purchase or lease, with obtaining financing the sole impediment to exercising the option
- Executed disposition and development agreement with a public agency
- Enforceable contingent purchase or sale agreement, with obtaining financing the sole contingency
- Donation agreement (under the County Affordable Housing Ordinance or City's Inclusionary Housing Ordinance)

4.12. Land use entitlements. The applicant must demonstrate that the proposed project has met all discretionary land use entitlements such as rezoning, special use permit, or variances prior to SHRA's issuing a funding commitment. Evidence may be in the form of a letter from a City or County building or planning official stating the project is appropriately zoned and in compliance with land use ordinances.

4.13. Site and building design. All projects may be subject to architectural review and developers may be required to provide renderings of the project with their application. New construction projects may not consist of more than 200 units.

Developers of new construction projects are required to meet with City or County design review staff prior to submitting an application to SHRA. Developers of rehabilitation projects may be required to meet with design review staff prior to Council/Board approval. Developments should adhere to the City or County Multifamily Design Standards, which provide guidelines for site layout, parking, building differentiation and orientation, and materials, among other design standards. Developers should incorporate the principles of universal design by improving accessibility and ease of use for all residents. Redevelopment areas are also subject to design review districts that encourage architectural design compatible with the neighborhood.

4.14. Resident services community space. All properties, regardless of project type (i.e. senior, family, or large family), must devote space to actual resident services in the following minimum amounts:

Less than 100 units: 12 s.f. per unit (but no less than 400 s.f. in total)
100 units and over: 1,200 s.f.

The amount of resident services space provided in mixed-income projects shall be based on the total number of units in the project.

When calculating whether these requirements are met, resident services space may include common kitchens, computer rooms, meeting rooms and general gathering space. It does not include public restrooms, leasing offices, laundry facilities and lobbies.

4.15. Accessibility. Title 24 of the California Code of Regulations applies to all multifamily development, and the Fair Housing Act Amendment of 1988 applies to new federally funded projects. While there are differences between the two, in general, all new multifamily housing with four or more units must provide an accessible route into and throughout all ground floor dwelling units; accessible public and common-use areas; doors that allow passage by a person in a wheelchair; light switches, thermostats and other environmental controls in accessible locations; reinforcements in bathroom walls for later installation of grab bars; and kitchens and bathrooms that allow a wheelchair to maneuver about the space. All units accessible by an elevator are considered ground floor units.

4.15.1. If the development uses federal financial assistance or is part of the County of Sacramento's Affordable Housing Program, Section 504 of the Rehabilitation Act of 1973 will apply to the project as follows: a minimum of five percent of the total dwelling units (or at least one unit, whichever is greater) must be accessible for persons with mobility impairments to the maximum extent feasible. If the project is new construction, an additional minimum of two percent of the total units (or at least one unit, whichever is greater) must be suitable for occupancy by people with sensory impairments.

4.15.2. SHRA expects the developer to be familiar with and comply with accessibility provisions of state and federal law, which are more extensive than this short summary. Information on federal requirements may be obtained from the U. S. Department of Housing and Urban Development and on state requirements may be obtained from the State of California Building Standards Commission.

4.16. Security equipment. The project must have adequate exterior security lights and security cameras as determined by the Agency. The project's construction and operating budgets must include funds for the installation and operation of all security equipment.

4.17. Sustainability standards. All projects are subject to the requirements of the Agency's Green Development Guidelines. In addition, new construction projects must qualify for at least five (5) points, and rehabilitation projects at least three (3) points, using 9% TCAC sustainability scoring criteria, regardless of funding source. Please note specific projects may have additional requirements outside of these guidelines.

Property Management Requirements

4.18. Property management. All projects must include on-site management staff during normal business hours, and projects over 50 units must include live-in on-site professional management.

4.18.1. Qualifications. Qualifications of the management entity must be submitted with the application, and must demonstrate experience in the management of affordable rental housing projects. The proposed management firm, or a principal in the firm, is required to submit evidence of successfully managing at least five projects over ten units in size and subject to a recorded regulatory agreement for at least three years prior to the application. Specifically, the proposed property management firm and the principal must submit their portfolio of currently managed properties and those managed within the last five years; identification of any properties defaulted or foreclosed upon during the management period; a list of projects with regulatory agreements restricting rents and the designation of subsidy sources for those properties; and the qualifications of key staff persons to be involved in the project.

4.18.2 Management Plan. A comprehensive management plan and lease agreement shall be submitted and approved with the application. A sample management plan is available upon request. Once approved, neither the management plan nor the lease agreement may be changed without SHRA approval. The components of the plan must include:

- Role and responsibility of the owner and/or delegation of authority
- Personnel policy and staffing arrangements
- Procedures for marketing and achieving appropriate occupancy
- Procedures for determining household eligibility and certifying/recertifying incomes
- Procedures for screening and conducting criminal background checks on residents
- Policy for visitation, to include the number of visitors and length of visitation allowed
- Plans for carrying out an effective maintenance and repair program
- Rent collection and policies
- Plan for maintaining adequate accounting records
- Resident-Management relations policy
- Procedures for appeal and grievance
- Procedures for evictions

4.18.3. SHRA reserves the right to approve or disapprove the property management company, management plan, and lease agreement as part of the loan commitment process and upon any subsequent change, and annually monitors all projects for occupancy, affordability, management and social service requirements.

4.18.4. SHRA reserves the right to require the management company be changed if, in its sole discretion, the Agency determines the management company is not following policies and procedures specified in the approved management plan or lease agreement.

4.19. Security patrols. All projects with 150 or more units are required to provide security patrols according to an approved security plan which shall include the following:

- Roving vehicular and/or foot security patrols operating ten-hour shifts from approximately 7:30 pm to 5:30 am
- Security company on call 24 hours/day, 7 days/week, including holidays
- Electronic service and incident reports
- Security firm and plan are to be approved by SHRA, and any changes are to pre-approved by SHRA.

Security patrols may be required for projects with less than 150 units, at the discretion of the Agency.

4.20. Smoke-free environment. At least 50% of the buildings but no less than 50% of the units must be smoke free. Projects with only a single residential building must have at least 50% of the units in the building smoke-free. In addition all indoor common areas must be smoke-free. Exceptions may be given to supportive services complexes.

4.21. Resident services. SHRA requires resident services and on-site community space for residents in all projects, and reserves the right to approve or disapprove the resident services provider. Resident services must be described in a preliminary plan attached to the application and be appropriate for the anticipated population. The firm providing resident services must be identified with a letter of intent which indicates a specific commitment to provide the services. Funding for a resident services coordinator should be included in the project's operating budget.

The minimum requirements for resident services are as follows:

	50-100 units	100-200 units
Coordinator On-Site (hours/week)*	4**	6**
After School Programs and/or Senior Activities		
Days/week	*4*	*4*
Hours/day	*2*	*2*
Total Hours/week	8	8
Additional Resident Services (hours/week)	3**	6**
Total (Hours/week)	**15**	**20**

** Coordinator on-site hours may be used for counseling, planning, preparation, compliance reporting, and other activities necessary for services at the project, so long as the coordinator is available to residents for assistance as needed.*
*** For large family projects, where at least 20% of the units have 3 or more bedrooms, 1 additional hour/week for the on-site coordinator and one additional hour/week of additional resident services are required.*

Resident services requirements for projects of less than 50 units or more than 200 units will be determined on a project specific basis.

4.21.1. Types of services/reporting. Diversity of resident services is encouraged. The Multifamily Resident Services Compliance Reporting and Procedures (Exhibit 6) include details on the types of services accepted for senior and family projects, and also include reporting requirements. Please note that an after-school component is required in all family projects.

4.21.2 Mixed-Income. For projects that include market-rate units, the number of resident services hours required will be determined based on the number of affordable units and the services required will be based on the needs of the low-income residents.

4.21.3. Special Needs. For special needs projects or for projects with more than 20% of the units affordable to extremely low income (ELI) households, more intensive services will be required.

4.22. Supportive or special needs housing. If intensive services required for permanent supportive housing or special needs populations will be provided, a supportive services plan and budget will be required and evaluated as part of the long-term viability of the project. Specific requirements for supportive or enhanced services are as follows:

- A description of the population to be served and its service needs;
- A description of the services to be provided, including the names of the agencies responsible for providing the services and evidence of the providers' capability and experience;
- A description of the manner in which services will be provided (how, when, where, and how often);

- A plan for funding the services accompanied by detailed Letters of Intent from service providers and/or funding sources indicating specific commitments to fund or provide the supportive services. If the applicant is a service provider using its own funds, include a letter indicating its capability and commitment should be included; and
- A separate budget for the service component.

4.23. Ongoing compliance. All projects must be in compliance with SHRA's reporting and record-keeping requirements, and Housing Quality Standards (HQS) requirements. SHRA staff will conduct compliance reviews of the project annually, or more often if necessary, at the sole discretion of SHRA.

4.23.1. Requirements. Requirements are outlined in both the Multifamily Housing Program Compliance and Monitoring Requirements Manual and the Multifamily Revenue Bond Program Procedures Manual available from SHRA. The guide includes information on the following:

- Project set-up requirements
- Project close-out requirements
- Leasing procedures
- Ongoing certifications
- Compliance monitoring reviews
- Housing Quality Standards (HQS) inspections
- Response to compliance violations

4.23.2. Regulatory Agreement Violations. Compliance Violations and Actions and Housing Quality Standards Violations (Exhibit 7) shall be included in the SHRA loan and bond Regulatory Agreements recorded on the property. The Agency shall have the right to enforce the actions detailed in Exhibit 7 and/or pursue any other legal remedy available to fully enforce all provisions of the Regulatory Agreements. The Borrower shall pay to the Lender/Issuer the additional program compliance fees and expenses set forth in Exhibit 7 in reimbursement of the amounts and time expended by the Lender/Issuer to insure Borrower's compliance with State statutes and federal regulations and Borrower's obligations under the Regulatory Agreements as a result of the Borrower not meeting its obligations and reporting requirements.

No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Tenant Eligibility and Affordability Violations and Housing Quality Standards Violations tables.

Section 5. Third Party Reports

All third party reports are due at the time a full application is submitted to the Agency.

5.1. Appraisal. All appraisers must be state-certified MAI appraisers who do not have an identity of interest with any member of the development team or sponsor. Appraisals must be prepared no earlier than six months prior to the date of the land or building's purchase contract, or if land or buildings have not been purchased, no earlier than six months prior to the SHRA application date. Appraisals prepared for the project's lender(s) may be accepted with SHRA's approval. Appraisals are to be

submitted as soon as possible, but no later than two months before the projected closing date of the Agency loan and/or the construction loan.

5.1.1. Appraisals for rehabilitation projects must include "as-is" and "post-rehabilitation" values. Appraisals for new construction must include a land valuation and completed value. The property value shall be based on an appraisal that takes restricted rents and the value of below-market financing and tax credits into consideration, as applicable.

5.2. Market study. Market studies must be consistent with CDLAC and/or TCAC requirements. For projects not using those resources, the market study must include three rent comparables for each unit type from similar properties within a one-mile radius of the project, or, if not available within a one-mile radius, the three comparables closest to the project, subject to Agency approval.

5.3. Rehabilitation assessment. A capital or physical needs assessment of the property must be submitted that details the conditions and remaining useful life of the building's major components, including but not limited to electrical, plumbing, HVAC, foundation, and roofing. The scope of rehabilitation work identified in the application should match the findings of the physical needs assessment.

