



**Sacramento
Housing &
Redevelopment
Agency**

REPORT TO REDEVELOPMENT AGENCY

City of Sacramento

915 I Street, Sacramento, CA 95814-2671

www.CityofSacramento.org

Consent

June 2, 2009

Honorable Chair and Members of the Redevelopment Agency

Title: Approval of Loan Commitment for New Seasons (Formerly Greystone) Apartments

Location/Council District: 3545 41st Street/Franklin Redevelopment Area, County District 2

Recommendation: Adopt a **Redevelopment Agency Resolution** a) authorizing the acceptance of a loan of \$1.1 million of County Aggregated Low/Moderate Housing funds to the Franklin Boulevard Joint Project Area; b) approving a loan commitment of \$4.9 million to New Seasons Apartments of which \$3.1 million is from Franklin Boulevard Joint Project Area Low/Moderate Tax Increment (TI) funds and \$1.8 million County HOME Funds; c) delegating authority to the Redevelopment Agency of the County to enter into and execute a Commitment Letter, Owners Participation Agreement and related documents with Avalon Communities, LLC and DAVCO Communities, LLC, or related entity; d) authorizing the Executive Director or her designee to execute all necessary documents for the loan between Franklin Boulevard Joint Redevelopment Project Area and County Aggregate Low/Moderate Housing fund.

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

Presenters: N/A

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: Avalon Communities, LLC and DAVCO Development, LLC had proposed in 2008 to acquire and renovate the Greystone Apartments located at 3545 41st Avenue, in the County portion of the Franklin Boulevard Redevelopment Area. This apartment complex is located in the heart of "the Avenues," an area

Approval of Loan Commitment for New Seasons Apartments

characterized by numerous multi-family complexes facing serious social and physical blight. City and Sacramento Housing Redevelopment Agency (SHRA) staff are working closely to comprehensively address the challenges facing the neighborhood including crime related issues, infrastructure needs (lighting, etc.), code violations and housing related issues. The rehabilitation of this apartment complex fits into the above strategy of rehabilitating multi-family complexes and providing quality property management to stabilize and revitalize the area.

On May 13, 2008, the Board of Supervisors, Redevelopment Agency, and Housing Authority approved the relocation plan and financial structuring of up to \$10 million in tax-exempt mortgage revenue bonds and a SHRA loan commitment of up to \$4.17 million in HOME and Low/Mod TI funds for the acquisition and rehabilitation of Greystone Apartments. Due to the instability in the financial markets, the developer could not obtain the 4 percent Low Income Housing Tax Credit (LIHTC) equity necessary.

The Developer responded by restructuring the project. The Project financing structure was modified from 4 percent LIHTC to 9 percent LIHTC, the developer fee was reduced, the affordability was modified, and the units are proposed to be reconfigured into one, two and three bedroom units. As proposed, the project will also include a swimming pool and additional landscaping improvements. These changes were made to be consistent with 9 percent LIHTC application requirements. Due to the reconfiguration and instability in the markets, the new financial model will leverage the previously approved loan with 9 percent LIHTCs rather than with 4 percent LIHTCs and tax-exempt bond financing as originally planned, and will require an additional investment of \$730,000. This staff report requests approval of the modified Agency loan commitment associated with the transaction which is required for submittal with the 9 percent LIHTC applications.

Several affordable housing projects in Sacramento County have been forced to restructure their financing in response to the economic downturn and the insufficient demand for LIHTCs. The new federal stimulus package includes funds which will be administered by the California Tax Credit Allocation Committee (TCAC) to cover the difference resulting from falling equity prices and/or provide funding to exchange a tax credit reservation for cash if a project cannot secure a tax credit investor. The stimulus funding is structured to favor 9 percent LIHTC developments and has accordingly furthered demand for 9 percent LIHTCs.

Approval of Loan Commitment for New Seasons Apartments

Greystone Apartments was built in 1964 and will be renamed as New Seasons Apartments; the project is located in the Franklin Boulevard Redevelopment Area near public transit, parks, shopping, and schools. The project currently consists of 120 two-bedroom units of approximately 765 square feet, in 30 two-story buildings. The revised project will now consist of 36 one-bedroom, 48 two-bedroom and 36 three-bedroom apartments. The renovations will be substantial and include removal and replacement of the exterior stucco, upgrades to the drainage and irrigation systems, installation of central heat and air conditioning, and construction of mansard roofs on the existing structures. In addition, a new resident community center and swimming pool will be constructed with an adjacent playground. These improvements will create a complex that is visually more appealing and functionally improved, increasing its current marketability and having a positive impact on the surrounding neighborhood. A Location Map is included as Attachment 1 and a Site Map as Attachment 2.

This staff report requests the approval of a modified loan commitment of \$3.1 million in Franklin Boulevard Low/Moderate Tax Increment (TI) funds which will augment an additional \$1.8 million of County HOME funds and the delegation of authority to the Redevelopment Agency of the County to enter into and execute an Owner Participation Agreement and related Loan Documents with Avalon Communities, LLC and DAVCO Communities, LLC, or related entity. A project summary, including a proposed sources and uses of funds, is included as Attachment 3, a cash flow proforma is included as Attachment 4, and a schedule of rent and income limits is included as Attachment 5.

Policy Considerations: The proposed actions further SHRA's goal of eliminating blight and promoting private sector investment and the rehabilitation of affordable housing in the Franklin Blvd. Redevelopment Area. Regulatory restrictions on the property will be specified in a Regulatory Agreement between the Developer and SHRA. Compliance with the Regulatory Agreement will be monitored by SHRA on a regular basis. As an affordable housing project, the Project is exempt from the Art in Public Places requirement.