5.3.1. The physical needs assessment must be prepared by the project architect or a qualified independent third party, neither of whom has an identity of interest with any member of the development team or sponsor. The needs assessment must be performed no earlier than 120 days prior to the application.

5.3.2. The physical needs assessment shall include a 15-year reserve study, which indicates the expected dates and costs of future replacements of all major building components that are not being replaced immediately. The assessment shall also include a schedule of reserve contributions needed to fund those replacements.

5.4. Environmental review. All projects must be reviewed for compliance with the California Environmental Quality Act (CEQA). Projects expected to receive federal funds, such as the HOME Investment Partnership Program or Community Development Block Grants, must also comply with the National Environmental Policy Act (NEPA).

5.4.1. Federal regulations prohibit financing commitments by SHRA until the completion of the NEPA review, and physical work on the project must not begin prior to NEPA review.

5.4.2. NEPA and CEQA environmental laws differ in their requirements. Project approval under CEQA does not constitute NEPA project approval, and vice versa. For new construction, demolition, or buildings with historical significance, 90 days or more may be required to prepare and process environmental documentation and clearances.

5.5. Phase I or Phase II environmental assessments. Applications must include a Phase I Environmental Assessment following the standards outlined in the American Standards of Testing and Materials (ASTM) to discover the potential presence of on-site and neighboring property contamination. The assessment must have been completed within six months of the project's application. If the Phase I assessment

indicates the need for further study, a Phase II report must be submitted. The cost of any remediation must be included and discussed in the project's budget.

5.6. Lead-based paint. All applications for rehabilitation projects built before 1979 involving existing structure(s) and any new construction project that involves the demolition of existing structure(s) must submit a lead-based paint report completed within the previous 12 months. For occupied sites, assessment must include minimally invasive sampling of readily accessible surfaces. Lead testing must be conducted in accordance with HUD standards.

5.7. Asbestos. All applications for rehabilitation projects involving existing structure(s) built before 1979 and any new construction project that involves the demolition of existing structure(s) must submit an asbestos assessment completed within the previous 12 months if specified as necessary in the Phase 1 report. For occupied sites, assessment must include minimally invasive sampling of readily accessible surfaces. Asbestos testing must be conducted in accordance with AQMD standards.

5.8. Soils report. All new construction projects must submit a soils report that characterizes the subsurface soils in relation to the proposed residential construction. Soils reports must have been completed no more than one year prior to the application's submission. The soils report must be prepared by a geotechnical engineer licensed by the State of California.

5.9. Pest report. All applications for rehabilitation projects must submit a pest report completed within the previous 6 months. If the report shows repairs necessary, these costs must be included in the construction budget and scope, and a clear pest report will be required at the conclusion of construction. The pest report must be prepared by a company licensed by the State of California Pest Control Board.

Section 6. Special Regulatory Requirements

6.1. Prevailing wages. Current state and federal law requires that prevailing wages be paid for projects receiving benefits from a governmental entity.

6.1.1. The current major exemptions from state prevailing wages are as follows: 1) the subsidy is a below market rate loan on a project where 40% of the units are affordable at 80% of Area Median Income for a minimum of 20 years; or 2) the only below-market rate benefits are from redevelopment tax increment funds set aside for low- and moderate-income housing; or 3) the rehabilitation of single family housing.

6.1.2. Projects receiving federal HOME funding for twelve or more units or federal CDBG funding for eight or more units are subject to the payment of federal (Davis Bacon) prevailing wages.

6.1.3. If a project is subject to both state and federal (Davis Bacon) prevailing wages, the developer must comply with the most restrictive for each construction trade and other requirements as specified by law. The state prevailing wage law does not recognize the exemptions under the federal HOME and CDBG programs.

6.2. Section 3 (local hiring) Minority Business Enterprises/Women Business Enterprises (MBE/WBE) requirements. Applicants using federal funding for housing,

such as HOME or CDBG, are subject to the U. S. Department of Housing and Urban Development's (HUD) Section 3 requirements to hire low- and very low-income persons and provide economic opportunities to local small businesses and minority- and women-owned businesses to the greatest extent feasible. All section 3 covered contracts, loans, and grants shall include the "Section 3 Clause" as found in 24 CFR 135.38.

Section 7. Affordability and Rent Calculations

7.1. Income eligibility. SHRA bases its affordability calculations on the Area Median Income (AMI) of the Sacramento Metropolitan Statistical Area (MSA). The AMI is established annually by HUD.

7.2. Rent calculations. The maximum rent to be charged for an assisted unit may not exceed 30 percent of the median income limits for household size appropriate for the unit, less an allowance for utilities. The most current schedule of rents and utility allowances is posted on the SHRA website.

7.3 Rent increases. For projects that set their rents below the maximum allowable rent levels, subsequent rent increases cannot exceed 5% annually.

7.4. Utility allowances. Utility allowances are determined by the housing authority or redevelopment agency based on building type and energy used for heating and appliances (gas or electricity). Developments meeting verifiable energy efficiency standards may present an alternate utility allowance for housing authority or redevelopment agency approval based on energy usage of comparable projects. Developers will be notified by SHRA of increases in utility allowances by fall of the year prior to the increase being enacted.

7.5. "Excess" utility charges. Utility charges normally paid by owners, such as water, sewer, and garbage collection, may not be passed through to tenants as an add-on to their contracted rent.

7.6. Renters' insurance. Owners may not make payment of rental insurance premiums a condition of occupancy. If owners require renters' insurance, the policy premium must be deducted from the tenant's rent. The owner may not add the insurance premium to the tenant's lease in either the initial or subsequent years.

Section 8. Calculation of Restricted Units

SHRA does not use one standard exclusively to determine the number of units regulated as a result of its financial assistance to the development. SHRA policy for the minimum number of units regulated is as follows:

- At least 20 percent of the units must be rented to and occupied by very low-income households, regardless of the funding source
- The proportion of regulated units can be no less than the proportion of SHRA funding to the project's total development cost
- The maximum amount of subsidy per restricted unit cannot exceed HUD's 221(d)(3) limits for the Sacramento area
- When multiple funding sources are layered together, the more restrictive income and affordability standards will be applied.

Section 9. Mortgage Revenue Bond Policies

This section summarizes policies relating specifically to mortgage revenue bonds issued by the Authorities. The lending requirements outlined elsewhere in these guidelines also apply to mortgage revenue bond projects, with the exception that Section 2 only applies to projects with an Agency loan.

9.1 Summary

9.1.1. Authority to issue bonds. Federal, state and local legislation authorizes issuance of mortgage revenue bonds by local governments to finance the development, acquisition and rehabilitation of multifamily rental projects. The interest on the bonds is exempt from federal and state taxation. As a result, bonds provide below market financing for qualified rental projects located in the City and County of Sacramento (the "City/County"). This program is administered by the Sacramento Housing and Redevelopment Agency ("Agency") and uses tax-exempt mortgage revenue bonds issued by the following entities ("Authorities"):

- Housing Authority of the City of Sacramento
- Housing Authority of the County of Sacramento
- Redevelopment Agency of the City of Sacramento
- Redevelopment Agency of the County of Sacramento

9.1.2. Goals. The goals of the program are to increase and preserve the supply of affordable rental housing in the City and County of Sacramento; encourage economic integration within residential communities; maintain a quality living environment for Sacramento residents; provide tenant services to the residents of assisted projects; and when public funds are committed toward the project, leverage private sector funds to the maximum extent possible.

9.1.3. Liability. There is no direct legal liability to the City/County, the Authorities, or the Agency in connection with the issuance or repayment of bonds; there is no pledge of the City/County's, the Authorities' or the Agency's faith, credit or taxing powers. The bonds do not constitute a general obligation of the issuer because the security for repayment of bonds is limited to specific private revenue sources, such as project revenues and other sources specified under each financing. Project loans are generally secured by a first deed of trust. The program is completely self-supporting and the developer is responsible for the payment of costs of issuance and all other costs under each financing.

9.1.4. Bond rating. The bonds issued under the program should generally be rated "AAA," or its equivalent, with the minimum rating being "A", or its equivalent, from the following nationally recognized rating agencies: Moody's Investors Service, Standard & Poors Corporation, Fitch Investors Service, Inc. or Duff & Phelps Credit Rating Co. Where feasible, the rating services of Moody's and Standard & Poors should be used. The same rating requirement applies in the case of a substitution of existing credit facility for bonds which are outstanding.

9.1.5. Private Placement. The rating requirement in Section 9.1.4 is waived if the entire bond issue is privately placed with accredited investors or

Qualified Institutions (as defined by the Securities and Exchange Commission) who would be required to sign an investor letter ("Investor Letter") certifying the investor's sophistication to understand the risk associated with the purchase of the debt instrument and restricting transfer of the bond issue to other accredited or qualified investors in denominations of $250,000 and greater. While the note remains unrated, its transferability will be restricted to accredited or qualified investors who sign an Investor Letter and who would represent to the Agency that they are accredited investors or Qualified Institutions, are buying for investment and not for resale, and have made due investigation of the information they would deem material in connection with the purchase of the bonds.

9.1.6. Bond amount. There are no minimum or maximum limits on the amount of bonds that can be issued by the Authorities, however, the minimum amount for a project is often determined by the overall cost effectiveness of the financing, which includes payment for the costs of issuance, services of the financing team members, rating fees, etc. The maximum amount is generally set by the amount of debt the project's cash flow can support. The Agency will consider multiple properties as part of a single bond financing.

9.1.7. Use of bond proceeds. Projects must consist of complete rental units, including kitchens and bathrooms. Loan funds may be used for costs of land acquisition (up to 25% of bond proceeds), construction, improvements, architectural and engineering services, construction interest, loan fees, and other capital costs of the project incurred after the bond inducement date specified in Section 9.4.2. No more than 2% of the bond loan can be used to finance the costs of issuance, such as the services of the financing team members, rating and printing of bonds, bond allocation, etc. Pursuant to federal requirements, if bonds are used for acquisition and rehabilitation, at least 15 percent of the portion of the acquisition cost of the building and related equipment financed with the proceeds of bonds must be used for rehabilitation of the project.

9.1.8. Guarantees. If the proposed Borrower is a single asset entity, another party may be required to guarantee the Issuer's rights to indemnification under the applicable Regulatory Agreement and Loan Agreement. Additional guarantees may be required by other parties.

9.1.9. Transfer. Projects will be subject to certain requirements for transfer. Upon original issuance the developer must enter into an agreement that restricts any change in ownership, either addition of new partners/investors or elimination of partners/investors, without prior Agency approval. Agency staff will determine if the proposed ownership change adversely affects the project's overall financial viability. Financial, development, and management experience must be equal to or superior to the existing development/ownership team; otherwise change in ownership will not be allowed.

9.1.10. Bond issuance fees. The Agency receives compensation for its services in preparing for a bond issuance by charging an issuance fee of 25 basis points (0.25%) of the bond issuance amount payable at the bond closing. In addition, the Agency receives an Annual Administration Fee equal to 15 basis points (0.15%) of the original bond issuance amount as compensation for compliance monitoring of regulatory restrictions and the

administration of outstanding bonds. The fee is payable in advance in equal semi-annual installments.

9.1.11. Welfare exemption. Developments owned by not-for-profit organizations are eligible to qualify for a welfare exemption, pursuant to State law, for the payment of property taxes, and therefore the following additional requirements are specified for projects proposed to be owned by not-for-profit organizations. The not-for-profit organization must be the provider of resident services and/or other services (management, maintenance). In addition to the required resident services the project will be required to pay a Supplemental Annual Administration Fee equal to 20% of 1% of the assessed value after project completion to the jurisdiction where the project is located. Borrower may request a waiver annually if payment cannot be made from the project's cash flow after operating expenses and approved debt service payments. The Agency will waive the fee for projects with qualified not-for-profit organizations where the not-for-profit is the developer with limited partners being the only other ownership entity. In all circumstances the not-for-profit organization must have material and on-going involvement in the project on a day to day basis.

9.2 Types of Bonds

9.2.1. Tax-exempt or taxable bonds. The Authorities may issue either tax-exempt or taxable bonds. Taxable bonds would generally be issued only in combination with tax-exempt bonds. Taxable bonds do not require an allocation of bond authority from CDLAC.

Tax-exempt mortgage revenue bonds (Non-Refunding) require an allocation of bond authority from CDLAC. To obtain an allocation, the Agency must submit an application to CDLAC on behalf of the developer. Submittal of the application is at the discretion of the Agency, not the developer. The developer must pay all required CDLAC fees in advance of application submittal.

The interest on taxable bonds is not exempt from federal taxation. These bonds are not subject to federal volume "cap" limitations and therefore do not require allocation authority from CDLAC. Taxable bonds can be used in combination with 9% low income housing tax credits awarded by the Tax Credit Allocation Committee. Taxable bond issues must meet all applicable requirements of these Policies (including rating requirements) and any such additional regulations which may, from time to time, be promulgated by the Agency.

9.2.2. 501 (c)(3) bonds. The Authorities may issue 501(c)(3) bonds on behalf of qualified not-for-profit organizations. 501(c)(3) bonds are tax-exempt but do not require an allocation from CDLAC. 501(c)(3) bonds cannot be used with the Low Income Housing Tax Credit Program. The Authorities shall only issue 501(c)(3) bonds for qualified not-for-profit organizations that are actively involved in the development and operation of multifamily projects and have adequate staff to carry out the proposed development. Not-for-profit organizations must be involved in the day to day operations of the project and have the financial ability to operate, contribute to the project, and to avoid default. They must be the final recipient of at least 70 percent of the development fee for the project. Not-for-profit organizations must be able to demonstrate development of

successful projects. Board members and their immediate and extended families cannot participate (profit) financially from the proposed transaction. The minimum affordability period shall be 30 years for 501(c)(3) bond issues.

9.3 Affordability Requirements

9.3.1. Term of Rental and Affordability Restrictions. The project must remain as rental housing and continuously meet the affordability requirements as provided in Sections 3.2, 3.3 and 3.4 for the longest of (a) 55-years from the date of the original issuance, (b) as long as the bonds remain outstanding, or (c) such period as may be required in the opinion of Bond Counsel to meet federal or state law. The Agency reserves the right to impose additional affordability restrictions if the Agency determines it necessary to be competitive in the state allocation process. Projects that are financed with Low Income Housing Tax Credits will be required to meet the requirements of TCAC.

A bond regulatory agreement containing the rental and affordability restrictions will be recorded against the property and must be complied with by subsequent owners. The Regulatory Agreement will be terminated upon expiration of restrictions or in the event of casualty loss or foreclosure, and the subsequent retirement of bonds as a result of foreclosure.

9.3.2. Income Restrictions. To be eligible for new tax-exempt bond financing, federal law requires that the project meet one of the following conditions:

A. A minimum of 20% of the units in the project must be set aside for occupancy by households whose incomes do not exceed 50% of AMI as adjusted for family size; or

B. A minimum of 40% of the units in the project must be set aside for occupancy by households whose incomes do not exceed 60% of AMI, as adjusted by family size.

Project owners must certify their tenants' eligibility annually. If a tenant is no longer eligible, the next available unit must be rented to a new eligible tenant and the current tenant's rent can be raised to a market level. A unit occupied only by students may not count towards the set-aside requirement.

Affordability definitions are based on the AMI for the County of Sacramento as established by the U.S. Department of Housing and Urban Development. The median income is subject to change annually. Household size is determined according to CDLAC and/or CTCAC regulations. The more restrictive standard must be used for each project as appropriate.

9.3.3. Rent Restrictions. The maximum rent for the set-aside units may not exceed one-twelfth of 30% of 50% of AMI. In the event tax-exempt bonds are used with Low Income Housing Tax Credits, or any public funds, the more restrictive rents apply. The affordability of restricted units in relation to the project's market rents will be considered as part of the Agency's approval of the financing. The maximum rent amounts will also

apply to the contract rent if Housing Choice Voucher (HCV) tenants occupy the set-aside units.

9.3.4. Expiration or termination of Qualified Project Period. All projects shall comply with State Health and Safety Code 33760(d), 34312(d)(2), or 52080(g), as applicable, or any successor provisions.

9.3.5. Refundings. The Agency will allow refundings of bond issues that meet the following conditions:

A. Property must be in compliance with the current Regulatory Agreement and have no major immediate repairs required to the project, as determined by Agency staff, or any major repairs will be completed within 12 months of the refunding, at the discretion of the Agency. All financing fees and other appropriate policies shall apply.

B. Projects must demonstrate that the proposed refunding furthers the City/County's housing goals.

C. The project sponsor agrees to cover all costs and financing fees of the Issuer and Agency.

D. Additional Affordability Restrictions. Additional public benefit in the form of deeper income targeting, additional rent restrictions, extension of the term of restrictions, additional number of restricted units, or any combination thereof, will be negotiated in connection with refundings or debt restructurings, including substitution of credit enhancement, of existing bond issues. The level of additional restrictions will be determined in the context of the overall financial feasibility of each financing and the financial benefit of the refunding/restructuring to the project owner. Should the bond restructuring result in an extension of the maturity of the bonds, a minimum of 10% of the units in the project shall be set aside for occupancy by households whose incomes do not exceed 50% of AMI, as adjusted for family size with rents at affordable levels for at least 15 years from the date of the refunding/restructuring or as long as the bonds remain outstanding. The maximum rent amounts will also apply if the set-aside units are occupied by Section 8 tenants.

   The Agency reserves the right to impose requirements in addition to the regulatory agreement extension. All specifics of refunding proposals must be approved by the appropriate Authority.

9.4 Application Process

9.4.1. Application. Applicants must submit a Pre-Application and a full Application, if requested, according to the procedure outlined in Section 10.

At the time of a full application for bonds, the developer must pay a $12,500 "good-faith" deposit to cover the Agency staff costs (at $85 per hour) and expenses in determining the feasibility of the proposed bond issuance, reissuance or restructuring. Agency cost and expenses are in addition to the Agency's issuance fee.

9.4.2. Inducement Resolution. All new-money projects must be induced. An inducement resolution is a conditional expression of intent by the Authorities with respect to potential issuance of bonds for the project. Approval of the inducement resolution establishes, through the public record, the date from which project costs incurred may be determined to be eligible for financing under the program. Therefore, applicants are encouraged to induce their projects as soon as practical to identify the project, its location, maximum number of units, the maximum amount of financing, and the ownership entity. To request an inducement resolution, the developer must complete and submit the Pre-Application, followed by a full Application if so requested by SHRA.

Adoption of the inducement resolution does not represent any commitment by the Authority, Agency, or the applicant to proceed with the financing. The Authority and Agency retain absolute discretion over the issuance of bonds through adoption of a resolution authorizing such issuance.

9.4.3. TEFRA Hearing and Approval. In order for interest on the bonds to be tax-exempt and in accordance with the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982, Section 147(f) of the Internal Revenue Code of 1986, the issuance of bonds must be approved by representatives of the governmental unit with jurisdiction over the area in which the project is located after a public hearing for which a reasonable public notice was given. Therefore, federal regulations require that the City Council/Board of Supervisors approve the issuance of bonds by the Authorities, as the elected legislative body of the City/County. The purpose of the public hearing is to provide an opportunity for interested persons to express their views on the proposed bond issuance and on the nature and location of the project.

9.4.4. Credit Enhancement. The preferred method of obtaining the required rating on the bonds in accordance with Section 9.1.4 is through the provision of additional outside credit support for the bond issue by rated, financially strong private institutions, such as bond insurance companies; domestic and foreign banks and insurance companies; savings and loans and smaller commercial banks willing to pledge ratable collateral to the bond trustee; FHA mortgage insurance or co-insurance, etc. The rating on the bonds is determined by the credit worthiness of the participating credit enhancement provider.

The applicant is required to identify and obtain credit enhancement for each public bond issuance. As the primary source of security for the repayment of bonds, the credit enhancement provider approves the borrower (credit, financial capability, experience, etc.), the project and its feasibility, including the size of the loan and the terms of repayment, using its own underwriting criteria.

9.4.5. Rated Bonds without Credit Enhancement. Fixed rate bonds can be issued without credit enhancement if the proposed financing structure results in the required rating on the bonds by a rating agency.

9.4.6. Interest rate. Financing shall be structured to ensure the lowest possible interest rate for the bonds in the current market. Bonds that are offered at a "premium" to generate additional proceeds are not allowed.

9.4.7. Loan to value. The Agency will not issue bonds for projects where the combined loan to value exceeds 90% of the stabilized appraised value.

9.4.8. Other issuers. The Agency, in limited situations, will allow other issuers such as California Statewide Communities Development Authority (CSCDA) and Association of Bay Area Governments (ABAG) to issue bonds for multifamily housing projects located within the City or County of Sacramento. Any applicant considering the use of other issuers should contact Agency staff prior to proceeding with the project. Other issuers are not to begin work with any developer or project proposed for bond financing in Sacramento City or County without first contacting staff directly. The required City or County approval of a bond issuance by other issuers will be recommended at the sole discretion of Agency staff after a review of the developer, the project, and the overall cost effectiveness of the financing proposal.

All Agency affordability requirements, procedures and requirements will apply to projects using other issuers, including an issuance fee of 0.25 percent of the bond issuance amount to be paid to the Agency upon issuance of the bonds, and an Annual Administration Fee (Section 9.1.10) if the Agency monitors compliance with the regulatory restrictions on the project. Other issuers must demonstrate that they have conducted proper due diligence of the developer and project comparable to the Agency's process. A City Council/Board of Supervisors TEFRA hearing and notice, as described in Section 9.4.3, by the City Council/Board of Supervisors on behalf of another issuer will include a provision that the owner, operator or manager of the project considered for financing by tax-exempt debt will not change without the prior approval of the Agency's Executive Director.

9.4.9. Bond Counsel. The Agency has a bond counsel firm and two alternate firms. Bond counsel will prepare the necessary legal documents, provide an opinion regarding the validity of the bonds and their tax exemption, and provide legal advice on all relevant issues to best protect the interests of the City/County and the Housing Authority.

The bond counsel specifically represents the interests and concerns of the Authority, Agency, and the City/County of Sacramento in ensuring the integrity of the bond transaction. The project sponsor may, at its own expense, add additional members to the finance team to represent its interests.

9.4.10. Bond Underwriter/Remarketing Agent (A financial institution which purchases the bonds for resale). When required for the transaction, a bond underwriter/remarketing agent is to be proposed by the developer, subject to review and approval by the Agency. The underwriter is to be a nationally recognized firm experienced in underwriting mortgage revenue bond issuances. Approval criteria will include the experience of the firm and staff, cost of services, underwriting abilities, financial qualifications and abilities, and the location of the firm. The selection process for bond counsel and bond underwriter is presented in Exhibit 8.