Environmental Considerations:

California Environmental Quality Act (CEQA): The proposed action is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Sections 15310 and 15301(a) and (d) which exempts loan financing and rehabilitation of existing facilities where the use remains unchanged.

Approval of Loan Commitment for New Seasons Apartments

Sustainability Considerations: The Project has been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, the project will advance the following goals, policies and targets: (1) Goal number one – Energy Independence, specifically by reducing the use of fossil fuels, improving energy efficiency, and providing long term affordable and reliable energy.

Committee/Commission Action: *Sacramento Housing and Redevelopment Commission:* At its meeting on May 20, 2009, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

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

NOES: none

ABSENT: Shah, Stivers

Rationale for Recommendation: Redevelopment Law stipulates that each redevelopment project area must maintain a level of debt in order to continue receiving annual tax increment revenue. The loan to Franklin Boulevard Joint Redevelopment Project Area is structured to maintain compliance with state law. The actions recommended in this report further SHRA's goal to eliminate blight and promote affordable housing in the Franklin Boulevard Redevelopment Area and enables the organization to continue to fulfill its mission to provide a range of affordable housing opportunities in the City and County of Sacramento.

Financial Considerations: This report recommends: 1) a loan of \$1.1 million from County Aggregated Housing Funds to the Franklin Boulevard Joint Project Area amortized for a period of five years at four percent annual interest; and 2) allocation of \$3.1 million in Franklin Boulevard Low/Moderate Tax Increment funds to be augmented with \$1.8 million in County HOME funds to provide for a 30-year permanent loan of up to \$4.9 million to the New Seasons Apartment project. The Agency loan will be repaid, with interest, from cash flow from the property.

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Approval of Loan Commitment for New Seasons Apartments

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

Respectfully Submitted by:


LA SHELLE DOZIER
Executive Director

Recommendation Approved:

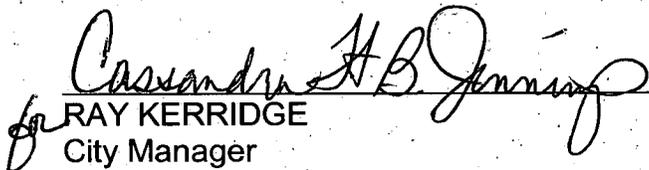
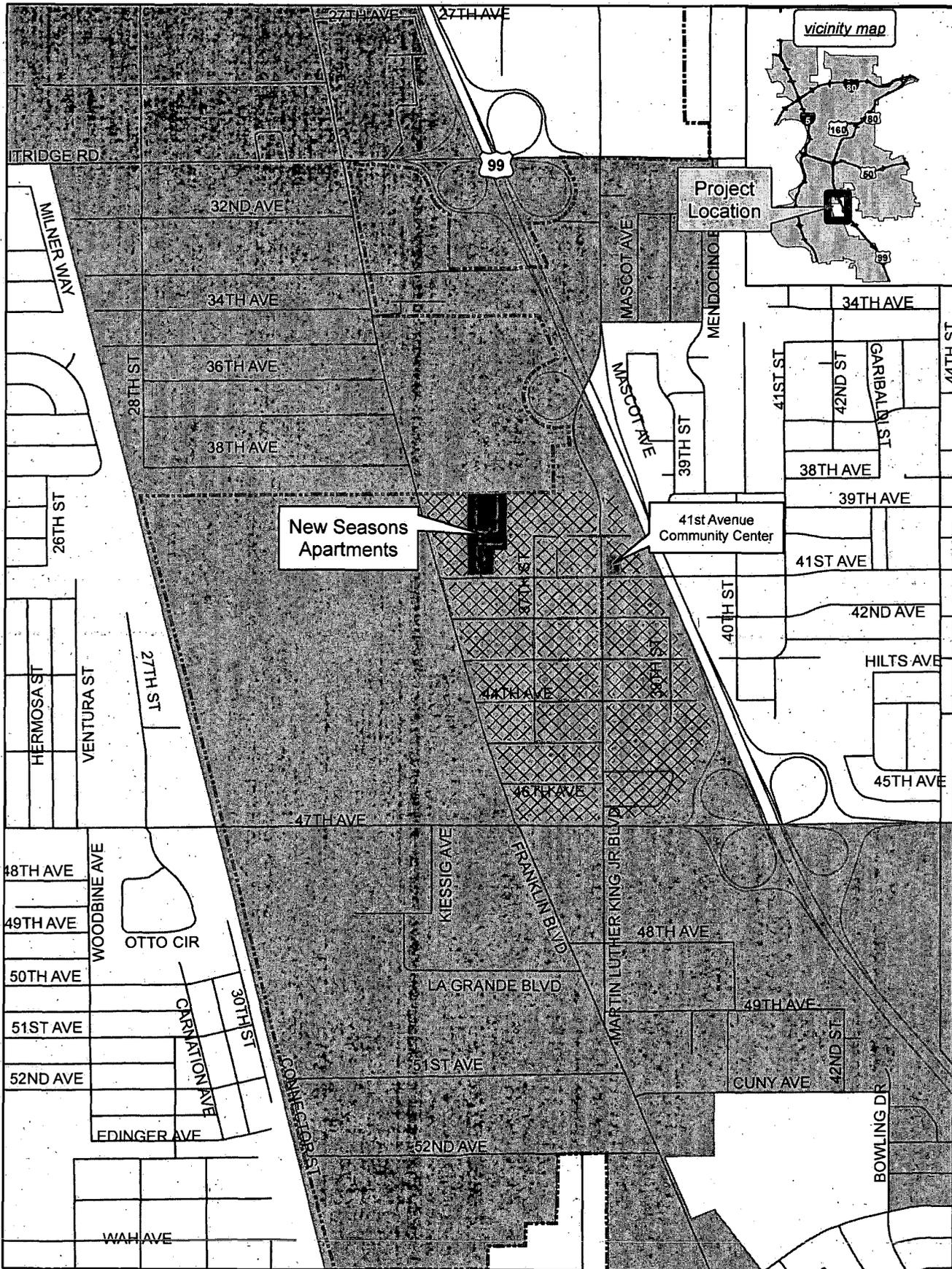