The bond underwriter specifically represents the interests and concerns of the Authority, Agency, and the City/County of Sacramento in ensuring the integrity of the bond transaction. The project sponsor may, at its own

expense, add additional members to the finance team to represent its interests.

9.4.11. Bond Trustee (A bank designated by the Authorities as the custodian of funds and official representative of bondholders). A bond trustee is to be proposed by the developer, subject to review and approval by the Agency. Approval criteria will include the experience of the firm and staff, cost of services, financial qualifications and abilities, and the location of the servicing office.

9.4.12. Approval of the Financing. Staff's recommendation to proceed with a proposed bond issuance, reissuance, or bond restructuring will be presented for approval by the Sacramento Housing and Redevelopment Commission and the Board of Supervisors/City Council. If approved, staff will work with the developer to structure the financing and to prepare the bond documents. The documents and the financing participants will be submitted for final approval by the Authority prior to closing.

9.4.13. Bond Allocation. Prior to the issuance of bonds for projects, the Agency must apply for and receive an allocation of bond issuing authority from CDLAC. To receive such an allocation the Authority must document its readiness to issue the bonds promptly and meet other CDLAC requirements.

At the time of the application to CDLAC, the developer must deposit with the Agency one half of one percent of the requested allocation amount as a performance deposit, up to a maximum of $100,000. The deposit will be returned to the developer upon written notification from the State to do so. If the financing does not close within the time allowed by the State and the State requires that the deposit be forfeited, then the deposit will be remitted to the State.

Section 10. Application Process

10.1. Pre-Application. All applicants must meet with SHRA staff prior to submitting a pre-application for the purpose of introducing their project to the Agency. Following the meeting, the applicant may submit a pre-application for funding for their project (Exhibit 8). Pre-applications will be accepted four times annually, typically in January, April, July, and October.

SHRA staff will conduct an analysis of each pre-application for feasibility and consistency with these lending policies. Based on funding availability, project readiness, and lending priorities, staff will make a recommendation to reject the pre-application, or invite a full application with the intention of recommending its approval.

10.2 Full application. The Developer will receive confirmation within 30 days after the pre-application deadline regarding whether a full application (Exhibit 9) is invited. This letter will include the timing for submission of the full application. SHRA staff will conduct an inventory of the full application, including the required third party reports within ten business days of its receipt, and will determine whether the application is complete. If an application is deficient, staff will indicate the items missing and provide a deadline for submission of the material. The schedule for governing board approval will be coordinated with the developer for each project.

Applications for the issuance of mortgage revenue bonds without an Agency loan will be accepted at any time throughout the year.

10.3. Approvals. Most SHRA loans and all bond issuances are subject to review and recommendation by the Sacramento Housing and Redevelopment Commission (Commission) and approval by the City Council or County Board of Supervisors. Depending on the funding source, additional approvals may be required by the Council or Board acting as the respective Housing Authority or Redevelopment Agency. SHRA loans not exceeding $20,000 per assisted unit and $1,000,000 per project may be approved by the Commission's Loan Committee, however, the City Councilmember or County Supervisor in whose district the project is located may call for the project to be heard before the Council or Board, at his or her discretion.

EXHIBIT 1

9% LOW INCOME HOUSING TAX CREDIT PROGRAM PRIORITIZATION

The Agency shall accept applications for projects to be considered under this policy no later than four months prior to the anticipated application due dates for the California Tax Credit Allocation Committee (TCAC), which are mid-April (1st Funding Round) and mid-July (2nd Funding Round) each year.

Projects shall be reviewed under the Agency's multifamily lending policies to determine the feasibility and financial need of the proposed project. In addition, staff shall evaluate the proposed project for competitiveness under the 9% LIHTC program, as well as other available funding sources, such as the State of California's Multifamily Housing Program.

Projects that appear competitive for funding under the 9% LIHTC program and in need of Agency financial assistance shall be ranked based on the prioritization outlined below. The project with the highest tier ranking will be given priority for funding by the Agency.

Prioritization of Projects

Tier 1

- Acquisition/Rehabilitation or new construction designed and programmed to serve special needs tenants, such as chronically homeless individuals or families.
- Acquisition/Rehabilitation or new construction which will augment or safeguard the City of Sacramento's inventory of single room occupancy units.

Tier 2

- Acquisition/Rehabilitation projects that have community development benefits (i.e. blight removal, acquisition of multiple parcels under multiple ownership, projects included in an implementation plan or identified by the Agency as a catalyst project).

Tier 3

- New construction projects that have community development benefits (i.e. blight removal, acquisition of multiple parcels under multiple ownership, transit oriented developments, projects included in an implementation plan or identified by the Agency as a catalyst project).

EXHIBIT 2

FUNDING SOURCES

Redevelopment Tax Increment Funds (Housing Set-Aside Funds)
The City and County of Sacramento have redevelopment areas which generate funds, called tax increment (TI), from increasing property values. A minimum of 20 percent of these tax increment funds must be used to house persons of very low, low, and moderate income.

Affordability levels for tax increment-assisted units are determined by many factors, including consistency with local Housing Element goals and certain percentage requirements for very low- and low-income households established in state law. The maximum affordability levels are 110 percent of the Area Median Income (AMI), considered "moderate-income" housing.

Housing Trust Funds (HTF)
The City and County Housing Trust Funds raise local revenues for affordable housing from fees placed on non-residential development, such as offices, hotels, retail, businesses, and medical facilities. The program is based on a nexus analysis demonstrating that the new commercial development employs very low- and low-income workers who in turn create a demand for affordable housing. The fee-generated revenue is used to increase the supply of housing for persons in or likely to be in the labor force. Housing trust funds are primarily used for new construction or for substantial rehabilitation to produce net new housing.

- Incomes: The City housing trust fund serves households up to 80 percent of AMI ("low-income"), with priority given to very low-income households. The County trust fund serves households up to 50 percent of AMI ("very low-income").
- Workforce housing: For a project to be eligible, there must be a reasonable expectation that the prospective residents will be in the labor force in the area. The funds are not used for senior housing.
- Location preference: Preference is given to locations within one-quarter mile of existing or planned transit services. Overall, the program should finance assisted units within seven miles of the aggregate sources of the employment-generated revenues.

Federal Funds
As the housing finance agency for the City and County of Sacramento, SHRA uses funding from the federal Home Investment Partnership (HOME) and Community Development Block Grant (CDBG) Programs, which are received by the City and County as entitlement jurisdictions. A summary of the conditions and restrictions particular to each funding source is provided below.

Home Investment Partnership Program (HOME) funds. At least 20 percent of HOME-assisted units in each project of five or more HOME-assisted units must be reserved for households with incomes below 50 percent of AMI and leased at rents affordable to such households. All remaining HOME-assisted units must be reserved for households with incomes below 60 percent of AMI with rents not to exceed 65 percent. Minimum affordability restrictions range from a minimum term of 5 years to 55 years depending on the amount of assistance provided.

Community Development Block Grant (CDBG) funds. Generally, at least 51 percent of units in a project assisted with CDBG funds must be affordable to households with incomes below 80 percent of AMI. New construction can only be assisted if it is carried out by a Community Based Development Organization.

County Fee Waiver/Deferral Program

The Agency assists in the administration of the County of Sacramento's Impact Fee Waiver and Deferral Program for affordable housing projects. Only projects located in the unincorporated area are eligible for impact fee waivers/deferrals, with the exception that Sacramento Regional Sanitation District and Sacramento Area Sewer District (formerly CSD-1) fee waivers are available to cities in the county and unincorporated areas, where applicable.

The total number of fee waivers is capped by the County annually at 200 dwelling units or 5 percent of the number of dwelling units for which residential building permits for new construction in the unincorporated County were issued in the previous year, whichever is greater.

- Fee Deferrals. In order to qualify for fee deferrals, a project must have 1) a minimum of 10 percent of units restricted for rent to households having incomes less than or equal to 50 percent of AMI; or 2) a minimum of 49 percent of units restricted for rent to households having incomes less than or equal to 80 percent of AMI. Payment of deferred fees is due 24 months from start of construction or upon the close of permanent loan financing, whichever is earlier.
- Fee Waivers. In order to qualify for fee waivers, a project have a minimum of 10 percent of its units restricted for rent to households having incomes less than or equal to 50 percent of AMI. Fees will be waived in an amount proportional to the percentage of very low income units restricted.

Mental Health Services Act Program

The State of California Mental Health Services Act (MHSA) Housing Program was established to fund permanent supportive housing (PSH) projects for people with psychiatric disabilities and children with serious emotional disturbance.

There are two pools of funds that are provided in three year cycles. "One-time" funds are provided by the State directly to the County and applications are accepted over-the-counter through SHRA and through Sacramento County Division of Mental Health (DMH). The other sources of MHSA funds are controlled by CalHFA and applications are submitted over-the-counter to CalHFA.

Contact must be made early in the process with SHRA staff and the Sacramento County Department of Mental Health for their approval of the proposed project concept as well as to receive a preliminary services commitment.

Eligible Applicants will be organizations meeting the California Department of Housing and Community Development's (HCD) Sponsor eligibility requirements for Supportive Housing Program as detailed in MHP Regulations, California Code of Regulations, Title 25, Division 1, Chapter 7, Subchapter 4.

Eligible Projects include only permanent supportive housing (PSH) units. PSH is defined to include all of the following: tenant holds a lease and has rights of tenancy, tenant has a private space that is locked and that only they have access to, and participating in supportive services is not a requirement of tenancy.

Eligible Uses of Funds include: acquisition of vacant property, acquisition and rehabilitation of an existing development, construction of a new development, capitalizing operating costs, and predevelopment costs associated with an eligible project proposal. Funds can be awarded as a grant or a loan, whichever assists in project feasibility and/or meets the requirements of other sources of funding.