RAY KERRIDGE
City Manager

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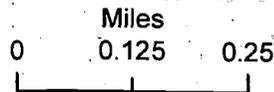
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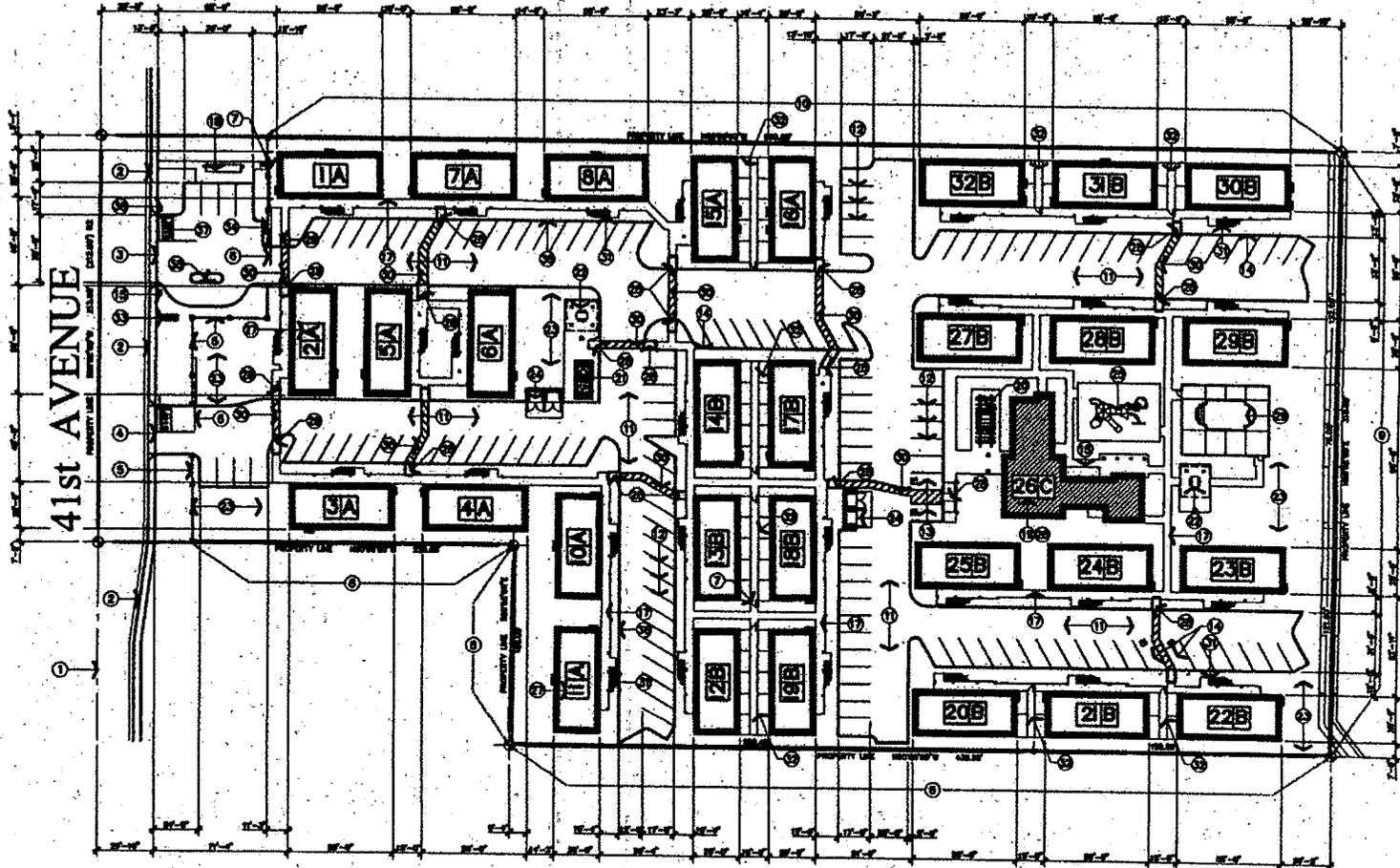
New Seasons Apartments



-  Greystone Apartments
-  41st Ave Community Center
-  The Avenues
-  City of Sacramento
-  Franklin Blvd Redevelopment Area