EXHIBIT 3

MAP OF REDEVELOPMENT AREAS IN THE CITY OF SACRAMENTO

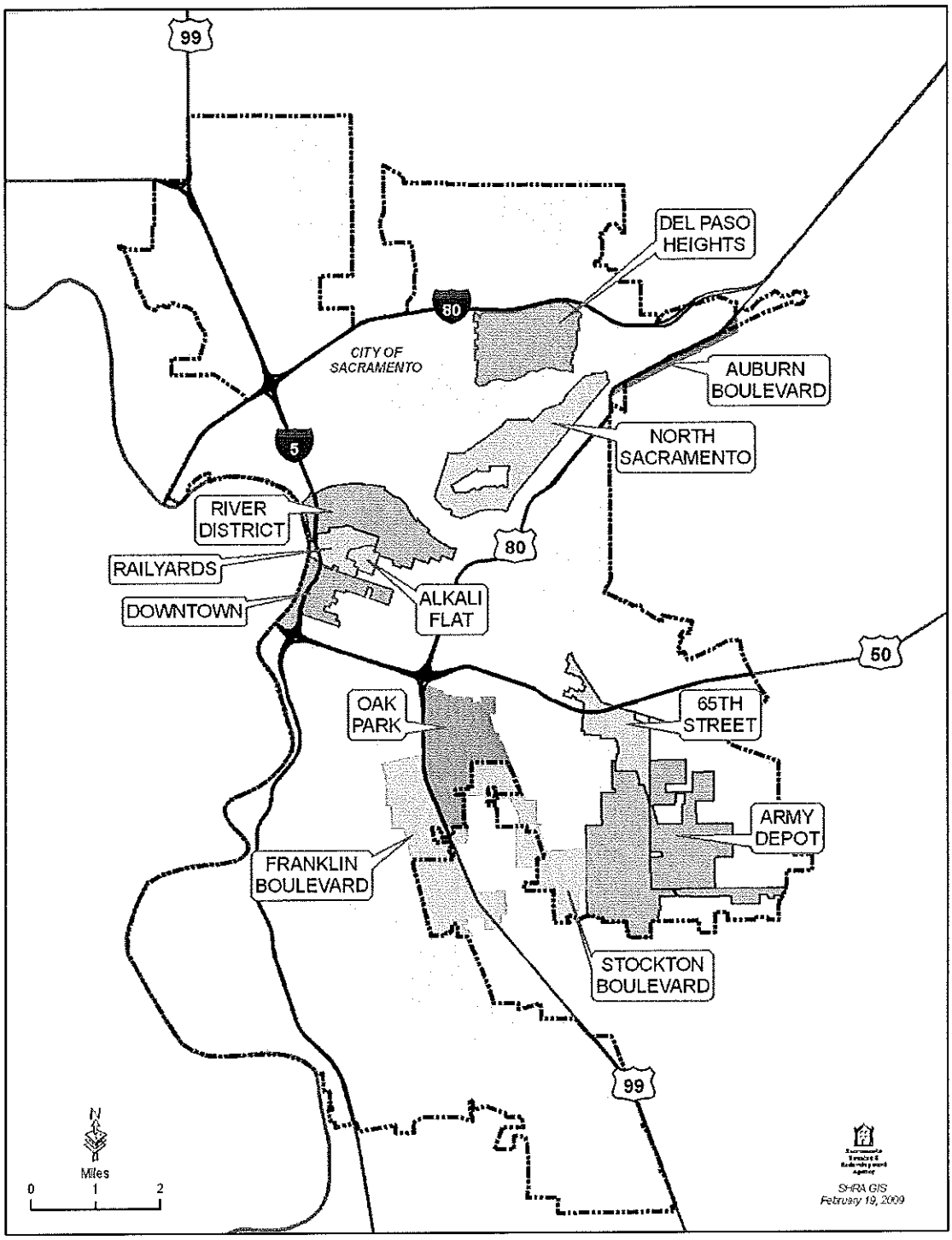
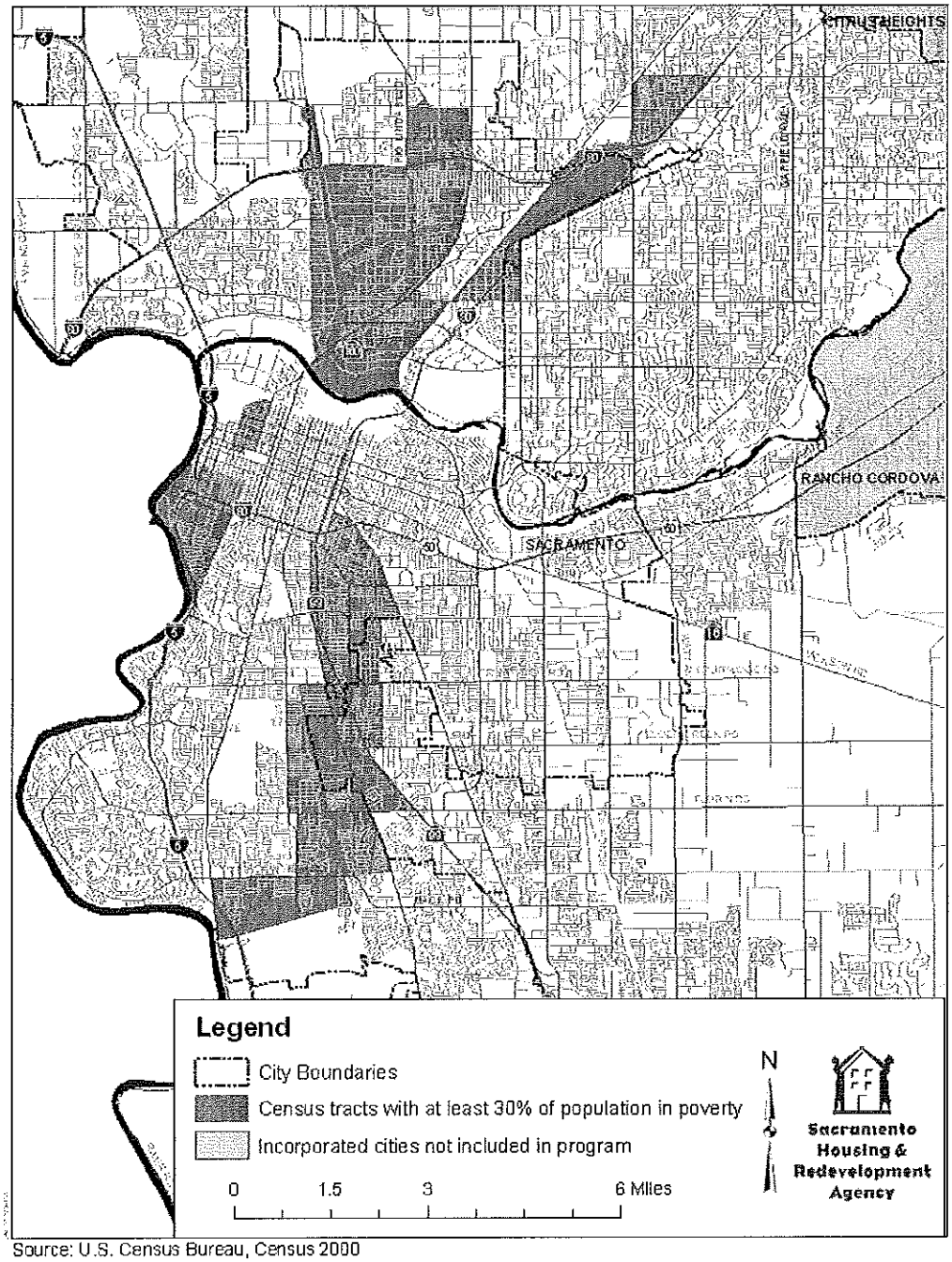


EXHIBIT 4

MAP OF IMPACTED AREAS IN THE CITY AND COUNTY OF SACRAMENTO

Census Tracts with 30% of Population in Poverty



Source: U.S. Census Bureau, Census 2000

EXHIBIT 5

RENTAL PROPERTY MINIMUM CONSTRUCTION STANDARDS

The following is a list of the required construction standards that must be incorporated into projects participating in the Agency's investor assistance programs. All rental units and sites associated with these projects must meet or exceed these standards.

General Requirements

A. Any component of the project which does or may present a health or safety hazard to the public or tenants shall be corrected to the satisfaction of the local building department.

B. A useful life of 15 years for all systems located within the approved complex. This can be met in one of two ways, installing and maintaining systems with at least a 15-year scheduled life or install, maintain and replace as needed for a period of 15 years.

   Any component of a rehabilitation project whose useful life expectancy has exceeded the useful life identified in the section, "Useful Life Expectancy," shall be replaced unless waived by the Agency in writing. It is not the intent of the Agency to replace systems that appear to have some economic life remaining and appear to be maintained and functioning effectively. It is the intent of the Agency to be assured that systems will be maintained and replaced as needed for a period of 15 years. The preferred method is by replacement and maintenance at the outset of the project; and by setting aside replacement reserves sufficient to address the needs based on current and projected conditions.

C. A clear pest inspection report will be required at the conclusion of the construction work.

D. All materials funded under this loan must be new unless previously approved. Recycled items must be approved in writing by the Agency prior to their use.

E. All work shall comply with Federal and State ADA accessibility requirements. When there are differences the stricter of the two shall apply. Special attention needs to be applied when federal funding is involved.

F. For all structures built before 1979, a report of compliance with the initial certified inspection report of lead-based paint and asbestos is required.

G. All units shall be approved for occupancy by the local building department at the conclusion of the work and prior to occupancy, if applicable.

H. Web-based security cameras and the equipment to record events are required for primary ingress/egress points to and from the site and for the principal parking and common areas.

I. Site lighting is required for all parking and outside public spaces.

Site Work

A. All landscaping and irrigation systems must be in a well-maintained condition. Trees and large shrubs must be trimmed, grass areas must be mowed, and all planter areas must be weed-free. All landscaped areas must be served by a programmable automated irrigation system. Irrigation cannot be spraying on building. Sprinklers should minimize overspray that runs to storm drain drop inlets. Areas that show evidence of erosion of soil shall be landscaped to eliminate problem.

B. All fencing must be in good and serviceable condition.

C. All driveways and sidewalks must be in good condition. All cracked or uplifted areas (more than ¼") determined in need of repair by the Agency shall be repaired or replaced.

D. All projects shall meet the parking requirements of the local Agency having jurisdiction over the project. "Grandfathered Projects" will need to show that they are in fact "Grandfathered" by the Local Agency having jurisdiction. All projects shall meet the governing ADA requirements for parking.

E. A two percent (2%) slope shall be maintained for a distance of five feet from all structures and no standing water shall remain on the site. Provide an on- site drainage system if necessary.

Building Envelope and Moisture Protection

A. All wet areas must be sealed and watertight.

B. Roofs must have 15 years or more of remaining life with no visible signs of leakage. A third layer of shingles is not allowed. Provide a 15 year certification if requested by the Agency.

C. All siding must have 15 years or more of remaining life. Provide a 15 year certification if requested by the Agency.

Doors and Windows

A. All units must have screens on all windows that are designed to open. Windows designed to open must have functional locks and must operate freely without excessive effort. All windows must at least be low e, double pane energy efficient.

B. All doors and doorjambs must be in good condition. No damaged or worn doorjambs or doors are allowed.

C. All exterior doors must have deadbolt locks, keyed latch assemblies, viewers, and 2-inch screws in strike plates.

D. All sliding exterior doors shall have screen doors and shall have functional locks and must operate freely without excessive effort.

E. All doors and windows must meet current egress standards.

Casework

A. All cabinets shall be in very good condition both structurally and in appearance.

B. All counter tops shall be in very good condition with no significant imperfections, scratches, burns, or other imperfections.

Finishes

A. Floor coverings must be in good, useable condition - no holes, tears, rips, or stains.

B. All kitchens and bathrooms must be floored in sheet goods or tile to provide a cleanable, impervious surface.

C. All exterior and interior surfaces must be painted. No peeling, cracking, chipping, or otherwise failing paint will be allowed. All painted surfaces must be new, or in near new condition and appearance.

Equipment

A. All appliances must be new or in very good operating condition.

B. All kitchens must have adequate cabinet and counter space.

Furnishings

A. All units must have window coverings on all sleeping room windows.

Special Construction

A. Non-habitable structures on property must be painted to match primary buildings and must be structurally sound.

B. Laundry facilities must be provided on the basis of one washer and dryer for every ten units, consistent with CTCAC requirements. If the project is more than 20 units, then 1 set of ADA accessible laundry machines must be provided.

C. Public pools will have a self-closing gate. Fence and gate shall meet applicable current codes and standards. Joints between coping and concrete deck shall be appropriately caulked.

D. In the case of new construction or substantial upgrade to existing pool, a handicap chair lift is the minimum requirement. The pool will meet applicable standards and codes.

Mechanical/Plumbing

A. Water heaters must be in enclosures in all habitable rooms and must be insulated and have earthquake strapping and pressure relief valves with lines that terminate to the exterior.