SHRA GIS
April 27, 2009



SITE PLAN

VICINITY MAP

STATISTICS

AGENCY JURISDICTION	COUNTY OF SACRAMENTO	BUILDING AREA	64,000 S.F.
PROJECT ADDRESS	2045 40 TH AVENUE SACRAMENTO, CALIFORNIA 95824	A. EXISTING RESIDENTIAL BUILDINGS	700 S.F.
ASSESSORS PARCEL	037-011-078	B. EXISTING LAUNDRY BUILDINGS	0 S.F.
CURRENT ZONING	RD-30 MHA-7400 RESIDENTIAL	C. EXISTING LAUNDRY BUILDINGS (TO BE REMOVED)	0 S.F.
SITE AREA	178,000 S.F. (4.10 ACRES)	D. PROPOSED COMMUNITY BUILDING	300 S.F.
PROPOSED UNIT STATISTICS		E. TOTAL BUILDING AREA	1,000 S.F.
A. (30) PHASE 1	300 S.F. PER UNIT	F. NET AREA CHANGE	+1,070 S.F.
B. (140) PHASE 2	700 S.F. PER UNIT	G. PERCENTAGE AREA CHANGE	+7.27% S.F.
C. (20) PHASE 3	830 S.F. PER UNIT	H. TOTAL GROUND FLOOR AREA	0 S.F.
D. (100) TOTAL UNITS		OCCUPANT GROUPS	
		A. RESIDENTIAL UNITS	30-3
		B. COMMUNITY BUILDING	0
		C. COMMUNITY ROOM/ LOUNGE	A-3
		D. OFFICE/ ACTIVITY ROOM	0
		CONSTRUCTION TYPE	
		A	2-A
		PARKING PROVIDED	
		A. EXISTING OPEN STALLS	0 STALLS
		B. PROPOSED ACCESSIBLE STALLS	0 STALLS
		C. TOTAL STALLS PROVIDED	0 STALLS / UNIT
		D. ACCESSIBLE STALLS REQUIRED	0 STALLS REQUIRED
		E. TRAVEL STALLS	0 STALLS REQUIRED
		F. (120 STALLS @ 750)	0 STALLS REQUIRED
		G. (2 GUEST STALLS @ 250)	0 STALLS REQUIRED
		H. TOTAL ACCESSIBLE STALLS	0 STALLS REQUIRED

New Seasons Apartments Project Summary

Address	3545 41st Street			
Number of Units	120			
Year Built	1965			
Acreage	4.15 Acres			
Affordability	11% of units @ or below 30% of Area Median Income (AMI) 11% of units @ or below 40% of AMI 50% of units @ or below 50% of AMI 28% of units @ or below 60% of AMI One Manager's unit			
Unit Mix and Rents	(30% AMI)	(40% AMI)	(50% AMI)	(60% AMI)
1 Bedroom / 1 Bath	4	4	18	10
2 Bedroom / 1 Bath	5	5	24	14
3 Bedroom / 1 Bath	4	4	18	10
Square Footage	<i>Per Unit</i>	<i>Total</i>		
1 BR / 1 BA	561	20,196		
2 BR / 1 BA	700	33,600		
3 BR / 1 BA	820	29,520		
		83,316	square feet	
Resident Facilities	The complex will include tot-lots, a gated entry, a new community center, swimming pool and laundry facilities.			
Permanent Sources	<i>Total</i>	<i>Per Unit</i>	<i>Per Square Foot</i>	
Senior Loan	\$ 4,422,279	\$ 36,852	\$ 53.08	
Tax Credit Equity	\$ 9,589,507	\$ 79,913	\$ 115.10	
Agency Loan	\$ 4,900,000	\$ 40,833	\$ 58.81	
Net Operating Income	\$ 400,000	\$ 3,333	\$ 4.80	
Deferred Developer Fee Note	\$ 845,169	\$ 7,043	\$ 10.14	
TOTAL SOURCES	\$ 20,156,955	\$ 167,975	\$ 241.93	
Permanent Uses				
Acquisition Costs	\$ 7,750,000	\$ 64,583	\$ 93.02	
Construction Costs, Overhead & Profit	\$ 6,839,697	\$ 56,997	\$ 82.09	
Development Impact Fees/ Permits	\$ 40,000	\$ 333	\$ 0.48	
Architecture, Engineering & Surveying	\$ 75,000	\$ 625	\$ 0.90	
Contingency	\$ 1,310,727	\$ 10,923	\$ 15.73	
Financing Costs	\$ 1,206,176	\$ 10,051	\$ 14.48	
Operating Reserve	\$ 200,764	\$ 1,673	\$ 2.41	
Legal Fees	\$ 60,000	\$ 500	\$ 0.72	
Developer Fee	\$ 1,999,999	\$ 16,667	\$ 24.00	
Insurance, Third Party Reports, Other	\$ 406,096	\$ 3,384	\$ 4.87	
Relocation	\$ 268,496	\$ 2,237	\$ 3.22	
TOTAL USES	\$ 20,156,955	\$ 167,975	\$ 241.93	
Management / Operations				
Proposed Developer:	Avalon Communities, LLC and DAVCO Communities, LLC			
Property Management Company:	FPI Management, Inc.			
Operations Budget:	\$469,159	\$3,910		
Replacement Reserves:	\$36,000	\$300		

**New Seasons Apartments
Cash Flow Proforma**

Unit Type	Number	Square Feet	Total Sq Feet	Gross Rent	Utility Allowance	Net Rent	Rent per Sq Foot	Total Mo. Rent	Annual Rent
1 BD @ 30% AMI	4	561	2,244	\$ 409	\$ 55	\$ 354	\$ 0.63	\$ 1,416	\$ 16,992
1 BD @ 40% AMI	4	561	2,244	\$ 532	\$ 55	\$ 477	\$ 0.85	\$ 1,908	\$ 22,896
1 BD @ 50% AMI	18	561	10,098	\$ 665	\$ 55	\$ 610	\$ 1.09	\$ 10,980	\$ 131,760
1 BD @ 60% AMI	10	561	5,610	\$ 798	\$ 55	\$ 620	\$ 1.11	\$ 6,200	\$ 74,400
2 BD @ 30% AMI	5	700	3,500	\$ 491	\$ 67	\$ 424	\$ 0.61	\$ 2,120	\$ 25,440
2 BD @ 40% AMI	5	700	3,500	\$ 638	\$ 67	\$ 571	\$ 0.82	\$ 2,855	\$ 34,260
2 BD @ 50% AMI	24	700	16,800	\$ 798	\$ 67	\$ 731	\$ 1.04	\$ 17,544	\$ 210,528
2 BD @ 60% AMI	14	700	9,800	\$ 958	\$ 67	\$ 740	\$ 1.06	\$ 10,360	\$ 124,320
3 BD @ 30% AMI	4	820	3,280	\$ 567	\$ 78	\$ 489	\$ 0.60	\$ 1,956	\$ 23,472
3 BD @ 40% AMI	4	820	3,280	\$ 742	\$ 78	\$ 664	\$ 0.81	\$ 2,656	\$ 31,872
3 BD @ 50% AMI	18	820	14,760	\$ 928	\$ 78	\$ 850	\$ 1.04	\$ 15,300	\$ 183,600
3 BD @ 60% AMI	9	820	7,380	\$ 1,114	\$ 78	\$ 870	\$ 1.06	\$ 7,830	\$ 93,960
3 BD Manager's Unit	1	820	820	\$ 1,114	\$ 78	\$ 870	\$ 1.06	\$ 870	\$ 10,440
Totals	120		83,316					\$ 81,125	\$ 973,500

<u>Income</u>	rate	annual increase	per unit	2012 Year 1	2013 Year 2	2014 Year 3	2015 Year 4	2016 Year 5	2021 Year 10	2026 Year 15	2031 Year 20	2036 Year 25	2041 Year 30
Potential Gross Income		2.50%		973,500	997,838	1,022,783	1,048,353	1,074,562	1,215,768	1,375,530	1,556,286	1,760,795	1,992,178
Other Income		2.50%		17,280	17,712	18,155	18,609	19,074	21,580	24,416	27,625	31,255	35,362
Less Residential Vacancy	5.00%			48,675	49,892	51,139	52,418	53,728	60,788	68,777	77,814	88,040	99,609
Effective Gross Income				\$942,105	\$965,658	\$989,799	\$1,014,544	\$1,039,908	\$1,176,560	\$1,331,170	\$1,506,096	\$1,704,010	\$1,927,931
<u>Operating Expenses</u>													
Operating Expenses		3.50%	3,138	376,600	389,781	403,423	417,543	432,157	513,267	609,600	724,014	859,902	1,021,293
Assessments		2.00%	6	759	774	790	805	822	907	1,001	1,106	1,221	1,348
Property Management		3.50%	420	50,400	52,164	53,990	55,879	57,835	68,690	81,582	96,894	115,080	136,679
Social Services		2.00%	220	26,400	26,928	27,467	28,016	28,576	31,550	34,834	38,460	42,463	46,882
Security		2.00%	125	15,000	15,300	15,606	15,918	16,236	17,926	19,792	21,852	24,127	26,638
Replacement Reserves		0.00%	300	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
Total Expenses			4,210	\$505,159	\$520,947	\$537,275	\$554,162	\$571,627	\$668,341	\$782,810	\$918,326	\$1,078,791	\$1,268,840
Net Operating Income				\$436,946	\$444,710	\$452,524	\$460,382	\$468,281	\$508,219	\$548,359	\$587,771	\$625,218	\$659,091

<u>Debt Service</u>	amount	rate	amort	2012 Year 1	2013 Year 2	2014 Year 3	2015 Year 4	2016 Year 5	2021 Year 10	2026 Year 15	2031 Year 20	2036 Year 25	2041 Year 30
Bank Loan	\$4,422,279	7.50%	30	371,055	371,055	371,055	371,055	371,055	371,055	371,055	371,055	371,055	371,055
Debt Service Subtotal				\$371,055									
<u>Priority Distributions</u>													
Asset Management Fee (GP)		3.00%		10,000	10,300	10,609	10,927	11,255	13,048	15,126	17,535	20,328	23,566
Priority Distributions Subtotal				\$10,000	\$10,300	\$10,609	\$10,927	\$11,255	\$13,048	\$15,126	\$17,535	\$20,328	\$23,566
Net Cash after Priority Distributions				\$55,891	\$63,356	\$70,860	\$78,400	\$85,971	\$124,117	\$162,179	\$199,181	\$233,836	\$264,471
<u>Deferred Developer Fee</u>													
Principal Balance	\$845,169	4.00%		845,169	823,084	792,652	753,498	705,238	313,114	0	0	0	0
Accumulated Interest				33,807	32,923	31,706	30,140	28,210	12,525	0	0	0	0
Payment				55,891	63,356	70,860	78,400	85,971	124,117	0	0	0	0
Balance				\$823,084	\$792,652	\$753,498	\$705,238	\$647,476	\$201,522	\$0	\$0	\$0	\$0
Net Cash after Deferred Developer Fee				\$0	\$0	\$0	\$0	\$0	\$0	\$162,179	\$199,181	\$233,836	\$264,471
<u>Agency Loan</u>													
Principal Balance	\$4,900,000	4.00%		4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000
Accumulated Interest				196,000	392,000	588,000	784,000	980,000	1,960,000	2,729,735	3,214,065	3,536,983	3,709,219
Payment				0	0	0	0	0	0	85,911	118,754	149,961	178,188
Balance				\$5,096,000	\$5,292,000	\$5,488,000	\$5,684,000	\$5,880,000	\$6,860,000	\$7,543,824	\$7,995,310	\$8,287,022	\$8,431,031
Net Cash After Loan Repayment				\$0	\$0	\$0	\$0	\$0	\$0	\$76,267	\$80,427	\$83,875	\$86,283