B. All units must have heating and air conditioning. Wall mount or central systems are acceptable. Evaporated coolers are not acceptable.

C. All plumbing fixtures shall be new or in very good working condition.

D. All toilets, sinks, and tubs shall be chip and stain free.

Electrical

A. All new electrical panels must be of the breaker type. Fused disconnects must be approved by the Agency.

B. All units must have at least one hard-wired smoke detector per bedroom corridor and a minimum of one battery-operated smoke detector per bedroom.

C. All bathrooms must have at least one GFCI protected outlet, and tub surrounds must be a minimum of 1/8" laminated plastic.

D. Kitchens must have all GFCI protected outlets within 6 feet of the sink.

Resident Services Community Space

All properties, regardless of project type (i.e. senior, family, or large family), must devote space to actual resident services in the following minimum amounts:

Less than 100 units: 12 s.f. per unit (but no less than 400 s.f. in total)
100 units and over: 1,200 s.f.

Resident services space includes common kitchens, computer rooms, meeting rooms and general gathering space. It does not include public restrooms, leasing offices, laundry facilities and lobbies.

Useful Life Expectancy

A useful life expectancy list has been established and is available upon request to benchmark the lives of certain components on a multifamily site.

EXHIBIT 6

MULTIFAMILY RESIDENT SERVICES COMPLIANCE REPORTING AND PROCEDURES

INTRODUCTION

All projects subject to these guidelines will be required to provide resident services. As a result of this requirement, the Managing General Partner (or the Developer if there is no Managing General Partner) ("Responsible Entity") will be required to enter into an agreement with an approved experienced service provider. The Service Provider will be required to perform a needs assessment while the project is undergoing leasing to determine the services required for the residents. This assessment will serve as the basis for developing a Resident Services Plan which will be subject to review and approval by Sacramento Housing and Redevelopment Agency (SHRA). SHRA will then monitor the ongoing provision of services as outlined in the approved plan.

Application

At the time a Developer submits a financing application to SHRA, they must provide the following details relating to their proposed resident services and Service Provider:

a. Preliminary Scope of Services Program Description

- Mission Statement (of the Responsible Entity)
- Program description (provide narrative for the applicable categories)

  - ✓ Service Coordination (Case Management)
  - ✓ After-School Program
  - ✓ Education
  - ✓ Enrichment
  - ✓ Transportation (Senior projects)

- Organizational charts (Responsible Entity and Service Provider)
- Portfolio of current projects
- List of additional service providers who may be utilized
- Preliminary Resident Services Plan including After-School Program schedule
- Staffing levels and qualifications
- Resident needs assessment questionnaire (Sample)
- Contractual agreement between the Responsible Entity and the Service Provider

Project Leasing

The Responsible Entity and Service Provider will compile a needs assessment.

a. New Projects – A needs assessment questionnaire must be completed by the resident at the time of move-in.

b. Acquisition/rehabilitation projects – A needs assessment questionnaire must be completed by the resident at the time of certification or new move-in.

c. Following the needs assessment the Service Provider will determine which classes/activities they will be implementing for the appropriate service categories. Lists of service categories and sample classes are available from SHRA.

d. Based on the needs assessment the Service Provider will compile a Resident Services Plan and Resident Services Schedule. The Plan and Schedule, with a copy of the needs assessment, are to be submitted to the Agency for approval prior to the date when 75% of the residential units are initially occupied. Forms are available from SHRA.

Portfolio Transition Meeting

After SHRA has approved the_Resident Services Plan and Services Schedule, SHRA will schedule a meeting with the Responsible Entity and Service Provider to ensure that the expectations regarding the Resident Services Plan and the ongoing monitoring are clearly understood.

Provision of Services

The Responsible Entity and the Service Provider are required to begin providing the required services no later than one month following approval of the Resident Services Plan and Resident Services Schedule.

Monitoring

a. The Responsible Entity will be required to send written reports to the Agency on each January 5, April 5, July 5, and October 5 commencing on the first reporting date after the quarter in which services begin. Forms are available from SHRA.

b. The report shall include the following:
   - Resident Services Certification for the previous 3 months
   - Expenditure Report (Optional)
   - Program Narrative

c. The Agency will review the quarterly reports and conduct a compliance review of the following:
   - Compare the overall service hours that were scheduled to be provided to the service hours that were actually provided during the quarterly period.
   - Review the program narratives to determine if the appropriate services are being provided.
   - Review the attendance for the programs to determine if the residents are receptive to the content and delivery.
   - Conduct telephone surveys periodically to confirm program activity.
   - Review the regularity and consistency with which the programs are being conducted, including a review of the staff/independent contractor attendance.

d. If the Responsible Entity proposes changes to the approved Resident Services Plan or Resident Services Schedule, the following procedure will be followed:

- The Responsible Entity will send the Agency a written request for a change of programs. The request must include the reason for replacing the existing program, a description of the proposed new program, a description of the resident population to be served, and an estimate of the number of residents to be served.
- The Agency will review the proposal and if necessary meet with the Service Provider. If approved, the Agency will send the Responsible Entity a letter verifying the change.
- The Responsible Entity will then forward the Agency a revised Resident Services Plan(s) and a revised Resident Services Schedule.

e. Annual On-site Monitoring Review

At least one time per year the Agency will conduct an on-site review of the resident services. Agency staff will:

- Where appropriate, attend the resident services program while the class is being conducted.
- Interview the Resident Services Coordinator and Property Manager
- Inspect the program amenities/resources (computers, desks/chairs, educational tools, etc).
- Inspect the facility/room in which the programs are taking place.

EXHIBIT 7

COMPLIANCE VIOLATIONS AND ACTIONS
(All payments due and payable within 30-days of assessment)

Tenant Eligibility and Affordability Violations		
Compliance Violation	**Fees and Actions***	**Corrective Time Period**
Tenants over income at initial move-in	Initial $500 per unit, again every 90-days until another income qualified tenant is housed. Correction: Evict tenant if tenant fraud. Otherwise, next available unit **must** be Affordable and rented to an Income-Qualified tenant.	90 days from discovery date to avoid additional $500 charge every 90-days the problem is not corrected.
Incorrect eligibility documentation	Initial $50 per file for incorrect calculations, verifications, or required documents. Additional $50 per month if not corrected. Correction: Submit copies of corrections to compliance staff as applicable.	30 days from discovery date to submit copies of corrections to compliance staff to avoid additional $50 per month if not corrected
Failure to complete annual recertifications	Initial $250 for each incomplete file. Additional $50 per month if not corrected. Correction: Submit copies of recertifications to compliance staff.	30 days from discovery date to submit corrections to avoid additional $50 per month if not corrected.
Failure to maintain tenant eligibility records	Initial $500 per unit, again every 90-days thereafter until new records in place. Additional $100 per unit per month the project remains out of compliance. Correction: Immediately establish new files/records.	30 days from discovery date to submit copies of new records to avoid additional $100 per unit per month the project remains out of compliance.
Incorrect Rents	Reimbursement to tenant of the entire amount overcharged. $100 payment to Agency for each over-charged unit. Correction: Refund tenant with letter of correction.	30 days from discovery date to avoid additional $100 per overcharged unit per month fee to Agency.
Failure to submit complete and accurate monthly Bond Report by due date	Initial $100 per report. Additional $100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	7 days from discovery date to submit complete and accurate report to avoid additional $100 per day charge.
Failure to comply with approved Management Plan	Initial $100 per report. Additional $100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	30 days from discovery date to submit corrections to avoid additional $100 per day charge.
Failure to submit complete and accurate quarterly Resident Services report by due date	Initial $100 per report. Additional $100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	7 days from discovery date to submit corrections to avoid additional $100 per day charge.
Failure to provide a resident service required by Resident Services Plan	Initial $250 per service. Additional $100 per day until service is provided. Correction: Implement required service or new resident services plan submitted and approved; approved plan implemented..	7 days from discovery date to implement required service or provide new resident services plan to avoid additional $100 per day charge; 30 days from discovery date to implement new plan to avoid additional $100 per day charge.
Noncompliant lease	$100 per noncompliant lease. Correction: Prepare and execute approved lease or addendum to address the deficiency.	30 days from discovery date to avoid additional $100 per noncompliant lease per month charge to Agency.

Housing Quality Standards Violations		
Compliance Violation	**Fees and Actions***	**Corrective Time Period**
Verifiable existence of Toxic Mold	$200 per unit. Additional $75 per day charge each time efforts fall outside of corrective timeframes. Correction: Prepare and submit action plan that addresses scope of work and timetable to complete. Relocate tenant if necessary. Obtain certified clearance that mold has been abated and unit is safe to occupy once again.	3-days from discovery date to submit action plan to address. 10-days to relocate tenant if necessary. 30-days to obtain certification that unit is mold free. $75 per day additional charge each time efforts fall outside of these timeframes.
Broken pipes and plumbing facilities	$200 per unit. Additional $75 charge per day if not corrected. Correction: Repair/replace as necessary	7-days from discovery date to avoid additional $75 per day each day thereafter corrective action not taken.
Smoke detectors not working in the units	$200 per unit with non-functional smoke detector. Additional $75 charge per day if not corrected. Correction: Replace batteries or non-working unit within 24 hours.	Within 24 hours of discovery date to avoid $75 per day additional charge each day thereafter corrective action not taken.
Windows with large cracks or missing glass	$200 per unit. Additional $75 charge per day if not corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid $75 per day additional charge each day thereafter corrective action not taken.
Infestation of roaches or vermin	$200 per infested unit. Additional $75 charge per day if not corrected. Correction: Letter from pest control company verifying removal of pests with paid invoice to compliance staff.	7-days from date of discovery to avoid $75 per day additional charge each day thereafter corrective action not taken.
Non-working heating unit (Winter) or air conditioning unit (Summer)	$500 per nonworking unit. Additional $75 charge per day if not corrected. $75 re-inspection fee if necessary to verify problem corrected. Correction: Repair/replace as necessary.	Within 24 hours of discovery date to avoid $75 per day additional charge each day thereafter corrective action not taken.
Excessive amount of urine/ feces	$200 per unit. Additional $75 charge per day if not corrected. Correction: Clean unit as necessary and address problem as the lease allows. Submit correction letter with documentation to compliance staff.	7-days from date of discovery to avoid $75 per day additional charge each day thereafter corrective action not taken.
Excessive amount of trash/garbage in the unit	$75 per unit. Additional $75 charge per day if not corrected. Correction: Clean unit and send letter of correction to compliance staff.	14-days from date of discovery to avoid an additional $75 per day thereafter each day corrective action not taken.
Hazardous exterior conditions	$500 for hazardous conditions. Additional $75 charge per day if not corrected. $75 re-inspection fee. Correction: Clean and/or repair as necessary. Re-inspection to verify problem addressed.	7-days from date of discovery to avoid $75 per day additional charge each day corrective action not taken.

Large holes walls/ceiling	$100 per unit. Additional $75 charge per day if not corrected. Correction: Submit correction letter with documentation to compliance staff.	30-days from date of discovery to avoid $75 per day additional charge each day corrective action not taken.
Non-Operable Security Gate	$500 per non-working gate. Additional $75 charge per day if not corrected. $75 re-inspection fee if necessary to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid $75 per day additional charge each day corrective action not taken.
No Security Cameras (if cameras required)	$250 per discovery. Additional $75 charge per day if not corrected. $75 re-inspection charge to verify problem corrected. Correction: Replace cameras.	30-days from the date of discovery to avoid $75 per day additional charge each day thereafter corrective action not taken.
Non-working Security Cameras	$100 per camera per discovery. Additional $75 charge per day if not corrected. $75 re-inspection charge to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid $75 per day additional charge each day corrective action not taken.
Non-working or non-accessible amenities/services	$100 per item per discovery. Additional $75 charge per day if not corrected. $75 re-inspection charge to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid $75 per day additional charge each day corrective action not taken.