MAXIMUM RENT AND INCOME LEVELS 2009*(Rents @ 30%, 50%, and 60% of AMI)*

Maximum Income Limits:			
Family Size	Max Income 30% AMI	Max Income 50% AMI	Max Income 60% AMI
1 person	\$15,300	\$25,500	\$30,600
2 person	\$17,500	\$29,100	\$34,920
3 person	\$19,650	\$32,750	\$39,300
4 person	\$21,850	\$36,400	\$43,680
Maximum Rent Limits: Project Area Tax Increment Funds			
Unit Size	Gross Rent 30% AMI	Gross Rent 50% AMI	Gross Rent 60% AMI
1 Bedroom	\$437.50	\$727.50	\$873.00
2 Bedroom	\$491.25	\$818.75	\$982.50
3 Bedroom	\$546.25	\$910.00	\$1,092.00
Maximum Rent Limits: 9% Low-Income Housing Tax Credit Program			
Unit Size	Gross Rent 30% AMI	Gross Rent 50% AMI	Gross Rent 60% AMI
1 Bedroom	\$409.00	\$682.00	\$819.00
2 Bedroom	\$491.00	\$818.00	\$982.00
3 Bedroom	\$567.00	\$946.00	\$1,135.00
Maximum Rent Limits: HOME Program			
Unit Size	Gross Rent 30% AMI	Gross Rent @ 50% AMI	Gross Rent @ 60% AMI
1 Bedroom	\$409.00	\$682.00	\$838.00
2 Bedroom	\$491.00	\$818.00	\$1,022.00
3 Bedroom	\$567.00	\$946.00	\$1,196.00

RESOLUTION NO. 2009 –

Adopted by the Redevelopment Agency of the City of Sacramento

on date of

NEW SEASONS APARTMENTS: APPROVAL OF \$1,100,000 FRANKLIN BOULEVARD JOINT PROJECT AREA LOAN (COUNTY AGGREGATED LOW/MOD FUNDS) APPROVAL OF \$3,100,000 LOAN COMMITMENT (REDEVELOPMENT PROJECT AREA FUNDS); EXECUTION OF LOAN COMMITMENT AND RELATED DOCUMENTS WITH AVALON COMMUNITIES, LLC AND DAVCO COMMUNITIES, LLC, OR RELATED ENTITY; AUTHORIZATION AND DELEGATION OF AUTHORITY TO REDEVELOPMENT AGENCY OF THE COUNTY OF SACRAMENTO TO EXECUTE OWNERS PARTICIPATION AGREEMENT AND RELATED DOCUMENTS WITH AVALON COMMUNITIES, LLC AND DAVCO COMMUNITIES, LLC, OR RELATED ENTITY

BACKGROUND

- A. The Redevelopment Agency of the County of Sacramento has adopted the Franklin Boulevard Redevelopment Plan (Redevelopment Plan) and an implementation Plan for the Franklin Boulevard Project Area.
- B. Avalon Communities, LLC and DAVCO Communities, LLC, have applied for an Agency Loan in the amount of Four Million Nine Hundred Thousand Dollars (\$4,900,000) which is comprised of One Million Eight Hundred Thousand Dollars (\$1,800,000) in County Home Investment Partnership Funds, Three Million One Hundred Thousand Dollars (\$3,100,000) in Franklin Boulevard Joint Low/Mod Tax Increment Funds, to assist in funding the acquisition and rehabilitation of the 120-unit New Seasons Apartments ("Project").
- C. The Agency desires to utilize County Aggregated Redevelopment Project Area funds for the development of the Project as a loan to Franklin Boulevard Joint Redevelopment Project Area.
- D. The Agency finds that the Project will eliminate blight and promote affordable housing in the Franklin Boulevard Joint Redevelopment Project Area and preserve the community's supply of low income housing available at an affordable housing cost to persons that are very low and low income households which is located outside of the City Limits but within the project area's jurisdiction.
- E. The Agency finds that the Tax Increment set-aside funds used to fund the Project are needed to make the housing units affordable. Therefore, the project is not required to provide Art in Public Places.

- F. The Sacramento Housing and Redevelopment Agency has determined that the project is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Sections 15310 and 15301(a) and (d) which exempts bond and loan financing and rehabilitation of existing facilities where the use remains unchanged.

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

- Section 1. The proposed action is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Sections 15310 and 15301(a) and (d) which exempts bond and loan financing and rehabilitation of existing facilities where the use remains unchanged.
- Section 2. It is found and determined that the use of Project Area funds to develop the Project will benefit very low and low income individuals.
- Section 3. It is found and determined that the Tax Increment housing set-aside funds that will be used for the project are needed to make the units affordable and therefore the Project is exempt from providing Art in Public Places.
- Section 4. The Executive Director is authorized to accept a loan of \$1,100,000 in County Aggregated Low/Moderate Tax Increment funds to the Franklin Boulevard Joint Redevelopment Project Area.
- Section 5. The Executive Director is authorized to amend the budget to appropriate \$3,100,000 from Franklin Boulevard Joint Redevelopment Area Low/Mod funds to the New Seasons project.
- Section 6. The Loan Commitment, attached to and incorporated in this resolution by this reference (Exhibit A), for financing the New Seasons Apartments project with TI Funds not to exceed \$3,100,000 (a total of loan commitment not more than \$4,900,000 including not more than \$1,800,000 in County HOME Funds) is approved and the Agency is authorized to execute and transmit the Loan Commitment to Avalon Communities, LLC and DAVCO Communities, LLC or related entity.
- Section 7. The Executive Director is authorized to enter into and execute other documents and perform other actions necessary to fulfill the intent of the the Loan Commitment that accompanies this resolution including but not limited to an Owners Participation Agreement between the Redevelopment Agency of the County and Avalon Communities, LLC and DAVCO Communities, LLC, or related entity, in accordance with their respective terms, and to ensure proper repayment of the Agency funds,

including without limitation, subordination, extensions, and restructuring of such a loan.

Section 8. The Executive Director is authorized to make technical amendments to said agreements and documents with approval of Agency Counsel, which amendments are in accordance with the Loan Commitment, with Agency policy, with this resolution, with good legal practices for making of such a loan and are consistent with the facts as set forth in the background.