* No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Tenant Eligibility and Affordability Violations and Housing Quality Standards Violations tables.

EXHIBIT 8

SELECTION OF BOND COUNSEL AND BOND UNDERWRITER/REMARKETER

Selection of Bond Counsel: A bond counsel firm and two alternate firms will be named periodically at the discretion of Sacramento Housing and Redevelopment Agency to serve as participants on bond issuances, bond refundings (reissuances) or bond restructurings. The selection will be made by a committee consisting of representatives from the City, County, and Agency after a Request for Qualifications from interested parties. The committee will select three firms, one of which is designated the bond counsel and two of which are the alternates.

Bond counsel will prepare the necessary legal documentation for the bond issuance including provisions regarding compliance with continuing disclosure requirements, provide an opinion regarding the validity of the bonds and their tax exemption, and provide legal advice on all relevant issues to best protect the interests of the City and County, Housing Authorities, Redevelopment Agencies, and Sacramento Housing and Redevelopment Agency.

The bond counsel specifically represents the interests and concerns of the City, County, Housing Authorities, Redevelopment Agencies, and Sacramento Housing and Redevelopment Agency in ensuring the integrity of the bond transaction. The project sponsor may, at its own expense, add additional members to its financing team to represent its interests.

Selection of Bond Underwriter: When required for the transaction, a bond underwriter/remarketing agent is to be proposed by the developer, subject to review and approval by the Agency. The underwriter is to be a nationally recognized firm experienced in underwriting mortgage revenue bond issuances. Approval criteria will include the experience of the firm and staff, cost of services, underwriting abilities, financial qualifications and abilities, and the location of the firm.

The bond underwriter/remarketing agent specifically represents the interests and concerns of the City, County, Housing Authorities, Redevelopment Agencies, and Sacramento Housing and Redevelopment Agency. The project sponsor may, at its own expense, add additional members to the finance team to represent its interests.

EXHIBIT 9

PRE-APPLICATION REQUIREMENTS

Following a meeting with SHRA staff to introduce a project, an applicant may submit a Pre-Application for multifamily financing. The Pre-Application is expected to include the items below:

1. Name and location of proposed project
2. Name of the applicant and development team
3. If no previous experience with SHRA, a Tax Credit Allocation Committee "Previous Participation Certificate"
4. Type of construction: new construction or rehabilitation
5. Number of units and their size (# of bedrooms)
6. Affordability levels of the units
7. Timeline for financing and construction
8. Status of site control
9. Preliminary project budget and total development cost
10. Sources and uses of funds, including construction, bridge and permanent financing
11. Cash flow proforma including all debt service obligations for the term of the longest proposed loan
12. Other items as may be requested by Agency staff for particular projects

EXHIBIT 10

FULL APPLICATION REQUIREMENTS

The applicant for multifamily financing from the Sacramento Housing and Redevelopment Agency (SHRA) is expected to complete and submit all of the items described below. Developers applying for tax credits are encouraged to use Tax Credit Allocation Committee (TCAC) forms whenever possible. Developers are required to submit one complete hard copy of the required items. **Only complete applications will be analyzed and considered for funding.**

1. **Project Narrative**
   The project narrative should provide a brief summary of the project, and should include, but not be limited to, the following:

   - Name and location of proposed project
   - Name of the applicant and development team
   - Type of construction: new construction or rehabilitation
   - Design and architectural features of the buildings
   - Number of units and their size (# of bedrooms)
   - Affordability levels of the units
   - Amenities and services offered at the complex
   - Exceptional circumstances affecting the project's development, site, or funding

2. **Contact List**
   Contact information for the following parties should be provided, including the contact person, name of the firm, address, phone number, fax number, and e-mail:

   - Applicant
   - Developer
   - Architect
   - General contractor
   - Legal counsel
   - Financial institution(s)
   - Bond underwriter
   - Property management firm
   - Consultant(s)

3. **Applicant Information (Borrower)**
   Detailed information should be provided for the applicant, including:
   - The Principal(s), Executive Director, or President of the firm
   - Project manager, if different from above
   - Legal status of applicant: existing or date to be formed; federal ID number
   - Organizational documents, i.e. Certificate of Limited Partnership, etc.
   - Description of ownership interests in the borrower: report whether the borrower or any limited or general partner is a nonprofit organization
     - If borrower is a partnership, list the names, addresses and telephone numbers of all general and limited partners, and describe the interest(s) of each partner
     - If borrower is a corporation, list all shareholders owning more than 20 percent of the outstanding stock

- Balance Sheet, Income Statement, Statement of Cash Flows with notes, and Federal tax returns for the last three years for all ownership interests listed above with more than a 20 percent interest, including the general partner and/or sponsor

4. Development Team

A resume from each member of the development team should be included which demonstrates their qualifications to develop, own, and/or operate the proposed project, and should include specifically the qualifications listed below:

- Developer/general partner and co-developer/co-general partner, if applicable
  - List properties owned or managed within the past five years, with government financial assistance identified, and the type (i.e. TCAC, HCD, etc.), and whether the property is subject to a recorded regulatory agreement.
  - List properties owned or managed that defaulted or were foreclosed upon during the ownership or management period
  - Qualifications of key staff persons
  - Execution of Authorization to Release Information form (attached)
  - Execution of Qualifications Disclosure form (attached)
- Architect
  - List projects within the last five years of a similar type and level of complexity
- Attorney
  - Describe experience in real estate and public financing
- Underwriter
  - Describe experience of firm and lead underwriter
  - List projects within the last five years of a similar type and level of complexity
- Property management firm
  - List properties managed within the last five years by name, address, and contact information. Indicate whether the property received or receives government financial assistance, and the type (TCAC, CDLAC, HCD, etc.), and whether the property is subject to a recorded regulatory agreement
  - List properties under management that defaulted or were foreclosed upon during the management period
  - Qualifications of key staff persons
- General contractor
  - List three similar projects and experience in the proposed project's type of construction
- Other consultants
  - Description of qualifications

5. Site Information

- Site Data form (attached)
- Evidence of site control
- Preliminary title report, not more than six months old
- Evidence project is not located in a flood plain
- Evidence of land use entitlements, or status of City/County application
- Map showing project location

6. Rehabilitation Projects Only

- Description of current buildings, including matrix of unit types
- Relocation plan

7. Project Description

- Narrative description of proposed construction and design
- Complete scope of work, with budget for each item
- Site plan, including location of all buildings and parking, with Resident Services community space identified
- Unit floor plans, including square footage of each unit type
- Building renderings
- Evidence of compliance with sustainability standards (See Section 4.17)

8. Third Party Reports

- Appraisal (To be submitted as soon as possible, but no later than two months before projected closing date)
- Market study
- Rehabilitation assessment (Capital Needs Assessment or Physical Needs Assessment)
- Phase I environmental assessment (and Phase 2 if necessary)
- Lead-based paint assessment (for projects built prior to 1979)
- Asbestos assessment (if indicated by Phase 1 or if project built prior to 1979)
- Soils report (New construction only)
- Pest report (Rehab projects only)

9. Property Management

- Property Management Plan
- Lease
- Security Questionnaire of Multifamily Projects (Attached)

10. Resident Services

- Mission Statement (of the Responsible Entity)
- Preliminary program description (provide narrative for the applicable categories)
    - Service Coordination (Case Management)
    - After-School Program
    - Education
    - Enrichment
    - Transportation (Senior projects)
- Organizational charts (Responsible Entity and Service Provider)
- Portfolio of current projects
- List of additional service providers who may be utilized
- Preliminary Resident Services Plan including After-School Program Schedule
- Staffing levels and qualifications
- Resident needs assessment questionnaire
- Contractual agreement between the Responsible Entity and the Service Provider

11 **Project Financing**

- Narrative description of financing arrangements

- Sources and uses of funds, including construction, bridge and permanent financing
- Evidence of commitment, or commitment status of proposed financing
- For acquisition/rehabilitation projects using acquisition tax credits, evidence of satisfaction of TCAC's ten-year hold requirements
- Evidence of tenant-based or project-based assistance, such as rent or operating subsidies, if applicable
- Schedule of proposed rents by unit type
- Itemized operating expenses
- Itemized total development budget
- Cash flow proforma including all debt service obligations for the term of the longest proposed loan

12. SHRA Underwriting and Processing Fee

Applications must include a check made out to Sacramento Housing and Redevelopment Agency for the SHRA Underwriting and Processing Fee in the following amounts:

- For an SHRA loan $5,000, or
- For bonds $12,500

The following forms must be submitted with the application.

Authorization to Release Information

A. I hereby authorize the Sacramento Housing and Redevelopment Agency (SHRA) to make written inquiry relating to any information necessary to determine my eligibility for financing assistance.

B. Any information obtained by Sacramento Housing and Redevelopment Agency will be used solely for the purpose of assisting me in obtaining financing offered by SHRA.

C. I understand that the information provided will be kept strictly confidential and that this authorization will be in effect for 12 months from the following date.

_____
Date:

_____
Signature of Applicant

_____
Name of Applicant (Printed)

_____
Social Security Number or TIN

_____
Date of Birth

Residence Address:

_____
Street

_____
City, State Zip

Previous Residence Address:

_____
Street

_____
City, State Zip

_____
Name of Business or Corporation

Business Address:

_____
Street

_____
City State Zip

Qualifications Disclosure

Please respond to each question. If a question does not apply to the discipline of the firm, insert "na". The firm may be requested to submit documentation to verify or explain its responses to these questions during the proposal review process. This form must be signed by an officer or principal of each firm that is part of the proposer's team.

The term "Affiliate" means a parent or subsidiary corporation and an organization (such as a partnership, limited liability company, or professional corporation) that is currently, or in the past five years has been, related to the Firm by means of either (a) financial support; (b) the same or substantially similar: general, managing or limited partners, members, investors, or shareholders; or (c) by other means of control. The term "Officer" means a member of the Firm's or an Affiliate's governing board. The term "Principal" encompasses all persons and entities with at least 10% ownership interest in the Firm or an Affiliate.

Operating and Financial Capacity – Current Status:	**Yes**	**No**
1. DOES THE FIRM POSSESS VALID AND CURRENT BUSINESS AND PROFESSIONAL LICENSES REQURED TO DEVELOP AND OPERATE THE PROJECT PROPOSED?		
2. DOES THE FIRM POSSESS A GENERAL LIABILITY INSURANCE POLICY WITH A MINIMUM POLICY LIMIT OF AT LEAST $5 MILLION PER OCCURANCE AND WORKERS COMPENSATION INSURANCE COVERAGE AS REQUIRED BY CALIFORNIA LAW?		
3. CAN THE FIRM OBTAIN PERFORMANCE AND PAYMENT BONDS FROM AN ADMITTED SURETY EQUAL TO THE ESTIMATED PROJECT CONSTRUCTION COST?		
4. DOES THE FIRM HAVE RETAINED EARNINGS OR DOES ONE OF ITS PRINCIPALS HAVE A NET WORTH EQUAL TO AT LEAST 10% OF THE ESTIMATED TOTAL PROJECT COST?		
Background Information – Within the Last 10 Years:	**Yes**	**No**
LITIGATION		
5. HAS THE FIRM, AFFILIATE, OR ANY OFFICER OR PRINCIPAL BEEN INVESTIGATED, ARRESTED, CONVICTED, FOUND LIABLE, ENTERED INTO A SETTLEMENT AGREEMENT, OR PAID A PENALTY FOR FRAUD, PERJURY, FORGERY, THEFT, EMBEZZLEMENT, FALSE CLAIMS, MATERIAL MISREPRESENTATION, OR ANY SIMILAR CRIME OR CIVIL ACTION?		
6. IS THE FIRM OR AFFILIATE CURRENTLY A PARTY TO ANY CIVIL ACTION, THE OUTCOME OF WHICH COULD MATERIALLY AND ADVERSELY AFFECT ITS FINANCIAL CONDITION?		
PENALTIES AND CITATIONS		
7. HAS THE FIRM OR AFFILIATE BEEN DEBARRED, SUSPENDED, OR OTHERWISE BEEN DEEMED INELIGIBLE TO BID ON CONTRACTS BY ANY LOCAL, STATE OR FEDERAL AGENCY?		
8. HAS THE CONTRACTORS LICENSE BOARD ISSUED A FINAL DECISION OR ORDER AGAINST THE FIRM OR AFFILIATE RELATED TO A CITATION OR DISCIPLINARY ACTION?		
9. HAS THE DEPT OF INDUSTRIAL RELATIONS (DIR) FOUND THAT THE FIRM OR AFFILIATE VIOLATED ANY PROVISION OF THE LABOR CODE, A DIR REGULATION, OR A WAGE AND HOUR ORDER, OR ENTERED INTO A SETTLEMENT AGREEMENT RELATED TO SUCH VIOLATIONS?		
10. HAS CAL OSHA CITED AND ASSESSED PENALTIES AGAINST THE FIRM OR AFFILIATE FOR ANY SERIOUS, WILFUL OR REPEAT VIOLATIONS OF HEALTH AND		

SAFETY STANDARDS?		
11. HAS THE FIRM OR AFFILIATE BEEN ISSUED A CODE ENFORCEMENT CITATION RELATED TO ANY BUILDING OWNED OR OPERATED BY THE FIRM OR AFFILIATE FOR VIOLATION OF HEALTH AND SAFETY REGULATIONS OR BUILDING CODES?		
FINANCIAL		
12. HAS THE FIRM OR AFFILIATE FILED FOR, OR BEEN THE SUBJECT OF THE INVOLUNTARY INITIATION OF, BANKRUPTCY, REORGANIZATION, INSOLVENCY, DISSOLUTION OR RECEIVERSHIP PROTECTION?		
13. HAS THE FIRM OR AFFILIATE DEFAULTED ON ANY LOAN OR HAS ANY PROPERTY OWNED BY THE FIRM OR AFFILIATE BEEN FORECLOSED AGAINST?		
14. HAS A SURETY COMPLETED A CONTRACT OR MADE PAYMENT ON BEHALF OF THE FIRM OR AFFILIATE DUE ITS DEFAULT OF A CONTRACTUAL OBLIGATION?		

FIRM AND AFFILIATE INFORMATION

Please provide the following information:

1. Firm Organization status:

   ☐CA Corporation ☐_____ Corporation ☐Professional Corporation
   ☐General Partnership ☐Limited Partnership ☐Limited Liability Company ☐Sole Proprietor

2. How many years has the Firm been in business? Years

3. Firm Contractor's License No. (if applicable): _____

4. Is the Firm a subsidiary, parent, holding company or Affiliate (as defined above) of another firm?
   _____ Yes _____ No
   If Yes, please list below the names and relationship of each Affiliate firm:

_____

_____

_____

5. Has the ownership of any of the Principals in the Firm changed by more than 25% during the last three years? _____ Yes _____ No
   If Yes, please provide a brief explanation below or in an attachment:

_____

_____

_____

6. Does the Firm or an Affiliate currently own any property in Sacramento County, other than its business office location(s) or the personal residences of Officers or Principals of the Firm or Affiliate? _____ Yes _____ No
   If Yes, please list the addresses below or in an attachment:

I hereby certify that the foregoing responses are true and correct:

Signature	Date
Name and Title	Phone Number
Firm Name	Address

Site Data

Project Address: _____
APN's: _____
Zoning: _____
Site Acreage: _____
Number of Buildings: _____
Square Footage of Buildings: _____
Number of Parking Spaces: _____
Amenities (current): _____
Amenities (proposed): _____

SURROUNDING LAND USES:

North: _____
South: _____
East: _____
West: _____

INDICATE THE LOCATION OF THE FOLLOWING TO THE SITE:

	Name	Distance from site	Street Location
Public Transportation:			
Elementary School:			
Intermediate School:			
High School:			
Park:			
Day Care:			
Grocery Store:			

ADDITIONAL INFORMATION REGARDING SITE OR NEIGHBORHOOD: _____

_____

_____

Sacramento Housing & Redevelopment Agency

Security Questionnaire of Multifamily Projects

Project Name: _____ **Form Completed By:** _____

Managed By: _____ **Date:** _____

Project Total Number of Units: _____ **Project:** ☐ New ☐ Existing

Surveillance Cameras ☐ Yes/Planning ☐ No/Not Planning

Number/Location(s):

- Entrance Gate(s) ☐
- Parking Area(s) ☐
- Common Area(s) ☐
- Community Rooms/Space(s) ☐
- Rental Office ☐
- Street(s) ☐
- Total Number: ☐

Type(s) of Camera(s):

- Fixed Position ☐
- Manually Variable ☐
- Automatically Pans ☐

Type(s) of Use(s):

- Continuous Recorded ☐
- Staff Monitored ☐

Initial Cost: $ _____

Annual Maintenance Cost: $ _____

Comments: _____

Security Company Patrols ☐ Yes/Planning ☐ No/Not Planning

Company Name: _____ Contact: _____

Office Phone: _____ Cell: _____

Website: _____ Email: _____

Time Shift Begins: ☐ Time Shift Ends: ☐

Day Split Shift Begins: ☐ Day Split Shift Ends: ☐

Night Split Shift Begins: ☐ Night Split Shift Ends: ☐

On-Call 24/7, including all holidays: ☐ Yes/Planning ☐ No/Not Planning

Reporting Method & Frequency:

Computerized Reports ☐ Handwritten Reports ☐

Other Method (Describe): _____

Foot Patrol:

- # Armed Guards ☐
- # Unarmed Guards ☐
- # of Guards per Patrol ☐
- # of Days per Week ☐
- # of Sweeps per Patrol ☐
- # of Minutes per Sweep ☐

Always on-site during the shift: ☐ Yes/Planning ☐ No/Not Planning

Weekday Sweep Times Random ☐ Scheduled ☐

Weekend Sweep Times Random ☐ Scheduled ☐

Security Company Patrols (continued)

Vehicle Patrol:

# Armed Guards	
# Unarmed Guards	
# of Guards per Patrol	
# of Days per Week	
# of Sweeps per Patrol	
# of Minutes per Sweep	

Always on-site during the shift:
☐ Yes/Planning ☐ No/Not Planning

Weekday Sweep Times	Random		Scheduled	
Weekend Sweep Times	Random		Scheduled	

Total Annual Patrol Cost: $ _____

Years Utilized at Project: _____ ☐ Not Applicable (Go to Perimeter Controls)

Experience to Date Rank: Good: ☐ Fair: ☐ Poor: ☐

From Great (10) to Very Poor (1): 8 - 10 5 - 7 1 - 4

Security Company Information to attach to this Questionnaire

(1)Company Overview, (2)Organizational Chart, and (3)Portfolio of Existing Projects in the County of Sacramento

Perimeter Control(s)

☐ Yes/Planning ☐ No/Not Planning

Perimeter Fencing

Completely Fenced	Yes:		No:	
Partially Fenced	Yes:		No:	
Not Fenced	Yes:		No:	

Type of Fencing _____

Age of Fencing _____

Height of Fencing _____

Initial Cost: $ _____

Annual Maintenance Cost: $ _____

Entrance Gate(s)

# of Entrance Driveways	
# that are Gated	
Hours Closed/day	

Opening Mechanism _____ (e.g., keypad, card, etc.)

# of Pedestrian Entrances	
# that are Gated	
Hours Closed/day	

Opening Mechanism _____ (e.g., keypad, card, etc.)

Initial Cost: $ _____

Annual Maintenance Cost: $ _____

Other Security

☐ Yes/Planning ☐ No/Not Planning

Onsite POP Office	
Neighborhood Watch	

Other _____

_____

Lighting*

Location(s):

	Colors	Type(s)	Controls
Buildings			
Parking Area(s)			
Amenities (pools, laundry, etc)			
Porches			
Pathways			

Annual Maintenance Cost: $_____

***Legend**

Colors(s):

Metal Halide	1
Mecury Vapor	2
High Pressure Sodium	3
Low Pressure Sodium	4
Other (name)	5

Type(s):

Wallpacks	1
Floodlights	2
Bollards	3
Area Luminaires	4
Other (name)	5

Controls:

Photo Cells (on at dusk, off at dawn)	1
Time Clocks (set for cetain hours of operation)	2

Additional Comments (if any): _____

RESOLUTION NO. 2009 -

Adopted by the Redevelopment Agency of the City of Sacramento

on date of

APPROVAL OF MULTIFAMILY LENDING AND MORTGAGE REVENUE BOND POLICIES

BACKGROUND

A. Staff is recommending revising the multifamily lending and mortgage revenue bond policies in order to: 1) prioritize projects so limited funds can be directed to projects that best meet the City's housing objectives; 2) broaden and strengthen construction and management requirements, and resident services standards; and 3) reflect changing industry lending practices and standards.

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

Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action are approved.

Section 2. The "Multifamily Lending and Mortgage Revenue Bond Policies" are adopted.

Section 3. The Executive Director, or designee, is authorized to make technical changes to the Multifamily Lending and Mortgage Revenue Bond Policies as necessary to comply with federal, state and local laws, regulations, ordinances or resolutions as they may be adopted or amended from time to time. The authority to make any material policy changes to these Multifamily Lending and Mortgage Revenue Bond Policies, however, shall remain with the affected entity's governing board, at its sole discretion.

RESOLUTION NO. 2009 -

Adopted by the Housing Authority of the City of Sacramento

on date of

APPROVAL OF MULTIFAMILY LENDING AND MORTGAGE REVENUE BOND POLICIES

BACKGROUND

A. Staff is recommending revising the multifamily lending and mortgage revenue bond policies in order to: 1) prioritize projects so limited funds can be directed to projects that best meet the City's housing objectives; 2) broaden and strengthen construction and management requirements, and resident services standards; and 3) reflect changing industry lending practices and standards.

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

Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action are approved.

Section 2. The "Multifamily Lending and Mortgage Revenue Bond Policies" are adopted.

Section 3. The Executive Director, or designee, is authorized to make technical changes to the Multifamily Lending and Mortgage Revenue Bond Policies as necessary to comply with federal, state and local laws, regulations, ordinances or resolutions as they may be adopted or amended from time to time. The authority to make any material policy changes to these Multifamily Lending and Mortgage Revenue Bond Policies, however, shall remain with the affected entity's governing board, at its sole discretion.