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Exhibit A – The Loan Commitment

June 2, 2009

Approval of Loan Commitment for New Seasons Apartments

Exhibit A

June 2, 2009

Avalon Communities, LLC
DAVCO Communities, LLC
DBA New Seasons Apartments - Sacramento, L.P.
261 North Van Ness Avenue
Fresno, CA 93701
Attn: Leo Puig / Tom Davis

RE: Conditional Funding Commitment, New Seasons Apartments

Dear Mr. Puig and Mr. Davis:

On behalf of the Sacramento Housing and Redevelopment Agency and the Redevelopment Agency of the City of Sacramento (Together "Agency"), we are pleased to advise you of its commitment of acquisition, rehabilitation and permanent loan funds ("Loan") from Franklin Boulevard Low/Mod. Tax Increment funds and County Home Investment Partnership funds for the purpose of financing the acquisition, rehabilitation, and permanent financing of that certain real property known as New Seasons Apartments located at 3545 41st Street in Sacramento, California ("Property"). The Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of Agency, this commitment is void. Agency's obligation to make the Loan is subject to satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

This Loan Commitment shall supersede and replace the prior Loan Commitment dated May 13, 2008. The Loan shall be made on standard Agency loan documents. No loan terms not in this funding commitment and the attached loan document forms shall be included in the final loan documents without additional environmental review and governing board approval. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in this Loan Commitment Letter shall be deemed to be terms of this commitment.

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

This commitment is subject to approval by the Board of Supervisors of the County of Sacramento the Redevelopment Agency of the County of Sacramento, and the Redevelopment Agency of the City of Sacramento.

This commitment will expire December 31, 2009.

Approval of Loan Commitment for New Seasons Apartments

1. **PROJECT DESCRIPTION:** The project is the acquisition and rehabilitation of a 120-unit apartment complex. The new project will have up to 119 regulated apartment units. A total of 21 units will be affordable to families earning less than 50 percent of the Area Median Income (AMI) and an additional 8 units will be affordable to families earning less than 60 percent of AMI. As a condition to the Loan and in order to ensure that the Project will be built in accordance with the Budget, Scope of Work, Plans and Specification and Architectural Agreements as approved by the Agency, Borrower shall execute a regulatory agreement at the loan closing specifying the unit type/size as follows:

<u>Unit Type</u>	<u>Number of Units</u>	<u>Unit Size</u>
1 bedroom	36 units	531 Sq. Ft.
2 bedroom	48 units	700 Sq. Ft.
3 bedroom	36 units	839 Sq. Ft.

2. **BORROWER:** The name of the Borrower for the Loan is New Seasons Apartments – Sacramento, L.P. or a limited liability company or limited partnership to be formed by Avalon Communities, LLC and DAVCO Communities, LLC.
3. **PURPOSE OF LOAN:** The Loan is to be used by Borrower solely to pay the costs of acquisition, rehabilitation, relocation and permanent financing or for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of funding source for the Loan.
4. **PRINCIPAL AMOUNT:** The combined principal amount of the Loan will be the lesser of (a) Four Million Nine Hundred Thousand Dollars (\$4,900,000), or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency. However, the combined indebtedness of the Property must not exceed ninety percent of the appraised value.
5. **TERM OF LOAN:** The unpaid balance of the Loan will be all due and payable in month 384 or due on sale whichever shall first occur.
6. **INTEREST RATE:** The Loan will bear interest at Four Percent (4%) simple interest per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.
7. **AMORTIZATION:** The Loan shall be paid in monthly installments with a balloon payment due in month 384.

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8. MONTHLY PAYMENTS: Payments shall be applied first to outstanding interest accrued and unpaid and then to principal. Interest and principal payments shall be deferred from the date of loan closing through the first 168 months. Beginning in month 169, monthly installments shall be made according to the following schedule:

Months 169-180	\$6,046.00 per month
Months 181-192	\$6,603.00 per month
Months 193-204	\$7,159.00 per month
Months 205-216	\$7,713.00 per month
Months 217-228	\$8,264.00 per month
Months 229-240	\$8,812.00 per month
Months 241-252	\$9,357.00 per month
Months 253-264	\$9,896.00 per month
Months 265-276	\$10,430.00 per month
Months 277-288	\$10,958.00 per month
Months 289-300	\$11,479.00 per month
Months 301-312	\$11,992.00 per month
Months 313-324	\$12,497.00 per month
Months 325-336	\$12,991.00 per month
Months 337-348	\$13,475.00 per month
Months 349-360	\$13,946.00 per month
Months 361-372	\$14,405.00 per month
Months 373-383	\$14,849.00 per month
Month 384	All unpaid principal and interest due.

9. SOURCE OF LOAN FUNDS: Agency is making the Loan from the following sources of funds, and the Loan is subject to all requirements related to the use of such, whether Agency requirements or otherwise: \$3,100,000 Franklin Boulevard Low/Mod Tax Increment funds and \$1,800,000 in County Home Investment Partnership funds. This Loan is conditioned upon Borrower's acceptance of Agency's requirements and conditions related to such lending programs and funding sources, including among others, the required forms of agreements for the Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements.

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

_____ (Borrower Initial)

Borrower acknowledges that every contract for new construction or rehabilitation construction of housing that includes 12 or more units assisted with HOME funds will

Approval of Loan Commitment for New Seasons Apartments

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

_____ (Borrower Initial)

10. ACCELERATION: Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.
11. SECURITY: The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a second lien upon the Property and Improvements subject only to senior debt and such other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of the Property.
12. LEASE AND RENTAL SCHEDULE: The form of all leases of the Property and Improvements shall be subject to Agency's approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval.
13. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$9,500,000 in Low Income Housing Tax Credit Equity and no less than \$845,000 in net operating income and deferred developer fee. Agency may consider alternative Low Income Housing Tax Credit financing as proposed by the California Tax Credit Allocation Committee in conformance with the American Recovery and Reinvestment Act of 2009, provided the terms and conditions of said alternative financing are acceptable to Agency.
14. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:

Construction Financing from a private lender in an amount sufficient to complete rehabilitation of the Property according to a scope of work as approved by Agency and made for a term not less than that specified in the Schedule of Performances for completion of

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construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.

Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien and for a term of not less than 18 years with a 30 year amortization.

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

Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency for the project or be subject to conditions which require amendment of the loan or regulatory agreements.

15. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its absolute discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
16. SOILS AND TOXIC REPORTS: Borrower must submit to Agency a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-93) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property have been remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.
17. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders are sufficient, in the sole and reasonable judgment of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
18. PLANS AND SPECIFICATIONS: Final plans and specifications for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project.

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19. ARCHITECTURAL AGREEMENT: The architectural agreement ("Agreement") for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
20. CONSTRUCTION CONTRACT: The construction contract ("Contract"), and any change orders issued thereunder, and the contractor ("Contractor") to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan.
21. RETENTION AMOUNT: The Agency shall retain ten percent (10%) as retention from each disbursement, not to exceed a total of ten percent (10%) of the total amount of the Loan.
22. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

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

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

23. COST SAVINGS: At completion of construction, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification, shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the projected final sources of funding. If there is an aggregate savings, net of any increases or decreases in sources of funding, from the original budget approved by the Agency, that results in a reduction in the amount of deferred fees payable to the developer, the Agency shall withhold for itself as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the Loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification, the projected final sources of funding, and the original approved budget for the project.

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24. ENVIRONMENTAL REVIEW: HOME funds shall not be disbursed prior to the completion of environmental review pursuant to the National Environmental Policy Act.
25. APPROVAL OF DISBURSEMENTS: Borrower shall submit all disbursement requests to the Agency simultaneous to lender, tax credit investor, and/or any other funding source for the project for approval. Agency shall have five business days from the date of a complete disbursement request to approve or deny, in whole or part, such disbursement request. Borrower shall ensure that appropriate language to this effect is included in lender and partnership documents.
- Agency shall only approve disbursements of the Loan based on a cost breakdown that restricts disbursements to line items in cost categories in Agency approved budget. Agency shall require that Borrower provide documentation supporting all requests for disbursement of Loan funds. Agency shall conduct inspections of the Property prior to disbursing, or approving disbursement requests, of Loan funds.
- If the Agency does not approve a draw request, in whole or part, or the Borrower fails to submit a draw request to the Agency for approval, the Agency loan shall be reduced by the same amount of the disallowed draw item(s).
26. CONSTRUCTION CONTINGENCY: Within the Development Budget there will be at least a 10% construction contingency. This contingency can only be spent by change order request with Agency approval. Any unspent funds will be split between the Developer (50%) and Agency (50%).
26. START OF CONSTRUCTION: Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than March 1, 2010.
27. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than December 31, 2011.
28. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance or in lieu such insurance, Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).
29. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in

Approval of Loan Commitment for New Seasons Apartments

a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: Bodily injury liability of \$1,000,000 each occurrence and \$5,000,000 Aggregate, Products and Completed Operations; Property-damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$5,000,000 aggregate; Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$5,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.

30. TITLE INSURANCE: Borrower must procure and deliver to Agency a 1970 or 1987 ALTA LP-10 Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deeds of Trust constitutes a second lien or charge upon the Property and Improvements subject only to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.
31. ORGANIZATIONAL AGREEMENTS: Borrower must submit to Agency certified copies of all of Borrower's organizational documents, including all amendments, modifications or terminations; if a corporation, Borrower's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Borrower must submit a corporate borrowing resolution referencing this Loan. If Borrower is other than a corporation, Borrower must submit such proof of authority to enter this Loan as may be required under the organizational documents.
32. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
33. FINANCIAL INFORMATION: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency a monthly rent-roll including household composition information,

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and operating statements with respect to the Property and Improvements, as Agency may request.

34. MANAGEMENT AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval.
35. TENANT SERVICES PLAN: Prior to the closing of the Loan the Borrower will submit to the Agency for approval a Tenant Services Plan. The Tenant Services Plan must provide a description of the services or activities to be provided as well as their goals and objectives. Additional information such as the name of the service provider, the number of staff persons facilitating the services, and how regularly the services will be offered must be included.
36. LOW INCOME HOUSING TAX CREDITS ("LIHTC"): Borrower represents that as a condition of closing this Loan it is applying for an allocation of 9% LIHTCs and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.
37. DOCUMENTATION: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.
38. CONSISTENCY OF DOCUMENTS: As a material obligation under this commitment letter, Borrower shall assure that the loan documents for the Project are consistent with lender's commitment approved by the Agency and comply, in all respects, with this commitment letter.
39. CHANGES OR AMENDMENTS: No documents or contracts which are to be delivered to Agency or are subject to Agency's review or approval shall be modified or terminated without the prior written approval of Agency.
40. SECURITY, CAMERAS AND OUTSIDE LIGHTING: Project shall include installation of a security camera system at vehicular driveways, an evening security patrol and additional exterior lighting, all as approved by the Agency.
41. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
REDEVELOPMENT AGENCY OF THE COUNTY OF SACRAMENTO

June 2, 2009

Approval of Loan Commitment for New Seasons Apartments

La Shelle Dozier
Executive Director

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

Dated:

BORROWER'S REPRESENTATIVE
New Seasons Fund, LLC, a California
Limited liability Company, general partner

Avalon Communities, LLC
A California limited liability company
Member

DAVCO Communities, LLC
a California limited liability company
Member

By: _____
Leo Puig, President

By: _____
Thomas L. Davis, President